COVER SHEET

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S.E.C. Registration Number

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

(Company's Full Name)

3 3 0 4 B W E S T T O W E R E X CHANGE R O A D

O R T I G A S C E N T E R P A S I G C I T Y

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

ROSANNA A. PARICA

Contact Person

706-2805

Company Telephone Number

1 2 3 1

Month Day

Fiscal Year

SEC FORM 17-A

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the calendar year ended **December 31, 2014**

2. SEC Identification Number **40621**

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

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

5. **Philippines**

Province, Country or other jurisdiction of incorporation or organization

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

7. **Unit 3304B West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City** **1605**
Address of principal office : Postal Code

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

9. **Not Applicable**
Former name, former address, and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 & 8 of the RSA :

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common	**6,227,887,491**

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

Yes [ ] No [ ] Philippine Stock Exchange 1,683,111,555 shares (Php1.00 per share par value)

12. Check whether the issuer:

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

Yes [X] No [ ]

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

Yes [ ] No [X]

13. Not Applicable

14. Not Applicable

PART 1 BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

Business Development

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's operation is situated in the Municipalities of Maco and Mabini. The area is well known for epithermal gold deposits, porphyry copper deposits and has a long history of production from various mines.

On March 7, 1974, the Company listed its shares in the Philippine Stock Exchange (PSE) and attained status of being a public company on the same date. The Company is considered a public company under Rule 3.1 of the Implementing Rules and Regulations of the Securities Regulation Code, which, among others, defines a public corporation as any corporation with assets of at least P50 million and having 200 or more shareholders, each of which holds at least 100 shares of its equity securities. As of December 31, 2013, the Company has 2,801 shareholders (2012 - 2,535) each holding at least 100 shares.

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

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

In the meeting of Board of Directors of the Company held on September 11, 2014, the Board approved the purchase for cash by the Company of all the outstanding capital stock of Monte Oro Resources & Energy, Inc. ("MORE") from Prime Metroline Holdings, Inc., Lakeland Village Holdings, Inc., Devoncourt Estates Inc., A. Brown Company, Inc., Wealth Securities, Inc., and the other shareholders of MORE consisting of 5,122,161,096 shares at par value of Php1.00 per share. The acquisition is to expand the business of the Company, allowing it to have another mineral processing plant and expanding its operations in Jose Panganiban, in Camarines Norte, as well as in the other business interests of MORE. It will also provide the Company a healthier balance sheet with an increase in its assets base and equity.

The purchase is to be funded from the cash to be raised in the issuance of new shares from the increase in capital stock of the Company at par value of Php1.00 per share. Those who will sell their shares in MORE to the Company will be allowed to participate in the subscription to new shares from the increase in capital stock of the Company at par value of Php1.00 per share. In October 2014, the deeds of sale of MORE shares between the Company and the stockholders of MORE were executed. The full amount of the purchase price for the shares has been paid by February 2015.

MORE owns 100% of Paracale Gold Ltd. which owns Coral Resources Philippines Inc. which in turn owns a mineral processing plant in Jose Panganiban, in Camarines Norte, and 40% of Bulawan Mineral Resources Corporation (and an option to acquire the other 60% shareholdings). Bulawan has mineral areas covering a total of 6,208 hectares, three of which are Application for Production Sharing Agreements (APSA) and four Exploration Permits Applications (EXPA), and eighteen mineral application areas covering a total of 97.850 hectares under Royalty Agreements and with option to purchase.

MORE owns a 30% percentage interest in Service Contract No. 72 (a service contract for gas in the offshore area off Palawan). MORE also owns 52% shareholdings in International Cleanvironment Systems Inc. (formerly Jancom Environmental Corporation) which has a BOT Contract with the Republic of the Philippines for solid waste management for Metro Manila.

Other assets of MORE include: (a) 100% shareholdings in Minas de Oro Mongol LLC (a Mongolian company) which owns 51% shareholdings in Erdenejas LLC, a joint venture company which holds a mining license in Khar At Uul in Mongolia. (b) 90% shareholdings in Monte Oro Mining Company Ltd. which is engage in mining exploration in Sierra Leone, and in MORE Minerals SL which engages in artisinal mining and gold trading in Sierra Leone. (c) 4% participation in National Prosperity Gold Production Group Ltd. (NPGPGL) which hold the mining claims and license from the government of Myanmar to develop and operate the gold mine located at Moe di-Moe mi Region, Yemethin Township, Mandalay Division, Myanmar, known as the Maudi Taung Gold Mine. However a 16/800 participation in this Myanmar investment has been ceded to another party.

As of March 31, 2015, 633,458,632 shares equivalent to 10.17% equity in the Company remain to be owned by MORE.

Business of Issuer

Products/Sales

The Company's mine produces bullion containing gold and silver. All of the mine's production in 2014 were smelted and refined at the Metalor refinery in Switzerland.

In January 2015, the Company entered into a Refining and Transportation Agreement with Heraeus Limited, a refiner based in Hongkong.

Competition

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

Development Activities

Expenditures for the development activities by the Company in the last three fiscal years and its percentage to revenue are shown in the following table:

Year	Development Cost	Revenue	Percentage
2014	1,187,484,482	1,705,208,122	70%
2013	847,176,761	1,735,840,754	49%
2012	489,091,293	1,817,321,564	27%

Sources of Materials and Supplies

The Company's ore production comes primarily from the Company's mineral properties in Maco, Compostela Valley.

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

Energy is primarily sourced from the National Grid Corporation of the Philippines and the Power Sector Assets and Liabilities Management Corporation under a long-term contract for the supply of electricity. Balance of the requirement is sourced from other energy providers in the area.

Employees

Total manpower headcount as of December 31, 2014 is 1,759.

Apex Mining Manpower Headcount as of December 2014				
Group: Division/Department	**Rank & File**	**Supervisor**	**Manager**	**Total**
Executive	**0**	**0**	**4**	**4**
Mine	**913**	**118**	**17**	**1048**
Mill	**203**	**32**	**4**	**239**
Geo & Explo	**130**	**23**	**6**	**159**
Suppport	**147**	**59**	**12**	**218**
Corporate Services	**42**	**30**	**7**	**79**
Head Office	**3**	**5**	**4**	**12**
Total	**1,438**	**267**	**54**	**1,759**

Mining Properties / Royalty Agreements

On December 22, 2005, the Mines and Geosciences Bureau (MGB) approved the Company's Mineral Production Sharing Agreement (MPSA) covering 679.0 hectares situated in Maco, Compostela Valley. On June 25, 2007, MGB approved the Company's second MPSA covering an additional 1,558.5 hectares near the same area where the existing operations are located.

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

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

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

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.

Mineral Production Sharing Agreements (MPSA)

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

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

Government Regulations and Approvals

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

Exploration and Development

Exploration and development are undertaken in-house with the supervision of Dr. Graciano P. Yumul, Jr., EVP for Geology, Exploration and Operations.

OPERATIONS

GEOLOGY AND EXPLORATION

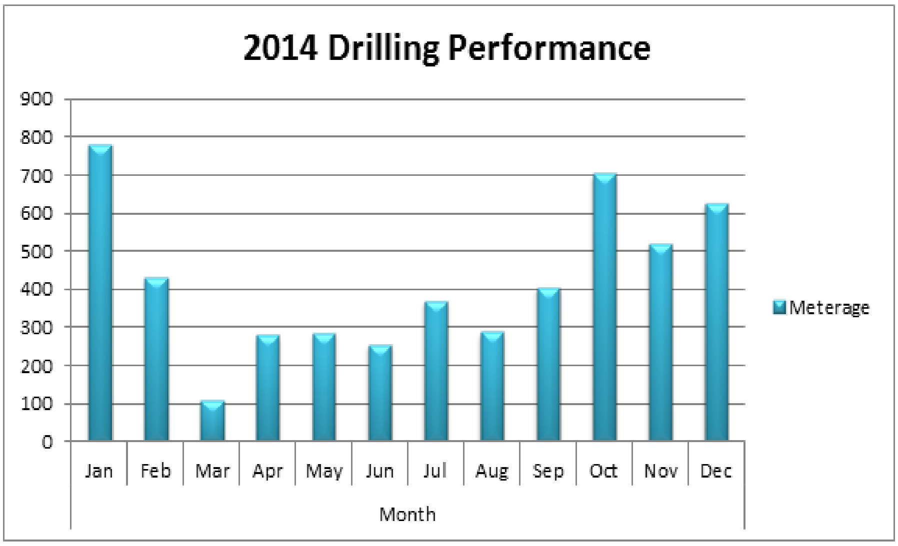
Exploration within the MPSA 225 was focused on near-mine extensions of the gold-bearing quartz and breccia veins. Two (2) DE-140 rigs, (1) HFU-3A rig and one (1) Kempe rig were dedicated for the underground diamond drilling to evaluate the continuity of the veins in terms of lateral and down dip extensions. A total of 27 holes were completed in year 2014. These holes have indicated additional resources which will guide further in-fill drilling to qualify for inclusion to the resource model.

Total meterage of diamond drilling achieved for the year was 5,043 meters from 27 holes in MPSA 225.

2014 Exploration Diamond Drilling Accomplishment

Month	2014 Diamond Drilling Accomplishment											
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
DE-140 # 1	250	109	14	197	138	162	364	219	328	266	176	390
DE-140 # 2	366	204		26	129	44			18	210	224	217
Kempe	164	118	95	56	18	47	4	68	58	98	112	19
HFU-3A										128	8	
Meterage	**780**	**431**	**109**	**279**	**285**	**254**	**368**	**287**	**404**	**702**	**520**	**626**

Production and development update for 2014



MINE

The total mine production for the year was 368,270 tonnes of gold ores with an average grade of 4.78 grams per tonne. These ores were sourced from several active vein systems, such as Bonanza, Bonanza Hanging Wall Split, Sandy North, and Sandy North Split located at Mine East (Maligaya Area) and Sandy & Maria Inez located at Mine Others (Malumon).

Mine development on waste access drives, achieved a total advance of 7,531 meters. Meanwhile, mine development on ore (on vein drives) attained a total of 5,814 meters.

During the 1st quarter, additional manpower was added to mine's workforce to replace converted personnel to become operators of mining equipment. A problem related to tailings dam discharge pipe happened in last January 2014, when the mill suspended its operation while the sealing of discharge pipe was still on-going. The mill resumed its operation mid of February. The concept of Ayuda project was formulated around March 2014, where contractors were given an area to be driven manually. Their accomplishment served as initial exploration to gather data on the near surface extension of existing veins.

In 2nd quarter, the mine's operation was interrupted by series of events like the April 2014 burning of underground equipment by armed men, which was followed in May 2014 wherein a new bus of the Company was burned on its trip to the mine site. Also several rallies were conducted during the quarter. Around June 18, 2014, through the combined efforts of the Geology, Comrel and Security groups, several identified illegal rod mills at Barangay Teresa and Pag-asa were dismantled.

In the 3rd quarter, the Ayuda project was resumed around September 2014 with the completion of the road cut of Wagas L700 which started August 2014. The preparation for Tagbaros Exploration Tunnel like information campaign and the selection of portal location and acquisition of surface rights started around late September 2014. Several meetings with tribal leaders and elders along with barangay official of Tagbaros were conducted to explain the impact of the proposed project as and the series of activities to be conducted within their community.

In the 4th quarter, the ground preparation at Tagbaros Exploration Tunnel started December which is limited to slope stabilization of the proposed portal location at relocation of community water line away from the proposed portal location. Also in the 4th quarter the mine increased its output from 1200 tpd to 1400 tpd.

MILL

For the first semester of 2014, mill throughput averaged 577 tonnes per day or 17,568 tonnes per month. With an average grade of 4.39 g/t and recovery of 78.19%, monthly gold production was averaged 2,048 ounces.

The low monthly production was due mainly to the 27-day mill shutdown from January 16 to February 13, 2014 due to a leak at the drain pipe of the tailings dam. Several problems which also significantly contributed to the low plant availability were: (1) the replacement of bearing and shafting of the Ball Mill, (2) power shortage and (3) problems in the motor and gears of the rod mill due to gear alignment issues.

In the second semester, average monthly ores milled went up to 704 tonnes per day or 21,587 tons per month. With higher ore grade coming from the mine at 5.30 g/t gold, monthly gold production went up to 3,169 oz Au per month which is 38.1% higher than the previous year's monthly gold production. This brings total gold produced in 2014 to 31,301 ounces which is 13.7% higher than in 2013.

Below is a summary of production for 2014 and 2013:

Production Summary: Monthly Averages

Date	Unit/Metal	2013	2014 1st Sem	2014 2nd Sem	2014
Tonnage	**Monthly, t**	23,371	17,568	21,587	19,577
	Daily, t	768	577	704	640
Feed grade	**Au**	3.66	4.39	5.30	4.89
	Ag	22.70	26.78	31.42	29.34
% Recovery	**Au**	80.57%	78.19%	79.94%	79.15%
	Ag	73.98%	77.34%	72.82%	74.85%
Metal Recovered	**Au**	2,295	2,048	3,169	2,608
	Ag	12,813	12,068	16,945	14,507

Although production picked up in the second semester, there were still some major challenges encountered. In July and August 2014, gear alignment issues plagued the ball mill which resulted to a crack in the high speed shaft necessitating its replacement. Due to these issues, the load of the ball mill was reduced and a maximum daily tonnage limit of 700 tons per day was imposed until October 2014.

Gear alignment issues also persisted with the rod mill until it was finally corrected in October 2014. Power failures due to limited power supply from the NGCP also continued in the second semester.

Mill Upgrades

In late 2013, instead of upgrading the Mill capacity to 3000 tons per day, the new management of the Company decided to pursue mill capacity upgrade from 850 TPD to 1500 TPD only, at which capacity the mine is able to support. The 1500 TPD plant capacity upgrade involved the following major activities:

1. Installation of additional 3-ft cone crusher,
2. Installation of additional 1000-kW Ball Mill and new cyclones,
3. Expansion of the fine ore bin,
4. Rehabilitation and conversion of old conventional thickener to high rate thickener,
5. Commissioning of four (4) leaching tanks,
6. Electrical capacity upgrade to 9.5 MW, and
7. Installation of new tailings pumping system and pipe line.

The commissioning of the new ball mill commenced on December 14, 2014. However, troubleshooting and debugging was still on-going by the end of the year.

Mineral Resource and Ore Reserves update for 2014

As of December 31, 2014 the mineral resource estimates amounted to 5.7 million tonnes at a grade of 6.10 grams of gold per tonnes while the ore reserves amounted to 1.1 million tonnes at a grade of 6.3 grams of gold per tonnes.

The modifying factors that were applied are the dilution factor assigned per type of mining method (Long Hole, Cut & Fill, Shrinkage, Sub-level Caving), provision for pillar, and a block cut-off grade of 3.0 gpt. The mineral resource was estimated using a block cut-off grade of 1.5 gpt.

Below is the summary of the Mineral Resources and Ore Reserves as of the end of 2014. The ore reserves are derived from and not additional to the declared mineral resources.

Summary of Mineral Resources and Ore Reserves Statement as of December 31, 2014

	Mineral Resources @ cut off grade of 1.5 gpt		
	Grade	Tonnage	Contained gold
Category	gpt	Ktonnes	Moz
Inferred	4.7	3,270	0.494
Indicated	8.1	2,240	0.583
Measured	6.7	190	0.041
Total/Ave	**6.10**	**5,700**	**1.118**

	Ore Reserves @ cut off grade of 3 gpt			
	Width	Grade	Tonnage	Contained gold
Category	m	gpt	Ktonnes	Moz
Probable	1.96	5.98	496	0.095
Proven	2.04	6.55	614	0.129
Total/Ave	**2.01**	**6.3**	**1,110**	**0.225**

Community Development Projects Update

The Social Development Management Plan (SDMP), in accordance with the guidelines put up by the Government (RA 7942, DAO-96-40, and DAO-2010-13), was implemented at a total cost of P31.8 million in 2014.

On the other hand, a total of P2.1 million for Information, Education, and Communication, and P 3.0 million for Development of Mining Technology and Geosciences were utilized.

Below is the summary of expenditures for the implementation of the seven (9) major activities and or projects that were accomplished during the year.

Annual Social Development Management Projects and Costs 2014

Programs/ Projects/ Activities	ANNUAL APPROPRIATION	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER	TOTAL
MEDICAL AND HEALTH	2,372,000.00	315,476.40	416,265.36	757,647.35	742,057.51	**2,231,446.62**
RESPONSIVE EDUCATION	5,345,300.00	724,471.17	655,258.00	1,185,050.00	1,356,175.00	**3,920,954.17**
LIVELIHOOD	2,754,396.00	291,600.00	731,956.95	932,599.14	650,915.02	**2,607,071.11**
SPECIAL	6,950,000.00	2,902,860.87	493,218.23	751,681.26	232,930.53	**4,380,690.89**
INFRASTRUCTURE	9,673,899.80	3,238,659.58	3,281,747.13	2,372,634.36	2,715,812.66	**11,608,853.73**
SOCIAL SERVICES	600,000.00	90,477.04	51,670.00	193,942.50	229,000.00	**565,089.54**
COMMUNITY DEVELOPMENT	1,520,000.00	339,000.00	370,000.00	354,200.00	549,916.00	**1,613,116.00**
FAITH AND DEVELOPMENT	3,865,000.00	99,567.20	309,931.80	1,185,961.18	3,276,507.00	**4,871,967.18**
YOUTH AND DEVELOPMENT	517,500.00	5,000.00	63,050.00	10,000.00	0.00	**78,050.00**
Total	**33,598,095.80**	**8,007,112.26**	**6,373,097.47**	**7,743,715.79**	**9,753,313.72**	**31,877,239.24**

Power Supply and Utilization Update for 2014

A total of 42.3 million kW-hr was consumed with an equivalent cost of P184.9 million for the year.

Below is the table showing the summary of Power utilization for the year 2014:

2014	PROJECTED 2014			Actual 2014		
	kW-Hr	Php (4.50/kW-Hr)	%	kW-Hr	4.37 Php /kW-Hr)	%
	x 1,000	x 1,000		x 1,000	x 1,000	
MINE						
PUMPING	11,604.76	52,221.41	15.74%	7,108.44	31,078.25	16.80%
VENTILATION	24,224.76	109,011.41	32.86%	12,326.79	53,893.01	29.14%
COMPRESSORS	7,922.19	35,649.85	10.75%	4,798.08	20,977.30	11.34%
DRILLS RIGS & SERVICES	10,661.64	47,977.36	14.46%	3,591.38	15,701.60	8.49%
MAINTENANANCE (MOTORPOOL)	349.62	1,573.30	0.47%	217.04	948.92	0.51%
OFFICE BLDG. & STAFF HOUSE	583.52	2,625.86	0.79%	811.89	3,549.60	1.92%
MILL PLANT AREA	18,378.00	82,701.00	24.93%	13,449.68	58,802.31	31.79%
Annual kW-Hr	**73,724.49**	**331,760.19**	**100.00%**	**42,303.29**	**184,951.00**	**100.00%**

Safety Development

The Safety Department of the Company takes a proactive approach in ensuring that the wellbeing of all stakeholders is being prioritized. This means to have a work place where no one gets hurt or injured and everyone goes home safe during the operation of its business.

The Safety Department plays a major role in the safety management system within the Company by placing programs that will aid to eliminate or minimize hazards and risks in our area and to encourage all of workers to be responsible for both their own safety and the safety of others.

Safety Incident Statistics	YTD	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
NLTA (FAC)	12	5	1	3	3
LTA (Non-Fatal)	14	5	2	4	3
Property Damage	71	19	19	13	20

The following were the milestone achieved in 2014:

Implemented and Issued Safety Polices and Memorandum

- Accident/incident reporting, investigation and implementation of action plans
- Underground personnel control card
- Personal Protective Equipment policy for 2015
- No entry/No work allowed for employees under the influence of alcohol.
- Withdrawal of explosives and explosives accessories from surface and underground magazines.
- No-PPE-No-Entry policy was implemented starting September 2014.
- Motorbike policy released / implemented starting September 2014.
- Cigarette smoking policy released / implemented starting September 2014 at mill.
- Prohibiting cooking at working area
- Prohibiting smoking in underground
- New vehicles and equipment inspection

- Revoking of contractors' employees' authorization to drive ID's.
- Drilling and blasting cycle using jumbo drill
- Monitoring and activation of emergency response during continuous heavy rain

Meetings and Orientation

- Conducted monthly CSHC meeting attended by AMCI managers, contractors and workers representatives.
- Conducted lecture and field safety induction of newly hired employees contractors and visitors before allowing them to work and visit working areas.
- Re-cascaded the Safety and Health Standards during the monthly departmental safety /pep-talk to remind employees as well as contractors.

Investigations

- Conducted investigation to all accidents/incidents incurred for the period and provide recommendations.

Inspection and Audits

- Conducted routine inspection at underground and surface working area
- Conducted inspection and audit of fire extinguishers, first aid cabinets, fire hydrants, company and contractors' vehicles, emergency alarms.
- Inspection in slopes, roads and bridges as well as explosives magazines

Seminars and Trainings

- Conducted Basic Fire Safety Training
- Sent twelve (12) safety personnel to attend BOSH training conducted by DOLE.
- Conducted incident/accident reporting training for supervisors.
- Conducted Basic First Aid Training.
- Presented best safety practices in underground operation to USEP Mining and Geology at USEP Davao Campus.
- Conducted training of new units closed-circuit breathing apparatus attended by ERT member and first aiders. The training was facilitated by MSA Philippines
- Conducted training on explosive handling. The training was facilitated by ORICA and attended by AMCI blasters, safety officers and warehouseman
- Conducted driving refresher course training
- Attended Loss Control Management training conducted by DOLE-XI.
- Conducted rope rescue training for ERT.

Risk Assessment

- Conducted daily safety inspection at working areas underground and surface.

Emergency Drills

- Conducted Fire Drill for surface and underground.
- Conducted Evacuation Drill for surface and underground.

Others

- Acquired nine (9) units' closed-circuit breathing apparatus MSA brand.
- Submitted to MGB-XI office monthly and quarterly safety accomplishment report.
- Coordinated to MGB-XI all major electrical and mechanical installation and secured permit to construct and permit to operate.
- Submitted to MGB-XI ERP and ASH programs 2015.

HEALTH PROGRAMS

- Monitored an employees who are identified with hepatitis and provide medicine and vitamins
- Conducted Evaluation and Interpretation of 2014 Annual Physical Examination results.
- Launching of AMCI Smoking Cessation Program in coordination with PHO for Red Orchid Award.
- Regular follow up at Davao Regional Hospital and MHO Maco for updates regarding Tuberculosis and supply of Anti TB drugs.
- Conducted Final Validation for Red Orchid Award by the Provincial Health Office last November 26, 2014.
- Conducted Anti Rabies Dog Vaccination Program in coordination with Comrel department and Provincial Veterinary office.
- Regular follow up at Davao Regional Hospital and MHO Maco for updates regarding Tuberculosis and supply of Anti TB drugs.
- 2014 Provincial Red Orchid Awardee 90-100% Tobacco-Free Establishment
- Close follow-up on the status of employees diagnosed with Diabetes, Hypercholesterolemia, Hypertension, Heart Diseases and PTB.
- Regular workplace inspection for identifications of safety and health hazards.
- Routine Medical, Dental Consultations and treatments of employees, contractors, dependents and community residents.
- Routine consultation and evaluation of surgical mass or cyst and perform minor surgical procedures.
- Conducted influenza “flu” vaccination to all employees.
- In cooperation of Comrel Department, we participated on the nutrition culmination program of the seven impact barangays thru identification of malnourished children giving lectures and presentations to mother regarding proper nutrition and giving of multivitamins.
- Attended Tobacco Control and Prevention Seminar at Provincial Cooperative Union of Davao (PCU-Davao) Tagum City sponsored by Provincial Health Office.
- Attended a seminar regarding Smoking Cessation Program sponsored by Department of Health.
- Continued monitoring of malnourished children, giving lectures presentation regarding proper nutrition and providing of multivitamins to identified malnourished children.
- Conducted annual physical examination to all employees.
- Launching of Anti Rabies Dog Vaccination Program in cooperation with PHO veterinary department.
- Conducted IEC of the following to all employees:
    - Blood Borne Disease
    - Heat Stress Prevention
    - Upcoming Flu Vaccination
    - Blood Letting
    - Toxicology, Emergency management of poisoning
    - Pulmonary diseases and how to prevent occupational and community acquired diseases
    - Management of rabies infection
    - Lung Cancer Awareness and heart diseases
- Conducted “Operation Tuli” and Alis Bukol” to all employees dependent and community residents of seven impact barangays.
- Conducted Bloodletting to Employees.
- Conducted Blood Lead Level Testing to Mill employees exposed to lead

<u>Compliance with Environmental Laws</u>

The Company is committed to its environmental and policy statement of protecting and enhancing the environment and has spent total environmental expenses in 2014 of about P59 million.

Related Party Transactions

Please refer to Note 15 of the Consolidated Audited Financial Statements as of December 31, 2014 and Part III, Item 12 also discusses related party transactions.

Major Business Risks

Risk Factors and Uncertainties

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

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

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

4. Exchange rate changes may increase the Company's costs: The profitability of the Company may decrease when affected by fluctuations in the foreign currency exchange rates between

the US dollars and the Philippine peso because the Company's sales proceeds and advances from affiliates are denominated in US dollars.. The Company is not currently take hedged against currency fluctuations.

5. The Company's stock price could be volatile: The market price of its common shares, like that of the common shares of many other natural resource companies, has been and is likely to remain volatile. Results of exploration activities, the price of gold and silver, future operating results, changes in estimates of the Company's performance by securities analysts, market conditions for natural resource shares in general, and other factors beyond the control of the Company, could cause a significant decline on the market price of common shares.

Item 2. PROPERTIES

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

The principal office of the Company in Pasig City is being leased annually with a monthly rental fee of P110,350.

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

Item 3. LEGAL PROCEEDINGS

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

The table below summarizes the material legal proceedings currently involving the Company:

Case Title	Case/Docket No.	Regulatory Body/Entity	Nature of Litigation /Claim
1) Apex Mining Co., Inc., et al vs. North Davao Mining	**MAC No. POA 98-003-XI** (This case # is before the MGB Regional Panel of Arbitrators)	Mines and Geosciences Bureau	Handling Lawyer: Atty. Hilarion B. Paredes, PJS Law 12F Manila Bank Bldng. 6772 Ayala Ave. Makati City CA rendered its decision in favor of the Company. The other party filed a motion for reconsideration. Case is still pending before CA.
2) Asia Alliance vs PMDC Handling lawyer: LIBRA Law, Atty. Emmanuel Buenaventura		RTC Pasig	Motion for Intervention filed by the Company in the case of Asia Alliance vs PMDC (failure of bidding on the NDMC claim) in RTC Pasig. Motion for Intervention denied which the Company filed a Motion for Reconsideration still denied because as per RTC a vested right over a mining claim is acquired only upon its approval and not upon filing of an application. Accordingly, the Company will not be prejudiced because the terms of reference used by PMDC in bidding the NDMC mining claim stated that the parties will abide by the outcome of the pending MAB

			Cases. Denial on MR received November 15, 2013. As per LIBRA Law the company has the following remedies: 1. Appeal to the CA, to be filed 15days after Nov. 15, 2013 2. Petition for Mandamus to compel RTC to allow intervention to be filed 60days from receipt of Order. 3. Separate Civil Action for injuction and damages against PMDC to be filed beyond 60days.
2) In the Matter of the Petition for direct Connection with the National Power Corp (NPC) with prayer for issuance of provisional authority to directly connect to the transmitting Grid Apex Mining Co., Inc. *Petitioner* National Power Corporation (NPC), National Transmission Corporation (TRANSCO) and Davao del Norte Electric Cooperative (DANECO), *Respondents*	**ERC CASE NO. 2007-239 MC**	Energy Regulatory Commission	Judgment rendered in favor of the Company, which ERC granted permanent connection. Handling Lawyer: Atty. Ramon Edison Batacan, Batacan This agreement is a compromise on the collection case their firm filed against the Company docketed as Civil Case No. 1048, BMV vs the Company and Peri Resabal. The Company and handling law firm executed the compromise agreement and paid the Law Firm 5Million pesos as compromise discounted amount to be paid in 5 monthly installments from May to September 2014, the Complied complied its obligation. The Company has requested the handling law firm to provide the Company an update as to the dismissal of the collection case.
3) Maco Ancestral Domain Council Inc. (MADCI), as represented by Rolando M. Casigloman Et. Al., **Complainants** -versus-	**RXI-0037-12**	National Commission on Indigenous Peoples (NCIP) – Region Hearing Office XI	FOR: Specific Performance, Damages, Attorney's Fees, With Prayer for Issuance of Temporary Restraining Order/ Writ of Preliminary Prohibitory and Mandatory Injunction and Permanent Injunction Submitted to Mediation and Conciliation Proceedings before NCIP Region XI. MADCI was the former IP Organization recognized by the Company and NCIP to represent the Indigenous Cultural Communities of Maco. The group was under the leadership of Datu

Apex Mining Co. Inc., Benoit de Galbert, Chief Executive, Jesus C. Anin, Resident Manager. **Respondents**			Roberto Onlos. Datu Onlos was shot in 2011 after allegedly he hired a killer to shoot Datu Laos, a tribal chieftain who was then the Vice President of MADCI. When MADCI was reorganized in 2012, MIPADMA was the newly organized group without retiring the incorporation documentation of MADCI. In later month of 2012, MADCI claimed again the Royalty Payments from the Cmonay which which this case for Specific Performance was filed. NCIP called this case for mediation and did not dismiss the same after the Company filed a motion to dismiss. Hence the same is still pending. *The case denominated as NCIP Case No. R-XI-0037-12 entitled Maco Ancestral Domain Inc. (MADCI) vs. Apex Mining Co., Inc. is still pending before the Regional Hearing Office of the National Commission on Indigenous Peoples – Region XI, Davao City. Aside from MADCI, the following Indigenous Peoples Organization (IPO) of Maco joined the case as intervenor-complainants:* *a. Mantakadong Mansaka Indigeouns Peoples Ancestral Domain of Maco Inc. (MMIPADMA)* *b. Sumpaw ng Inangsabong Mansaka Inc. (SIMI)* *After trial on the merits, the Regional Hearing Office is expected to resolve the representation issue among the three foregoing IPO's and decide who is authorized to receive the royalty payments from AMCI. For more than four months now, no hearing was conducted nor scheduled to be held soon.*
4) Bagaipo, et. al **Plaintiff** **-**versus- Apex Mining Co. Inc. et al, **Defendants**	**Civil Case No. 2131** **CA GR CV No. 01360** **CA GR SP No. 201810-MIN**	Regional Trial Court 11^{th} Judicial Region Branch 2, Tagum City, Davao del Norte	Judgment rendered against the Company. Execution Stage. Settled and archived

5.) Beagle Ida Security Agency, Inc. (BIDA) Security Agency, **Plaintiff** -versus- Apex Mining Co. Inc., **Defendants**	Civil Case No. 35,894-2014 Sum of Money and Attorney's Fee	RTC, 11th Judicial Region, Branch 16, Davao City	09/16/14 - Complaint 09/30/14 - Summon 12/01/14 - Answer with Counterclaim 02/04/15 - Hearing on the affirmative Pending before RTC 11, Branch 16. Pre-trial on May 17, 2015.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF THE SECURITY HOLDERS

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

PART II OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

The Company's common shares are traded at the Philippine Stock Exchange. The high and low sales prices for each quarter within the last two years and the interim period from January to March 2015 were, as follows:

	Common Shares	
	High	**Low**
2013 Jan – Mar	4.47	4.40
Apr – Jun	3.69	3.69
Jul – Sep	3.03	3.01
Oct – Dec	2.04	1.91
2014 Jan - Mar	3.10	2.80
Apr - Jun	3.16	3.02
Jul- Sep	3.95	3.44
Oct - Dec	3.22	3.02
2015 Jan - Mar	3.12	2.97

The price information as of the close of latest practicable date April 30, 2015 is P2.60 per common share.

Holders

As of 31 March 2015, the Company has 2,813 shareholders with 6,227,887,491 common shares.

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.

As of 31 March 2015, the top twenty (20) stockholders of the Company are as follows:

Name of Stockholder	Total Number of Shares	Percentage of Ownership
1) Prime Metroline Holdings, Inc.	2,511,329,207	40.32%
2) Monte Oro Resources and Energy Inc.	633,458,632	10.17%
3) Mindanao Gold Limited	597,051,165	9.58%
4) Lakeland Village Holdings, Inc.	474,613,599	7.62%
5) Devoncourt Estates Inc,	423,904,339	6.80%
6) A. Brown Company Inc,	388,694,698	6.24%
7) Wealth Securities Inc.	134,933,919	2.17%
8) Mapula Creek Gold Corporation	115,326,533	1.85%
9) Walter William Brown	83,590,280	1.34%
10) PCD Corporation (Non-Filipino)	63,900,704	1.02%
11)Jose Eduardo J. Alarilla	50,000,000	0.80%
12) DTO Investments Corp.	50,000,000	0.80%
13) Ramon Y. Sy	44,598,406	0.72%
14) Campos Lanuza & Co., Inc.	37,496,954	0.60%
15) Evergrow Mining & Dev't Corp.	29,910,956	0.48%
16) Victor Juat	21,762,505	0.35%
17) Silverio Benny J. Tan	20,000,000	0.32%
18) Victor Chan	17,946,617	0.29%
19) Jacinto C. Ng	14,725,217	0.23%
20) PCD Nominee Corporation	11,641,397	0.18%

As of 31 March 2015, the public ownership level of the Company is at 14.96%.

Dividends

The Company did not declare any cash dividends on each class of its common equity for 2013, 2014 and the interim period of January to March 2015.

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

Recent Sales of Unregistered or Exempt Securities

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

PART III – FINANCIAL INFORMATION

Item 6. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Consolidated Statement of Comprehensive Income

Consolidated Net Income (Loss)

Consolidated net loss of the Apex Mining Co., Inc. (the "Parent Company") and its Subsidiaries (collectively referred to as the "Group") decreased to ₱593.3 million in 2014 from ₱827.4 million in 2013, and compared to the consolidated net income of ₱57.1 million in 2012.

Consolidated Revenues

Consolidated revenues in 2014, 2013 and 2012 amounted to ₱1,730.7 million, ₱1,735.8 million and ₱1,817.3 million, respectively, a decrease of ₱5.1 million in 2014 as compared to 2013 (a decrease of
₱81.5 million in 2013 compared to 2012). The revenues of the Parent Company represent the consolidated revenues of the Group in all comparative years.

Information on the realized price and volume of gold produced in 2014, 2013 and 2012 is as follows:

	2014	2013	Change	2012	Change
Volume in ounces (oz)	**28,802**	26,797	7.5%	23,876	12.2%
Realized price/oz	**$1,262**	$1,389	(9.1%)	$1,659	(16.3%)

Information on the realized price and volume of silver produced in 2014, 2013 and 2012 is as follows:

	2014	2013	Change	2012	Change
Volume in oz	**158,754**	151,814	4.6%	116,069	30.8%
Realized price/oz	**$19**	$23	(17.4%)	$33	(30.3%)

The weighted average foreign exchange rate of US$1.0 to PHP in 2014, 2013 and 2012 is ₱44.40, ₱41.43 and ₱42.25, respectively.

An analysis of the revenue variance, which comprises of volume, price and exchange rate variances, between the comparative year ended December 31, 2014, 2013 and 2012 of the Group are as follows:

Variances	Year 2014 and 2013 (in thousands of PHP)			Year 2013 and 2012 (in thousands of PHP)		
	Gold	Silver	Total	Gold	Silver	Total
Volume	₱115,380	₱6,613	₱121,993	₱204,741	₱51,046	₱255,787
Price	(151,545)	(26,309)	(177,854)	(305,687)	(69,273)	(374,960)
Exchange rate	42,158	8,603	50,761	35,944	1,748,625	37,692
Revenue	₱5,993	(₱11,093)	(₱5,099)	(₱65,002)	(₱16,478)	(₱81,481)

In spite of the fact that the Parent Company's milling operations was temporarily shut down due to minor tailings spillage, the Company still managed to produce a 7.5% and 12.2% higher volume of gold and silver, respectively, in 2014 compared to 2013. Coupled with the weakening of the PHP against the USD, these factors attributed to the positive variance of the gold and silver revenue in 2014 compared to 2013. The drop in the market prices of both metals reduced the positive impact of volume and exchange rate variances.

The overall decline in revenues of the Parent Company in 2013 compared to 2012 can be linked to the decline in metals prices and strengthening of the PHP against the USD. The higher volume of production for both gold and silver helped to slightly offset the negative variance in revenue.

Consolidated Cost of Production

Consolidated cost of production incurred in 2014, 2013 and 2012, all of which pertains to the Parent Company cost of production, amounted to ₱1,429.8 million, ₱1,705.3 million and ₱1,198.4 million, respectively. A breakdown of the main components of cost of production in 2014, 2013 and 2012 is as follows:

- Materials used in mining and milling fell by ₱159.2 million in 2014 compared to 2013, and rose by ₱270.6 million in 2013 compared to 2012. The Parent Company milled a total of 234,928 tonnes, 280,451 tonnes and 233,096 tonnes of ore in 2014, 2013 and 2012, respectively. The change in the tonnage milled: decrease of 16.2% in 2014 compared to 2013; and increase of 20.3% in 2013 compared to 2012, attributed to the decrease in the materials, as is the shift from mechanized mining method to traditional mining to increase selectivity in narrow veins and eventually reduce mining costs.

- The depreciation, depletion and amortization expense in 2014 and 2013 amounted to ₱402.1 million and ₱488.6 million, respectively, a decrease of ₱86.5 million year-on-year. The main reasons were the decrease in the depreciable amounts due to the fire loss sustained in the middle of 2014; decrease in depletion as the Parent Company processed lower tonnes of ore in 2014 than in 2013 (higher in 2013 than in 2012). The acquisition of a new fleet of heavy equipment and completion of various construction works in 2013 on the core house building, refuge chamber inside the mine, and container vans, as well as the increase in ore mined, contributed to the increase of ₱138.2 million or 39.4% in the depreciation, depletion and amortization expense in 2013 compared to 2012.

- Personnel cost rose by ₱50.1 million in 2014 compared to 2013 due to the increase in manpower count to 1,759 in 2014 from 1,116 in 2013 (1,023 in 2012). In 2013, personnel cost increased by ₱22.4 million as compared to 2012 due to the new salary scheme implemented in the middle of 2012 which increased the salaries of the employees, and the overall increase in the number of employees.

- Utilities decreased in 2014 as compared to 2013 due to the lower operating days of the mill plant (and increase in 2013 as compared to 2012 due to the increase in the operating days). The mill plant operated for 298 days and 333 days in 2014 and 2013, respectively (311 days in 2012).

- Rent fell by ₱15.9 million in 2014 as compared to 2013 as the Parent Company no longer rented out equipment from its contractors. In 2014, the Company made purchases of second hand trucks and loaders to reduce cost. There were also negotiations made with existing suppliers to lower their fees such as hauling and handling. In 2013, on the other hand, rent surged by ₱21.6 million compared to 2012 as a direct result of gradual addition of equipment rented out from a supplier from four units in 2012 to 10 units in 2013. Another reason for the increase in rent is due to the Parent Company's decision to reduce its exploration and development activities in 2013 and focus utilization of its rented out equipment to operational activities.

Excise Taxes

Consolidated excise taxes, all of which pertain to the Parent Company excise taxes on revenue from metals produced, amounted to ₱34.6 million, ₱34.7 million and ₱36.3 million in 2014, 2013 and 2012, respectively. Excise taxes are based on market price of the ore upon extraction. The Group uses revenue in computing for the excise tax to be remitted as it is the most practicable way of determining market price of the ore extracted.

General and Administrative Expense

Consolidated general and administrative expense in 2014, 2013 and 2012 amounted to ₱593.2 million, ₱512.7 million and ₱557.3 million, respectively. Details of the significant elements of general and administrative expenses are shown below. The Parent Company contribution to the consolidated general and administrative expenses in 2014, 2013 and 2012 amounted to ₱544.2 million, ₱512.7 million and ₱557.3 million, respectively, while Monte Oro Resources & Energy Inc. and Subsidiaries (MORE and Subsidiaries) amounted to ₱49.0 million, nil and nil, respectively.

- Personnel cost increased by ₱46.5 million in 2014 compared to 2013 (increase of ₱6.6 million in 2013 as compared to 2012; refer to personnel cost analysis under consolidated cost of production).

- Contracted services rose by ₱35.8 million in 2014 compared to 2013 (increase of ₱4.9 million in 2013 compared to 2012), of which ₱11.2 million in 2014 pertains to the three-month impact of the MORE and Subsidiaries to the consolidated statement of comprehensive income of the Group. The jump in cost was brought about by the increased need of support services.

- Taxes, licenses and permits, were higher in 2014 compared to 2013 due to higher taxes paid on municipal fees.

- Community development expenses more than doubled in 2014 compared to 2013 (increase of 12.3% in 2013 compared to 2012) due to several community projects related to infrastructure, education, livelihood, etc. were implemented.

Other Income (Charges)
The breakdown of the main components of the consolidated other income (charges) in 2014, 2013 and 2012 amounting to ₱143.3 million in other charges, ₱266.0 million in other charges and ₱18.8 million in other income, respectively, is presented below. The contribution of the Parent Company in the 2014, 2013 and 2012 other income charges amounted to ₱133.3 million other charges, ₱266.0 million in other charges and ₱19 million in other income, respectively, while MORE and Subsidiaries amounted to ₱10.0 million, nil and nil, respectively.

The Parent Company recognized ₱53.5 million in net foreign exchange gains in 2014 compared to ₱129.6 million in net foreign exchange losses in 2013 (₱25.4 million net foreign exchange gains in 2012). The amount is a combination of transaction and translation adjustments to foreign currency-denominated financial assets and liabilities. The Company is in a net foreign currency-denominated financial liability position as of December 31, 2014 and 2013.

- The Parent Company wrote off ₱136.0 million in property, plant and equipment in 2014 pertaining to the assets damaged by extortionists.

- Credit lines were granted to the Parent Company by several banks in 2014 which resulted in an additional interest cost compared to 2013. In 2013, the Parent Company entered into finance lease agreements for the purchase of a new fleet of heavy equipment and transportation vehicles, and loan facilities with banks. These arrangements were not yet entered into by the Parent Company in 2012.

Consolidated Other Comprehensive Income

Aside from the effects of the re-measurement loss of the accrued retirement benefits of the Parent Company and translation adjustments on foreign subsidiaries, there were no other items affecting other comprehensive income as of and for the year ended December 31, 2014 and 2013.

<u>Consolidated Statement of Financial Position</u>

Consolidated Current Assets

Total consolidated current assets increased by ₱519.9 million from ₱878.6 million as of December 31, 2013 to ₱1,398.5 million as of December 31, 2014 primarily due to the following:

- The Parent Company was able to generate positive cash flows from operating and financing activities in 2014. However, mill expansion project expenditures and continuous exploration and development activities required the Company make disbursements for investing activities. Net effect on cash, after the impact of foreign exchange rate changes, was an increase of ₱174.0 million.

- Trade and other receivables, essentially from the consolidation of MORE and Subsidiaries' balances, increased by ₱148.5 million as of December 31, 2014 compared to the balance as of December 31, 2013. These pertain mainly to business related cash advances to officers and employees and others.

- Inventory increased by ₱136.2 million as of December 31, 2014 compared to December 31, 2013 due to the recognition of blending ore and higher volume of bullion at yearend.

Consolidated Noncurrent Assets

Total consolidated noncurrent assets grew by ₱3,121.2 million from ₱3,979.9 million as of December 31, 2013 to ₱7,101.1 million as of December 31, 2014 primarily due to the following:

- Available-for-sale financial assets amounting to ₱344.6 million as of December 31, 2014 pertaining to the Group's stake in a private foreign entity.

- Property, plant and equipment account increased to ₱3,913.9 million as of December 31, 2014 from ₱3,272.3 million as of December 31, 2012 due primarily to acquisitions, constructions and mine development activities made in 2014.

- Deferred mine exploration intangible assets climbed to ₱1,621.3 million as of December 31, 2014 from ₱595.2 million as of December 31, 2013 as a result of continuous exploration of new areas of interest, and exploration costs from MORE and Subsidiaries.

Consolidated Current Liabilities

Consolidated current liabilities rose by ₱2,495.3 million from the December 31, 2013 balance of ₱2,429.9 million to the December 31, 2014 balance of ₱4,925.2 million. The breakdown of the change in the current liabilities level is detailed below.

- Accounts payable and accrued liabilities grew by ₱2,689.7 million as of December 31, 2014 compared to the December 31, 2013 balance due primarily to the recognition of a ₱1,859 million payable to one of the Group's related parties for the purchase price of the MORE shares the Parent Company acquired in October 2014. The balance pertains to the reclassification of previously recognized related party payable from intercompany accounts to trade and other payable account. These are no longer identified to be related parties, thus, the need for reclassification. Total reclassified amount was ₱397.9 million.

- The current portion of the loans payable of the Company consists of loans related to the financing of the heavy mobile equipment acquired in 2013, bank loans payable with short-term maturity, and the term loan obtained from local banks to finance the supposed mill expansion. The portion that is to be paid after one year from the balance sheet date is classified under noncurrent liabilities

- Due to related parties dropped to ₱19.3 million as of December 31, 2014 from ₱483.8 million as of December 31, 2013. The decrease is a result of the elimination of a large part of the related party balances in the consolidation process, and the reclassification of accounts with previously recognized related parties to accounts payable. The reclassification was due to the fact that these companies were no longer related parties as per PAS 24, *Related Parties*.

Consolidated Noncurrent Liabilities

Consolidated noncurrent liabilities increased by ₱300.9 million as of December 31, 2014 to ₱443.6 million from ₱142.7 million as of December 31, 2013 mainly due to the following:

- Additional accrued retirement benefits as a result of the adoption of the revised standard on employee benefits. The impact on the statement of income and other comprehensive income in the consolidated statement of comprehensive income as at December 31, 2014 amounted to ₱23.1 million and ₱95.8 million (remeasurement loss), respectively, bringing accrued retirement benefits liability ₱202.7 million or an increase of ₱119.0 million.

- Increase in deferred income tax liabilities of ₱15.6 million due the recognition of future taxable amounts arising from the business combination.

- The increase in the noncurrent portion of the loans payable as of December 31, 2014 is a result of the Group management obtaining restructured agreements from suppliers wherein the Group has long term financing payables. These payables were previously classified under current portion as the restructuring was not in place yet as of December 31, 2013.

Consolidated Equity

Consolidated equity climbed by ₱844.9 million as of December 31, 2014 compared to the amount last year.

- The Parent Company received deposits for future stock subscriptions amounting to ₱2,500.0 million. Shares of stock related to the subscription will be issued once the Parent Company obtains approval from the Philippine Securities and Exchange Commission of its application for increase in authorized capital stock. In January 12, 2015, the Philippine SEC approved the application and the shares of stock corresponding to the deposit were eventually issued.

- The Parent Company's acquisition of 100% of MORE resulted in the recognition of ₱1,130.4 million treasury shares. These treasury shares are deducted from the equity in consolidation.

- Increase in deficit pertains to the net loss in 2014.

- Non-controlling interest pertains to the equity portion of not owned by the parent corporation. In this case, MORE has a non-controlling interest in one of its subsidiaries, International Cleanvironment Systems, Inc. of 48%.

Key Performance and Financial Soundness Indicators

Tonness Mined and Milled

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

The mine production attained in 367,626 tonnes with a grade of 4.8 gold (Au) grams/tonne (g/t) in 2014 compared to the 339,897 tonnes with a grade of 4.2 Au, g/t in 2013.

On the other hand, the mill plant processed a total of 234,928 tonnes with a mill head grade of 4.9 Au, g/t and 28.8 silver (Ag), g/t in 2014 compared to the 280,451 tonnes with a mill head grade of 3.7 Au, g/t and 22.7 Ag, g/t in 2013. Average metal recovery in 2014 for gold and silver was 79.2% and 74.4%, respectively, while in 2013 was 80.9% and 74.3%, respectively.

Financial Soundness Indicators

Management has identified the following as the financial ratios deemed significant in assessing the Company's performance and financial soundness:

		December 31	
Financial Ratio	Formula	2014	2013
Current ratio	Current assets / Current liabilities	0.28:1	0.36:1
Debt-to-equity	Total debts / Total equity	1.71:1	1.13:1
Asset-to-equity	Total assets / Total equity	2.71:1	2.13:1
Gross profit margin	Gross profit / Revenue	0.17:1	0.02:1
Return on assets	Net income (loss) / Total assets	(0.70):1	(0.17):1

Return on equity	Net income (loss) / Total equity	(0.19):1	(0.36):1

Item 7. FINANCIAL STATEMENTS

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

Item 8. INFORMATION ON INDEPENDENT ACCOUNTANTS AND OTHER RELATED MATTERS

External Audit Fees and Services

Audit and Audit-Related Fees

For 2014 and 2013, the audit was basically engaged to express an opinion on the financial statements of the Company. In addition, the audit included providing assistance to the Company in the preparation of its income tax return in as far as agreement of the reported income and costs and expenses with the recorded amounts in the books. The procedures conducted include those that are necessary under auditing standards generally accepted in the Philippines. This, however, did not include detailed verification of the accuracy and completeness of the reported income and costs and expenses. The audit fees for these services were ₱2.5 million for 2014 and ₱2.5 million for 2013.

Tax Fees

There are no related services or tax fees paid for the year 2014.

All Other Fees

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

Audit Committee's Approval Policies and Procedures

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

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

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

PART IV MANAGEMENT AND CERTAIN SECURITY HOLDERS

Item 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

As of 31 March 2015, the positions, names, ages and citizenship of all directors and executive officers of the Company are, as follows:

Position	Name	Age	Citizenship
Directors:			
Chairman of the Board	Ramon Y. Sy	84	Filipino
Executive Director	Walter W. Brown	75	Filipino
Executive Director	Modesto B. Bermudez	74	Filipino
Executive Director	Graciano P. Yumul, Jr.	55	Filipino
Executive Director	Noel V. Tanglao	57	Filipino
Independent Director	Dennis A. Uy	41	Filipino

Independent Director	Joselito H. Sibayan	56	Filipino
Officers:			
Chairman of the Board	Ramon Y. Sy	84	Filipino
President and CEO	Walter W. Brown	75	Filipino
SVP-Projects Development	Modesto B. Bermudez	74	Filipino
EVP-Geology, Exploration and Operations	Graciano P. Yumul, Jr.	55	Filipino
EVP-Corporate Services	Noel V. Tanglao	57	Filipino
VP/Resident Manager	Gil A. Marvilla	65	Filipino
VP/Asst. Resident Manager for Admin. and Finance	Rosemarie F. Padilla	51	Filipino
Treasurer	Renato N. Migriño	65	Filipino
Corporate Secretary/Compliance Officer	Rosanna A. Parica	49	Filipino
Asst. Corporate Secretary	Silverio Benny Tan	58	Filipino

Directors

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

RAMON Y. SY,* 84*, Filipino, Executive Director

He was elected as Director last October 21, 2013. Prior to this, his knowledge and experience in the banking sector is beyond compare. He has been with the Bank of America, has been the President /CEO of United Coconut Planters Bank (UCPB) and I-Bank. He was responsible in making UCPB profitable again. He is now the Vice Chairman of Asia United Bank and the Chair of the Executive Committee of MORE, Inc.

WALTER W. BROWN, 75, Filipino, Executive Director

He was elected as Director last October 21, 2013. His experience encompasses a wide spectrum of industries from mining through energy & power sector all the way to real estate business. He was former President of Philex Mining Corporation and National Grid Corporation of the Philippines. He is also the Chair of A Brown Company Inc., a publicly listed company, President of Minas de Oro (Mongolia) and Monte Oro Resources & Energy, Inc. (MORE, Inc.) – Sierra Leone (Africa).

MODESTO B. BERMUDEZ,* 74*, Filipino, Executive Director

Mr. Bermudez was elected as Director to fill the seventh seat. He is currently the Senior Vice President for Projects Development. Also, he is the Director and President of CRAU Mineral Resources Corporation. He has forty seven (47) years involvement in the Philippine Mining Industry inclusive of six years stint in real property development and construction. In the former, experience and responsibilities covered the whole spectrum of the natural resource industry from exploration, development, mining engineering, mining & beneficiation of a range of minerals including gold, copper, pyrite, nickel sulphide & laterite, manganese and chromite in both operational & managerial capacity with local & foreign-owned companies. The last involved the largest underground mettalurgical chromite operation in the country. In the latter, associated work covered rock quarry operation, deepwell drilling & water distribution, horizontal and vertical development of real estate project most notably the Xavier Estates Multiland Development of ABCI in Cagayan de Oro.

GRACIANO P. YUMUL, 55, Filipino, Executive Director

Dr. Yumul was elected as Directors last July 20, 2012. He is a multi-awarded researcher and administrator. He earned his BS Degree in Geology from the University of the Philippines. He earned his masters and doctoral degrees in Geology majoring in Igneous Petrology at the University of Tokyo. He also took postdoctoral degrees as a Fellow at the University of Bretagne Occidentale in France. He was named Outstanding Young Scientist in Geology by NAST, recipient of UPD

Chancellor’s Awards for Outstanding Researchers, Outstanding Teacher and Administrator, Philippine Jaycee’s Young Filipino Awardee in Science and Technology.

NOEL V. TANGLAO, 56, Filipino, Executive Director

Mr. Tanglao was elected as Director of the Company last July 12, 2013. During the last Organizational Meeting of the Board of Directors last 21 October 2013, he was elected as Executive Vice President. Prior to this, he served as President. Until recently, he served as President of Lift Logistics Resources. Inc., Vice President for Business Development of the Leonio Group of Companies and Managing Director of Rising Stars Philippines. He has also been the General Manager of Petron Marketing Corporation, Petron Freeport Corporation and Retail Trade, Petron Corporation up to 2010. At Petron Corporation, aside from general management, he was involved with the different trades such as energy, both conventional and renewable, downstream petroleum industry, procurement and logistics, information technology, distribution, retail and non-fuel business of Petron such as convenience store retailing, quick serve restaurants and other retailing formats.

DENNIS A. UY, 41, Filipino, Independent Director

Mr. Uy was elected as Director of the Company last March 19, 2013. Mr. Uy, Filipino, is the founder of Phoenix Petroleum Philippines, Inc. (PPPI) and has served as President and CEO since its inception. He is the Chairman and President of Phoenix Petroleum Holdings, Inc., the holding company of PPPI, and Udenna Corporation, the ultimate parent company of PPPI. Mr. Uy is also Chairman of F2 Logistics, Phoenix Philippines Foundation, Inc., and Udenna Foundation, Inc. He is a member of the Young Presidents Organization-Philippine Chapter and the Philippine Business for Social Progress. Mr. Uy is the Honorary Consul of Kazakhstan to the Philippines since November 2011. He is a graduate of De La Salle University with a degree in Business Management.

JOSELITO H. SIBAYAN, 56, Filipino, Independent Director

Mr. Sibayan became Independent Director of the Company last June 16, 2014. He is the President and CEO of Mabuhay Capital Corporation, a firm which provides financial advisory services and capital raising solutions to its clients. Prior to forming Mabuhay Capital, he was Vice Chairman of Investment Banking-Philippines and Philippine Country Manager for Credit Suisse First Boston (CSFB). He has spent 27 years in investment banking. He is an Independent Director of SM Prime Holdings, Inc. (a publicly listed company), Director of Philippine Postal Savings Bank. He obtained his MBA from the University of California in Los Angeles and his B.S. Chemical Engineering from De La Salle University-Manila.

Officers

Ramon Y. Sy - Chairman of the Board, refer to his profile above
Walter W. Brown - President and CEO, refer to his profile above
Modesto B. Bermudez – SVP for Projects Development, refer to his profile above
Graciano P. Yumul, Jr., - EVP for Geology, Exploration and Operations, refer to his profile above
Noel V. Tanglao - EVP for Corporate Services, refer to his profile above

GIL A. MARVILA, 65, Filipino, VP-Resident Manager

Gil A. Marvilla is presently the Vice President and Resident Manager of the Company. Prior to his current post, he acted as the Country Manager of Monte Oro Mining Co., Ltd. based in Sierra Leone, South Africa. In 2007, he was the Country Manager for Philex Mining’s project in Madagascar. His professional expertise was also involved in several mining projects of Brixton Energy & Mining Corporation and Lascogon Mining Corporation. In the field of finance, he became the Chief Finance Officer of Monte Oro Resources & Energy, Inc. from 2006 to 2007. He was also the Managing Director and VP for Finance & Administration in PT Brown Indonesia and A Brown Co., Inc.

ROSEMARIE F. PADILA, 51, Filipino, VP-Asst. Resident Manager for Admin. and Finance

Ms. Padilla rejoined the Company on February 1, 2014. Before this, she was the Company's Risk Division Manager from 2009 to 2011 then afterwards joined Greenstone Resources Corporation as Administration Superintendent. She has more than 18 years of progressive industry experience in Mining Finance. She has held positions as Budget Manager and Finance Manager of Philex Mining Corp.; Financial Controller in Olympus Pacific Minerals Ltd. Vietnam and Masbate Gold Project.

RENATO N. MIGRIÑO, 65, Filipino, Treasurer

Mr. Migriño was appointed as Treasurer of the Company on January 28, 2015. Prior to his joining the Company, he was Treasurer, Chief Financial Officer, Senior Vice President for Finance, and Compliance Officer of Philex Mining Corporation, Director and Chief Financial Officer of Philex Gold Inc., and Director of Philex Petroleum Corporation. FEC Resources, Inc., Silangan Mindanao Mining Co., Inc., Brixton Energy & Mining Corporation and Lascogon Mining Corporation. He was also formerly Senior Vice President & Controller of Benguet Corporation. He is a Director of Mabuhay Vinyl Corporation since September 2005.

ROSANNA A. PARICA, 49, Filipino, Corporate Secretary/Corporate Information Officer/ Compliance Officer

Ms. Parica serves as the Corporate Secretary, Corporate Information Officer and Compliance Officer of the Company since May 20, 2010. She is also the Corporate Secretary of Mapula Creek Gold Corporation. Apart from the above, she is also the Administrative Manager of the Company based in the Head office of the Company. She's been with the Company for almost 30 years now. She was formerly the Senior Accountant of the Company from 1988 up to 2006. Also, she was the Chief Accountant of Zero One Holdings, Inc., Southern Horizon Mining Corp., Mina del Oriente, Firstland Countrywide Dev't Corp., Jake Mining Corporation and Southland Mining Corp. from 1996 up to 2005.

SILVERIO BENNY J. TAN, 58, Filipino, Assistant Corporate Secretary

Atty. Tan was appointed as Assistant Corporate Secretary of the Company in December 2013. He is also the managing partner of the law firm Picazo Buyco Tan Fider & Santos. He is a director and corporate secretary of Prime Metroline Holdings, Inc., Bravo International Port Holdings Inc., Alpha International Port Holdings Inc., Eiffle House Inc., Cyland Corp., OSA Industries Philippines Inc. and Negros Perfect Circles Food Corp. He is also a director of the following companies: Celestial Corporation, Skywide Assets Ltd., Monte Oro Minerals (SL) Ltd., and Dressline Holdings Inc. and its subsidiaries and affiliates. He is the corporate secretary of several companies including: Mapfre Insular Insurance Corporation, Sureste Properties, Inc., Bloomberry Resorts and Hotels Inc., Lakeland Village Holdings Inc., Devoncourt Estates Inc., and Pilipinas Golf Tournaments, Inc. He is the assistant corporate secretary of ICTSI, ICTSI Ltd., and Monte Oro Resources & Energy, Inc.. Atty. Tan holds a Bachelor of Laws, cum laude, from the University of the Philippines College of Law and a Bachelor of Arts Major in Political Science, cum laude, from the University of the Philippines College Iloilo. Atty. Tan placed third in the 1982 Philippine Bar exams.

Significant Employees

There is no particular employee of the Company not an executive officer expected to make a significant contribution to the business on his own.

Family Relationships

There are no family relationships among the officers of the Company.

Involvement in Certain Legal Proceedings

To the knowledge and information of the Company, none of its present members of the Board of

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

Item 10. EXECUTIVE COMPENSATION

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

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

SUMMARY OF COMPENSATION TABLE
ANNUAL COMPENSATION

CEO and Top 4 Most Compensated Officers:

Ramon Y. Sy
Walter W. Brown
Modesto B. Bermudez
Graciano P. Yumul, Jr.
Noel V. Tanglao
Renato N. Migriño

Year	Salary	Bonus
2015 (Estimated)	P56.5 million	P4.7 million
2014 (Actual)	60.5 million	5.3 million
2013 (Actual)	30.1 million	3.3 million

ALL DIRECTORS & OFFICERS AS A GROUP

Year	Salary	Bonus
2015 (Estimated)	P80.3 million	P6.3 million
2014 (Actual)	90.7 million	6.9 million
2013 (Actual)	70.0 million	6.1 million

Compensation of Members of the Board of Directors

The members of the Board of Directors of the Company are paid P80,000 for each meeting (whether regular or special) of the board of the board or of the stockholders. Apart from the foregoing, there are no arrangements regarding the compensation (whether direct or indirect) of the members of the Board of Directors for their services.

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

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

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

Warrants and Options Outstanding: Repricing

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

Item 10. SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS

As of 31 March 2015, the following owned at least five percent (5%) of the issued and outstanding shares of the Company:

Title of Class	Name and address of record owner and relationship with issuer	Name of beneficial owner and relationship with record owner	Citizenship	Number of shares held	%
Common	**PRIME METROLINE HOLDINGS, INC.** 18F Liberty Center, 104 H.V. Dela Costa St. Makati City	Prime Metroline Holdings, Inc.	Filipino	2,511,329,207	40.32
Common	**MONTE ORO RESOURCES AND ENERGY INC.** 3304C West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City	Apex Mining Co., Inc. (See Part I, Item 1)	Filipino	633,458,632	10.17
Common	**MINDANAO GOLD LTD.** Suite 10.3, 10F Rohas Perkasa West Wing 8 Jalan Perak, 50450, Kuala Lumpur Malaysia	Mindanao Gold Ltd.	Malaysian	597,051,165	9.59
Common	**LAKELAND VILLAGE HOLDINGS, INC.** 18F Liberty Center, 104 H.V. Dela Costa St. Makati City	Lakeland Village Holdings, Inc.	Filipino	474,613,599	7.62
Common	**DEVONCOURT ESTATES INC.** 18F Liberty Center, 104 H.V. Dela Costa St. Makati City	Devoncourt Estates Inc.	Filipino	423,904,339	6.81
Common	**A. BROWN COMPANY INC.** Xavier Estates Uptown, Airport Road, Balulang, Cagayan de Oro City	A. Brown Company Inc.	Filipino	388,694,698	6.24

Part of the shareholdings of Monte Oro Resources and Energy Inc. are lodged with the PCD Nominee, Corp., which is a wholly owned subsidiary of the Philippine Central Depository Inc.

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

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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

The number of voting shares beneficially owned by the members of the board of directors and named executive officers as of 31 March 2015 are, as follows:

Title of Class	Name of beneficial owner	Amount and na e ofbeneficial ownership	Citizenship	Percent of Class
Common	WALTER W. BROWN	83,590,578	Filipino	1.34%
Common	RAMON Y. SY	44,598,406	Filipino	0.72%
Common	NOEL V. TANGLAO	1	Filipino	0.00%
Common	MODESTO B. BERMUDEZ	1	Filipino	0.00%
Common	GRACIANO P. YUMUL, JR.	1,000	Filipino	0.00%
Common	DENNIS A. UY	1	Filipino	0.00%
Common	JOSELITO H. SIBAYAN	299	Filipino	0.00%
Common	SILVERIO BENNY TAN	20,000,000	Filipino	0.32%

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

Item 12. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In the normal course of business, the Company transacted with companies that are considered related parties. A summary of the more significant transactions with related parties is shown in Note 15 of the audited financial statements for the year ended December 31, 2014.

Purchases and expense from related parties are made at normal market prices. Outstanding balances at year-end are unsecured, interest-free and settlement occurs either in cash or through offsetting of accounts. There have been no guarantees provided for any related party receivables and payables. For the years ended December 31, 2014 and 2013, the Company has not made any provision for doubtful accounts relating to amounts owed by related parties. This assessment is undertaken at each financial year through examining the financial position of the related parties and the market in which the related parties operate.

On September 11, 2014, the Board of Directors of the Company approved the purchase for cash by the Company of all the outstanding capital stock of Monte Oro Resources & Energy, Inc. ("MORE") from Prime Metroline Holdings, Inc., Lakeland Village Holdings, Inc., Devoncourt Estates Inc., A. Brown Company, Inc., Wealth Securities, Inc., and the other shareholders of MORE consisting of 5,122,161,096 shares at par value of Php1.00 per share. The acquisition is to expand the business of the Company, allowing it to have another mineral processing plant and expanding its operations in Jose Panganiban, in Camarines Norte, as well as in the other business interests of MORE. It will also provide the Company a healthier balance sheet with an increase in its assets base and equity.

The Company or its related parties have no material transaction with parties falling within the definition of "Related Parties" under Philippine Accounting Standards No. 24 that are not available for others, more clearly independent parties on an arm's length basis.

PART IV CORPORATE GOVERNANCE

Item 13. CORPORATE GOVERNANCE

Please refer to the attached Amended Annual Corporate Governance Report for the year 2014.

Item 14 EXHIBITS AND REPORTS ON SEC FORM 17-C

(A) Exhibits and Exhibit Index

Statement of Management Responsibility for Financial Statements
Report of Independent Auditors
Audited Consolidated Financial Statements and Notes for the year ended December 31, 2014
Schedule E. Other Assets
Schedule G. Indebtedness to Related Parties
Schedule I. Capital Stock

(B) Reports on SEC Form 17-C

The following is a summary of submissions of SEC Form 17-C filed during the year 2014.

Date Filed	Particulars
January 30, 2014	Certification on Compliance with the Manual on Corporate Governance
February 12, 2014	Minor Incident on Maco Tailings Management Facility
February 20, 2014	Lifting of Temporary Suspension of Operations by MGB
March 10, 2014	Resignation of Rodolfo G. Bravo as VP-Chief Financial Officer, retirement of Jesus C. Anin as VP-Resident Manager, appointment of officers
March 27, 2014	Press Release re: Company Earns Voluntary Labor Compliance Award from the Dept. of Labor and Employment
April 15, 2014	Board approval on the ff matters: Release of Audited FS as of Dec. 31, 2014, postponement of annual stockholders' meeting from June 30, 2014 to June 16, 2014, approval of agenda for stockholders' meeting, amendment of articles of incorporation and change of principal address
April 15, 2014	Official statement of the Company regarding incident at minesite
May 2, 2014	Board approval on the additional agenda for stockholders' meeting
May 23, 2014	Resignation of Bruce McDonald as director
August 14, 2014	Creation of other board committees
October 13, 2014	Substantial Acquisitions

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SIGNATURES

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

By:

WALTER W. BROWN Principal Executive Officer	MARION SAUL V. AGGARAO Comptroller
GRACIANO P. YUMUL, JR. Principal Operating Officer	ROSEMARIE F. PADILLA Principal Accounting Officer
RENATO N. MIGRIÑO Principal Financial Officer	ROSANNA A. PARICA Corporate Secretary

SUBSCRIBED AND SWORN to before me this _____ day of MAY 0 7 2015, affiant(s) exhibiting to me their respective valid identification nos., as follows:

NAMES	Identification Nos.
WALTER W. BROWN	TIN 128-993-816
GRACIANO P. YUMUL, JR.	TIN 126-427-230
RENATO N. MIGRIÑO	TIN 102-118-145
ROSEMARIE F. PADILLA	TIN 132-082-177
ROSANNA A. PARICA	TIN 119-040-615
MARION SAUL V. AGGARAO	TIN 266-525-298

Notary Public

ATTY. [illegible] L. ANOLIN
[illegible] December 31, 2015
[illegible] PHILIPPINES
IBP [illegible] 25 05/MLA
PTR [illegible] /MLA
MCLE COMPLIANCE NO IV-[illegible]18/16/14
[illegible] ASSOCIATES LAW OFFICE
2/F YMCA [illegible] BLDG.
[illegible] ST.,
ERMITA [illegible]
EMAIL [illegible]@yahoo.com
TIN: [illegible]

Doc. No.: 296
Page No.: 60
Book No.: 62
Series of 2015

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APEX MINING CO., INC.

Maco, Compostela Valley Province

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, 2014 and 2013, in accordance with the Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the 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.

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

Ramon Y. Sy
Chairman of the Board

Walter W. Brown
President and Chief Executive Officer

Renato N. Migrino
Treasurer

SUBSCRIBED AND SWORN to before me this MAY 07 2015 at PASIG CITY, affiant exhibiting to me his/her __________.

Signed this 29th day of April 2015

DOC. NO. 57;
PAGE NO. 02;
BOOK NO. 14;
SERIES OF 2015;

MARIA TERESITA E. FATULA
Notary Public
Serial No. of Commission (2014-2015)
Commission expires on -2015
Roll of Attorney's No. 53971
IBP No. 75753 295

Apex Mining Co., Inc. and Subsidiaries

Consolidated Financial Statements
as at December 31, 2014, and 2013
and for Each of the Three Years
in the Period Ended December 31, 2014

and

Independent Auditors' Report

SGV

Building a better working world

A member firm of Ernst & Young Global Limited

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Apex Mining Co., Inc.

We have audited the accompanying consolidated financial statements of Apex Mining Co., Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated 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, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Apex Mining Co., Inc. and its subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

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. 08-001998-72-2015,
March 24, 2015, valid until March 23, 2018
PTR No. 4751273, January 5, 2015, Makati City

April 29, 2015

APEX MINING CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2014 (Note 4)	December 31, 2013
ASSETS		
Current Assets		
Cash (Note 5)	**₱207,699,504**	₱33,677,065
Trade and other receivables (Note 6)	**461,966,218**	313,464,697
Inventories - net realizable value (NRV; Note 7)	**549,858,202**	413,682,013
Advances to related parties (Note 15)	**2,100,442**	486,992
Prepayments and other current assets (Note 8)	**176,862,798**	117,308,256
Total Current Assets	**1,398,487,164**	878,619,023
Noncurrent Assets		
Available-for-sale (AFS) financial assets (Note 9)	**344,640,000**	–
Property, plant and equipment (Note 10)	**3,913,880,674**	3,272,280,827
Deferred exploration costs (Note 11)	**1,621,333,348**	595,161,862
Intangible assets (Note 12)	**1,119,721,214**	11,177,044
Other noncurrent assets (Note 13)	**101,480,939**	101,238,792
Total Noncurrent Assets	**7,101,056,175**	3,979,858,525
TOTAL ASSETS	**₱8,499,543,339**	₱4,858,477,548
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	**₱3,765,550,276**	₱1,075,883,309
Advances from stockholders and related parties (Note 15)	**19,258,652**	483,830,181
Current portion of loans payable (Note 18)	**1,138,396,661**	870,211,544
Income tax payable	**2,010,778**	–
Total Current Liabilities	**4,925,216,367**	2,429,925,034
Noncurrent Liabilities		
Loans payable - net of current portion (Note 18)	**176,571,734**	7,191,183
Defined benefit retirement plan (Note 16)	**202,678,040**	83,730,583
Provision for mine rehabilitation and decommissioning (Note 17)	**44,769,638**	47,806,902
Deferred income tax liabilities (Note 27)	**19,592,272**	4,016,232
Total Noncurrent Liabilities	**443,611,684**	142,744,900
Total Liabilities	**5,368,828,051**	2,572,669,934
Equity Attributable to Equity Holders of the Parent Company		
Issued capital stock (Note 19)	**1,868,639,664**	1,868,639,664
Additional paid-in capital (Note 19)	**3,048,826,224**	3,098,234,838
Deposit for future stock subscriptions (Note 19)	**2,500,000,000**	–
Treasury shares (Notes 4 and 19)	**(1,130,351,390)**	–
Revaluation surplus on property, plant and equipment (Notes 2 and 10)	**5,271,619**	13,387,441
Remeasurement loss on retirement plan (Note 16)	**(120,002,440)**	(24,178,104)
Currency translation adjustment on foreign subsidiaries (Note 4)	**(208,345)**	–
Deficit (Note 2)	**(3,229,352,154)**	(2,670,276,225)
	2,942,823,178	2,285,807,614
Non-controlling Interests (NCI; Note 4)	**187,892,110**	–
Total Equity	**3,130,715,288**	2,285,807,614
TOTAL LIABILITIES AND EQUITY	**₱8,499,543,339**	₱4,858,477,548

See accompanying Notes to Consolidated Financial Statements.

APEX MINING CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2014 (Note 4)	2013	2012
REVENUE			
Gold	**₱1,598,452,935**	₱1,592,459,475	₱1,657,461,829
Silver	**132,288,632**	143,381,279	159,859,735
	1,730,741,567	1,735,840,754	1,817,321,564
COST OF PRODUCTION (Note 21)	**1,429,780,062**	1,705,337,902	1,198,376,028
EXCISE TAXES	**34,578,395**	34,706,514	36,285,010
GENERAL AND ADMINISTRATIVE EXPENSES (Note 22)	**593,191,255**	512,740,451	557,333,207
FINANCE COSTS (Note 26)	**110,380,574**	75,594,352	2,369,339
OTHER CHARGES (INCOME) - net (Note 23)	**143,316,505**	266,027,097	(18,820,088)
LOSS (INCOME) BEFORE INCOME TAX	**580,505,224**	858,565,562	(41,778,068)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 27)	**12,785,298**	(31,134,702)	(15,314,553)
NET LOSS (INCOME)	**593,290,522**	827,430,860	(57,092,621)
Net loss (income) attributable to:			
Equity holders of the Parent Company	**₱584,429,886**	₱827,430,860	(₱57,092,621)
NCI (Note 4)	**8,860,636**	–	–
	₱593,290,522	₱827,430,860	(₱57,092,621)
OTHER COMPREHENSIVE LOSS, NET OF TAX			
Item that will be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign subsidiaries	**208,345**	–	–
Item that will not be reclassified to profit or loss in subsequent periods			
Remeasurement loss on retirement plan (Note 16)	**95,824,336**	14,031,360	10,372,943
TOTAL COMPREHENSIVE LOSS (INCOME)	**₱689,323,203**	₱841,462,220	(₱46,719,678)
Total comprehensive loss (income) attributable to:			
Equity holders of the Parent Company	**₱680,462,567**	₱841,462,220	(₱46,719,678)
NCI (Note 4)	**8,860,636**	–	–
	₱689,323,203	₱841,462,220	(₱46,719,678)
BASIC EARNINGS (LOSS) PER SHARE (Note 20)	**(₱0.18)**	(₱0.47)	₱0.04
DILUTED EARNINGS (LOSS) PER SHARE (Note 20)	**(₱0.18)**	(₱0.47)	₱0.04

See accompanying Notes to Consolidated Financial Statements.

APEX MINING CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

	Capital stock (Note 19)	**Additional paid-in capital** (Note 19)	**Revaluation surplus** (Note 10)	**Remeasurement loss on retirement plan** (Note 16)	**Deficit**	**Total**
Balances at December 31, 2011	**₱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 loss	–	–	–	(10,372,943)	–	(10,372,943)
Total comprehensive income (loss)	–	–	–	(10,372,943)	57,092,621	46,719,678
Issuance of shares of stock	273,609,635	924,915,126	–	–	–	1,198,524,761
Transaction costs of share issuance	–	(28,954,467)	–	–	–	(28,954,467)
Transfer of portion of revaluation surplus realized through depreciation, depletion and disposal, net of tax	–	–	(24,763,110)	–	24,763,110	–
Balances at December 31, 2012	**₱1,664,565,290**	**₱2,561,661,966**	**₱55,751,783**	**(₱10,146,744)**	**(₱1,885,209,707)**	**₱2,386,622,588**

	Capital stock (Note 19)	**Additional paid-in capital** (Note 19)	**Revaluation surplus** (Note 10)	**Remeasurement loss on retirement plan** (Note 16)	**Deficit**	**Total**
Balances at December 31, 2012	**₱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 loss	–	–	–	(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
Transaction costs of share issuance	–	(6,147,745)	–	–	–	(6,147,745)
Transfer of portion of revaluation surplus realized through depreciation, depletion and disposal, net of tax	–	–	(42,364,342)	–	42,364,342	–
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**

	Attributable to Equity Holders of the Parent Company									
	Capital stock (Note 19)	**Deposit for future stock subscriptions** (Note 19)	**Additional paid-in capital** (Note 19)	**Revaluation surplus** (Note 10)	**Treasury shares** (Note 19)	**Remeasurement loss on retirement plan** (Note 16)	**Currency translation adjustment on foreign subsidiaries**	**Deficit**	**NCI** (Note 4)	**Total**
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**
Net loss	–	–	–	–	–		–	(584,429,886)	(8,860,636)	(593,290,522)
Other comprehensive loss	–	–	–	–	–	(95,824,336)	(208,345)	–	–	(96,032,681)
Total comprehensive loss	–	–	–	–	–	(95,824,336)	(208,345)	(584,429,886)	(8,860,636)	(689,323,203)
Deposit for future stock subscriptions	–	2,500,000,000	–	–	–	–	–	–	–	2,500,000,000
Transaction costs of stock issuance	–	–	(49,408,614)	–	–	–	–	–	–	(49,408,614)
Transfer of portion of revaluation surplus realized through depreciation, depletion and disposal, net of tax	–	–	–	(8,115,822)	–	–	–	8,115,822	–	–
Acquisition of Monte Oro Resources & Energy, Inc.	–	–	–	–	(1,130,351,390)	–	–	17,238,135	196,752,746	(916,360,509)
Balances at December 31, 2014	**₱1,868,639,664**	**₱2,500,000,000**	**₱3,048,826,224**	**₱5,271,619**	**(₱1,130,351,390)**	**(₱120,002,440)**	**(₱208,345)**	**(₱3,229,352,154)**	**₱187,892,110**	**₱3,130,715,288**

See accompanying Notes to Consolidated Financial Statements.

APEX MINING CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**(₱580,505,224)**	(₱858,565,562)	₱41,778,068
Adjustments for:			
Depreciation, depletion and amortization (Note 24)	**414,324,689**	498,991,726	414,410,409
Loss on write-off and provision for impairment:			
Property, plant and equipment (Note 23)	**136,012,675**	–	5,446,023
Inventories (Note 7)	**–**	92,417,740	–
Input value-added tax (VAT; Note 8)	**–**	5,427,414	–
Intangible assets (Note 12)	**–**	37,817,999	–
Interest and accretion expense (Notes 23 and 26)	**106,249,845**	76,482,960	3,803,784
Unrealized foreign exchange loss (gain)	**(70,093,528)**	208,406,763	(35,987,519)
Provision for inventory losses and obsolescence (Notes 7 and 23)	**65,378,154**	–	–
Movement in accrued retirement benefits	**23,123,121**	16,311,167	12,148,808
Recovery of inventory written-off (Notes 7 and 23)	**(5,985,920)**	–	–
Interest income (Notes 5 and 23)	**(1,550,835)**	(160,227)	(2,422,908)
Loss on early extinguishment of a loan (Note 23)	**393,810**	–	–
Operating income before working capital changes	**87,346,787**	73,595,691	439,176,665
Decrease (increase) in:			
Trade and other receivables	**(148,501,521)**	304,220,541	(210,309,015)
Inventories	**(136,176,189)**	92,411,676	(248,456,925)
Advances to related parties	**(1,613,450)**	–	–
Prepayments and other current assets	**(59,554,542)**	(16,774,774)	(36,709,331)
Increase (decrease) in:			
Trade and other payables	**2,689,666,967**	396,731,001	365,351,281
Advances from stockholders and related parties	**(464,571,529)**	(97,258,538)	(166,103,243)
Net cash generated from operations	**1,966,596,523**	752,925,597	142,949,432
Interest received	**1,550,835**	160,227	2,422,908
Interest paid	**(142,509,093)**	(30,407,671)	(232,010)
Income taxes paid	**(4,670,674)**	–	–
Net cash flows from operating activities	**1,820,967,591**	722,678,153	145,140,330
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of MORE (Note 4)	**(3,262,913,260)**	–	–
Acquisition of property, plant and equipment (Note 10)	**(878,442,701)**	(1,667,799,862)	(572,428,022)
Increase in:			
Deferred exploration costs	**(40,880,844)**	(134,119,126)	(393,622,378)
Other noncurrent assets	**(242,147)**	(90,537,487)	(12,630,118)
AFS financial assets	**(344,640,000)**	–	–
Cash flows used in investing activities	**(4,527,118,952)**	(1,892,456,475)	(978,680,518)
CASH FLOWS FROM FINANCING ACTIVITIES			
Deposit for future stock subscriptions (Note 19)	**2,500,000,000**	–	–
Net proceeds from subscriptions to shares of stock (Note 19)	**–**	255,752,255	840,009,533
Availment of loans	**839,815,447**	983,806,722	–
Payment of loans	**(402,643,589)**	(106,403,995)	–
Transaction costs on share issuance (Note 19)	**(49,408,614)**	–	–
Cash from merger with Teresa Crew Gold (Philippines), Inc.	**–**	–	134,360
Net cash flows from financing activities	**2,887,763,244**	1,133,154,982	840,143,893
NET INCREASE (DECREASE) IN CASH	**181,611,883**	(36,623,340)	6,603,705
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(7,589,444)**	17,377,027	(7,230,613)
CASH AT BEGINNING OF YEAR	**33,677,065**	52,923,378	53,550,286
CASH AT END OF YEAR (Note 5)	**₱207,699,504**	₱33,677,065	₱52,923,378

See accompanying Notes to Consolidated Financial Statements.

APEX MINING CO., INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information, Status of Operations and Authorization to Issue the Consolidated Company Financial Statements**

Corporate Information
Apex Mining Co., Inc. ("Apex" or the "Parent 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 Parent Company currently operates the Maco Mines in Maco, Compostela Valley.

On March 7, 1974, the Parent Company listed its shares in the Philippine Stock Exchange (PSE) and attained the status of being a public company on the same date. The Parent 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 Parent 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	–	–
January 12, 2015	Increase in authorized capital stock	12.8 billion	–	–
February 6, 2015	Issuance of additional shares	12.8 billion	4.4 billion	1.00

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

The Parent Company's registered business and principal office address is 3304B West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City. The Company has 1,759 and 1,116 employees as at December 31, 2014 and 2013, respectively.

Acquisition of Monte Oro Resources & Energy, Inc. (MORE)
On September 11, 2014, the Board of Directors (BOD) approved the Parent Company's purchase for cash of all the outstanding capital stock of MORE, consisting of 5.12 billion shares, with par value of ₱1.00 per share, for a total consideration of ₱5.12 billion, for a purchase price of ₱1.00 per share.

Also on the same date, the BOD approved the subscription of the shareholders of MORE to 2.50 billion new shares of Apex, for a subscription price of ₱1.00 per share from the stockholders of MORE who agreed to sell all their shares in MORE to the Parent Company, which will result to the Parent Company owning 100% of the equity of MORE. In October 2014, the Company received ₱2.50 billion from the stockholders of MORE as payment for their subscriptions. The shares covered by the said subscriptions were issued after the Parent Company's application for the increase in its authorized capital stock was approved by the Philippine SEC on January 12, 2015 (see Note 32).

The deeds of sales of shares between the Parent Company and the stockholders of MORE were signed and executed on October 10, 2014. As at December 31, 2014, the Parent Company have paid ₱3.26 billion of the total consideration of the purchase of all of MORE's outstanding shares.

On April 11, 2014 and May 2, 2014, the BOD approved the following amendments on the Parent Company's Articles of Incorporation:

- that the place where the principal office of the Parent Company will be established or located shall be in 3304B West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila, Philippines
- that the authorized capital stock of the Parent Company shall be increased to ₱12.80 billion divided into 12.80 billion common shares with par value of ₱1.00 per share

Merger with Teresa Crew Gold (Philippines), Inc. (TCGPI)
Pursuant to Sections 76 to 80 of the Corporation Code of the Philippines, the BOD and stockholders of the Parent Company and TCGPI (collectively referred to as "Constituent Corporations") during meetings of the BOD of the Parent Company and TCGPI held on September 1, 2011 and August 1, 2011, respectively, and meetings of the stockholders of the Parent Company and TCGPI held on October 6, 2011 and September 15, 2011, respectively, approved the Plan of Merger (the "Merger") of the Constituent Corporations, the Parent Company being the surviving corporation and TCGPI as 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 of the Merger is obtained from the SEC, thus, the merger became effective beginning on January 1, 2012.

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

Status of Operations

Significant developments in the Parent Company's and its subsidiaries' (the "Group") operations are as follows:

a. Mining

Maco Mines

On December 22, 2005, the Mines and Geosciences Bureau (MGB) approved the Parent Company's application for a Mineral Production Sharing Agreement (MPSA) covering 679.02 hectares of land situated in Maco, Compostela Valley. On June 25, 2007, the MGB approved the Parent Company's second application for a MPSA covering an additional 1,558.50 hectares of land near the area covered by the first mineral permit.

As at December 31, 2014, the Company holds MPSA Nos. 225-2005-XI and 234-2007-XI, which have terms of 25 years from the effective date. The said MPSAs are valid and subsisting.

Offshore and Other Mining Projects

A deed of sale was executed by MORE and Paracale Gold Limited (PGL), a British Virgin Islands (BVI) company, on June 25, 2014, whereby MORE purchased 100% of the outstanding capital stock of PGL, an entity incorporated in the Isle of Man and a wholly owned subsidiary of PGL-BVI, for and in consideration of 226.00 million shares owned by MORE in Apex under the terms and conditions specified on the agreement dated March 14, 2014.

The agreement provides that the transfer of shares shall be completed through the facilities of the PSE in a special block sale. Transfer price to PGL-BVI was set at ₱2.00 per share. As a security for payment to PGL-BVI, the contracting parties entered into a pledge agreement on June 25, 2014, whereby MORE shall deliver 226.00 million Apex shares to PGL-BVI by way of pledge within five days.

PGL wholly owns Coral Resources Philippines, Inc. (CRPI) and has a 40% interest in Bulawan Mineral Resources Corporation (BMRC). PGL has advances to and an option to buy over the other 60% shareholdings in Bulawan. These include qualifying shares, which are recorded in the names of the nominee directors.

CRPI owns a fully operational mine processing plant located in Paracale, Jose Panganiban, Camarines Norte, Philippines. CRPI and BMRC have direct rights or legal agreements over nine applications for production sharing agreements (APSA), 13 exploration permits pending renewal and exploration permit applications, and two mining lease contracts.

Apex 3000

In February 2012, the Parent Company announced the approval of management's 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 Parent Company's current processing capacity of 850 tonnes per day (TPD) to 3,000 TPD.

In a special meeting held on December 16, 2013, the Parent Company's BOD decided to temporarily shelve the Apex 3000 expansion program. The new program of expansion approved by the BOD is to instead increase the capacity of the Maco Mines from 850 TPD to

1,500 TPD. The BOD considered such expansion as the more realistic target at such 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 Parent Company on January 15, 2014. The leak spilled tailings from the mine's diversion pipe in the Lumanggang Creek. In light of the said event and the evaluation on the safety of the Maco Mines, operations of the Parent 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 Parent Company on the next day.

Fire Incident
On April 10, 2014, armed men attacked three working installations and burned certain mining equipment and service vehicles at the Maco mine. The carrying values of the burned equipment, vehicles and idle assets amounted to ₱136.01 million (see Note 10). There were no reported casualties from this incident.

b. Oil and Gas

MORE has 30% participating interest in Service Contract (SC) 72, a service contract for natural gas in the offshore area called Sampaguita Fields of Palawan in the West Philippine Sea. Forum (GSEC 101) Limited - Philippine Branch owns the remaining 70% participating interest in and is the operator of the SC. The transfer of the 30% participating interest in SC72 to MORE is still pending approval with the Department of Energy (DOE). MORE also has oil exploration projects in Catanduanes and in Cagayan Valley under SC48.

On March 3, 2015, the DOE declared a force majeure on SC 72 because the contract area falls within the disputed territorial area in the West Philippine Sea, subject of a United Nations arbitration process between the Republic of the Philippines and the People's Republic of China. Under the terms of the force majeure, all exploration work for SC 72 shall be immediately suspended (effective from December 15, 2014) until the DOE issues a new notification that drilling and exploration may now commence on the area. As a result, the second sub-phase of SC 72 is put on hold until further notice.

The terms of the second sub-phase and all subsequent sub-phases are correspondingly extended by the length of the force majeure.

c. Solid Waste Management

On September 27, 1996, International Cleanvironment Systems, Inc. (ICSI) was registered with the Philippine SEC to manage, rehabilitate and introduce ecologically friendly technologies for waste disposal, recycling and energy generation. ICSI entered into a Build-Operate-Transfer Agreement with the Philippine government through the DOE for 25 years starting in 1997.

Executive Order (EO) 79
On July 12, 2012, EO 79 was issued 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 impact on the Group's current operations since its mining properties are covered by existing mineral permits and agreements 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 Group's mineral properties covered by Exploration Permits (EPs), Exploration Permit Applications (EPAs) or Applications for Production Sharing Agreements (APSAs) given the provision of the EO declaring a 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) recommended to 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, the MGB has started accepting mining applications for EPs and Financial Technical Agreement Assistance pursuant to DENR Administrative Order No. 2013-11. To date, however, the moratorium on the acceptance and processing of mineral agreements is still in effect.

Authorization to issue the Consolidated Financial Statements
The accompanying consolidated financial statements of the Group as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, were authorized for issuance by the Parent Company's BOD on April 29, 2015.

2. Basis of Preparation and Summary of Significant Accounting Policies

Basis of Preparation
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

The consolidated financial statements have been prepared on a historical cost basis, except for property, plant and equipment, which are carried at revalued amounts, and gold and silver bullions, metal in-circuit and ore stockpile inventories, which are measured at net realizable value (NRV). The consolidated financial statements are presented in Philippine peso, the Parent Company's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

Basis of Consolidation
The consolidated financial statements include the accounts of the Parent Company and its subsidiaries as at December 31, 2014.

	Nature of business	Country of incorporation	Effective percentage of ownership
MORE	Mine and oil exploration and development	Philippines	100.00
MORE's Subsidiaries:			
Minas de Oro Mongol LLC (Minas)	Mine exploration and development, and gold trading	Mongolia	100.00
PGL	Mine exploration and development	Isle of Man	100.00
CRPI*	Mine exploration and development	Philippines	100.00

(Forward)

	Nature of business	Country of incorporation	Effective percentage of ownership
BMRC*	Mine exploration and development	Philippines	100.00
MORE Minerals SL	Mine exploration and development, and gold trading	Sierra Leone	90.00
Monte Oro Mining Company Ltd.	Mine exploration and development, and gold trading	Sierra Leone	90.00
ICSI	Solid waste management	Philippines	52.00

**Indirect ownership through PGL*

The financial statements of the subsidiaries are prepared for the same reporting year as that of the Parent Company using uniform accounting policies. Where necessary, adjustments are made to bring the subsidiaries' accounting policies in line with the Group's accounting policies.

Subsidiaries are entities over which the Parent Company has control.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with an investee and has the ability to affect those returns through its power over an investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- exposure, or rights, to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting, or similar, rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement(s) with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the NCI, even if this results in the NCI having a deficit balance.

<u>NCI</u>

NCI represents the portion of profit or loss and net assets in a subsidiary not owned, directly or indirectly, by the Group and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the equity attributable to the equity holders of the parent company. Where the ownership of a subsidiary is less than 100%, and therefore a NCI exists, any losses of that subsidiary are attributed to the NCI even if that results in a deficit balance. Transactions with NCI are accounted for as equity transactions.

The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction in accordance with PAS 27, *Separate Financial Statements*. Any excess or deficit of consideration paid over the carrying amount of NCI is recognized in equity of the parent in transactions where NCI is acquired or sold without loss of control. The Group recognized this effect in "Additional paid-in capital."

Changes in Accounting Policies and Disclosures
The Group adopted standards and amendments that are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS, Philippine Accounting Standard (PAS) and Philippine Interpretations [based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations] which became effective on January 1, 2014. Adoption of those changes in PFRS did not have significant effect to the Group.

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
  These amendments 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). The amendments must be applied retrospectively, subject to certain transition relief. The amendment has no impact to the Group since none of the entities within the Group would qualify as an investment entity under PFRS 10.

- 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 the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. The amendments have no impact on the Group since none of the entities within the Group has any offsetting arrangements.

- PAS 36, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The application of these amendments affected disclosures only of the Group's consolidated financial statements.

- 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 and retrospective application is required. These amendments have no impact on the Group as the Group has no derivatives during the current or prior periods.

- 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. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the

recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirement of IFRIC 21 in prior years.

Annual Improvements to PFRSs (2010–2012 cycle)
In the 2010–2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no material impact on the Group.

Annual Improvements to PFRSs (2011–2013 cycle)
In the 2011–2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Group.

<u>Future Changes in Accounting Standards and Interpretations</u>
The Group intends to adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant impact on its consolidated financial statements. The relevant disclosures will be included in the notes to the consolidated financial statements when these became effective.

Issued but not yet effective

- PFRS 9, *Financial Instruments – Classification and Measurement (2010 version)*
  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. 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 FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of its financial liabilities.

  PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA). The Group 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 interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts* or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by BOA.

Effective January 1, 2015

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. It is not expected that this amendment would be relevant to the Group since none of the entities within the Group has a defined benefit plan with contributions from employees or third parties.

Annual Improvements to PFRSs (2010–2012 cycle)
The Annual Improvements to PFRSs (2010–2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. These include:

- PFRS 2, *Share-based Payment – Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition.
  - A performance target must be met while the counterparty is rendering service.
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group.
  - A performance condition may be a market or non-market condition.
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PAS 39 (or PFRS 9, if early adopted).

- 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 are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

  The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures – Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services

Annual Improvements to PFRSs (2011–2013 cycle)
The annual improvements to PFRSs (2011–2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. These include:

- PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement – Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable). The amendment affects disclosure only and has no impact on the Group's financial position or performance.

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective on January 1, 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group does not use a revenue-based method to depreciate its noncurrent assets.

- PAS 16, *Property, Plant and Equipment,* and PAS 41, *Agriculture – Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance,* will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as it does not have any bearer plants.

- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Group is currently assessing the impact of adopting this standard.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss

is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are not expected to have an impact to the Group.

- PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRSs (2012–2014 cycle)
The annual improvements to PFRSs (2012–2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. These include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5

- PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that

the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 – *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits – Regional Market Issue Regarding Discount Rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting – Disclosure of Information 'Elsewhere in the Interim Financial Report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective in January 1, 2018

- PFRS 9, *Financial Instruments – Hedge Accounting* and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39, which pertains to hedge accounting. This version of 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 derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA. The adoption of the said amendments is not expected to have any significant impact on the consolidated financial statements of the Group.

- PFRS 9, *Financial Instruments* (2014 or final version)
  In July 2014, the final version of PFRS 9 was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015. The adoption of the said amendments is not expected to have any significant impact on the consolidated financial statements of the Group.

The following new standard issued by the IASB has not yet been adopted by the FRSC

- IFRS 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Summary of Significant Accounting Policies

Presentation of Consolidated Financial Statements
The Group has elected to present all items of recognized income and expense in a single consolidated statement of comprehensive income.

Foreign Currency-Denominated Transactions
Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange at reporting date. Foreign exchange differences between the rate at transaction date and rate at settlement date or reporting date are credited to or charged against current operations.

The financial statements of the foreign consolidated subsidiaries are translated at closing exchange rates with respect to the consolidated statement of financial position and the average exchange rates for the year with respect to the consolidated statement of income. Resulting translation differences are included in equity (under currency translation adjustment) and consolidated statement of comprehensive income. Upon disposal of the foreign subsidiaries, accumulated exchange differences are recognized in the consolidated statement of income as a component of the gain or loss on disposal.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial Recognition
The Group recognizes a financial instrument in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument.

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 Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets, loans and receivables or as hedging instrument in an effective hedge as appropriate. 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.

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 Group classifies its financial liabilities into financial liabilities at FVPL, loans and borrowings, payables or as derivative designated as hedging instrument in an effective hedge, as appropriate. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates such designation at each end of the reporting period.

The Group's financial assets are in the nature of loans and receivables, and AFS financial assets while its financial liabilities are in the nature of payables, and loans and borrowings. As at December 31, 2014 and 2013, the Group has no financial assets classified as at FVPL, HTM financial assets and derivatives designated as hedging instruments in an effective hedge. Further the Group has no financial liabilities classified as at FVPL and derivatives designated as at hedging instrument in an effective hedge as at December 31, 2014 and 2013.

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 financial assets " 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 consolidated 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 Group's cash, trade and other receivables (excluding advances to contractors and suppliers, and advances to officers and employees), advances to related parties, deposit under "Prepayments and other current assets” and mine rehabilitation fund under “Other noncurrent assets” are classified as loans and receivables (see Notes 5, 6, 8, 13 and 15).

AFS Financial Assets
AFS financial assets are non-derivative financial assets that are designated in this category or not classified in any of the other categories of financial assets. After initial measurement, AFS investments are subsequently measured at fair value with unrealized gains or losses recognized in OCI until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss, or determined to be impaired, at which time the cumulative loss is reclassified to the profit or loss and removed from the OCI.

The fair values were determined by reference to market bid quotes as at the end of reporting period. For unquoted equity securities for which no reliable basis of fair value measurement is available, these are carried at cost less any impairment in value.

The Group evaluated its AFS investments whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management’s intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the HTM category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

Payables
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations (e.g., accounts payable, accrued liabilities). Payables are included in current liabilities if maturity is within 12 months from the end of the financial reporting period or within the Group’s normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent liabilities.

Payables are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

The Group’s payable include trade and other payables (excluding balances payable to government agencies arising from withholding taxes and payroll deductions), and advances from stockholders and related parties (see Notes 14 and 15).

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. The EIR amortization is included under finance costs in the consolidated statement of comprehensive income. Gains and losses are recognized in other income (charges) in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

Loans and borrowings are classified as current when these are expected to be settled within 12 months after the end of the reporting period if the Group 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 Group's loans and borrowings pertain to loans payable (see Note 18).

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 Group 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 Group 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

Where the Group 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 Group'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 Group could be required to repay. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, 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 consolidated statement of comprehensive income.

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 Group 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 consolidated 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 consolidated 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 Group 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 consolidated statement of comprehensive income.

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

Fair Value Measurement
An analysis of fair values of financial instruments and further details as to how they are measured are provided in Notes 10 and 29.

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 Group. 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 Group 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 consolidated 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 consolidated financial statements on a recurring basis, the Group 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.

Business Combinations using the Acquisition Method

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the Group elects whether to measure the NCI in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. As part of a business combination, the Group assesses whether there are any operating lease contracts of the acquiree that may be onerous that is, where the lease premiums being paid on that contract exceed the current market rate for such lease arrangements. Those mineral reserves, resources and exploration potential that can be reliably measured are recognized separately in the assessment of fair values on acquisition. Other potential reserves, resources and rights, for which fair values cannot be reliably measured, are not recognized separately, but instead are subsumed in goodwill.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition-date fair value, and any resulting gain or loss is recognized in the consolidated statement of comprehensive income. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 *Financial Instruments: Recognition and Measurement* is measured at fair value, with changes in fair value recognized either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not re-measured, and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the fair value of the identifiable net assets acquired and liabilities assumed. If the fair value of the identifiable net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation in that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation of and the portion of the CGU retained.

<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 Group's management elected to apply choice (b) as its policy in accounting for the business combination with TCGPI and involved the following:

- The assets and liabilities of the combining entities were reflected at their carrying amounts. No adjustments were 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 were made were to harmonize accounting policies.
- No new goodwill were recognized as a result of the combination. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity.
- The surviving entity's statement of income reflected 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 bullions, metal in-circuit, ore stockpile, and materials and supplies used in the Group's operations, are physically measured or estimated and valued at the lower of cost and 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.

Mine products inventory
Mine products inventory, which pertains to bullions, metal in-circuit and ore stockpile, containing gold and silver, are stated at NRV.

NRV for mine products inventory is the selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Materials and supplies
Materials and supplies are valued at lower of cost and NRV. It comprises all costs of purchase and other costs incurred in bringing the materials and supplies to their present location and condition. The purchase cost is determined on a moving average basis.

A regular review is undertaken to determine the extent of any provision for losses and obsolescence.

Prepayments and Other Current Assets
Prepayments
Prepayments are expenses paid in advance and recorded as asset, before these 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
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 consolidated statement of financial position. Input VAT on capitalized assets subject to amortization is presented as "Deferred Input VAT" in the consolidated statement of financial position. This may either be applied against future output tax liabilities or claimed for tax credit or refund. The consolidated conducts regular assessment on the recoverability of the account balance depending on how this is 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 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.

Creditable Withholding Taxes (CWTs) and Tax Credit Certificates (TCCs)
CWTs are withheld from income subject to expanded withholding taxes, while TCCs are input VAT applied for by the Group and approved as tax credits by the Bureau of Internal Revenue (BIR). CWTs and TCCs can be utilized as payment for income taxes provided that these are properly supported by certificates of CWT withheld at source and TCCs subject to the rules of Philippine income taxation. CWTs and TCCs are expected to be utilized as payment for income taxes within 12 months and are classified as current assets.

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

The initial cost of property, plant and equipment comprises the 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, if the recognition criteria are met. All other repairs and maintenance are charged to current operations during the financial period in which these 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 OCI, 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 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 Group transfers, from the 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 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.

Gain and loss on disposal of an asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in 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 Group'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
Buildings 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 end of the reporting period.

Property, plant and equipment are depreciated or depleted from the moment the assets are available for use and after the risks and rewards are transferred to the Group. 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.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each end of the reporting period.

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.

Mine and Mining Properties
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 Group 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 phases.

Upon start of commercial operations, mine development costs are transferred as part of mine and mining properties. 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 rehabilitation and decommissioning.

Development costs, including construction in progress incurred from 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.

Deferred Exploration Costs

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

The Group 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.

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 said software. These costs are amortized on a straight-line basis over their estimated useful lives of three years. Intangible assets of the Group includes goodwill and franchise cost for the implementation of the solid waste management project.

Other Noncurrent Assets

Other noncurrent assets include noncurrent portion of deferred input VAT, deposits, mine rehabilitation funds, national transmission lines, and advances for royalties of the Group. These are carried at historical cost and classified as noncurrent since the Branch expects to utilize the assets beyond 12 months from the end of the reporting period.

Impairment of Nonfinancial Assets

Nonfinancial Receivables, and Prepayments 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 their carrying amounts. 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 consolidated statement of comprehensive income.

Property, Plant and Equipment, Intangible Assets, excluding Goodwill and Other Nonfinancial Noncurrent Assets

The Group assesses at each reporting date whether there is an indication that property, plant and equipment, intangible assets, excluding goodwill, and other nonfinancial noncurrent assets may be impaired when events or changes in circumstances indicate that the carrying values of the said assets may not be recoverable. If any such indication exists and if the carrying value exceeds the estimated recoverable amount, the assets or CGUs are written down to their recoverable amounts. An asset's recoverable amount is the higher of an asset's or CGU'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. 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 consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each end of the reporting period 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 and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated 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.

The Group also provides allowance for impairment losses on mine and mining properties when these 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 operations of the area of interest, or alternatively, by its sale. If the project does not prove to be viable or is abandoned, all revocable costs associated with the project and the related impairment provisions are written off.

Deferred Exploration 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 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 exploration of the area of interest or alternatively, by its sale, or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations, in relation to the area, are continuing, or planned for the future.

Retirement Benefit Costs

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
- remeasurements 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 consolidated 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 consolidated statement of comprehensive income.

Remeasurements 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 these arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Remeasurements 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 Group, nor can these be paid directly to the Group. 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 Group's right to be reimbursed of some or all of the expenditures 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 Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the 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 consolidated statement of comprehensive income. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented on the consolidated statement of comprehensive income, net of any reimbursement.

Provision for Mine Rehabilitation and Decommissioning

The Group 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 consolidated 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 these occur.

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. 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 12 months or the normal operating cycle, whichever is longer. Otherwise, the amount is presented as a deduction from capital stock.

Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When the retained earnings account has a debit balance, it is called "deficit". A deficit is not an asset but a deduction from equity. Dividends are recognized as a liability and deducted from equity when these are approved by the BOD. Dividends for the period that are approved after the end of the reporting period are dealt with as an event after the reporting period.

Deposit for Future Stock Subscriptions
This pertains to the amount of cash received as payment for future issuance of stocks. This is classified as an equity instrument when the Group will deliver a fixed number of its own equity instruments in exchange for a fixed amount of cash or another financial asset. Otherwise, it is classified under liabilities.

In instances where the Group does not have sufficient unissued authorized capital stock, the following elements should be present as at the balance sheet date in order for the deposits for future subscriptions to qualify as equity:
- the unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract
- there is BOD approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation)
- there is stockholders' approval of said proposed increase and
- the application for the approval of the proposed increase has been filed with the Philippine SEC

Otherwise, this will be classified as part of liabilities.

Treasury Shares
Where the Group purchases its own shares (treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity.

Earnings (Loss) Per Share
Basic
Basic earnings (loss) per share is calculated by dividing the consolidated net income (loss) attributable to ordinary stockholders of the Parent Company by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Parent 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 Group and the revenue can be reliably measured. The Group 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.

Revenue from mine products
Revenue from mine products is recognized at completion of production. It is measured based on the metal's shipment value price, which is based on quoted metal prices in the London Bullion Market Association, and weight and assay content as adjusted at a later period, net of marketing charges, to reflect the NRV of mine products inventory at the end of the reporting period. Contract terms for the Parent Company's sale of metals (i.e., gold and silver) in bullion provide for price adjustment based on the final assay to determine the metal content.

The terms of the sales contract with the Parent Company's lone customer contain provisional arrangements whereby the selling price for the metals is based on prevailing spot prices on a future date after shipment to the customer. Smelting, freight and interest are deducted from the sales proceeds payment by the Parent Company.

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 depletions 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 the consolidated statement of comprehensive income in the period these are incurred.

Cost of Production
Cost of production is incurred in the normal course of business and is recognized when incurred. It is comprised 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.

Excise Taxes
Excise taxes pertain to the taxes paid or accrued by the Group for its legal obligation arising from the production of mine products. Excise taxes are expensed as incurred.

General and Administrative Expenses
General and administrative expenses pertain to costs associated in the general administration of day-to-day operations of the Group. Included under general and administrative expenses are selling expenses, which are incurred by the Group to market and distribute its mine products such as advertising, salaries, and shipping charges. These are generally recognized when incurred.

Other Income (Charges)
Other income and charges of the Group include incidental income earned and expenses incurred arising from activities of the Group, which are not directly related to the ordinary course of business. Other income and charge are recognized when earned and incurred, respectively.

Borrowing Costs
Borrowing costs are interest and other costs that the Group 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 costs. 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 Group during the period. All other borrowing costs are recognized in the consolidated statement of comprehensive income in the period in which these are incurred.

Leases

Determination of Whether an Arrangement Contains a Lease

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

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

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

Operating 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 consolidated 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, carry-forward benefits of unused net operating loss carry-over (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 profit will be available against which the deductible temporary differences, unused NOLCO and excess of MCIT over RCIT can be utilized.

The carrying amount of deferred income tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profit 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 end of the reporting period and are recognized to the extent that it has become probable that the future taxable income will allow the deferred tax assets 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.

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

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

Operating Segments

The Group's operating businesses are recognized and managed according to the nature of the products or services offered, with each segment representing a strategic business unit that serves different markets.

Segment assets include operating assets used by a segment and consist principally of operating cash, trade and other receivables, deferred exploration cost, and property, plant and equipment, net of allowances and provisions.

Segment liabilities include all operating liabilities and consist principally of trade and other payables and accrued expenses.

Segment revenue, expenses and profit include transfers between business segments. The transfers are accounted for at competitive market prices charged to unaffiliated customers for similar products. Such transfers are eliminated in the consolidation.

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 President and Chief Executive Officer (CEO) of the Parent Company who makes strategic decisions.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed in the notes to consolidated 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 consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the accompanying disclosures. 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 consolidated 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 Group'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 consolidated financial statements.

Determination of the Group's Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Group operates.

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 Group are retained by the lessor and therefore accounts for such lease as operating lease.

Operating Lease - Group as a Lessee
The Group 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 Group considered, among others, the significance of the lease term as compared with the estimated lives of the related assets.

Operating leases of the Group 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 Business Combination (Acquisition Method)
The Parent Company and the stockholders of MORE entered into a subscription agreement wherein the stockholders of MORE agreed to sell all their shares in MORE to the Parent Company which resulted to the Parent Company owning 100% of the equity of MORE. Applying the provisions of PFRS 3 and PAS 27, management determined that the acquisition method is to be applied in the business combination.

Based on these facts, management of the Parent Company concluded that it will carry MORE's assets and liabilities at fair value, and MORE's statement of income from October 10, 2014, which is determined to be the acquisition date, to December 31, 2014. Moreover, the Company also recognized a goodwill from the business combination (see Notes 4 and 12).

Determination of Accounting Policy on Common Control Business Combinations
The Parent Company and TCGPI entered into an agreement to enter into a business combination (see Note 1). The Merger resulted in the continuation of existence of the Parent Company and cessation of the operations of TCGPI. Applying the provisions of PFRS 3 and PAS 27, management determined that the pooling of interest method of accounting, instead of the acquisition or purchase method, is to be applied in the business combination. Moreover, the business combination is a combination with no commercial substance as it is merely a continuation of the existing subgroup comprising of the Parent Company's and TCGPI's activities.

Based on these facts, management of the Parent 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 amounts, and TCGPI's statement of income for the full year, irrespective of when the combination took place.

Assessment on Provisions and Contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently assessed that these proceedings will not have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 30).

Assessment of the Recoverability of Capitalized Deferred Exploration Costs
The application of the Group's accounting policy for exploration 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 expenditures. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether economically viable extraction operations can be established. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available. Deferred exploration costs amounted to ₱1.62 billion and ₱595.16 million as at December 31, 2014 and 2013, respectively (see Note 11).

Assessment of the Production Start Date
The Group 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 Group 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 Group did not perform any assessment of production start date during the year.

Classification of Financial Instruments
The Group 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 consolidated statement of financial position.

In addition, the Group 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 consolidated financial statements within the next financial year are discussed below.

Estimation of Allowance for Doubtful Accounts on Trade and Other Receivables, and Advances to Related Parties

If the Group assessed that there is objective evidence that an impairment loss has been incurred on its trade and other receivables, and advances to related parties, the Group 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 Group 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 trade and other receivables, and advances to related parties to amounts that the Group 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, 2014 and 2013, represents the amounts estimated to be uncollectible from other receivables carried under trade and other receivables amounting to ₱2.33 million (see Note 6). No provision for impairment losses were made in 2014, 2013 and 2012 on advances to related parties as management believes that these will be recovered within the terms established with the debtors.

As at December 31, 2014 and 2013, the carrying values of trade and other receivables, and advances to related parties amounted to ₱461.97 million and ₱313.46 million, respectively, and ₱2.10 million and ₱0.49 million, respectively (see Notes 6 and 15).

Estimation of Allowance for Inventory Losses and Obsolescence

The Group maintains an 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, 2014 and 2013, the carrying amounts of inventories amounted to ₱549.86 million and ₱413.68 million, respectively, net of allowance for inventory losses and obsolescence of ₱80.55 million and ₱15.17 million as at those dates (see Note 7).

Assessment of the Realizability of Nonfinancial Prepayments and Other Current Assets

A review to determine the realizability of the asset is made by the Group on a continuing basis yearly. The assessment as to the realizability of the nonfinancial other current assets is based on how the Group can utilize these assets.

The aggregate carrying value of nonfinancial prepayments and other current assets pertaining to input taxes, creditable withholding taxes and consumable deposits amounted to ₱176.86 million and ₱117.31 million, as at December 31, 2014 and 2013, respectively, and are included under "Prepayments and other current assets" caption in the consolidated statements of financial position (see Note 8).

Estimation of Fair Value, Useful Lives and Residual Values of Property, Plant and Equipment
The Group 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, 2014 and 2013 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 Parent 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 2014 and 2013. Remaining property, plant and equipment as at December 31, 2014 and 2013 are expected to be realized through continued use under the current mining plan with none identified subject for sale or disposal.

Property, plant and equipment at fair value as at December 31, 2014 and 2013 amounted to ₱3.91 billion and ₱3.27 billion, respectively, while property, plant and equipment at cost as at December 31, 2014 and 2013 amounted to ₱3.74 billion and ₱3.26 billion, respectively (see Note 10). The estimated useful lives are disclosed in Note 2 to the consolidated 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. The Group estimates its reserves in accordance with local regulatory guidelines provided under the Philippine Mineral Reporting Code and duly reviewed and verified by a Competent Person.

Depletion rates used to amortize mine and mining properties in 2014, 2013 and 2012 were 24%, 17%, and 16%, respectively. Mine and mining properties, net of accumulated depletion, amounted to ₱1.74 billion and ₱1.37 million as at December 31, 2014 and 2013, respectively (see Note 10).

Estimation of Provision for Mine Rehabilitation and Decommissioning
The Group 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 consolidated statement of financial position by adjusting the rehabilitation asset and liability.

As at December 31, 2014 and 2013, the provision for mine rehabilitation and decommissioning amounted to ₱44.77 million and ₱47.81 million, respectively (see Note 17).

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, 2014 and 2013, 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 end of the reporting period.

Retirement benefits costs amounted to ₱23.12 million, ₱16.31 million and ₱12.27 million in 2014, 2013 and 2012, respectively. Accrued retirement benefits amounted to ₱202.68 million and ₱83.73 million as at December 31, 2014 and 2013, respectively (see Note 16).

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 16.

Estimation of Impairment of AFS Financial Assets
The determination of impairment loss for AFS financial asset requires an estimation of the present value of the expected future cash flows and the selection of an appropriate discount rate. An impairment issue arises when there is an objective evidence of impairment, which involves significant judgment. In applying this judgment, the Group evaluates the financial health of the issuer, among others. In the case of AFS equity instruments, objective evidence of impairment includes a significant or prolonged decline in the fair value of the investments below its cost. The Group treats “significant” generally as 30% or more and “prolonged” as greater than twelve months. The Group expands its analysis to consider changes in the issuer’s industry and sector performance, legal and regulatory framework, changes in technology, and other factors that affect the recoverability of the Group’s investments. No impairment loss was recognized in 2014, 2013 and 2012. As at December 31, 2014 and 2013, the carrying value of AFS financial assets amounted to ₱344.64 million and nil, respectively (see Note 9).

Estimation of Impairment of Nonfinancial Assets, including Property, Plant and Equipment, Deferred Exploration Costs, Intangible Assets, excluding Goodwill, and Other Noncurrent Assets
The Group evaluates whether property, plant and equipment, deferred exploration costs, intangible assets, excluding goodwill, and nonfinancial 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 an 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 Group. The approach utilizes prices recently paid for similar assets with adjustments made to the indicated market price to reflect condition and utility of the appraised assets relative to the market comparable.

Aggregate net book values of property, plant and equipment, deferred exploration costs, intangible assets excluding goodwill, and nonfinancial other noncurrent assets amounted to ₱5.82 billion and ₱3.98 billion as at December 31, 2014, and 2013 respectively (see Notes 10, 11, 12 and 13).

These are subjected to impairment testing when impairment indicators are present. There were no write-off of deferred exploration costs by the Group in 2014 and 2013 (see Note 11). Write-off of property, plant and equipment, intangible assets, excluding goodwill, and other noncurrent assets were recognized in 2014, 2013, and 2012 amounting to ₱136.01 million, ₱37.82 million and ₱5.4 million, respectively (see Note 23).

Estimation of Impairment of Goodwill
The Group reviews the carrying value of goodwill for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. If the recoverable amount of the unit exceeds the carrying amount of the CGU, the CGU and the goodwill allocated to that CGU shall be regarded as not impaired. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill has been allocated, an impairment loss is recognized. No impairment loss was recognized in 2014, whereas the carrying value of goodwill as at December 31, 2014 amounted to ₱925.63 million (see Note 4).

Assessment of Realizability of Deferred Income Tax Assets
The Group 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 profit will be available to allow all or part of the deferred income tax assets to be utilized. Accordingly, the Group did not recognize deferred tax assets in respect of deductible temporary differences and unused tax losses (see Note 27).

Estimation of Legal Contingencies
The Group evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsel believe that the Group 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 parent company's financial statements. No provision for probable losses arising from these cases was recognized in the consolidated financial statements as at December 31, 2014 and 2013 (see Note 30).

4. **Business Combination**

On September 11, 2014, the BOD approved the Parent Company's acquisition of MORE, and the deeds of sale covering the acquisition of MORE shares were signed and executed on October 10, 2014. This resulted to Apex owning 100% of MORE's equity (see Note 1).

MORE, an entity incorporated in the Philippines, is primarily engaged in prospecting, exploration, mining, operating, milling, concentrating, converting, smelting, treating, refining, processing, preparing for market, manufacturing, buying, selling, exchanging and otherwise producing and dealing in all other kinds of ores, metals and minerals.

The primary reason for the business combination is the expansion of the mining business of the Company by taking over the mining business under MORE which includes mining interests in Mongolia, Sierra Leone and Myanmar, as well as in oil exploration by having a 30% participation in SC72. MORE is also the owner of PGL that owns a mineral processing plant and tenements in Camarines, Norte.

Assets acquired and liabilities assumed

The identifiable assets and liabilities of MORE as at acquisition date, October 10, 2014, are as follows:

	Provisional fair values
Cash	₱207,582,703
Trade and other receivables	1,297,161,744
Other current assets	37,892,239
Total Current Assets	**1,542,636,686**
Property, plant and equipment	400,294,460
Available-for-sale financial assets	1,540,222,628
Deferred exploration costs	739,437,869
Intangible assets	484,754,892
Other noncurrent assets	8,077,001
Total Noncurrent Assets	**3,172,786,850**
Total Assets	**4,715,423,536**
Total Liabilities	**322,136,388**
Total Net Identifiable Assets	**₱4,393,287,148**
Purchase consideration transferred	₱5,122,161,096
Noncontrolling interest	196,752,746
	5,318,913,842
Audited value of net identifiable assets of MORE	4,393,287,148
Goodwill	**₱925,626,694**

Goodwill of ₱925.63 million arose from the business combination and is recognized in the consolidated financial statements of the Group and its subsidiaries. The goodwill arising from the acquisition pertains to the revenue the Parent Company expects to earn from its investments in MORE and in MORE's subsidiaries' involved in various projects.

The provisional fair value of the receivables of MORE amounted to ₱1.30 billion. None of the trade and other receivables has been impaired as at October 10, 2014, and it is expected that the full contractual amounts can be collected.

The Parent Company also acquired AFS financial assets pertaining to MORE's interest in a foreign company which is also engaged in gold mining and trading. As at October 10, 2014, the management assessed that the AFS financial assets are not impaired.

The Company also acquired, as part of the business combination, material investments and deferred exploration costs. These investments pertain to MORE's interests in its wholly- and partially-owned subsidiaries, which primarily engage in oil and mine exploration activities.

The total loss incurred by MORE amounted to ₱49.66 million from the acquisition date to December 31, 2014.

5. Cash

	2014	2013
Cash in banks	**₱206,817,310**	₱31,861,811
Cash on hand	**882,194**	1,815,254
	₱207,699,504	₱33,677,065

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

Interest income, net of final tax, arising from cash in bank amounted to ₱1.55 million, ₱0.16 million and ₱2.42 million in 2014, 2013 and 2012, respectively (see Note 23).

Cash in foreign currencies is recognized using the exchange rate effective on the day of reference, e.g. qualifying date. The Group has cash denominated in United States dollar (US$) amounting to US$0.87 million and US$0.14 million as at December 31, 2014 and 2013, respectively.

6. Trade and Other Receivables

	2014	2013
Trade	**₱152,509,102**	₱66,353,805
Nontrade	**195,797,704**	–
Advances to suppliers and contractors	**91,678,901**	216,955,199
Advances to officers and employees	**3,753,929**	29,601,611
	443,739,636	312,910,615
Others	**20,556,452**	2,883,952
Less allowance for doubtful accounts	**2,329,870**	2,329,870
	18,226,582	554,082
	₱461,966,218	₱313,464,697

Trade receivables are non-interest bearing and are generally on less than 15 days' terms while nontrade receivables are cash advances that are granted to third parties. These are related to gold delivery agreements entered into by the Group with a Swiss refining entity.

Advances to suppliers and contractors comprise mainly of advance payments relating to the services, materials and supplies necessary in the operations. These are non-interest bearing and will be applied against future billings from suppliers and contractors.

Foreign currency-denominated advances to suppliers and contractors amounted to US$1.29 million and US$1.62 million as at December 31, 2014 and 2013, respectively.

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

Other receivables comprise of advances for social security claims and medical benefits of employees. These said advances will be settled by the employees once their claims or benefits have been received from the related agency. The Group will receive the cash lent once the employee got their claims from the respective agency. Other receivables also include receivables from Mapula Creek Gold Corporation (MCGC), which was previously considered by the Group as a related party (see Note 15).

The Group'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 Group recognized allowance for impairment losses on other receivables that are considered individually impaired amounting to ₱2.33 million as at December 31, 2014 and 2013. There were no provision for impairment losses on trade and other receivables recognized in 2014 and 2013.

7. Inventories - NRV

	2014	2013
Gold and silver bullions	**₱113,761,486**	₱16,094,729
Metal in circuit	**–**	14,037,647
Ore stockpile	**143,970,785**	41,883,505
	257,732,271	72,015,881
Materials and supplies	**372,676,677**	356,838,724
Less allowance for inventory losses and obsolescence	**(80,550,746)**	(15,172,592)
	292,125,931	341,666,132
	₱549,858,202	₱413,682,013

The cost of gold and silver bullions, and ore stock pile amounted to ₱247.82 million and ₱72.68 million as at December 31, 2014 and 2013, respectively.

Cost of inventories recognized as part of cost of production amounted to ₱601.05 million, ₱760.32 million and ₱489.65 million in 2014, 2013 and 2012, respectively (see Note 21).

Cost of materials and supplies recognized as part of general and administrative expenses in 2014, 2013 and 2012 amounted to ₱35.70 million, ₱37.04 million and ₱35.31 million, respectively (see Note 22).

Movements in allowance for inventory losses and obsolescence are as follows:

	2014	2013
Beginning balances	**₱15,172,592**	₱15,172,592
Provision (Note 23)	**65,378,154**	–
Ending balances	**₱80,550,746**	₱15,172,592

The Group wrote off inventories amounting to nil, ₱92.42 million and nil in 2014, 2013 and 2012, respectively (see Note 23). In 2014, recovery from previously written off inventory amounting to ₱5.99 million was recognized (see Note 23).

8. Prepayments and Other Current Assets

	2014	2013
Input VAT	**₱104,843,854**	₱47,414,415
CWTs	**24,951,583**	24,933,054
Current portion of deferred input VAT	**17,716,658**	17,135,439
Deposit	**12,044,807**	–
Prepayments	**10,200,382**	6,983,141
TCCs	**4,239,715**	18,867,861
Others	**2,865,799**	1,974,346
	₱176,862,798	₱117,308,256

Input VAT represents VAT imposed on the Group by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations. The Parent Company applied for the conversion of the unused input VAT into a TCC which the Parent Company used to pay for its excise tax.

CWTs 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 Parent Company in leasing out TCGPI's property.

Deferred input VAT pertains to input VAT on purchases or importation of capital goods exceeding ₱1.00 million in a calendar month. The current portion pertains to input VAT, which are amortized within 12 months from the end of the reporting period.

The Group has written off input VAT amounting to ₱5.43 million in 2013 (see Note 23).

Deposit pertains to deposit with Banco De Oro Unibank, Inc. (BDO) as a requirement in availing the loan from which maturing principal and interest payments are deducted.

Prepayments include licenses and premiums on insurance policies covering the Group's vehicles and employees.

TCCs are previously recognized input VAT that were approved by regulatory agencies to be converted to TCCs. These can be utilized through application against national taxes such as income, excise, etc.

Others pertain to deposits made by the Group to non-bank entities including service professionals.

9. AFS Financial Assets

Unquoted AFS financial assets pertain to MORE's investment in a private foreign entity in which the Group holds a 3.92% ownership interest. The AFS financial assets are carried at cost since the shares do not have a quoted market price in an active market and the fair value cannot be measured reliably. As at December 31, 2014, the Group has no intention to dispose its unquoted shares. The aggregate cost of this investment amounted to ₱344.64 million as at December 31, 2014. No dividend income was derived in 2014 for the said unquoted shares.

10. **Property, Plant and Equipment**

	2014							
	Buildings and improvements	Mining and milling equipment	Power equipment	Roads and bridges, and land improvements	Exploration equipment and others	Mine and mining properties	Construction in-progress	Total
At revalued amounts:								
Balances at beginning of year	**₱165,124,145**	**₱2,864,187,926**	**₱375,740,983**	**₱568,015,227**	**₱264,336,011**	**₱2,275,211,470**	**₱714,153,877**	**₱7,226,769,639**
Additions	**5,195,247**	**80,175,509**	**30,457,690**	**–**	**13,201,117**	**505,142,415**	**244,270,723**	**878,442,701**
Change in estimate of provision for mine rehabilitation and decommissioning (Note 17)	**(3,327,510)**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,327,510)**
Reclassifications/transfers	**–**	**(3,263,569)**	**(1,997,587)**	**6,945,015**	**(2,183,102)**	**–**	**1,681,733**	**1,182,490**
Reclassifications to (from) construction in-progress	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Disposals and write-offs	**–**	**(201,344,423)**	**–**	**–**	**(5,294,537)**	**–**	**–**	**(206,638,960)**
Acquired through business combination (Note 4)	**–**	**–**	**–**	**–**	**357,958,261**	**–**	**–**	**357,958,261**
Balances at end of year	**166,991,882**	**2,739,755,443**	**404,201,086**	**574,960,242**	**628,017,750**	**2,780,353,885**	**960,106,333**	**8,254,386,621**
Accumulated depreciation and amortization:								
Balances at beginning of year	**132,967,263**	**1,916,411,362**	**347,460,754**	**292,949,646**	**195,442,354**	**906,583,222**	**–**	**3,791,814,601**
Depreciation and depletion	**19,195,471**	**224,909,729**	**12,832,002**	**35,949,714**	**28,431,493**	**134,389,281**	**–**	**455,707,690**
Reclassifications/transfers	**(29,000,001)**	**(9,027,579)**	**(1,000,000)**	**(5,000,000)**	**45,210,070**	**–**	**–**	**1,182,490**
Disposal and-write offs	**–**	**(70,873,045)**	**–**	**–**	**–**	**–**	**–**	**(70,873,045)**
Balances at end of year	**123,162,733**	**2,061,420,467**	**359,292,756**	**323,899,360**	**269,083,917**	**1,040,972,503**	**–**	**4,177,831,736**
Allowance for impairment:								
Balances at beginning and end of year	**126,037**	**3,318,744**	**–**	**159,229,430**	**–**	**–**	**–**	**162,674,211**
Net book values	**₱43,703,112**	**₱675,016,232**	**₱44,908,330**	**₱91,831,452**	**₱358,933,833**	**₱1,739,381,382**	**₱960,106,333**	**₱3,913,880,674**

	2013							
	Buildings and improvements	Mining and milling equipment	Power equipment	Roads and bridges, and land improvements	Exploration equipment, and others	Mine and mining properties	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	₱1,831,121,205	₱218,264,483	₱5,567,299,543
Additions	3,666,302	684,374,040	8,029,707	–	51,507,848	486,896,802	572,831,131	1,807,305,830
Change in estimate of provision for mine rehabilitation and decommissioning (Note 17)	6,934,378	–	–	–	–	(42,806,537)	–	(35,872,159)
Reclassifications/transfers	–	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	2,275,211,470	714,153,877	7,226,769,639
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	679,825,558	–	3,338,154,008
Depreciation and depletion	39,968,334	165,527,370	12,656,665	33,695,704	25,494,526	226,757,664	–	504,100,263
Disposal and write offs	(42,414,464)	(3,654,666)	–	–	(4,370,540)	–	–	(50,439,670)
Balances at end of year	132,967,263	1,916,411,362	347,460,754	292,949,646	195,442,354	906,583,222	–	3,791,814,601
Allowance for impairment:								
Balances at beginning and end of year	126,037	3,318,744	–	159,229,430	–	–	–	162,674,211
Net book values	₱32,030,845	₱944,457,820	₱28,280,229	₱115,836,151	₱68,893,657	₱1,368,628,248	₱714,153,877	₱3,272,280,827

In 2009, the Group 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 Group recognized a net increase of ₱86.03 million, which was directly credited to the revaluation surplus on property, plant and equipment account, net of deferred taxes amounting to ₱25.81 million. Correspondingly, the Group 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 the end of the reporting period.

Construction in progress consists mainly of expenditures for the Apex 3000 and other construction projects, which includes cost of various projects at different stages of completion, as at December 31, 2014 and 2013, respectively.

Movement in revaluation surplus in equity is as follows:

	2014	2013
Balances at beginning of year	**₱13,387,441**	₱55,751,783
Realized portion through depreciation, net of tax	**(8,115,822)**	(42,364,342)
Balance at end of year	**₱5,271,619**	₱13,387,441

The cost and accumulated depreciation of the burned equipment, vehicles and idle assets amounted to ₱201.34 million and ₱70.87 million, respectively. The net amount of ₱136.01 million was written off and recognized as loss in the consolidated financial statements.

The tables in the succeeding pages present the amounts if the property, plant and equipment were carried at cost less accumulated depreciation and accumulated impairment loss.

	2014							
	Buildings and improvements	Mining and milling equipment	Power equipment	Roads and bridges and land improvements	Exploration equipment, and others	Mine and mining properties	Construction in-progress	Total
At cost:								
Balances at beginning of year	**₱54,756,147**	**₱1,929,561,630**	**₱317,258,771**	**₱506,941,436**	**₱264,647,435**	**₱2,275,211,470**	**₱714,153,877**	**₱6,062,530,766**
Additions	**5,195,247**	**80,175,509**	**30,457,690**	**–**	**13,201,117**	**505,142,415**	**244,270,723**	**878,442,701**
Change in estimate of provision for mine and decommissioning rehabilitation (Note 17)	**(3,327,510)**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,327,510)**
Reclassifications/transfers	**–**	**(3,263,569)**	**(1,997,587)**	**6,945,015**	**(2,183,102)**	**–**	**1,681,733**	**1,182,490**
Reclassifications to (from) construction in-progress	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Disposals and write-offs	**–**	**(201,344,423)**	**–**	**–**	**(5,294,537)**	**–**	**–**	**(206,638,960)**
Acquired through business combination (Note 4)	**–**	**–**	**–**	**–**	**357,958,261**	**–**	**–**	**357,958,261**
Balances at end of year	**56,623,884**	**1,805,129,147**	**345,718,874**	**513,886,451**	**628,329,174**	**2,780,353,885**	**960,106,333**	**7,090,147,748**
Accumulated depreciation and amortization:								
Balances at beginning of year	**27,561,933**	**982,815,199**	**289,927,816**	**237,410,858**	**196,664,141**	**906,583,222**	**–**	**2,640,963,169**
Depreciation and depletion	**56,610,175**	**341,359,316**	**15,002,679**	**40,222,225**	**28,398,744**	**134,389,281**	**–**	**615,982,420**
Reclassification/transfers	**(29,000,001)**	**(9,027,579)**	**(1,000,000)**	**(5,000,000)**	**45,210,070**	**–**	**–**	**1,182,490**
Disposals and write-offs	**–**	**(70,873,045)**	**–**	**–**	**–**	**–**	**–**	**(70,873,045)**
Balances at end of year	**55,172,107**	**1,244,273,891**	**303,930,495**	**272,633,083**	**270,272,955**	**1,040,972,503**	**–**	**3,187,255,034**
Allowance for impairment:								
Balances at beginning and end of year	**126,037**	**3,318,744**	**–**	**159,229,430**	**–**	**–**	**–**	**162,674,211**
Net book values	**₱1,325,740**	**₱557,536,512**	**₱41,788,379**	**₱82,023,938**	**₱358,056,219**	**₱1,739,381,382**	**₱960,106,333**	**₱3,740,218,503**

	2013							
	Buildings and improvements	Mining and milling equipment	Power equipment	Roads and bridges, and land improvements	Exploration equipment, and others	Mine and mining properties	Construction in-progress	Total
At cost:								
Balances at beginning of year	₱81,249,603	₱1,289,886,351	₱307,231,474	₱455,196,724	₱220,110,830	₱1,831,121,205	₱218,264,483	₱4,403,060,670
Additions	3,666,302	684,374,040	8,029,707	–	51,507,848	486,896,802	572,831,131	1,807,305,830
Change in estimate of provision for mine rehabilitation decommissioning (Note 17)	6,934,378	–	–	–	–	(42,806,537)	–	(35,872,159)
Reclassifications/transfers	–	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	2,275,211,470	714,153,877	6,062,530,766
Accumulated depreciation and amortization:								
Balances at beginning of year	59,008,062	851,200,459	278,271,150	208,715,154	176,540,155	679,825,558	–	2,253,560,538
Depreciation and depletion	10,968,335	135,269,406	11,656,666	28,695,704	24,494,526	226,757,664	–	437,842,301
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	906,583,222	–	2,640,963,169
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	₱1,368,628,248	₱714,153,877	₱3,258,893,386

The cost of fully depreciated property, plant and equipment that are still being used amounted to ₱2.53 billion and ₱1.43 billion as at December 31, 2014 and 2013, respectively.

As at December 31, 2014 and 2013, certain items of property, plant and equipment, totaling ₱566.03 million under the mining and milling equipment category, are used as collateral to the various financing agreements entered into by the Parent Company (see Note 18).

	2014			
	Mine and mining properties	**Mine development costs**	**Mine rehabilitation asset**	**Total**
Cost:				
Balances at beginning of year	**₱1,404,150,868**	**₱847,176,761**	**₱23,883,841**	**₱2,275,211,470**
Additions	**–**	**505,142,415**	**–**	**505,142,415**
Reclassification	**164,834,695**	**(164,834,695)**	**–**	**–**
Balances at end of year	**1,568,985,563**	**1,187,484,481**	**23,883,841**	**2,780,353,885**
Accumulated depletion:				
Balances at beginning of year	**883,574,068**	**–**	**23,009,154**	**906,583,222**
Depletion (Note 24)	**134,176,296**	**–**	**212,985**	**134,389,281**
Balances at end of year	**1,017,750,364**	**–**	**23,222,139**	**1,040,972,503**
Net book values	**₱551,235,199**	**₱1,187,484,481**	**₱661,702**	**₱1,739,381,382**

	2013			
	Mine and mining properties	Mine development costs	Mine rehabilitation asset	Total
Cost:				
Balances at beginning of year	₱1,275,339,534	₱489,091,293	₱66,690,378	₱1,831,121,205
Addition	–	486,896,802	–	486,896,802
Effect of change in estimate (Note 17)	–	–	(42,806,537)	(42,806,537)
Reclassification	128,811,334	(128,811,334)	–	–
Balances at end of year	1,404,150,868	847,176,761	23,883,841	2,275,211,470
Accumulated depletion:				
Balances at beginning of year	656,936,056	–	22,889,502	679,825,558
Depletion (Note 24)	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	₱847,176,761	₱874,687	₱1,368,628,248

11. **Deferred Exploration Costs**

	2014	2013
Balances at beginning of year	**₱595,161,862**	₱476,493,452
Acquired through business combination (Note 4)	**985,290,642**	–
Additions	**40,880,844**	118,668,410
Balances at end of year	**₱1,621,333,348**	₱595,161,862

As at December 31, 2014, deferred exploration costs attributable to the Parent Company and each subsidiary are as follows:

Apex	₱636,042,706
MORE	276,816,689
Minas	240,486,266
PGL	346,948,049
MMSL	51,829,038
MOMCL	69,210,600
	₱1,621,333,348

Deferred exploration costs consist of expenditures related to the exploration activities covered by the Group's MPSAs. Additions to deferred exploration costs include fees incurred on service contracts for the exploration of the mines, drilling activities, payments made by the Parent Company to local cooperatives and other direct costs related to exploration activities. There were no reclassifications to mine development costs under mine and mining properties during the year. The recovery of these costs depends upon the success of exploration activities and future development of the corresponding mining properties and production in commercial quantities.

12. Intangible Assets

	2014			
	Franchise	Computer software	Goodwill (Note 4)	Total
Cost:				
Balances at beginning of year	₱–	₱39,683,994	₱–	₱39,683,994
Assets acquired through business combination (Note 4)	192,202,964	943,125	925,626,694	1,118,772,783
Additions	–	640,068	–	640,068
Balances at end of year	₱192,202,964	₱41,267,187	₱925,626,694	₱1,159,096,845
Accumulated amortization:				
Balances at beginning of year	₱–	₱28,506,950	₱–	₱28,506,950
Amortization	–	10,868,681	–	10,868,681
Balances at end of year	–	39,375,631	–	39,375,631
Net book values	₱192,202,964	₱1,891,556	₱925,626,694	₱1,119,721,214

Franchise pertains to ICSI's cost of franchise for the implementation of the Solid Waste Management Project. The subsidiary's management has assessed that the subsidiary can fully recover the cost of the franchise upon commencement of operations.

In 2013, the Parent 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 in 2013 due to the various issues that were encountered, which resulted in the recognition of the write-off related to the portion of the software cost that can no longer be utilized amounting to ₱37.82 million in the 2013 consolidated statement of comprehensive income (see Note 23). As at December 31, 2013, the carrying amount of intangible assets amounted to ₱11.18 million.

Computer software includes workbooks used for exploration activities and accounting process of the Parent Company.

13. Other Noncurrent Assets

	2014	2013
Deferred input VAT - noncurrent	**₱64,923,588**	₱68,788,202
Deposits	**22,303,364**	24,351,354
Mine rehabilitation fund	**9,219,858**	5,150,000
National transmission lines	**2,949,236**	2,949,236
Advances for royalties	**2,084,893**	–
	₱101,480,939	₱101,238,792

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

As at December 31, 2014 and 2013, the Group maintains mine rehabilitation funds consisting of monitoring trust, rehabilitation cash, environmental trust and final rehabilitation and decommission funds as provided in its agreements entered into with the provincial government and the MGB. The funds are to be used for the 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.*

National transmission lines pertain to the national transmission line for the warehouse, which will be recovered through application against final billings.

Advances for royalties arose due to the agreement entered into by BMRC which requires the latter to pay in advance the royalties accruing for a particular mining property.

Idle assets of the Group are those which are not currently put into productive use but can still be used. The Group's idle assets are already fully depreciated and amortized.

Movement of idle assets for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Cost:		
Balances at beginning of year	**₱54,791,187**	₱54,791,187
Write-off	**(7,327,659)**	–
Balances at end of year	**47,463,528**	54,791,187

(Forward)

	2014	2013
Accumulated amortization:		
Balances at beginning of year	**₱54,791,187**	₱42,328,288
Depreciation	**–**	12,462,899
Write-off	**(7,327,659)**	–
Balances at end of year	**47,463,528**	54,791,187
Net book values	**₱–**	₱–

Write-offs during the year pertain to assets which were destroyed during the fire incident (see Note 1).

14. Trade and Other Payables

	2014	2013
Trade	**₱734,116,895**	₱763,604,463
Payable to Prime Metroline Holdings, Inc. (PMHI)	**2,062,010,916**	–
Payable to Mindanao Gold Ltd. (MGL; Note 15)	**342,206,944**	–
Royalties	**124,364,633**	110,314,691
Accrued expenses	**115,045,682**	102,098,858
Payable to Abracadabra Speculative Ventures, Inc. (ASVI; Note 15)	**55,680,367**	–
Payables to government agencies	**24,585,921**	21,478,182
Payables to employees	**17,268,517**	15,894,180
Accrued interest payables	**9,814,119**	41,652,392
Retention fees	**9,835,156**	17,114,451
Others	**270,621,126**	3,726,092
	₱3,765,550,276	₱1,075,883,309

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

Payable to PMHI pertains to the Parent Company's contractual obligation to pay the purchase of MORE shares from PMHI (see Note 1).

Royalties payable, which includes unpaid surface right fees, pertains to royalties based on the memorandum of agreement with the indigenous peoples of Barangay Masara, Maco, Compostela Valley. The royalty and surface right fees are computed as 1% of gross sales and production of the Parent Company, respectively.

In 2013, penalties amounting to ₱33.77 million are included in accrued expenses which are related to a final assessment from the Philippine Bureau of Internal Revenue (BIR) on the Parent 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.

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

Payables to employees pertain to accrued leave benefits that are monetized and given to employees and unclaimed salaries and wages as at each end of the reporting period.

Accrued interest payable pertains to finance charges in relation to the interest bearing loans and finance lease obligations incurred in relation to Apex 3000.

Retention fees pertain to withheld payment for services availed 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 fees are non-interest bearing.

Other payables pertain to short-term cash advances availed by the Group to fund working capital requirements.

15. Related Party Disclosures

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity 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 and short-term cash advances for working capital requirements of the Group, which are due and demandable.

Category	Year	Volume/ Amount	Outstanding balance	Terms	Conditions
Receivables:					
MORE Coal	**2014**	**₱1,009,125**	**₱1,009,125**	Payable on demand,	Unsecured,
	2013	–	–	non-interest bearing	not guaranteed
MORE Oil & Gas	**2014**	**421,491**	**421,491**	Payable on demand,	Unsecured,
	2013	–	–	non-interest bearing	not guaranteed
MORE Reedbank	**2014**	**337,091**	**337,091**	Payable on demand,	Unsecured,
	2013	–	–	non-interest bearing	not guaranteed
MORE Minerals	**2014**	**329,505**	**329,505**	Payable on demand,	Unsecured,
	2013	–	–	non-interest bearing	not guaranteed
La Galice Holdings	**2014**	**2,000**	**2,000**	Payable on demand,	Unsecured,
	2013	–	–	non-interest bearing	not guaranteed
Achillion Holdings, Inc.	**2014**	**630**	**630**	Payable on demand,	Unsecured,
	2013	–	–	non-interest bearing	not guaranteed
Razon Industries, Inc.	**2014**	**300**	**300**	Payable on demand,	Unsecured,
	2013	–	–	non-interest bearing	not guaranteed
Sureste Realty Corp	**2014**	**300**	**300**	Payable on demand,	Unsecured,
	2013	–	–	non-interest bearing	not guaranteed
2014		**₱2,100,442**	**₱2,100,442**		
2013		–	–		

Category	Year	Volume/ Amount	Outstanding Balance	Terms	Conditions
Payables:					
Stockholder	**2014**	**₱19,258,652**	**₱19,258,652**	Payable on demand,	Unsecured,
	2013	–	–	non-interest bearing	not guaranteed

a. The Group's advances to related parties are receivables from entities whose directors and officers are common with MORE.

b. Advances from stockholders, which are noninterest-bearing and has no fixed repayment date, will be used to fund the Parent Company's working capital requirements.

c. Because of the change in the ownership structure of the Parent Company, MCGC, MGL and ASVI are no longer considered related parties. The Parent Company has advances to MCGC amounting to ₱1.12 million and ₱0.49 million as at December 31, 2014 and 2013, respectively. The Parent Company also has advances from MGL amounting to ₱342.21 million and ₱339.76 million and advances from ASVI amounting to ₱55.68 million and ₱55.28 million as at December 31, 2014 and 2013, respectively. The balances of these advances to MCGC, and from MGL and ASVI as at December 31, 2014 are now presented under other receivables and other payables, respectively (see Notes 6 and 14).

   On July 20, 2012, MGL and MCGC, previously considered related parties of the Parent Company, each entered into separate Deeds of Assignment with the Parent Company for the assignment and conversion of the Parent 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 in 2013 (see Note 19).

<u>Trustee bank</u>
The Parent Company's retirement fund is being held by a trustee bank. The carrying amounts of the Parent Company's retirement fund as at December 31, 2014 and 2013 amounted to ₱15.20 million and ₱15.40 million, respectively, while the fair values amounted to and ₱14.68 million and ₱15.20 million, respectively.

The retirement fund consists of investments in government securities, cash and short-term deposits, and unquoted equity securities, which accounts for 70.75%, 19.62% and 9.63%, respectively, of the retirement fund.

The Parent Company made no contributions to the fund in 2014 and 2013. There were no transactions made between the Company and the retirement fund in both years.

Compensation of Key Management Personnel
The Group considers as key management personnel all employees holding managerial positions up to the President and CEO. There were no stock options or other long-term benefits granted to key management personnel in 2014, 2013 and 2012. The following are the components of the compensation of the Group's key management personnel in 2014, 2013 and 2012:

	2014	2013	2012
Salaries and short-term benefits	**₱79,819,589**	₱81,721,374	₱68,709,410
Post-retirement benefits	**9,060,855**	3,510,796	3,767,928
	₱88,880,444	₱85,232,170	₱72,477,338

16. **Defined Benefit Retirement Plan**

The Company provides for retirement benefit costs in accordance with Republic Act (RA) No. 7641, *Retirement Pay Law.*

Per RA No. 7641, "Qualified workers shall be entitled to the retirement benefit under RA No. 7641 in the absence of any individual or collective agreement, company policy or practice. In case there is such an agreement, policy or practice providing retirement benefit which is equal or superior to that which is provided in the Act, said agreement, policy or practice will prevail. The Company's policy is superior to that of RA 7641.

The Parent 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 consolidated statements of comprehensive income and consolidated statements of financial position, respectively.

The details of retirement benefits costs follow:

	2014	2013	2012
Current service cost (Note 25)	**₱18,702,146**	₱12,776,878	₱10,129,224
Interest cost - net (Note 26)	**4,420,975**	3,534,289	2,137,330
	₱23,123,121	₱16,311,167	₱12,266,554

Changes in defined benefit liability and fair value of plan assets in 2014 and 2013 are as follows:

2014	**Defined benefits liability**	**Fair value of plan assets**	**Net defined benefit liability**
At January 1	**₱98,928,560**	**₱15,197,977**	**₱83,730,583**
Net interest	**5,223,428**	**802,453**	**4,420,975**
Current service cost	**18,702,146**	**–**	**18,702,146**
Remeasurement of actuarial losses:			
Changes in financial assumptions	**79,119,194**	**–**	**79,119,194**
Changes in demographic assumptions	**864,368**	**–**	**864,368**
Experience	**15,243,232**	**–**	**15,243,232**
Remeasurement loss - return on plan assets	**–**	**597,542**	**597,542**
	95,226,794	**597,542**	**95,824,336**
At December 31	**₱218,080,928**	**₱15,402,888**	**₱202,678,040**

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 losses:			
Changes in financial assumptions	13,315,679	–	13,315,679
Experience	263,153	–	263,153
Remeasurement loss - return on plan assets	–	452,528	452,528
	13,578,832	452,528	14,031,360
At December 31	₱98,928,560	₱15,197,977	₱83,730,583

Accrued retirement benefits that are recognized in the other comprehensive income are as follows:

	2014	2013
Balances as at beginning	**₱24,178,104**	₱10,146,744
Actuarial losses	**95,226,794**	13,578,832
Remeasurement loss - plan assets	**597,542**	452,528
Accrued retirement benefit cost in OCI	**95,824,336**	14,031,360
Balances as at yearend	**₱120,002,440**	₱24,178,104

The major categories of the Parent Company’s plan assets as a percentage of the fair value of total plan assets are as follows:

	2014	2013
Cash and cash equivalents	**29.02%**	68.33%
Debt instruments - government bonds	**63.81%**	16.33%
Mutual funds	**6.39%**	–
Unit investment trust funds	**0.89%**	–
Others	**(0.11%)**	15.34%
	100.00%	100.00%

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

	2014	2013	2012
Discount rate	**4.83%**	5.28%	6.62%
Expected rate of salary increase	**10.00%**	5.00%	5.00%
Average remaining working life (in years)	**23.6**	21.3	21.2

Assumptions regarding future mortality rate are based on the 2001 CSO Table - Generational (Scale AA, Society of Actuaries).

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

	Increase (decrease)	**2014**
Discount rates	**10.5%**	**(₱22,883,910)**
	(9.2%)	**20,105,141**

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

	Increase (decrease)	**2014**
Salary increase rate	**9.0%**	**₱19,521,894**
	(8.1%)	**(17,705,097)**

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

The retirement plan trustee has no specific matching strategy between the plan assets and the plan liabilities. Moreover, the Parent Company is not required to pre-fund the future defined benefits payable under the retirement plan before they become due. For this reason, the amount and timing of contributions to the retirement fund are at the Parent Company's discretion. However, in the event a benefit claim arises and the retirement fund is insufficient to pay the claim, the shortfall will then be due and payable from the Parent Company to the retirement fund.

The latest available actuarial valuation report of the Parent Company was obtained in March 2015. The Parent Company does not expect to contribute to the defined retirement benefits plan in 2015. There were no transactions made between the Parent Company and the retirement fund in 2014 and 2013.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2014 and 2013:

	2014	2013
Less than one year	**₱6,976,909**	₱2,712,909
More than one year to five years	**41,306,311**	17,030,991
More than five years to 10 years	**103,271,435**	63,459,019
	₱151,554,655	₱83,202,919

17. Provision for Mine Rehabilitation and Decommissioning

	2014	2013
Balance at beginning of year	**₱47,806,902**	₱82,790,453
Accretion (Note 23)	**290,246**	888,608
Effect of change in estimate (Note 10)	**(3,327,510)**	(35,872,159)
Balance at end of year	**₱44,769,638**	₱47,806,902

The Group makes a full provision for the future costs of rehabilitating of the mine 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 Parent Company's FMRDP on its existing MPSAs was approved by the MGB on August 9, 2010. These provisions have been created based on the Parent Company's internal estimates. Assumptions based on the current economic environment have been made, which management believes are reasonable bases 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.

18. Loans Payable

	2014	2013
Rizal Commercial Banking Corporation (RCBC)	**₱450,000,000**	₱–
UnionBank of the Philippines (UBP)	**357,760,000**	–
Sandvik Mining and Construction Trade and Export Finance (Sandvik)	**224,644,812**	294,294,907
Hongkong Shanghai Banking Corporation (HSBC)/Banco De Oro (BDO)-net	**100,417,820**	331,585,004
Atlas Copco Rock Drills (Atlas Copco)	**174,954,579**	238,624,237
Planters Bank (Planters)	**7,191,184**	12,898,579
	1,314,968,395	877,402,727
Less current portion	**1,138,396,661**	870,211,544
Noncurrent portion	**₱176,571,734**	₱7,191,183

The maturities of the loans payable are as follows:

	2014	2013
Due in:		
2014	**₱–**	₱870,211,544
2015	**1,138,396,661**	6,216,938
2016	**176,571,734**	974,245
	₱1,314,968,395	₱877,402,727

Loan Facilities
HSBC/BDO
On August 2, 2013, the Parent Company entered into a syndicated term loan facility agreement with BDO and HSBC for up to US$12.00 million. The loan was obtained to finance the Parent Company's construction of a new processing plant in Maco, Compostela Valley. Drawdowns made from the said facility, which totaled to US$7.50 million in 2013, at an interest rate of 7.50% per annum. Interest payments are due on a quarterly basis starting December 27, 2013, while quarterly principal amortizations start on September 27, 2014 until September 27, 2015. On August 13, 2014, the Parent Company terminated and paid the full amount of the portion of the loan pertaining to HSBC amounting to US$3.75 million.

The Parent Company recognized ₱0.20 million and ₱1.61 million as discount on the loan based on the EIR of 7.95% per annum as at December 31, 2014 and 2013, respectively. The unpaid portion amounted to ₱100.42 million and ₱331.59 million December 31, 2014 and 2013, respectively.

The remaining amount payable for the loan payable to BDO as at December 31, 2014 is US$2.25 million equivalent to ₱100.42 million, net of discount of ₱.02 million.

UBP
The Parent Company issued two promissory notes to UBP on July 22, 2014 and August 1, 2014 for US$4.00 million each. The notes bear an interest rate of 5.5% per annum with 180 days term. The Parent Company was granted by UBP to rollover the promissory notes on January 16 and 28, 2015 for another 180 days.

The Parent Company has a remaining obligation amounting to US$8.00 million equivalent to ₱357.76 million as at December 31, 2014.

RCBC
On August 5, 2014, the Parent Company issued a non-negotiable promissory note to RCBC for ₱450.00 million maturing on February 1, 2015. The note bears an interest rate of 6.5% per annum with 180 days term. The Parent Company was granted by RCBC to rollover the promissory note with the same interest rate and maturity period on February 1, 2015 amounting to ₱320.00 million and paid the remaining ₱130.00 million which the Parent Company later availed on February 18, 2015.

The unpaid portion of the obligation amounted to nil as at December 31, 2014.

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

Atlas Copco
In June 2013, the Parent Company entered into various Purchase Agreements with Atlas Copco for the acquisition of machinery and equipment related to the Apex 3000. The Parent Company also signed various Supplier Credit Arrangements with Atlas Copco Customer Finance AB, which makes available to the Parent Company credit lines to be used in financing the Purchase Agreements. The said credit agreements are payable in three years and bear an interest rate of 8.00% per annum.

On December 12, 2014, the Parent Company and Atlas Copco signed an amendment to the purchase agreements wherein the terms provided for a new monthly payment schedule starting February 28, 2015 until December 31, 2016.

Certain items of property, plant and equipment under the mining and milling category totaling ₱262.43 million are used as collateral to the said purchase agreements.

The Parent Company has a remaining payable of ₱89.95 million to Atlas Copco as at December 31, 2014.

Sandvik
In June 2013, the Parent Company entered into several Sale and Purchase Agreements with Sandvik covering purchases of equipment to be used in its expansion program. Settlement of the said purchases on behalf of the Parent Company was covered by financing agreements entered into with Sandvik. The said agreements due to Sandvik Credit are payable in three years and bear an interest rate of 10.00% per annum.

On December 29, 2014, the Parent Company and Sandvik signed an amendment to the purchase agreements wherein, the amended terms provided for new 7 to 8 quarterly principal payment schedules starting January 20, 2015, including interest of ₱0.54 million on unpaid principal until October 20, 2016.

As at December 31, 2014, 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.

The Parent Company has a remaining obligation of ₱224.64 million to Sandvik as at December 31, 2014.

Planters
The Parent Company obtained various promissory notes from Planters which were used to finance the purchase of transportation equipment to be used in the mine site. The said promissory notes are payable in three years and bear an interest rate of 5.73% per annum. In addition, these are secured by chattel mortgages on the purchased transportation equipment totaling ₱17.38 million.

The Parent Company was compliant with the terms and provisions of the above stated loans as at December 31, 2014.

The Parent Company's availment and payment of loans and equipment financing as at December 31, 2014 and 2013 are as follows:

	2014		2013	
	Availment	**Payment**	Availment	Payment
HSBC/BDO - net	**₱14,792,816**	**₱246,353,810**	₱331,585,004	₱–
Unionbank	**357,760,000**	**–**	–	–
RCBC	**450,000,000**	**–**	–	–
Sandvik	**7,673,890**	**77,323,985**	350,129,169	55,834,262
Atlas	**6,569,815**	**70,239,473**	275,022,255	36,398,018
Planters	**3,018,926**	**8,726,321**	27,070,294	14,171,715
	₱839,815,447	**₱402,643,589**	₱983,806,722	₱106,403,995

Interest expenses incurred in 2014 and 2013 in relation to the availed loans are as follows:

	2014	2013
Atlas	**₱36,032,862**	₱26,716,025
Sandvik	**31,132,538**	31,675,752
RCBC	**14,062,500**	–
HSBC/BDO - net	**10,781,506**	6,539,230
Unionbank	**9,558,757**	–
Planters	**834,569**	5,095,281
	₱102,402,732	₱70,026,288

19. **Capital Stock**

Capital stock

The Parent Company has authorized capital stock of ₱2.80 billion, divided into a single class of common shares, with a par value of ₱1.00 per share as at December 31, 2014 and 2013.

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

	2014		2013	
	Shares	**Amount**	Shares	Amount
Issued and subscribed shares at beginning of year	**1,868,639,664**	**₱1,868,639,664**	1,664,565,290	₱1,664,801,362
Less subscriptions receivable	**–**	**–**	–	236,072
Total issued and subscribed at beginning of year	**1,868,639,664**	**1,868,639,664**	1,664,565,290	1,664,565,290
Issued during the year	**–**	**–**	204,074,374	204,074,374
Issued shares at end of year	**1,868,639,664**	**1,868,639,664**	1,868,639,664	1,868,639,664
Less treasury shares	**(1,130,351,390)**	**(1,130,351,390)**	–	–
Outstanding shares at end of year	**738,288,274**	**₱738,288,274**	1,868,639,664	₱1,868,639,664

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

a. On March 12, 2015, the Parent Company issued 1.86 billion shares to PMHI out of unissued capital stock at an issue price equivalent to its par value of ₱1.00 per share.

b. On February 3, 2015, the Parent Company issued 2.50 billion shares out of the unissued capital stock at an issue price equivalent to its par value of ₱1.00 per share corresponding to the deposit for future stock subscriptions of ₱2.5 billion as at December 31, 2014.

c. On January 12, 2015, the Parent Company's application for the increase in its authorized capital stock was duly approved by the Philippine SEC.

d. On December 29, 2014, the Parent Company filed with the SEC an application for the increase in authorized capital stock from ₱2.80 billion divided into 2.80 billion shares, with par value of ₱1.00 per share, to ₱12.80 billion divided into 12.80 billion shares, with par value of ₱1.00 per share.

e. On October 10, 2014, through the execution of the subscription agreements between the Parent Company and stockholders of MORE, the Parent Company recorded as part of its equity deposit for future stock subscriptions amounting to ₱2.50 billion.

f. On April 16, 2014, MORE purchased from MCGC 644.68 million shares of the Parent Company.

g. On August 27, 2013, the Parent Company received subscriptions from:
   - MORE 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

h. The BOD and stockholders of the Parent 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 Parent Company’s Articles of Incorporation detailing the declassification was approved by the SEC on September 20, 2013. The Parent Company adopted the stock symbol “APX”, which was effected on the Exchange’s trading system on October 24, 2013.

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

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

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

   - MORE for the purchase of additional 120.00 million Class “A” shares for a total subscription amount of ₱528.00 million.
   - MGL acquired additional 48.05 million Class “B” shares for a total subscription amount of ₱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.

l. On January 26, 2012, 75.56 million shares divided into 45.33 million Class “A” shares and 30.22 million Class “B” shares were issued to MCGC and MGL, respectively, to effect the Merger between the Parent Company and TCGPI.

Additional paid-in capital

Movements in the additional paid-in capital are as follows:

	2014	2013
Balance at beginning of year	**₱3,098,234,838**	₱2,561,661,966
Additional paid-in capital from share issuances	**–**	542,720,617
Transaction costs of shares issuances	**(49,408,614)**	(6,147,745)
Balance at end of year	**₱3,048,826,224**	₱3,098,234,838

As at December 31, 2014 and 2013, the Parent Company has 2,814 and 2,801 stockholders, respectively, each holding at least 100 shares.

20. 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, 2014, 2013 and 2012 are as follows:

	2014	2013	2012
Net income (loss) attributable to the equity holders of the Parent Company	**(₱584,429,886)**	(₱827,430,860)	₱57,092,621
Weighted average number of common shares for basic earnings (loss) per share	**3,238,288,274**	1,756,172,369	1,551,228,163
Dilutive shares arising from debt-to-equity conversion	–	–	45,918,086
Weighted average number of common shares adjusted for diluted earnings (loss) per share	**3,238,288,274**	1,756,172,369	1,597,146,249
Basic earnings (loss) per share	**(₱0.18)**	(₱0.47)	₱0.04
Diluted earnings (loss) per share	**(₱0.18)**	(₱0.47)	₱0.04

21. Cost of Production

	2014	2013	2012
Mine and milling costs (Note 7)	**₱601,050,238**	₱760,323,087	₱489,650,737
Depreciation, depletion and amortization (Note 24)	**402,056,618**	488,649,547	350,437,240
Personnel costs (Note 25)	**185,839,038**	135,728,733	113,302,224
Utilities	**94,388,177**	114,391,919	110,281,739
Rent (Note 30)	**59,631,456**	75,501,134	53,939,385
Contracted services	**44,694,660**	59,557,733	4,998,995
Marketing	**15,877,963**	17,370,177	17,322,468
Repairs and maintenance	**548,857**	639,603	4,172,954
Others	**25,693,055**	53,175,969	54,270,286
	₱1,429,780,062	₱1,705,337,902	₱1,198,376,028

Others include costs of assay testing and contracted labor for the Parent Company's operations.

22. General and Administrative Expenses

	2014	2013	2012
Personnel costs (Note 25)	**₱216,815,658**	₱170,252,093	₱163,718,692
Contracted services	**83,153,474**	47,431,656	42,483,854
Taxes, licenses and permits	**48,682,910**	36,806,396	34,310,395
Rent (Note 30)	**40,481,470**	41,272,020	38,439,472
Materials and supplies (Note 7)	**35,703,880**	37,041,444	35,305,845
Community development expenses	**26,428,157**	12,823,883	11,389,539
Representation and entertainment	**20,383,401**	13,159,231	10,367,093
Professional fees	**20,350,939**	21,347,411	16,458,675

(Forward)

	2014	2013	2012
Surface rights	**₱16,077,705**	₱17,334,908	₱18,173,216
Depreciation and amortization (Note 24)	**12,268,071**	10,342,179	63,973,169
Transportation and accommodation	**8,709,693**	4,918,792	6,486,543
Insurance	**8,106,980**	17,052,011	19,281,252
Employee activities	**7,055,207**	5,402,165	7,345,429
Data and communications	**4,683,526**	4,972,151	4,555,964
Utilities	**4,144,731**	2,922,544	3,061,062
Royalties	**1,772,380**	17,569,685	18,173,216
Donations and contributions	**1,717,701**	11,058,762	14,304,783
Repairs and maintenance	**1,080,400**	690,452	1,350,889
Overhead costs	**170,461**	17,557,758	2,783,602
Others	**35,404,511**	22,784,910	45,370,517
	₱593,191,255	₱512,740,451	₱557,333,207

Royalties pertain to expenses incurred for payments made to indigenous peoples near the Group's mining tenements. Other expenses pertain to freight and handling, bank charges, laboratory expenses and miscellaneous expenses.

23. **Other Charges (Income) -** net

	2014	2013	2012
Loss on write - off of:			
Property, plant and equipment	**₱136,012,675**	₱–	₱5,446,023
Inventory (Note 7)	**–**	92,417,740	–
Input VAT (Note 8)	**–**	5,427,414	–
Intangible assets (Note 12)	**–**	37,817,999	–
Provision for inventory losses and obsolescence (Note 7)	**65,378,154**	–	–
Foreign exchange gain (loss) - net	**(53,540,453)**	129,635,563	(25,414,978)
Recovery of inventory previously written-off (Note 7)	**(5,985,920)**	–	–
Interest income (Note 5)	**(1,550,835)**	(160,227)	(2,422,908)
Loss on early extinguishment of loans	**393,810**	–	–
Accretion expense (Note 17)	**290,246**	888,608	3,571,775
Miscellaneous	**2,318,828**	–	–
	₱143,316,505	₱266,027,097	(₱18,820,088)

Miscellaneous expenses pertain to bank charges, administrative penalties and other expenses that are considered individually immaterial.

24. **Depreciation, Depletion and Amortization**

	2014	2013	2012
Property, plant and equipment	**₱403,456,008**	₱476,186,648	₱387,129,761
Intangible assets	**10,868,681**	22,805,078	27,280,648
	₱414,324,689	₱498,991,726	₱414,410,409

The amounts were distributed as follows:

	2014	2013	2012
Cost of production (Note 21)	**₱402,056,618**	₱488,649,547	₱350,437,240
General and administrative expenses (Note 22)	**12,268,071**	10,342,179	63,973,169
	₱414,324,689	₱498,991,726	₱414,410,409

In 2014, the Company capitalized depreciation, depletion and amortization costs amounting to ₱22.88 million as part of inventories and ₱106.96 million as part of deferred exploration and mine development costs.

25. **Personnel Costs**

	2014	2013	2012
Salaries and wages	**₱227,122,517**	₱189,628,851	₱174,815,763
Other employee benefits	**156,830,033**	103,575,097	92,075,929
Retirement benefits cost (Note 16)	**18,702,146**	12,776,878	10,129,224
	₱402,654,696	₱305,980,826	₱277,020,916

The amounts were distributed as follows:

	2014	2013	2012
Cost of production (Note 21)	**₱185,839,038**	₱135,728,733	₱113,302,224
General and administrative expenses (Note 22)	**216,815,658**	170,252,093	163,718,692
	₱402,654,696	₱305,980,826	₱277,020,916

26. **Finance Costs**

	2014	2013	2012
Interest on loans payable (Note 18)	**₱102,402,732**	₱70,026,288	₱–
Net interest cost on retirement benefits (Note 16)	**4,420,975**	3,534,289	2,137,330
Interest - others	**3,556,867**	2,033,775	232,009
	₱110,380,574	₱75,594,352	₱2,369,339

Interest expense under others pertains to the charges made by banks and the availment of the price fixation agreement with Metalor Technologies S.A. subject to the leasing rates for the number of days of the early pricing.

27. **Income Tax**

The Group's provision for (benefit from) income tax in 2014, 2013 and 2012 are presented below. Provision for current income tax in 2014 and 2013 pertains to MCIT.

	2014	2013	2012
Current	**₱6,681,452**	₱2,618,689	₱–
Deferred	**6,103,846**	(33,753,391)	(15,314,553)
	₱12,785,298	(₱31,134,702)	(₱15,314,553)

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

	2014	2013	2012
Provision for (benefit from) income tax computed at statutory income tax rate	**(₱92,353,727)**	₱257,569,669	(₱12,533,420)
Add (deduct) tax effects of:			
Changes in unrecognized deferred income tax assets	**139,164,851**	(205,736,874)	(1,140,075)
Realization of revaluation surplus	**(97,866,856)**	12,709,303	10,612,761
Various nondeductible expenses	**47,876,745**	(34,454,393)	(23,742,689)
Expired NOLCO	**18,050,507**	(12,877,072)	(4,252,858)
Reversal of inventory previously write-off	**(1,795,776)**	–	–
Interest income subjected to final tax	**(368,430)**	48,068	726,872
Expired MCIT	**201,826**	–	–
Nontaxable income	**(123,842)**	–	–
Reversal of unrealized foreign exchange gain	**–**	13,876,001	–
Operating income under ITH	**–**	–	28,437,597
Benefit from write off of deferred income tax liability from TCGPI	**–**	–	17,206,365
Provision for income tax	**₱12,785,298**	₱31,134,702	₱15,314,553

Details of deductible temporary differences, unused tax credit and NOLCO as at December 31, 2014 and 2013, for which no deferred income tax assets were recognized in the consolidated statements of financial position, are as follows:

	2014	2013
NOLCO	**₱1,317,159,409**	₱531,307,010
Accrued retirement benefits	**202,678,040**	83,730,583
Allowance for impairment losses on:		
Property, plant and equipment	**162,674,211**	162,674,211
Inventory losses and obsolescence	**80,550,747**	15,172,593
Receivables	**2,329,870**	2,329,870
Provision for mine rehabilitation and decommissioning	**44,769,638**	47,806,902
MCIT	**10,102,742**	–
Unrealized foreign exchange losses	**22,897,989**	130,049,879
	₱1,843,162,646	₱973,071,048

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

The Group's deferred income tax liabilities as at December 31, 2014 and 2013 pertain to the following:

	2014	2013
Unrealized foreign exchange gain	**₱16,512,253**	₱–
Asset retirement obligation	**2,541,996**	–
Revaluation surplus on property, plant and equipment	**538,023**	4,016,232
	₱19,592,272	₱4,016,232

The Group has NOLCO and MCIT that can be claimed as deduction from future taxable income and future income tax payable as follows:

Year incurred	Year of expiration	NOLCO	MCIT
2010	2015	₱24,546,466	₱–
2011	2016	47,010,013	–
2012	2017	123,461,609	85,347
2013	2018	557,909,098	718,671
2014	2019	564,232,223	9,298,724
		₱1,317,159,409	₱10,102,742

The movements of NOLCO are as follows:

	2014	2013
Balance at the beginning of the year	**₱531,307,010**	₱153,586,259
Additions	**494,227,918**	520,799,326
Expirations	**(10,507,684)**	(143,078,575)
Acquired through business combination	**302,132,165**	–
Balance at the end of the year	**₱1,317,159,409**	₱531,307,010

The movements of the Group's MCIT are as follows:

	2014	2013
Balance at the beginning of the year	**₱–**	₱–
Additions	**9,127,337**	–
Acquired through business combination	**975,405**	–
Balance at the end of the year	**₱10,102,742**	₱–

The Company did not avail of the Optional Standard Deduction in 2014, 2013 and 2012.

28. Financial Risk Management Objectives and Policies, and Capital Management

Financial Risk Management Objectives and Policies
The Group's financial instruments consist mainly of cash and cash equivalents, receivables, trade and other payables, which arise directly from its operations, advances to and from stockholders and related parties, AFS financial assets and loans payable. The main purpose of these financial instruments is to raise funds and maintain continuity of funding and financial flexibility for the Group.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, and foreign currency risk and commodity price risk. The BOD reviews and approves policies for managing each of these risks and these 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 Group 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 Parent Company's gold and silver bullion are considered a highly traded commodity that have readily available markets.

The maximum exposure to credit risk of the Group's financial assets (cash in banks, cash equivalents, trade receivables and other receivables, and AFS financial assets), without taking into account any collateral and other credit enhancements is equal to the carrying amounts of the financial assets, as at December 31, 2014 and 2013.

Aging analysis of the Group's financial assets classified as loans and receivables and AFS financial assets as at December 31, 2014 and 2013 are as follows:

	December 31, 2014				
		Neither past due	Past due but not impaired		
	Total	nor impaired	1-30 Days	31-60 Days	Over 60 Days
Cash in banks	**₱206,817,310**	**₱206,817,310**	**₱–**	**₱–**	**₱–**
Trade and other receivables					
Trade	**152,509,102**	**152,509,102**	**–**	**–**	**–**
Nontrade	**195,797,704**	**195,797,704**	**–**	**–**	**–**
Others	**20,556,452**	**17,185,510**	**–**	**–**	**3,370,942**
Advances to related parties	**2,100,442**	**2,100,442**	**–**	**–**	**–**
Deposit classified under "Prepayments and other current assets"	**12,044,807**	**12,044,807**	**–**	**–**	**–**
Mine rehabilitation fund classified under "Other noncurrent assets"	**9,219,858**	**9,219,858**	**–**	**–**	**–**
AFS financial assets	**344,640,000**	**344,640,000**	**–**	**–**	**–**
	₱943,685,675	**₱940,314,733**	**₱–**	**₱–**	**₱3,370,942**

	December 31, 2013				
		Neither past due	Past due but not impaired		
	Total	nor impaired	1-30 Days	31-60 Days	Over 60 Days
Cash in banks	₱31,861,811	₱31,861,811	₱–	₱–	₱–
Trade and other receivables					
Trade	66,353,805	66,353,805	–	–	–
Others	2,883,952	2,329,870	201,322	51,878	300,882
Advances to a related party	486,992	486,992	–	–	–
Mine rehabilitation fund classified under "Other noncurrent assets"	5,150,000	5,150,000	–	–	–
	₱106,736,560	₱106,182,478	₱201,322	₱51,878	₱300,882

The credit quality of financial assets is managed by the Group 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 Group 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 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.
d. AFS financial assets are equity instruments classified as high grade since these instruments are from companies with good financial capacity, financial conditions and operates in an industry which has potential growth. Management assesses the quality of its unquoted equity instruments as standard grade.

Liquidity Risk

Liquidity risk is the risk that Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group manages its liquidity based on business needs, tax, capital or regulatory considerations, if applicable, in order to maintain flexibility.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and receivables. The Group considers its available funds and its liquidity in managing its long-term financial requirements. For its short-term funding, the Group'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 Group's financial liabilities based on contractual undiscounted payments and financial assets used to manage liquidity risk as at December 31, 2014 and 2013.

2014	On demand	Less than three months	Three to 12 months	More than 12 months	Total
Trade and other payables					
Trade	₱158,309,508	₱176,061,432	₱365,378,865	₱34,367,090	₱734,116,895
Accrued interest and other expenses	19,190,217	19,040,869	11,586,829	73,236,225	123,054,140
Retention fees	9,835,156	–	–	–	9,835,156
Payables to employees	17,268,517	–	–	–	17,268,517
Others*	2,730,519,353	–	–	–	2,730,519,353
Advances from stockholders and related parties	19,258,652	–	–	–	19,258,652
Loans payable	914,394,757	–	224,001,904	176,571,734	1,314,968,395
	₱3,868,776,160	₱195,102,301	₱600,967,598	₱284,175,049	₱4,949,021,108

**Others include payable to PMHI, MGL and ASVI.*

2014	On demand	Less than three months	Three to 12 months	More than 12 months	Total
Cash in banks	₱206,817,310	₱–	₱–	₱–	₱206,817,310
Trade and other receivables					
Trade	152,509,102	–	–	–	152,509,102
Nontrade	195,797,704	–	–	–	195,797,704
Others	20,556,452	–	–	–	20,556,452
Advances to related parties	2,100,442	–	–	–	2,100,442
Deposit classified under “Prepayments and other current assets”	–	–	12,044,807	–	12,044,807
Mine rehabilitation fund classified under “Other noncurrent assets”	–	–	–	9,219,858	9,219,858
AFS financial assets	–	–	–	344,640,000	344,640,000
	₱577,781,010	₱–	₱12,044,807	₱353,859,858	₱943,685,675

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 interest and expenses	–	102,098,858	–	–	102,098,858
Retention fees	–	–	17,114,451	–	17,114,451
Payable to employees	–	–	15,894,180	–	15,894,180
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	More than 12 months	Total
Cash in banks	₱31,861,811	₱–	₱–	₱–	₱31,861,811
Trade and other receivables					
Trade	66,353,805	–	–	–	66,353,805
Others	2,883,952	–	–	–	2,883,952
Advances to a related party	486,992	–	–	–	486,992
Mine rehabilitation fund classified under “Other noncurrent assets”	–	–	–	5,150,000	5,150,000
	₱101,586,560	₱–	₱–	₱5,150,000	₱106,736,560

Foreign Currency Risk
The Group is exposed to currency risk arising from the effect of fluctuations in foreign currency exchange rates which arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency.

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

The Group foreign currency-denominated financial instruments as at December 31, 2014 and 2013 are as follows:

	2014		2013	
	US$	**Php**	US$	Php
Financial Assets				
Cash in banks	**873,343**	**39,055,877**	136,804	6,073,414
Trade receivables	**–**	**–**	5,647,867	250,737,040
	873,343	**39,055,877**	5,784,671	256,810,454
Financial Liability				
Trade payables	**2,015,125**	**90,116,380**	15,851,948	703,747,231
Advances from stockholders and related parties	**10,897,301**	**487,327,317**	8,896,546	395,006,642
Loans payable	**14,638,925**	**654,652,741**	19,473,007	870,290,148
	27,551,351	**1,232,096,438**	44,221,501	1,969,044,021
Net financial liability	**(26,678,008)**	**(1,193,040,561)**	(38,436,830)	(1,712,233,567)

As at December 31, 2014 and 2013, the exchange rate based on Philippine Dealing and Exchange of the Philippine peso to US$1.00 was ₱44.72 and ₱44.395, respectively.

The sensitivity to a reasonable possible change in the US$ exchange rate, with all other variables held constant, of the Group's income (loss) before income tax (due to changes in fair value of monetary assets and liabilities) as at December 31, 2014 and 2013 are as follows:

		Change in foreign exchange rates	Effect on loss before tax
US$	**2014**	**0.62**	**(₱16,540,365)**
		(0.35)	**9,337,303**
	2013	0.83	(₱31,902,569)
		(0.33)	12,684,154

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

Commodity Price Risk
The Group is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of mineral products it produces. The Group's policy is to maintain the risk to an acceptable level. Movement in metal price is monitored regularly to determine the impact on its consolidated statements of financial position.

Since the amount of gold and silver inventory subject to commodity price risk and the impact of the change in metal prices are deemed immaterial relative to the consolidated financial statements, management opted not to disclose commodity price risk sensitivity analysis for 2014 and 2013.

Capital Management

The primary objective of the Group's 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 Group'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 Group to continuously benefit from tax and other incentives provided by its registration with BOI. Moreover, the Group 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 Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to stockholders, or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2014 and 2013.

The Group considers the following as its core economic capital:

	2014	2013
Issued capital stock	**₱1,868,639,664**	₱1,868,639,664
Additional paid-in capital	**3,048,826,224**	3,098,234,838
Deposit for future stock subscriptions	**2,500,000,000**	–
Treasury shares	**(1,130,351,390)**	–
Revaluation surplus on property, plant and equipment	**5,271,619**	13,387,441
Currency translation adjustment on foreign subsidiaries	**(208,345)**	–
Remeasurement loss on retirement plan	**(120,002,440)**	(24,178,104)
Deficit	**(3,229,352,154)**	(2,663,443,394)
	₱2,942,823,178	₱2,292,640,445

The Group has no externally imposed capital requirements.

29. **Fair Value Measurements**

Fair Value Information and Categories of Financial Instruments

Set out below is a comparison of the carrying value and fair value of the Group's noncurrent loans payable as at December 31, 2014 and 2013.

	Carrying Values		Fair Values	
	2014	2013	**2014**	2013
Other Financial Liability				
Loans payable - noncurrent	**₱176,571,734**	₱7,199,381	**₱169,998,020**	₱6,091,166

AFS Financial Assets
The fair value of unquoted AFS equity investments cannot be reliably measured and accordingly measured at cost, net of impairment.

Property and Equipment
The fair value of property and equipment is calculated using the direct income capitalization method, which results in measurements being classified as Level 3 in the fair value hierarchy.

Cash, Trade and Other Receivables, Advances to Related Parties, Deposits under "Prepayment and Other Current Assets", Mine Rehabilitation Funds, Trade and Other Payables, Accrued Liabilities, Payable to Employees, Retention Payable, Advances from Stockholders and Related Parties, and Current Portion of Loans Payable.
The carrying amounts of these financial instruments approximate their fair value due to the short-term nature and maturity.

The Group has no financial instruments measured at fair value under Levels 1, 2 and 3 of the fair value hierarchy. There were no transfers between levels in 2014 and 2013.

30. Significant Agreements and Contingencies

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

On September 4, 1998, the Panel issued a decision dismissing the adverse claim of the Parent Company. On July 21, 2006, the Parent Company's legal counsel filed a motion for reconsideration and on July 28, 2006, the Panel issued an Order requiring NDMC to file its comment/opposition to the motion filed by the Parent 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's preferential rights over the cluster.

On December 28, 2009, the Parent Company filed a "Motion for reconsideration" which was acknowledged by MAB on September 14, 2010.

On December 22, 2014, the Court of Appeals rendered a decision in favor of the Parent Company, upholding its preferential rights to the conflict areas with NDMC.

Operating Leases
The Parent 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 ₱100.11 million, ₱116.77 million and ₱92.38 million in 2014, 2013 and 2012, respectively. MORE entered into a lease agreement for its office for a period of three years, subject to renewal upon mutual agreement with the lessor. This agreement will expire on May 31, 2016. The lease contract provides for payment of security deposits and advance rental. Total security deposits and advance rental related to the lease commitment amounted to ₱0.70 million, equivalent to three months' rent and shall be applied only to the last three months of the term of the contract from April 1, 2015 to May 31, 2016. Rent expense charged to operations amounted to ₱2.63 million in 2014.

Heads of Agreement with Forum (GSEC 101) Limited
In 2007, MORE entered into a Heads of Agreement with Forum (GSEC 101) Limited - Philippine Branch to execute a joint operating agreement (JOA) on SC 72 upon the DOE's consent to the assignment, transfer and conveyance of 30% participating interest in GSEC 101, now converted to SC 72. It has been agreed that MORE shall pay 30% of all costs and expenses (on an accrual basis) of joint operations pursuant to the JOA. The amount is payable in US dollars (see Note 11).

Agreements
On June 16, 2004, the Parent 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 8371 and its implementing rules. The agreement calls for the compliance of the Parent 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.

The case denominated as NCIP Case No. R-XI-0037-12 entitled Maco Ancestral Domains Inc. (MADCI) vs. Apex Mining Co., Inc. is still pending before the Regional Hearing Office of the National Commission on Indigenous Peoples - Region XI, Davao City. Aside from MADCI, the following Indigenous Peoples Organization (IPO) of Maco joined the case as intervenor-complainants:

a. Mantakadong Mansaka Indigenous Peoples Ancestral Domain of Maco, Inc.
b. Sumpaw ng Inangsabong Mansaka, Inc.

After trial on the merits, the Regional Hearing Office is expected to resolve the representation issue among the three foregoing IPO's and decide who is authorized to receive the royalty payments from the Parent Company. As at December 31, 2014, the Parent Company and IPOs are still currently engaged in settlement negotiations.

31. Operating Segments

The Group is organized into business units on their products and activities and has three reportable business segments: the mining, oil and gas, and solid waste management segment. The operating businesses are organized and managed separately through the Parent Company and its subsidiaries according to the nature of the products provided, with each segment representing a strategic business unit that offers different products to different markets.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income (loss) for the year, earnings before interest, taxes and depreciation and depletion (EBITDA), and core net income (loss).

Net income (loss) for the year is measured consistent with consolidated net income (loss) in the consolidated statements of income. EBITDA is measured as net income excluding interest expense, interest income, provision for (benefit from) income tax, depreciation and depletion of property, plant and equipment and effects of non-recurring items.

EBITDA is not a uniform or legally defined financial measure. EBITDA is presented because the Group believes it is an important measure of its performance and liquidity. The Group relies primarily on the results in accordance with PFRS and uses EBITDA only as supplementary information.

Management evaluates its computation of EBITDA to exclude the effects of non-recurring items. Management believes that the revised computation of EBITDA is more useful in making decisions about resource allocation and performance assessment of its reportable segments.

The Group is also using core net income (loss) in evaluating total performance. Core income is the performance of business segments based on a measure of recurring profit. This measurement basis is determined as profit attributable to equity holders of the Parent Company excluding the effects of non-recurring items, net of their tax effects. Non-recurring items represent gains (losses) that, through occurrence or size, are not considered usual operating items, such as foreign exchange gains (losses), gains (losses) on derivative instruments, gains (losses) on disposal of investments, and other non-recurring gains (losses).

In 2013 and 2012, the Parent Company has only one operating segment which is the mining business and there is no geographical segment since its business is located in the Philippines.

The following tables present revenue and profit and certain asset and liability information regarding the Group's business segments.

	Mining	Oil and gas	Solid waste management	Eliminations	Total
Revenue					
External customer	₱1,730,741,567	₱–	₱–	₱–	₱1,730,741,567
Inter-segment	–	–	–	–	–
Consolidated revenue	₱1,730,741,567	₱–	₱–	₱–	₱1,730,741,567
Results					
EBITDA	₱95,247,534	(₱12,033,874)	(₱4,390,085)	₱–	₱78,823,575
Interest income (expense) - net	(22,070,523)	36,950	–	–	(22,033,573)
Income tax benefit (expense)	(100,906,963)	74,907	(96,480)	–	(100,928,536)
Depreciation and depletion	(415,317,407)	(406,673)	–	–	(415,724,080)
Non-recurring items	(133,427,908)	–	–	–	(133,427,908)
Consolidated net loss	(₱576,475,267)	(₱12,328,690)	(₱4,486,565)	₱–	(₱593,290,522)
Core net loss	₱–	(₱12,328,690)	(₱4,486,565)	–	(₱16,815,255)
Consolidated total assets	₱9,183,033,120	₱5,271,767,458	₱438,364,584	(₱6,393,621,823)	₱8,499,543,339
Consolidated total liabilities	₱5,700,689,062	₱20,456,009	₱692,520,417	(₱1,044,837,437)	₱5,368,828,051

The total revenue from an external customer, attributable to the Philippines, which is the Group's country of domicile, amounted to ₱1.73 billion. The said revenue arose from the sale of gold and silver bullion.

The following table shows the Group's reconciliation of core net income to the consolidated net income for the years ended December 31, 2014.

	2014
Core net income	(₱459,862,616)
Non-recurring gains (losses):	–
Provision for write down of inventories	(65,428,154)
Net Foreign exchange gain	62,320,813
Loss on write off of Property and Equipment	(135,912,675)
Loss on early extinguishment of loan	(393,810)
Recovery of assets written-off	5,985,920
Consolidated net loss	(₱593,290,522)
Net loss attributable to equity holders of the Parent Company	(₱584,429,886)
Net loss attributable to NCI	(8,860,636)
Consolidated net loss	(₱593,290,522)

32. **Events After the Reporting Period**

On January 12, 2015, the Parent Company's application for the increase in ACS was duly approved by the Philippine SEC (see Note 19).

On February 3, 2015, the Parent Company issued 2.50 billion shares out of the unissued capital stock at an issue price equivalent to its par value of ₱1.00 per share corresponding to the deposit for future stock subscriptions of ₱2.5 billion as at December 31, 2014 (see Note 19).

On March 12, 2015, the Parent Company issued 1.86 billion shares to PMHI out of unissued capital stock at an issue price equivalent to its par value of ₱1.00 per share (see Note 19).

On March 20, 2015, BDO approved a one year, short term ₱2.25 billion loan to the Parent Company to bridge its cash requirements and capital expenditures. Availments of the loan facility may be availed of by the Parent Company on staggered basis to be fully drawn by June 30, 2015. Interest shall be based on the prevailing market rates at the time of drawdown. On April 7, 2015, the Parent Company made its first drawdown from the facility amounting to P1.5 billion. The loan is secured by a Continuing Surety of PMHI.

33. **Supplemental Disclosure to Consolidated Statements of Cash Flows**

The Group had the following non-cash investing and financing activities in 2014, 2013 and 2012, which were considered in the preparation of the consolidated statements of cash flows as follows:

	2014	2013	2012
Debt-to-equity conversion	**₱–**	₱503,490,971	₱–
Addition (reduction) to property, plant and equipment pertaining to capitalized mine rehabilitation cost	**3,327,510**	6,934,378	12,406,715

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December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
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INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
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3304B West Tower, PSE Centre, Exchange Road
Ortigas Center, Pasig City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Apex Mining Co., Inc. and its subsidiaries as at December 31, 2014 and 2013, and for each of the three years in the period ended December 31, 2014, included in this Form 17-A, and have issued our report thereon dated April 29, 2015. 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 Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jaime F. del Rosario
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. 08-001998-72-2015,
March 24, 2015, valid until March 23, 2018
PTR No. 4751273, January 5, 2015, Makati City

April 29, 2015

APEX MINING CO., INC. AND SUBSIDIARIES

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FOR THE YEAR ENDED DECEMBER 31, 2014

SCHEDULE I

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

As of December 31, 2014

APEX MINING CO., INC. AND SUBSIDIARIES

3304B West Tower, PSE Centre, Exchange Road Ortigas Center, Pasig City

Unappropriated Retained Earnings, as of December 31, 2013, as reflected in audited financial statements		(₱2,670,276,225)
Prior year unrealized foreign exchange gain (except those attributed to cash and cash equivalents)		–
Unappropriated Retained Earnings, as adjusted, beginning		(2,670,276,225)
Add: Net income actually earned/realized during the period		
Net loss during the period closed to Retained Earnings	(₱584,429,886)	
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)	(66,925,059)	
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	(517,504,827)	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	8,115,822	
Adjustment due to deviation from PFRS/GAAP – loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Subtotal	8,115,822	
Net loss actually incurred during the period	(509,389,005)	
Add (Less):		
Dividend declarations during the period	–	
Appropriations of retained earnings	–	
Reversals of appropriations	–	
Effects of change in accounting policy	–	
Treasury shares	–	
Subtotal	–	(509,389,005)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND		₱–

†*Amount is zero since the reconciliation results to a deficit.*

SCHEDULE II

APEX MINING CO., INC. AND SUBSIDIARIES

FINANCIAL RATIOS PURSUANT TO SRC RULE 68, AS AMENDED

DECEMBER 31, 2014

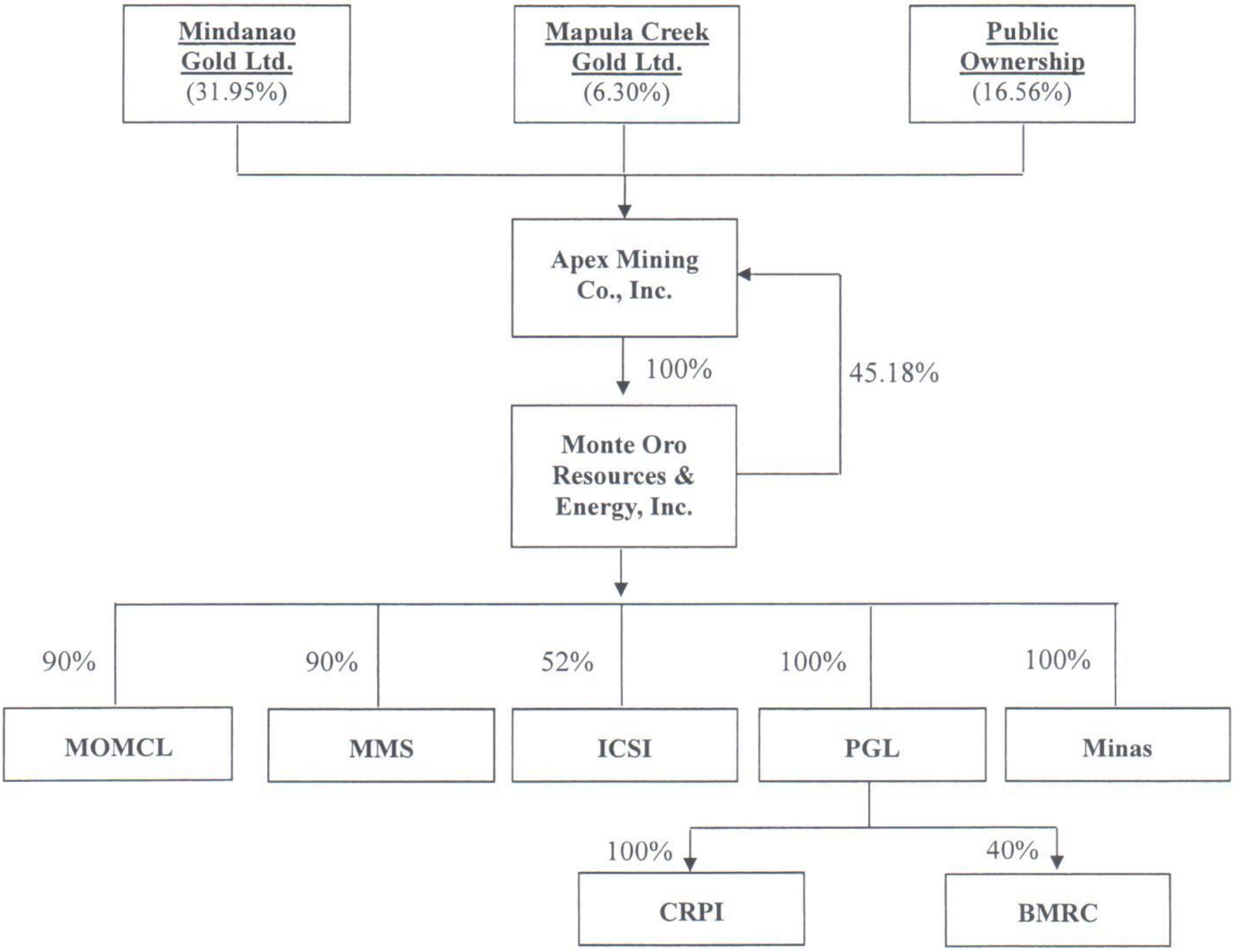
	2014	2013
Profitability Ratios:		
Return on assets	**(6.98%)**	(17.03%)
Return on equity	**(18.95%)**	(36.20%)
Gross profit margin	**17.39%**	1.76%
Net profit margin	**(34.28%)**	(47.67%)
Liquidity and Solvency Ratios:		
Current ratio	**0.28:1**	0.36:1
Quick ratio	**0.14:1**	0.14:1
Financial Leverage Ratios:		
Asset to equity ratio	**2.71:1**	2.13:1
Debt to equity ratio	**1.71:1**	1.13:1

SCHEDULE III

APEX MINING CO., INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP PURSUANT TO SRC RULE 68, AS AMENDED

DECEMBER 31, 2014



Please refer to Note 19 on Capital Stock in the Notes to Consolidated Financial Statements

Legend:

MOMCL - Monte Oro Mining Company Ltd.
MMS - MORE Minerals SL
ICSI - International Cleanvironment Systems, Inc.
PGL - Paracale Gold Ltd.
Minas – Minas de Oro Mongol LLC
CRPI - Coral Resources Philippines, Inc.
BMRC –Bulawan Mineral Resources Corporation

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, 2014

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as at December 31, 2014:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		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			✓
PFRS 2	Share-based Payment			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
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	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
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	✓		
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 15	Agreements for the Construction of Real Estate			✓
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			✓
IFRIC 21	Levies	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

SCHEDULE A

APEX MINING CO., INC. AND SUBSIDIARIES
FINANCIAL ASSETS
DECEMBER 31, 2014

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. AND SUBSIDIARIES
AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2014

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. AND SUBSIDIARIES
AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2014

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. AND SUBSIDIARIES
INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2014

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Deferred Exploration Costs	₱595,161,862	₱40,880,844	₱–	₱–	₱985,290,642	₱1,621,333,348
Intangible Assets	11,177,044	640,068	(10,868,681)	–	1,118,772,783	1,119,721,214

SCHEDULE E

APEX MINING CO., INC. AND SUBSIDIARIES
LONG-TERM DEBT
DECEMBER 31, 2014

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
Banco De Oro - *Local bank loans*	–	₱100,417,820	₱–
Atlas Copco Rock Drills - *Local bank loans*	–	89,947,739	85,006,840
Sandvik Mining and Construction - *Local bank loans*	–	134,054,165	90,590,648
Planters Bank - *Local bank loans*	–	6,216,938	974,246
UnionBank of the Philippines - *Local Bank loans*	–	357,760,000	–
Rizal Commercial Banking Corporation - *Local bank loans*	–	450,000,000	–

SCHEDULE F

APEX MINING CO., INC. AND SUBSIDIARIES
INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2014

Name of Related Party	Balance at beginning of period	Balance at end of period

NOT APPLICABLE

SCHEDULE G

APEX MINING CO., INC. AND SUBSIDIARIES
GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2014

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, 2014

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, 2014, total shares issued and outstanding is 1,868,639,664 held by 2,814 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	738,288,274	–	428,821,638	11,601	309,455,035

Apex Mining Co., Inc.

Parent Company Financial Statements
December 31, 2014 and 2013

and

Independent Auditors' Report

SGV

Building a better working world

A member firm of Ernst & Young Global Limited

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.

Report on the Parent Company Financial Statements

We have audited the accompanying parent company financial statements of Apex Mining Co., Inc., which comprise the parent company statements of financial position as at December 31, 2014 and 2013, and the parent company statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Parent Company Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the parent company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the parent company 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 parent company 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 parent company financial statements.

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

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Opinion

In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of Apex Mining Co., Inc. as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

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

Our audits were conducted for the purpose of forming an opinion on the basic parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 32 to the parent company 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. 08-001998-72-2015,
March 24, 2015, valid until March 23, 2018
PTR No. 4751273, January 5, 2015, Makati City

April 29, 2015

APEX MINING CO., INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31, 2014	December 31, 2013
ASSETS		
Current Assets		
Cash (Note 4)	**₱56,558,463**	₱33,677,065
Trade and other receivables (Note 5)	**102,126,065**	313,464,697
Advances to a related party (Note 13)	**–**	486,992
Inventories - net realizable value (Note 6)	**549,858,202**	413,682,013
Prepayments and other current assets (Note 7)	**148,629,502**	117,308,256
Total Current Assets	**857,172,232**	878,619,023
Noncurrent Assets		
Investment in a subsidiary (Notes 1 and 8)	**5,122,161,087**	–
Property, plant and equipment (Note 9)	**3,555,922,413**	3,272,280,827
Deferred exploration costs (Note 10)	**636,042,706**	595,161,862
Other noncurrent assets (Note 11)	**100,344,477**	112,415,836
Total Noncurrent Assets	**9,414,470,683**	3,979,858,525
TOTAL ASSETS	**₱10,271,642,915**	₱4,858,477,548
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 12)	**₱3,439,915,515**	₱1,075,883,309
Advances from stockholders and related parties (Note 13)	**1,150,861,959**	483,830,181
Loans payable (Note 16)	**1,138,396,661**	870,211,544
Income tax payable	**1,911,801**	–
Total Current Liabilities	**5,731,085,936**	2,429,925,034
Noncurrent Liabilities		
Loans payable - net of current portion (Note 16)	**176,571,734**	7,191,183
Accrued retirement benefits (Note 14)	**202,678,040**	83,730,583
Provision for mine rehabilitation and decommissioning (Note 15)	**44,769,638**	47,806,902
Deferred income tax liabilities (Note 25)	**19,592,272**	4,016,232
Total Noncurrent Liabilities	**443,611,684**	142,744,900
Total Liabilities	**6,174,697,620**	2,572,669,934
Equity		
Capital stock (Note 17)	**1,868,639,664**	1,868,639,664
Additional paid-in capital (Note 17)	**3,048,826,224**	3,098,234,838
Deposit for future stock subscriptions (Note 17)	**2,500,000,000**	–
Revaluation surplus on property, plant and equipment (Note 9)	**5,271,619**	13,387,441
Remeasurement loss on retirement plan (Note 14)	**(120,002,440)**	(24,178,104)
Deficit	**(3,205,789,772)**	(2,670,276,225)
Total Equity	**4,096,945,295**	2,285,807,614
TOTAL LIABILITIES AND EQUITY	**₱10,271,642,915**	₱4,858,477,548

See accompanying Notes to Parent Company Financial Statements.

APEX MINING CO., INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2014	2013	2012
REVENUES			
Gold	**₱1,598,452,936**	₱1,592,459,475	₱1,657,461,829
Silver	**132,288,632**	143,381,279	159,859,735
	1,730,741,568	1,735,840,754	1,817,321,564
COST OF PRODUCTION (Note 19)	**1,429,780,062**	1,705,337,902	1,198,376,028
EXCISE TAXES	**34,578,395**	34,706,514	36,285,010
GENERAL AND ADMINISTRATIVE EXPENSES (Note 20)	**544,224,490**	512,740,451	557,333,207
FINANCE COSTS (Note 24)	**110,380,574**	75,594,352	2,369,339
OTHER CHARGES (INCOME) - net (Note 21)	**133,322,728**	266,027,097	(18,820,088)
LOSS (INCOME) BEFORE INCOME TAX	**521,544,681**	858,565,562	(41,778,068)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)	**22,084,688**	(31,134,702)	(15,314,553)
NET LOSS (INCOME)	**543,629,369**	827,430,860	(57,092,621)
OTHER COMPREHENSIVE LOSS – NET OF TAX			
Item that will not be reclassified to profit or loss in subsequent period:			
Remeasurement loss on retirement plan (Note 14)	**95,824,336**	14,031,360	10,372,943
TOTAL COMPREHENSIVE LOSS (INCOME)	**₱639,453,705**	₱841,462,220	(₱46,719,678)
BASIC EARNINGS (LOSS) PER SHARE (Note 18)	**(₱0.12)**	(₱0.47)	₱0.04
DILUTED EARNINGS (LOSS) PER SHARE (Note 18)	**(₱0.12)**	(₱0.47)	₱0.04

See accompanying Notes to Parent Company Financial Statements.

APEX MINING CO., INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

	Capital stock (Note 17)	**Additional paid-in capital** (Note 17)	**Revaluation surplus** (Note 9)	**Remeasurement loss on retirement plan** (Note 14)	**Deficit**	**Total**
Balances at December 31, 2011	**₱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 loss	–	–	–	(10,372,943)	–	(10,372,943)
Total comprehensive income (loss)	–	–	–	(10,372,943)	57,092,621	46,719,678
Issuance of shares of stock	273,609,635	924,915,126	–	–	–	1,198,524,761
Transaction costs of share issuance	–	(28,954,467)	–	–	–	(28,954,467)
Transfer of portion of revaluation surplus realized through depreciation, depletion and disposal, net of tax	–	–	(24,763,110)	–	24,763,110	–
Balances at December 31, 2012	**₱1,664,565,290**	**₱2,561,661,966**	**₱55,751,783**	**(₱10,146,744)**	**(₱1,885,209,707)**	**₱2,386,622,588**

	Capital stock (Note 17)	**Additional paid-in capital** (Note 17)	**Revaluation surplus** (Note 9)	**Remeasurement loss on retirement plan** (Note 14)	**Deficit**	**Total**
Balances at December 31, 2012	**₱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 loss	–	–	–	(14,031,360)	–	(14,031,360)
Total comprehensive loss	–	–	–	(14,031,360)	(827,430,860)	(841,462,220)
Issuance of shares (Note 17)	204,074,374	542,720,617	–	–	–	746,794,991
Transaction costs of share issuance (Note 17)	–	(6,147,745)	–	–	–	(6,147,745)
Transfer of portion of revaluation surplus realized through depreciation, depletion and disposal, net of tax (Note 9)	–	–	(42,364,342)	–	42,364,342	–
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**

	Capital stock (Note 17)	**Deposit for future stock subscriptions** (Note 17)	**Additional paid-in capital** (Note 17)	**Revaluation surplus** (Note 9)	**Remeasurement loss on retirement plan**	**Deficit**	**Total**
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**
Net loss	–	–	–	–	–	(543,629,369)	(543,629,369)
Other comprehensive income	–	–	–	–	(95,824,336)	–	(95,824,336)
Total comprehensive loss	–	–	–	–	(95,824,336)	(543,629,369)	(639,453,705)
Issuance of shares (Note 17)	–	2,500,000,000	–	–	–	–	2,500,000,000
Transaction costs of share issuance (Note 17)	–	–	(49,408,614)	–	–	–	(49,408,614)
Transfer of portion of revaluation surplus realized through depreciation, depletion and disposal, net of tax (Note 9)	–	–	–	(8,115,822)	–	8,115,822	–
Balances at December 31, 2014	**₱1,868,639,664**	**₱2,500,000,000**	**₱3,048,826,224**	**₱5,271,619**	**(₱120,002,440)**	**(₱3,205,789,772)**	**₱4,096,945,295**

See accompanying Notes to Parent Company Financial Statements.

APEX MINING CO., INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**(₱521,544,681)**	(₱858,565,562)	₱41,778,068
Adjustments for:			
Depreciation, depletion and amortization (Note 22)	**412,925,299**	498,991,726	414,410,409
Interest and accretion expense (Notes 21 and 24)	**110,670,820**	72,948,671	3,803,784
Provision for inventory losses and obsolescence (Notes 6 and 21)	**65,378,154**	–	–
Unrealized foreign exchange loss (gain)	**(54,794,081)**	208,406,763	(35,987,519)
Movement in accrued retirement benefits	**23,123,121**	16,311,167	12,148,808
Recovery of inventory write-off	**(5,985,920)**	–	–
Loss on early extinguishment a loan (Note 21)	**393,810**	–	–
Interest income (Notes 4 and 21)	**(355,947)**	(160,227)	(2,422,908)
Loss on write-off of:			
Property, plant and equipment (Notes 9 and 21)	**136,012,675**	–	5,446,023
Inventories (Notes 6 and 21)	**–**	92,417,740	–
Input value-added tax (VAT; Notes 7 and 11)	**–**	5,427,414	–
Other noncurrent assets (Notes 11 and 21)	**–**	37,817,999	–
Operating loss before working capital changes	**165,823,250**	73,595,691	439,176,665
Decrease (increase) in:			
Trade and other receivables	**211,338,632**	304,220,541	(210,309,015)
Inventories	**(142,410,872)**	92,411,676	(248,456,925)
Prepayments and other current assets	**(27,456,632)**	(16,774,774)	(36,709,331)
Increase (decrease) in:			
Trade and other payables	**585,333,357**	396,731,001	365,351,281
Advances from stockholders and related parties	**667,518,770**	(97,258,538)	(166,103,243)
Net cash generated from operations	**1,460,146,505**	752,925,597	142,949,432
Interest received	**355,947**	160,227	2,422,908
Income tax paid	**(4,596,847)**	–	–
Interest paid	**(142,218,847)**	(30,407,671)	(232,010)
Net cash flows from operating activities	**1,313,686,758**	722,678,153	145,140,330
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in:			
Investment in Monte Oro Resources & Energy Inc. (Note 8)	**(3,262,913,260)**	–	–
Deferred exploration costs	**(40,880,844)**	(134,119,126)	(393,622,378)
Other noncurrent assets	**(2,661,936)**	(90,537,487)	(12,630,118)
Acquisition of property, plant and equipment (Note 9)	**(878,442,701)**	(1,667,799,862)	(572,428,022)
Net cash flows used in investing activities	**(4,184,898,741)**	(1,892,456,475)	(978,680,518)
CASH FLOWS FROM FINANCING ACTIVITIES			
Deposit for future stock subscriptions (Note 17)	**2,500,000,000**	–	–
Availment of loans (see Note 16)	**839,815,447**	983,806,722	–
Payment of loans (See Note 16)	**(402,643,589)**	(106,403,995)	–
Transaction costs on share issuance (Note 19)	**(49,408,614)**	–	–
Net proceeds from subscriptions to shares of stock (Note 17)	**–**	255,752,255	840,009,533
Cash from merger with Teresa Crew Gold (Philippines), Inc.	**–**	–	134,360
Net cash flows from financing activities	**2,887,763,244**	1,133,154,982	840,143,893
NET INCREASE (DECREASE) IN CASH	**16,551,261**	(36,623,340)	6,603,705
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**6,330,137**	17,377,027	(7,230,613)
CASH AT BEGINNING OF YEAR	**33,677,065**	52,923,378	53,550,286
CASH AT END OF YEAR (Note 4)	**₱56,558,463**	₱33,677,065	₱52,923,378

See accompanying Notes to Parent Company Financial Statements.

1. **Corporate Information, Status of Operations and Authorization to Issue the Parent Company Financial Statements**

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 Parent 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	–	–
January 12, 2015	Increase in authorized capital stock	12.8 billion	–	–
February 6, 2015	Issuance of additional shares	12.8 billion	4.4 billion	1.00

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

As at December 31, 2014 and 2013, the Company has 2,814 and 2,801 stockholders, respectively, each holding at least 100 shares.

The Company's ownership structure as at December 31, 2014 and 2013 is as follows (in percentage):

	Country of Incorporation	**2014**	2013
Monte Oro Resources & Energy, Inc. (MORE)	Philippines	**45.18%**	12.02%
Mindanao Gold Ltd. (MGL)	Malaysia	**31.95%**	31.95%
Mapula Creek Gold Corporation (MCGC)	Philippines	**6.30%**	40.81%
Public ownership	–	**16.57%**	15.22%
‘		**100.00%**	100.00%

The Company's registered business and principal office address is 3304B West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City. The Company has 1,759 and 1,116 employees as at December 31, 2014 and 2013, respectively.

Merger with Cash from merger with Teresa Crew Gold (Philippines), Inc. (TCGPI)
Pursuant to Sections 76 to 80 of the Corporation Code of the Philippines, the Board of Directors (BOD) and stockholders of the Company and TCGPI (collectively referred to as "Constituent Corporations") during meetings of the BOD of the Company and TCGPI held on September 1, 2011 and August 1, 2011 respectively, and meetings of the stockholders of the Company and TCGPI held on October 6, 2011 and September 15, 2011, respectively, approved the Plan of Merger (the "Merger") of the Constituent Corporations, the Company being the surviving corporation and TCGPI as 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 of the Merger is obtained from the SEC: thus, the merger became effective beginning on January 1, 2012.

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

Status of Operations
On December 22, 2005, the Mines and Geosciences Bureau (MGB) approved the Company's Mineral Production Sharing Agreement (MPSA) covering 679.02 hectares of land situated in Maco, Compostela Valley. On June 25, 2007, the MGB approved the Company's second application for a MPSA covering an additional 1,558.50 hectares of land near the area covered by the first mineral permit.

As at December 31, 2014, the Company holds MPSA Nos. 225-2005-XI and 234-2007-XI has a term of 25 years from effective date. The said MPSAs are valid and subsisting.

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 a four-year income tax holiday (ITH) from the 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 management's 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 tonnes per day (TPD) to 3,000 TPD.

In a special meeting held on December 16, 2013, the Company's BOD decided to temporarily shelve the Apex 3000 expansion program. The new program of expansion approved by the Board is to 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 the 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.

Fire Incident
On April 10, 2014, armed men attacked three working installations and burned certain mining equipment and service vehicles at the Maco mine. The carrying values of the burned equipment, vehicles and idle assets amounted to ₱136.76 million (see Note 9). There were no reported casualties from this incident.

Acquisition of MORE
On September 11, 2014, the BOD approved the Company's purchase for cash of all the outstanding capital stock of MORE, consisting of 5.12 billion shares, with par value of ₱1.00 per share, a total consideration of ₱5.12 billion, for a purchase price of ₱1.00 per share.

Also on the same date, the BOD approved the subscription to 2.5 billion new shares of the Company by the stockholders of MORE who agreed to sell all their shares in MORE to the Company, which will result to owning 100% of the equity of MORE. In October 2014, the Company received ₱2.5 billion from the stockholders of MORE as payment for the subscriptions. The shares covered by the said subscriptions were issued after the Company's application for the increase in its authorized capital stock was approved by the Philippine SEC on January 12, 2015.

The deeds of sales of shares between the Company and the stockholders of MORE were signed and executed on October 10, 2014. As at December 31, 2014, the Company have paid ₱3.26 billion of the total consideration of the purchase of all of MORE's outstanding shares.

On April 11, 2014 and May 2, 2014, the BOD approved the following amendments on the Company's Articles of Incorporation:

- that the place where the principal office of the Company will be established or located shall be in 3304B West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila, Philippines

- that the capital stock of the Company shall be increased to ₱12.80 billion divided into 12.80 billion common shares with par value of ₱1.00 per share.

The said amendments was approved by the Company's stockholders owning or preparing at least two-thirds of the outstanding capital stock

On January 12, 2015, the Philippine SEC approved the aforementioned amendments in the Company's Articles of Incorporation

Additional Subscription
On January 28, 2015, the BOD approved the subscription by Prime Metroline Holding, Inc. (PHMI) to 1.86 billion for a subscription price of ₱1.00 per share. The agreement covering the said subscription was entered into by the Company and PHMI on February 2, 2015. The shares covered by the subscription agreement issued on February 5, 2015

Executive Order (EO) 79
On July 12, 2012, EO 79 was issued 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 impact on the Company's current operations since its mining properties are covered by existing mineral permits and agreements 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 Group's mineral properties covered by Exploration Permits (EPs), Exploration Permit Applications (EPAs) or Applications for Production Sharing Agreements (APSAs) given the provision of the EO declaring a 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 MGB has recommended to 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, the MGB has started accepting mining applications for EPs and Financial or Technical Assistance Agreements pursuant to DENR Administrative Order No. 2013-11. To date, however, the moratorium on the acceptance and processing of mineral agreements is still in effect.

Authorization to Issue the Financial Statements
The accompanying parent company financial statements as at December 31, 2014 and 2013 and for the years then ended, were authorized for issuance by the Company's BOD on April 29, 2015.

2. Basis of Preparation and Significant Accounting Policies

Basis of Preparation
The parent company financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS).

The parent company financial statements have been prepared on a historical cost basis, except for property, plant and equipment, which are carried at revalued amounts and inventories which are measured at net realizable value (NRV). The parent company 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.

Changes in Accounting Policies and Disclosures
The Company adopted standards and amendments that are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS, Philippine Accounting Standard (PAS) and Philippine Interpretations [based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations] which became effective on January 1, 2014. Adoption of those changes in PFRS did not have significant effect to the Company.

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
  These amendments 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). The amendments must be applied retrospectively, subject to certain transition relief. The amendment has no impact to the Company since it does not qualify as an investment entity under PFRS 10.

- 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 the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. The amendments have no impact on the Company since it has no offsetting arrangements.

- 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 and retrospective application is required. These amendments have no impact on the Company as it has no derivatives during the current and prior periods.

- PAS 36, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The application of these amendments affected disclosures only in the parent company financial statements.

- 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. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Company as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirement of IFRIC 21 in prior years.

Annual Improvements to PFRSs (2010–2012 cycle)
In the 2010–2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no material impact on the Company.

Annual Improvements to PFRSs (2011–2013 cycle)
In the 2011–2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Company as it is not a first time PFRS adopter.

Future Changes in Accounting Standards and Interpretations
The Company intends to adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended standards and interpretations to have significant impact on the parent company financial statements.

Issued but not yet effective

- PFRS 9, *Financial Instruments – Classification and Measurement (2010 version)*
  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. 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 other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at FVPL. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

  PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA). 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 interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the parent company financial statements.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by BOA.

Effective on January 1, 2015

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Company, since the its defined benefit plan is noncontributory.

Annual Improvements to PFRSs (2010–2012 cycle)
The Annual Improvements to PFRSs (2010–2012 cycle) are effective for annual periods beginning on or after January 1, 2015, and are not expected to have a material impact on the Company. These include:

- PFRS 2, *Share-based Payment – Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition.
  - A performance target must be met while the counterparty is rendering service.
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group.
  - A performance condition may be a market or non-market condition.
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PAS 39 (or PFRS 9, if early adopted).

- 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 are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures – Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011–2013 cycle)
The Annual Improvements to PFRSs (2011–2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Company. These include:

- PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint

- PFRS 13, *Fair Value Measurement – Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable).

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates

between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective on January 1, 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that it does not use a revenue-based method to depreciate its noncurrent assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture – Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company as it does not have any bearer plants.

- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company as it does not intend to account for its investment in a subsidiary using the equity method.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are

effective from annual periods beginning on or after January 1, 2016 and are not expected to have an impact to the Company.

- PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Company is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRSs (2012–2014 cycle)
The Annual Improvements to PFRSs (2012–2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Company. These include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification

- PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be

done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 – *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits – Regional Market Issue Regarding Discount Rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting – Disclosure of Information 'Elsewhere in the Interim Financial Report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective on January 1, 2018

- PFRS 9, *Financial Instruments – Hedge Accounting* and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of 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 derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

  The adoption of the said amendments is not expected to have any significant impact on the parent company financial statements.

- PFRS 9, *Financial Instruments* (2014 or final version)
  In July 2014, the final version of PFRS 9 was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015. The adoption of PFRS 9 is not expected to have a significant impact on the parent company financial statements.

The following new standard issued by the IASB has not yet been adopted by the FRSC.

- IFRS 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Summary of Significant Accounting Policies

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

Foreign Currency-Denominated Transactions
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 period. 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 transaction.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial Recognition
The Company recognizes a financial asset or a financial liability in the parent company statement of financial position when it becomes a party to the contractual provisions of the instrument.

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, loans and receivables or as hedging instrument in an effective hedge as appropriate. 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.

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 classifies its financial liabilities into financial liabilities at FVPL, loans and borrowings, payables or as derivative designated as hedging instrument in an effective hedge, as appropriate. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates such designation at each end of the reporting period.

The Company's financial assets are in the nature of loans and receivables, while its financial liabilities are in the nature of payables, loans and borrowings. As at December 31, 2014 and 2013, the Company has no financial assets classified as at FVPL, HTM and AFS financial assets and derivatives designated as hedging instruments in an effective hedge. Further, the Company has no financial liabilities classified as at FVPL and derivatives designated as hedging instrument in an effective hedge as at December 31, 2014 and 2013.

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 Financial asset" 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 fees 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 parent company 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, trade and other receivables, others under "Prepayments and other current assets" and mine rehabilitation funds under "Other noncurrent assets" are classified as loans and receivables (see Notes 4, 5, 6 and 11).

Payables
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations (e.g., accounts payable, accrued liabilities). Payables are included in current liabilities if maturity is within 12 months from the end of the financial reporting period or within the Company's normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent liabilities.

Payables are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

This accounting policy relates to the Company's trade and accrued expenses under "Trade and other payable" (excluding balances payable to government agencies arising from withholding taxes and payroll deductions), and advances from stockholders and related parties (see Notes 12 and 13).

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 discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the parent statement of comprehensive income. Gains and losses are recognized in other income (charges) in the parent statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

Loans and borrowings are classified as current when these are expected to be settled within 12 months after the end of the reporting period and if the Company has 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 pertain to loans payable (see Note 16).

<u>Derecognition of Financial Assets and Liabilities</u>
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

Where 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 expires.

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 parent company statement of comprehensive income.

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 is impaired.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. 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 parent company 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 write off is later recovered, the recovery is recognized in the parent company statement of comprehensive income.

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

Fair Value Measurement
An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 27.

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 parent company 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.

Policy on Business Combinations using the Acquisition Method

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the Company elects whether to measure the NCI in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Company acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. As part of a business combination, the Company assesses whether there are any operating lease contracts of the acquiree that may be onerous - that is, where the lease premiums being paid on that contract exceed the current market rate for such lease arrangements. Those mineral reserves, resources and exploration potential that can be reliably measured are recognized separately in the assessment of fair values on acquisition. Other potential reserves, resources and rights, for which fair values cannot be reliably measured, are not recognized separately, but instead are subsumed in goodwill.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition-date fair value, and any resulting gain or loss is recognized in the consolidated statement of comprehensive income. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* is measured at fair value, with changes in fair value recognized either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not re-measured, and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the fair value of the identifiable net assets acquired and liabilities assumed. If the fair value of the identifiable net assets acquired is in excess of the aggregate consideration transferred, the Company reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation in that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation of and the portion of the CGU retained.

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

- 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.
- 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 involved the following:

- The assets and liabilities of the combining entities were reflected at their carrying amounts. No adjustments were 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 were made were to harmonize accounting policies.
- No new goodwill was recognized as a result of the combination. Any difference between the consideration paid/transferred and the equity acquired was reflected within equity.
- The surviving entity's statement of income reflected 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 bullions, metal in circuit, ore stockpile and 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.

Mine products inventory
Mine products inventory, which pertains to bullions, metal in circuit and ore stockpile, containing gold and silver, are stated at NRV.

NRV for mine products inventory is the selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Materials and supplies
Materials and supplies are valued at lower of cost and NRV. It comprises all costs of purchase and other costs incurred in bringing the materials and supplies to their present location and condition. The purchase cost is determined on a moving average basis.

A regular review is undertaken to determine the extent of any provision for obsolescence.

Prepayments and Other Current Assets
Prepayments
Prepayments are expenses paid in advance and recorded as asset, before these 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
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 parent company statement of financial position. Input VAT on capitalized assets subject to amortization is presented as “Deferred Input VAT” in the parent company statement of financial position. This 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 this is 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 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.

Creditable Withholding Taxes (CWTs) and Tax Credit Certificates (TCCs)
CWTs are withheld from income subject to expanded withholding taxes (EWT) while TCCs are input VAT applied for by the Company and approved as tax credit certificate by the Bureau of Internal Revenue (BIR). CWTs and TCCs can be utilized as payment for income taxes provided that they are properly supported by certificates of creditable withholding tax withheld at source subject to the rules in Philippine income taxation. CWTs and TCCs are expected to be utilized as payment for income taxes within 12 months and are classified as current assets.

<u>Investment in a Subsidiary</u>
A subsidiary is an entity that is controlled by another entity. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiaries are accounted for under the cost method less any impairment losses. Cost method is a method of accounting for an investment whereby the investment is recognized at cost. The investor recognizes income from the investment only to the extent that the investor receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

The financial statements of the subsidiary are prepared for the same reporting period as the Company and its accounting policies conforms to those used by the Company for like transactions and events in similar circumstances. Where necessary, adjustments are made to bring the accounting policies of the subsidiary in line with those of the Company.

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

The initial cost of property, plant and equipment comprises the purchase price or construction cost, including import duties, 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, if the recognition criteria are met. All other repairs and maintenance are charged to current operations during the financial period in which these 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 OCI, 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 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 difference 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 the 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 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.

Gain and loss on disposal of an asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the parent company statement of comprehensive income. 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
Buildings 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 end of the reporting period.

Property, plant and equipment is depreciated or depleted from the moment the assets are available for use and after the risks and rewards are transferred to the Company. Depreciation and depletion cease 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.

Mine and Mining Properties
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 phases.

Upon start of commercial operations, mine development costs are transferred as part of mine and mining properties. 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 rehabilitation and decommissioning.

Development costs, including construction in progress incurred from 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.

<u>Deferred Exploration Costs</u>
Expenditures for mine exploration work prior to drilling are charged to the parent company statement of comprehensive income. Deferred exploration costs represent capitalized expenditures related to the acquisition and exploration of mining properties, including acquisition of property rights, which are 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.

<u>Other noncurrent assets</u>
Other noncurrent assets include noncurrent portion of deferred input VAT, deposits, mine rehabilitation funds, national transmission lines and mining software of the Company. These are carried at historical cost and classified as noncurrent since the Branch expects to utilize the assets beyond 12 months from the end of the reporting period.

Mining software consists of acquired computer software licenses and is capitalized on the basis of the costs incurred to acquire and bring to use the said software. These costs are amortized on a straight-line basis over the assets' estimated useful lives of three years.

<u>Impairment of Nonfinancial Assets</u>
Nonfinancial Receivables, and Prepayments 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 their carrying amounts. 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 parent company statement of comprehensive income.

Investment in a Subsidiary
The Company determines at each end of the reporting period whether there is any objective evidence that its investment in a subsidiary is impaired. If this is the case, the Company calculates the amount of impairment as being the difference between the fair value of the investment and the acquisition cost and recognizes the amount of difference in the parent company statement of comprehensive income.

An assessment is made at each end of reporting period 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 investments' recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amounts of the investments are increased to their recoverable amounts. The increased amounts cannot exceed the carrying amounts that would have been determined had no impairment loss been recognized for the assets in prior years. Such reversal is recognized in the statement of comprehensive income.

Property, Plant and Equipment and Other Noncurrent Assets
The Company assesses at each reporting period 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 values of the said assets may not be recoverable. If any such indication exists and if the carrying value exceeds the estimated recoverable amount, the assets or CGUs are written down to their recoverable amounts. An asset's recoverable amount is the higher of an asset's or CGU'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. 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 parent company statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each end of the reporting period 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 and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company 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.

The Company also provides allowance for impairment losses on mine and mining properties when these 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 operations of the area of interest, or alternatively, by its sale. If the project does not prove to be viable or is abandoned, all revocable costs associated with the project and the related impairment provisions are written off.

Deferred Exploration 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 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 exploration of the area of interest or alternatively, by its sale, or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations, in relation to the area, are continuing, or planned for the future.

Retirement Benefit Costs
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
- remeasurements 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 parent company 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 parent company statement of comprehensive income.

Remeasurements 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 these arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Remeasurements 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 these 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 expenditures 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 parent company statement of comprehensive income. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented on the parent company statement of comprehensive income, net of any reimbursement.

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 to the extent that it was incurred as a result of the development/construction of the mine. 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 parent company 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 these occur.

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. 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 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 12 months or the Company's normal operating cycle, whichever is longer. Otherwise, the amount is presented as a deduction from capital stock.

Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When the retained earnings account has a debit balance, it is called "deficit". A deficit is not an asset but a deduction from equity. Dividends are recognized as a liability and deducted from equity when these 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.

<u>Deposit for Future Stock Subscription</u>
This pertains to the amount of cash received as payment for future issuance of stocks. This is classified as an equity instrument when the Company will deliver a fixed number of its own equity instruments in exchange for a fixed amount of cash or another financial asset. Otherwise, it is classified under liabilities.

In instances where the Company does not have sufficient unissued authorized capital stock, the following elements should be present as at the balance sheet date in order for the deposits for future subscriptions to qualify as equity:

- the unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- there is BOD approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- there is stockholders' approval of said proposed increase and;
- the application for the approval of the proposed increase has been filed with the Philippine SEC.

Otherwise, this will be classified as liabilities.

<u>Earnings (Loss) Per Share</u>
Basic
Basic earnings (loss) per share is calculated by dividing the net income (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 dividing the net income (loss) attributable to ordinary stockholders of the company by the weighted average number of common shares outstanding, adjusted for any stock dividends declared during the year plus weighted average number of ordinary shares that would be issued on the conversion of all potential dilutive common shares during the period.

<u>Revenue Recognition</u>
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 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.

Revenue from mine products
Revenue from of mine products is recognized at completion of production. It is measured based on the metal's shipment value price, which is based on quoted metal prices in the London Bullion Market Association, and weight and assay content as adjusted at a later period, net of marketing charges, to reflect the NRV of mine products inventory at the end of the financial reporting period. Contract terms for the Company's sale of metals (i.e., gold and silver) in bullion provide for price adjustment based on the final assay to determine metal content.

The terms of the sales contract with the Company's lone customer contain provisional arrangements whereby the selling price for the metals is based on prevailing spot prices on a future date after shipment to the customer. Smelting, freight and interest are deducted to the collections to be made by the Company.

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 depletions 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 parent company statement of comprehensive income in the period these are incurred.

Cost of Production
Cost of production is incurred in the normal course of business and is recognized when incurred. It is composed 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.

Excise Taxes
Excise taxes pertain to the taxes paid or accrued by the Company for its legal obligation arising from the production of mine products. Excise taxes are expensed as incurred.

General and Administrative Expenses
General and administrative expenses pertain to costs associated in the general administration of day-to-day operations of the Company. Included under general and administrative expenses are selling expenses, which are incurred by the Company to market and distribute its products such as advertising, salaries, and shipping charges. These are generally recognized when the expense arises.

Other Income (Charges)
Other income and charges of the parent company include incidental income earned and expenses incurred arising from activities of the parent company which are not directly related to the ordinary course of business. Other income and charge are recognized when earned and incurred, respectively.

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.

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 the parent company statement of comprehensive income in the period in which these are incurred.

Leases

Determination of Whether an Arrangement Contains a Lease

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the date of inception 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 parent company 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, carry-forward benefits of unused net operating loss carry-over (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 profit will be available against which the deductible temporary differences, unused NOLCO and excess of MCIT over RCIT can be utilized.

The carrying amount of deferred income tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profit 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 end of the reporting period and are recognized to the extent that it has become probable that the future taxable income will allow the deferred tax assets 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.

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

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

Operating segments

The Company's operating businesses are recognized and managed according to the nature of the products or services offered, with each segment representing a strategic business unit that serves different markets.

Segment assets include operating assets used by a segment and consist principally of operating cash, trade and other receivables, deferred exploration cost, and property, plant and equipment, net of allowances and provisions.

Segment liabilities include all operating liabilities and consist principally of trade and other payables and accrued expenses.

Segment revenue, expenses and profit include transfers between business segments. The transfers are accounted for at competitive market prices charged to unaffiliated customers for similar products. Such transfers are eliminated in the consolidation.

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 President and Chief Executive Officer (CEO) that makes strategic decisions.

Contingencies

Contingent liabilities are not recognized in the parent company financial statements. These are disclosed in the notes to parent company financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but disclosed in the notes to parent company 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 parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the parent company financial statements when material.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the parent company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the accompanying disclosures. 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 parent company 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 parent company financial statements.

Determination of the 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.

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 lives 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 entered into 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 PFRS 3 and PAS 27, management determined that the pooling of interest method of accounting, instead of the acquisition or purchase method, is to be applied in the business combination. Moreover, the business combination is a combination with no commercial 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 amounts, and TCGPI's statement of income for the full year, irrespective of when the combination took place.

Assessment on Provisions and Contingencies

The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Company's defense in these matters and is based upon an analysis of potential results. The Company currently assessed that these proceedings will not have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 28).

Assessment of the Recoverability of Capitalized Deferred Exploration Costs
The application of the Company's accounting policy for exploration 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 expenditures. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether economically viable extraction operations can be established. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available. Deferred exploration costs amounted to ₱636.04 million and ₱595.16 million as at December 31, 2014 and 2013, respectively (see Note 10).

Assessment of the 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 parent company 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.

Assessment of Control over an Investee Company
The Company has a wholly owned subsidiary. Management concluded that the Company controls this subsidiary as the Company has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- exposure, or rights, to variable returns from its involvement with the investee and
- the ability to use its power over the investee to affect its returns

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 parent company financial statements within the next financial year are discussed below.

Estimation of Allowance for Doubtful Accounts on Trade and other Receivables and Advances to a Related Party
If the Company assessed that there is objective evidence that an impairment loss has been incurred on its trade and other receivables and advances to related party, the Company estimates the related allowance for doubtful accounts on receivables 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, 2014 and 2013, represents the amounts estimated to be uncollectible from other receivables carried under trade and other receivables amounting to ₱2.33 million (see Note 5). No provision for impairment losses were made in 2014, 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, 2014 and 2013, the carrying values of receivables amounted to ₱102.13 million and ₱313.46 million, respectively (see Note 5). The carrying value of advances to a related party amounted to nil and ₱0.4 million, respectively (see Note 5 and 13).

Estimation of Allowance for Inventory Losses and Obsolescence
The Company maintains an 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, 2014 and 2013, the carrying amounts of inventories amounted to ₱549.86 million and ₱413.68 million, respectively, net of allowance for inventory losses and obsolescence of ₱80.55 million and ₱15.17 million as at those dates (see Note 6).

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

The aggregate carrying value of nonfinancial prepayments and other current assets amounted to ₱136.58 million and ₱117.31 million, as at December 31, 2014 and 2013, respectively, and is included under “Prepayments and other current assets” caption in the parent company statement of financial position (see Note 7).

Estimating Impairment of the Investment in a Subsidiary
PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the fair value of the investment in a subsidiary requires the Company to make estimates and assumptions that can materially affect its parent company financial statements. Future events could cause the Company to conclude that the investment is impaired. Any resulting impairment loss could have a material adverse impact on the parent company statement of financial position and parent company statement of income.

No allowance for impairment loss has been recognized as at December 31, 2014. Investment in a subsidiary amounted to ₱5.12 billion as at December 31, 2014 (see Note 8).

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, 2014 and 2013 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 certain items 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 2014 and 2013. Remaining property, plant and equipment as at December 31, 2014 and 2013 are expected to be realized through continued use under the current mining plan with none identified subject for sale or disposal.

Property, plant and equipment at fair value as at December 31, 2014 and 2013 amounted to ₱3.56 billion and ₱3.27 billion respectively, while property, plant and equipment at cost as at December 31, 2014 and 2013 amounted to ₱3.38 billion and ₱3.26 billion, respectively (see Note 9). The estimated useful lives are disclosed in Note 2 to the parent company 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. 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 2014 and 2013 were 24% and 17%, respectively. Mine and mining properties, net of accumulated depletion, amounted to ₱1.74 billion and ₱1.37 billion as at December 31, 2014 and 2013, respectively (see Note 9).

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 parent company statement of financial position by adjusting the rehabilitation asset and liability.

As at December 31, 2014 and 2013, the provision for mine rehabilitation and decommissioning amounted to ₱44.77 million and ₱47.81 million, respectively (see Note 15).

Estimation of Recoverable Reserves
Recoverable reserves were determined using various factors or parameters such as market price of metals and global economy. These are mineable reserves based on the current market condition. The estimated recoverable reserves are used in the calculation of depreciation, amortization, and testing of impairment, the assessment of life of the mine, stripping ratios and for forecasting the timing of the payment of mine rehabilitation costs. As at December 31, 2014 and 2013, 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 end of the reporting period.

Retirement benefits costs amounted to ₱23.12 million, ₱16.31 million and ₱12.27 million in 2014, 2013 and 2012, respectively. Accrued retirement benefits amounted to ₱202.68 million and ₱83.73 million as at December 31, 2014 and 2013, respectively (see Note 14).

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 14.

Estimation of Impairment of Nonfinancial Assets, including Investment in a Subsidiary, Property, Plant and Equipment, Deferred Exploration Costs, and Other Noncurrent Assets
The Company evaluates whether investment in a subsidiary, property and equipment, deferred exploration costs, and nonfinancial 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 an 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 investment in a subsidiary, property, plant and equipment, deferred exploration costs, and nonfinancial other noncurrent assets amounted to ₱9.41 billion and ₱3.97 billion as at December 31, 2014 and 2013, respectively (see Notes 8, 9, 10 and 11). These are subjected to impairment testing when impairment indicators are present. The Company did not write-off deferred exploration costs in 2014 and 2013 (see Note 11). Write-off of property, plant and equipment, and other nonfinancial other noncurrent assets were recognized in 2014, 2013 and 2012 amounted to ₱136.01 million, ₱37.82 million and ₱5.4 million, respectively (see Note 21).

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 profit 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 (see Note 25).

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 parent company's financial statements. No provision for probable losses arising from these cases was recognized in the financial statements as at December 31, 2014 and 2013 (see Note 28).

4. **Cash**

	2014	2013
Cash on hand	**₱95,248**	₱1,815,254
Cash in banks	**56,463,215**	31,861,811
	₱56,558,463	₱33,677,065

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

Interest income, net of final tax, arising from cash in banks amounted to ₱0.36 million, ₱0.16 million and ₱2.42 million in 2014, 2013 and 2012, respectively (see Note 21).

The Company has United States dollar (US$)-denominated cash amounting to US$0.87 million and US$0.14 million as at December 31, 2014 and 2013, respectively.

5. Trade and Other Receivables

	2014	2013
Trade	**₱–**	₱66,353,805
Advances to suppliers and contractors	**91,678,901**	216,955,199
Advances to officers and employees	**10,082,530**	29,601,611
	101,761,431	312,910,615
Others	**2,694,504**	2,883,952
Less allowance for doubtful accounts	**2,329,870**	2,329,870
	364,634	554,082
	₱102,126,065	₱313,464,697

Trade receivables are non-interest bearing and are generally on less than 15 days' terms. These are related to the gold delivery agreements entered into by the Company with a Swiss refining entity.

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

Foreign currency denominated advances to suppliers and contractors amounted to US$1.29 million and US$1.62 million as at December 31, 2014 and 2013, respectively.

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

Other receivables comprise of advances for social security claims and medical benefits of employees. These said advances will be settled by the employees once their claims or benefits have been received from the related agency. The Company will receive the cash lent once the employee got their claims from the respective agency. Other receivables also include receivables from MCGC, which was previously considered by the Company as a related party (see Note 13).

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 individually impaired amounting to ₱2.33 million as at December 31, 2014 and 2013. There were no provision for impairment losses on trade and other receivables recognized in 2014 and 2013.

6. Inventories - NRV

	2014	2013
Gold and silver bullions	**₱113,761,486**	₱16,094,729
Metal in circuit	**–**	14,037,647
Ore stockpile	**143,970,785**	41,883,505
	257,732,271	72,015,881
Materials and supplies	**372,676,677**	356,838,724
Allowance for inventory losses and obsolescence	**(80,550,746)**	(15,172,592)
	292,125,931	341,666,132
	₱549,858,202	₱413,682,013

The cost of gold and silver bullions, and ore stock pile amounted to ₱247.82 million and ₱72.68 million as at December 31, 2014 and 2013, respectively.

The cost of inventories recognized as part of cost of production amounted to ₱601.05 million, ₱760.32 million and ₱489.65 million in 2014, 2013 and 2012, respectively (see Note 19).

Cost of materials and supplies recognized as part of general and administrative expense in 2014, 2013 and 2012 amounted to ₱35.70 million, ₱37.04 million and ₱35.05, respectively (see Note 21).

Movements in allowance for inventory losses and obsolescence are as follows:

	2014	2013
Beginning balances	**₱15,172,592**	₱15,172,592
Provision for inventory losses and obsolescence	**65,378,154**	–
Ending balances	**₱80,550,746**	₱15,172,592

The Company has written off inventories amounting to nil, ₱92.42 million and nil in 2014, 2013 and 2012 respectively (see Note 21). In 2014, recovery from previously written off inventory amounting to ₱5.99 million was recognized (see Note 21).

7. Prepayments and Other Current Assets

	2014	2013
Input VAT	**₱84,304,974**	₱47,414,415
CWTs	**24,951,583**	24,933,054
Current portion of deferred input VAT	**17,716,658**	17,135,439
Prepayments	**5,371,762**	6,983,141
TCCs	**4,239,715**	18,867,861
Others	**12,044,810**	1,974,346
	₱148,629,502	₱117,308,256

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. The Company applied for the conversion of the unused input VAT into a (TCC) which the Company used to pay for its excise tax.

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.

Deferred input VAT pertains to input VAT on purchases of or importation of capital goods exceeding ₱1.00 million in a calendar month. The current portion pertains to input VAT, which are amortized within 12 months from the end of the reporting period.

The Company has written off input VAT amounting to nil, ₱5.43 million and nil in 2014, 2013 and 2012, respectively (see Note 21).

Prepayments include licenses and premiums on insurance policies covering the Company's vehicles and employees.

TCCs are previously recognized input VAT that were approved by regulatory agencies to be converted to TCCs. These can be utilized through application against national taxes such as income, excise, etc.

Others pertain to the Company's deposit with Banco De Oro Unibank, Inc. (BDO) as a requirement in availing the loan from which maturing principal and interest payments are deducted.

8. Investment in a Subsidiary

The carrying value of the investment in a subsidiary amounted to ₱5.12 billion as at December 31, 2014.

The registered office address of the Company's subsidiary, MORE, is Unit 601, 6th Floor, Ecoplaza Building, Chino Roces Avenue Extension, Makati City.

Below is the relevant audited financial information of MORE as at December 31, 2014:

	2014
Current assets	₱1,161,745,328
Noncurrent assets	4,022,442,128
Current Liabilities	20,456,009
Noncurrent Liabilities	–
Equity	5,163,731,447
Cost and expenses	51,279,045
Other charges (income) – net	(318,405,595)
Net income	(₱267,126,550)
Other comprehensive income	(1,163,514,411)
Total comprehensive income	(₱1,430,640,961)

9. Property, Plant and Equipment

	2014							
	Buildings and improvements	Mining and milling equipment	Power equipment	Roads and bridges, and land improvements	Exploration equipment, and others	Mine and mining properties	Construction in-progress	Total
At revalued amounts:								
Balances at beginning of year	**₱165,124,145**	**₱2,864,187,926**	**₱375,740,983**	**₱568,015,227**	**₱264,336,011**	**₱2,275,211,470**	**₱714,153,877**	**₱7,226,769,639**
Additions	**5,195,247**	**80,175,509**	**30,457,690**	**–**	**13,201,117**	**505,142,415**	**244,270,723**	**878,442,701**
Change in estimate of provision for mine rehabilitation and decommissioning (Note 15)	**(3,327,510)**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,327,510)**
Reclassifications/transfers	**–**	**(3,263,569)**	**(1,997,587)**	**6,945,015**	**(2,183,102)**	**–**	**1,681,733**	**1,182,490**
Reclassifications to (from) construction in progress	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Write-offs	**–**	**(201,344,423)**	**–**	**–**	**(5,294,537)**	**–**	**–**	**(206,638,960)**
Balances at end of year	**166,991,882**	**2,739,755,443**	**404,201,086**	**574,960,242**	**270,059,489**	**2,780,353,885**	**960,106,333**	**7,896,428,360**
Accumulated depreciation and amortization:								
Balances at beginning of year	**132,967,263**	**1,916,411,362**	**347,460,754**	**292,949,646**	**195,442,354**	**906,583,222**	**–**	**3,791,814,601**
Depreciation and depletion	**19,195,471**	**224,909,729**	**12,832,002**	**35,949,714**	**28,431,493**	**134,389,281**	**–**	**455,707,690**
Reclassifications/transfers	**(29,000,001)**	**(9,027,579)**	**(1,000,000)**	**(5,000,000)**	**45,210,070**	**–**	**–**	**1,182,490**
Disposal and write offs	**–**	**(70,873,045)**	**–**	**–**	**–**	**–**	**–**	**(70,873,045)**
Balances at end of year	**123,162,733**	**2,061,420,467**	**359,292,756**	**323,899,360**	**269,083,917**	**1,040,972,503**	**–**	**4,177,831,736**
Allowance for impairment:								
Balances at beginning and end of year	**126,037**	**3,318,744**	**–**	**159,229,430**	**–**	**–**	**–**	**162,674,211**
Net book values	**₱43,703,112**	**₱675,016,232**	**₱44,908,330**	**₱91,831,452**	**₱975,572**	**₱1,739,381,382**	**₱960,106,333**	**₱3,555,922,413**

	2013							
	Buildings and improvements	Mining and milling equipment	Power equipment	Roads and bridges, and land improvements	Exploration equipment, and others	Mine and mining properties	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	₱1,831,121,205	₱218,264,483	₱5,567,299,543
Additions	3,666,302	684,374,040	8,029,707	–	51,507,848	486,896,802	572,831,131	1,807,305,830
Change in estimate of provision for mine rehabilitation and decommissioning (Note 15)	6,934,378	–	–	–	–	(42,806,537)	–	(35,872,159)
Reclassifications/transfers	–	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	2,275,211,470	714,153,877	7,226,769,639
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	679,825,558	–	3,338,154,008
Depreciation and depletion	39,968,334	165,527,370	12,656,665	33,695,704	25,494,526	226,757,664	–	504,100,263
Disposal and write offs	(42,414,464)	(3,654,666)	–	–	(4,370,540)	–	–	(50,439,670)
Balances at end of year	132,967,263	1,916,411,362	347,460,754	292,949,646	195,442,354	906,583,222	–	3,791,814,601
Allowance for impairment:								
Balances at beginning and end of year	126,037	3,318,744	–	159,229,430	–	–	–	162,674,211
Net book values	₱32,030,845	₱944,457,820	₱28,280,229	₱115,836,151	₱68,893,657	₱1,368,628,248	₱714,153,877	₱3,272,280,827

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 a 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 the end of the reporting period.

Construction in-progress consists mainly of expenditures for the Apex 3000 and other construction projects, which includes cost of various projects at different stages of completion, as at December 31, 2014 and 2013, respectively.

Movement in revaluation surplus in equity is as follows:

	2014	2013
Balances at beginning of year	**₱13,387,441**	₱55,751,783
Realized portion through depreciation, net of tax	**(8,115,822)**	(42,364,342)
Balance at end of year	**₱5,271,619**	₱13,387,441

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

The cost and accumulated depreciation of the burned equipment, vehicles and idle assets amounted to ₱201.34 million and ₱70.87 million, respectively. The net amount of ₱136.01 million was written off and recognized as loss in the parent company financial statements.

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

	2014							
	Buildings and improvements	Mining and milling equipment	Power equipment	Roads and bridges, and land improvements	Exploration equipment, and others	Mine and mining properties	Construction in-progress	Total
Cost:								
Balances at beginning of year	**₱54,756,147**	**₱1,929,561,630**	**₱317,258,771**	**₱506,941,436**	**₱264,647,435**	**₱2,275,211,470**	**₱714,153,877**	**₱6,062,530,766**
Additions	**5,195,247**	**80,175,509**	**30,457,690**	**–**	**13,201,117**	**505,142,415**	**244,270,723**	**878,442,701**
Change in estimate of provision for mine rehabilitation and decommissioning (Note 15)	**(3,327,510)**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,327,510)**
Reclassifications/transfer	**–**	**(3,263,569)**	**(1,997,587)**	**6,945,015**	**(2,183,102)**	**–**	**1,681,733**	**1,182,490**
Reclassifications to (from) construction in progress	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Disposals and write-offs	**–**	**(201,344,423)**	**–**	**–**	**(5,294,537)**	**–**	**–**	**(206,638,960)**
Balances at end of year	**56,623,884**	**1,805,129,147**	**345,718,874**	**513,886,451**	**270,370,913**	**2,780,353,885**	**960,106,333**	**6,732,189,487**
Accumulated depreciation and amortization:								
Balances at beginning of year	**27,561,933**	**982,815,199**	**289,927,816**	**237,410,858**	**196,664,141**	**906,583,222**	**–**	**2,640,963,169**
Depreciation and depletion	**56,610,175**	**341,359,316**	**15,002,679**	**40,222,225**	**28,398,744**	**134,389,281**	**–**	**615,982,420**
Reclassifications/transfer	**(29,000,001)**	**(9,027,579)**	**(1,000,000)**	**(5,000,000)**	**45,210,070**	**–**	**–**	**1,182,490**
Disposals and write offs	**–**	**(70,873,045)**	**–**	**–**	**–**	**–**	**–**	**(70,873,045)**
Balances at end of year	**55,172,107**	**1,244,273,891**	**303,930,495**	**272,633,083**	**270,272,955**	**1,040,972,503**	**–**	**3,187,255,034**
Allowance for impairment:								
Balances at beginning and end of year	**126,037**	**3,318,744**	**–**	**159,229,430**	**–**	**–**	**–**	**162,674,211**
Net book values	**₱1,325,740**	**₱557,536,512**	**₱41,788,379**	**₱82,023,938**	**₱97,958**	**₱1,739,381,382**	**₱960,106,333**	**₱3,382,260,242**

	2013							
	Buildings and improvements	Mining and milling equipment	Power equipment	Roads and bridges, and land improvements	Exploration equipment, and others	Mine and mining properties	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	₱1,831,121,205	₱218,264,483	₱4,403,060,670
Additions	3,666,302	684,374,040	8,029,707	–	51,507,848	486,896,802	572,831,131	1,807,305,830
Change in estimate of provision for mine rehabilitation decommissioning (Note 15)	6,934,378	–	–	–	–	(42,806,537)	–	(35,872,159)
Reclassifications/transfers	–	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	2,275,211,470	714,153,877	6,062,530,766
Accumulated depreciation and amortization:								
Balances at beginning of year	59,008,062	851,200,459	278,271,150	208,715,154	176,540,155	679,825,558	–	2,253,560,538
Depreciation and depletion	10,968,335	135,269,406	11,656,666	28,695,704	24,494,526	226,757,664	–	437,842,301
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	906,583,222	–	2,640,963,169
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	₱1,368,628,248	₱714,153,877	₱3,258,893,386

The cost of fully depreciated property, plant and equipment that are still being used amounted to ₱2.52 million and ₱1.43 billion as at December 31, 2014 and 2013, respectively.

As at December 31, 2014 and 2013, certain items of property, plant and equipment totaling ₱566.03 million under the mining and milling equipment category, are used as collateral to the various financing agreements entered into by the Company (see Note 16).

	2014			
	Mine and mining properties	**Mine development cost**	**Mine rehabilitation asset**	**Total**
Cost:				
Balances at beginning of year	**₱1,404,150,868**	**₱847,176,761**	**₱23,883,841**	**₱2,275,211,470**
Additions	**–**	**505,142,415**	**–**	**505,142,415**
Reclassification	**164,834,695**	**(164,834,695)**	**–**	**–**
Balances at end of year	**1,568,985,563**	**1,187,484,481**	**23,883,841**	**2,780,353,885**
Accumulated depletion:				
Balances at beginning of year	**883,574,068**	**–**	**23,009,154**	**906,583,222**
Depletion (Note 22)	**134,176,296**	**–**	**212,985**	**134,389,281**
Balances at end of year	**1,017,750,364**	**–**	**23,222,139**	**1,040,972,503**
Net book values	**₱551,235,199**	**₱1,187,484,481**	**₱661,702**	**₱1,739,381,382**

	2013			
	Mine and mining properties	Mine development cost	Mine rehabilitation asset	Total
Cost:				
Balances at beginning of year	₱1,275,339,534	₱489,091,293	₱66,690,378	₱1,831,121,205
Additions	–	486,896,802	–	486,896,802
Effect of change in estimate (Note 16)	–	–	(42,806,537)	(42,806,537)
Reclassification	128,811,334	(128,811,334)	–	–
Balances at end of year	₱1,404,150,868	₱847,176,761	₱23,883,841	₱2,275,211,470
Accumulated depletion:				
Balances at beginning of year	₱656,936,056	₱–	₱22,889,502	₱679,825,558
Depletion (Note 22)	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	₱847,176,761	₱874,687	₱1,368,628,248

10. **Deferred Exploration Costs**

	2014	2013
Balances at beginning of year	**₱595,161,862**	₱476,493,452
Additions	**40,880,844**	118,668,410
Balances at end of year	**₱636,042,706**	₱595,161,862

Deferred exploration costs consist of expenditures related to the exploration activities covered by the Company's MPSAs within the area. Additions to deferred 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 mine development costs under mine and mining properties during the year.

11. **Other Noncurrent Assets**

	2014	2013
Deferred input VAT - noncurrent	**₱64,923,588**	₱68,788,202
Deposits	**22,303,364**	24,351,354
Mine rehabilitation funds	**9,219,858**	5,150,000
National transmission lines	**2,949,236**	2,949,236
Software	**948,431**	11,177,044
	₱100,344,477	₱112,415,836

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

As at December 31, 2014 and 2013, the Company maintains mine rehabilitation funds consisting of monitoring trust, rehabilitation cash, environmental trust and final rehabilitation and decommission funds as provided in its agreements entered into with the provincial government and the MGB. The funds are to be used for the 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.*

National transmission lines pertain to the national transmission line for the warehouse, will be recovered through offsetting against final billings.

Idle assets of the Company involve those which are not currently put into productive use but can still be used by the Company. The Company's idle assets are already fully depreciated and amortized.

Movement of idle assets for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Cost:		
Balances at beginning of year	**₱54,791,187**	₱54,791,187
Disposals	**(7,327,659)**	–
Balances at end of year	**47,463,528**	54,791,187
Accumulated amortization:		
Balances at beginning of year	**54,791,187**	42,328,288
Depreciation (Note 22)	**–**	12,462,899
Writeoffs	**(7,327,659)**	–
Balances at end of year	**47,463,528**	54,791,187
Net book values	**₱–**	₱–

Write-offs during the year comprise of the idle assets which were destroyed in the fire incident.

Mining software consists of acquired computer software licenses and is capitalized on the basis of the costs incurred to acquire and bring to use the said software. Movement of software for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Cost:		
Balances at beginning of year	**₱39,683,994**	₱39,063,023
Additions	**640,068**	38,438,970
Write-off (Note 21)	**–**	(37,817,999)
Balances at end of year	**40,324,062**	39,683,994
Accumulated amortization:		
Balances at beginning of year	**28,506,950**	18,164,771
Amortization (Note 22)	**10,868,681**	10,342,179
	39,375,631	28,506,950
Net book values	**₱948,431**	₱11,177,044

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 which resulted to the recognition of the write-off related to the portion of the software cost which can no longer be utilized amounting to ₱37.82 million in the 2013 parent company statement of comprehensive income (see Note 21). As at December 31, 2013, the carrying amount of intangible assets amounted to ₱11.18 million.

12. **Trade and Other Payables**

	2014	2013
Trade	**₱577,774,245**	₱763,604,463
Payable to PMHI	**2,062,010,916**	–
Payable to MGL (Note 13)	**342,206,944**	–
Royalties	**124,364,633**	110,314,691
Accrued expenses	**113,240,021**	102,098,858
Payable to ASVI (Note 13)	**55,680,373**	–
Payables to government agencies	**23,994,498**	21,478,182
Payables to employees	**17,268,517**	15,894,180
Retention fees	**9,835,156**	17,114,451
Accrued interest payable	**9,814,119**	41,652,392
Others	**103,726,093**	3,726,092
	₱3,439,915,515	₱1,075,883,309

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.

Payable to PMHI of the Company pertains to the Company contractual obligation to pay the purchase of MORE shares from PMHI (see Note 1).

Royalties payable, which includes unpaid surface right fees, pertains to royalties based on the memorandum of agreement with the indigenous peoples of barangay Masara, Maco, Compostela Valley. The royalties and surface rights are computed as 1% of gross sales and production of the Company, respectively.

Included in accrued expenses are penalties amounting to nil and ₱33.77 million as at December 31, 2014 and 2013, respectively, related to a final assessment from the BIR for the year 2009 income tax return. Other items under accrued expenses include billings for services, project suppliers, professional fees, utilities and other expenses related to the operations.

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

Payables 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 each end of the reporting period.

Retention fees pertain to withheld payment for services availed 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 fees are non-interest bearing.
Accrued interest payable pertains to finance charges in relation to the interest bearing loans and finance lease obligations incurred in relation to Apex 3000.

Other payables pertain to short-term cash advances availed by the Company to fund its working capital.

13. **Related Party Disclosures**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity 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, unsecured non-interest bearing, short-term cash advances for working capital requirements of the Company, which are due and demandable.

Category	Relationship with the Company	Year	Volume/ Amount	Outstanding Balance	Terms	Conditions
Advances from stockholders and related parties						
MORE	Subsidiary	**2014**	**₱1,062,071,959**	**₱1,150,861,959**	Payable on maturity,	Unsecured,
		2013	₱88,790,000	₱88,790,000	Interest bearing	not guaranteed

a. Advances from MORE pertain to funds obtained by the Company for its working capital requirements, which were issued through promissory notes. The 2013 loan balance bears 7% interest per annum and is payable five months after December 31, 2013.

b. Because of the change in the ownership structure of the Company, MCGC, MGL and ASVI are no longer considered related parties. The Company has advances to MCGC amounting to ₱1.12 million and ₱0.49 million as at December 31, 2014 and 2013, respectively. The Company also has advances from MGL amounting to ₱342.21 million and ₱339.76 million and advances from ASVI amounting to ₱55.68 million and ₱55.28 million as at December 31, 2014 and 2013, respectively. The balances of these advances to MCGC, and advances from MGL and ASVI as at December 31, 2014 are now presented under other receivables and other payables, respectively (see Notes 5 and 12).

On July 20, 2012, MGL and MCGC, previously considered related parties of the Company, each entered into separate deeds of assignment with the Company for the assignment and conversion of the Company's payables, 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. The said deeds 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 in 2013, following the approval of SEC (See Note 17).

Trustee bank

The Company's retirement fund is being held by a trustee bank. The carrying amounts of the Company's retirement fund amounted to ₱15.20 million and ₱15.40 million, respectively, while the fair values amounted to and ₱14.68 million and ₱15.20 million, respectively, as at as at December 31, 2014 and 2013.

The retirement fund consists of investments in government securities, cash and short-term deposits, and unquoted equity securities which accounts for 70.75%, 19.62% and 9.63%, respectively, of its composition.

The Company made no contributions to the fund in 2014 and 2013. There were no transactions made between the Company and the retirement fund in both years.

Compensation of Key Management Personnel
The Company considers as key management personnel all employees holding managerial positions up to the President and CEO. There were no stock options or other long-term benefits granted to the key management personnel in 2014 and 2013. The following are the components of the compensation of the Company's key management personnel in 2014, 2013 and 2012:

	2014	2013	2012
Salaries and short-term benefits	**₱79,819,589**	₱70,098,557	₱68,709,410
Post-retirement benefits	**9,060,855**	3,510,796	3,767,928
	₱88,880,444	₱73,609,353	₱72,477,338

14. **Accrued 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 parent company statements of comprehensive income and parent company statements of financial position, respectively.

The details of retirement benefits costs follow:

	2014	2013	2012
Current service cost (Note 23)	**₱18,702,146**	₱12,776,878	₱10,129,224
Interest cost - net	**4,420,975**	3,534,289	2,137,330
	₱23,123,121	₱16,311,167	₱12,266,554

Changes in defined benefit liability and fair value of plan assets in 2014 and 2013 are as follows:

2014	**Defined benefits liability**	**Fair value of plan assets**	**Net defined benefit liability**
At January 1	**₱98,928,560**	**₱15,197,977**	**₱83,730,583**
Net interest	**5,223,428**	**802,453**	**4,420,975**
Current service cost	**18,702,146**	**–**	**18,702,146**
Remeasurement of actuarial losses:			
Changes in financial assumptions	**79,119,194**	**–**	**79,119,194**
Changes in demographic assumptions	**864,368**	**–**	**864,368**
Experience	**15,243,232**	**–**	**15,243,232**
Remeasurement loss - return on plan assets	**–**	**597,542**	**597,542**
	95,226,794	**597,542**	**95,824,336**
At December 31	**₱218,080,928**	**₱16,597,972**	**₱202,678,040**

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 losses:			
Changes in financial assumptions	13,315,679	–	13,315,679
Experience	263,153	–	263,153
Remeasurement loss - return on plan assets	–	452,528	452,528
	13,578,832	452,528	14,031,360
At December 31	₱98,928,560	₱15,197,977	₱83,730,583

Changes in defined benefit cost recognized in other comprehensive income in 2014 and 2013 are as follows:

	2014	2013
At January 1	**₱24,178,104**	₱10,146,744
Actuarial loss - defined benefit obligation	**95,226,794**	13,578,832
Remeasurement loss - plant asset	**597,542**	452,528
At December 31	**₱120,002,440**	₱24,178,104

The major categories of the Company's plan assets as a percentage of the fair value of total plan assets are as follows:

	2014	2013
Cash	**29.02%**	68.33%
Debt instruments - government bonds	**63.81%**	16.33%
Mutual Funds	**6.39%**	–
Unit investment trust funds	**0.89%**	–
Others	**(0.11%)**	15.34%
	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:

	2014	2013
Discount rate	**4.83%**	5.28%
Expected rate of salary increase	**10.00%**	5.00%
Average remaining working life (in years)	**23.6**	21.3

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

	Increase (decrease)	**2014**
Discount rates	**10.5%**	**(₱22,883,910)**
	(9.2%)	**20,105,141**

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

	Increase (decrease)	**2014**
Salary increase rate	**9.0%**	**₱19,521,894**
	(8.1%)	**(17,705,097)**

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

The retirement plan trustee has no specific matching strategy between the plan assets and the plan liabilities. Moreover, the Company is not required to pre-fund the future defined benefits payable under the retirement plan before they become due. For this reason, the amount and timing of contributions to the retirement fund are at the Company's discretion. However, in the event a benefit claim arises and the retirement fund is insufficient to pay the claim, the shortfall will then be due and payable from the Company to the retirement fund.

The latest available actuarial valuation report of the Company was obtained in March 2015. The Company does not expect to contribute to the defined retirement benefits plan in 2015. There were no transactions made between the Company and the retirement fund in 2014 and 2013.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2014 and 2013:

	2014	2013
Less than one year	**₱6,976,909**	₱2,712,909
More than one year to five years	**41,306,311**	17,030,991
More than five years to 10 years	**103,271,435**	63,459,019
	₱151,554,655	₱83,202,919

15. Provision for Mine Rehabilitation and Decommissioning

	2014	2013
Balance at beginning of year	**₱47,806,902**	₱82,790,453
Accretion (Note 21)	**290,246**	888,608
Effect of change in estimate (Note 9)	**(3,327,510)**	(35,872,159)
Balance at end of year	**₱44,769,638**	₱47,806,902

The Company makes a full provision for the future costs of rehabilitating of the mine 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 Company's FMRDP, covering MPSA Nos. 225-2005-XI and 234-2007-XI, 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 reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions.

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

16. Loans Payable

	2014	2013
Rizal Commercial Banking Corporation (RCBC)	**₱450,000,000**	₱–
Unionbank of the Philippines (UBP	**357,760,000**	–
Sandvik Mining and Construction (Sandvik)	**224,644,812**	294,294,907
Atlas Copco Rock drills (Atlas)	**174,954,579**	238,624,237
HSBC/BDO-net	**100,417,820**	331,585,004
Planters Bank (Planters)	**7,191,184**	12,898,579
	1,314,968,395	877,402,727
Less current portion	**1,138,396,661**	870,211,544
Noncurrent portion	**₱176,571,734**	₱7,191,183

The maturities of the loans payable are as follows:

	2014	2013
Due in:		
2014	**₱–**	₱870,211,544
2015	**1,138,396,661**	6,216,938
2016	**176,571,734**	974,245
	₱1,314,968,395	₱877,402,727

Term Loan Facility Agreement
HSBC/BDO
On August 2, 2013, the Company entered into a syndicated term loan facility agreement with BDO and HSBC for up to US$12.00 million. The loan was obtained to finance the Company's construction of a new processing plant in Maco, Compostela Valley. Drawdowns made from the said facility, which totaled to US$7.50 million in 2013, at an interest rate of 7.50% per annum. Interest payments are due on a quarterly basis starting December 27, 2013, while quarterly principal amortizations start on September 27, 2014 until September 27, 2015. On August 13, 2014, the Company terminated and paid the full amount of the portion of the loan pertaining to HSBC amounting to US$3.75 million.

The Company recognized ₱0.20 million and ₱1.61 million as discount on the loan based on the EIR of 7.95% as at December 31, 2014 and 2013, respectively. The unpaid portion amounted to ₱100.42 million and ₱331.59 million December 31, 2014 and 2013, respectively.

The remaining amount payable for the loan payable to BDO as at December 31, 2014 is US$2.25 million equivalent to ₱100.42 million, net of discount of ₱0.02 million.

UBP
The Company issued two promissory notes to UBP on July 22, 2014 and August 1, 2014 for US$4.00 million each. The notes bear an interest rate of 5.5% per annum with 180 days term. The Company was granted by UBP to rollover the promissory notes on January 16 and 28, 2015 for another 180 days.

The Company has a remaining obligation amounting to US$8.00 million equivalent to ₱357.76 million as at December 31, 2014.

RCBC
On August 5, 2014, the Company issued a non-negotiable promissory note to RCBC for ₱450.00 million maturing on February 1, 2015. The note bears an interest rate of 6.5% per annum with 180 days term. The Company was granted by RCBC to rollover the promissory note with the same interest rate and maturity period on February 1, 2015 amounting to ₱320.00 million and paid the remaining ₱130.00 million which the Company later availed on February 18, 2015.

The unpaid portion of this obligation amounted to nil at December 31, 2014.

<u>Equipment Financing</u>
In 2013, the Company entered into various financing agreements to fund the 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 an interest rate of 8.00% per annum.

On December 12, 2014, the Company and Atlas Copco signed an amendment to the purchase agreements wherein the terms provided for a new monthly payment schedule starting February 28, 2015 until December 31, 2016.

Certain items of property, plant and equipment under the mining and milling category totaling ₱262.43 million are used as collateral to the said purchase agreements.

The Company has a remaining payable of ₱89.95 million to Atlas Copco as at December 31, 2014.

Sandvik
In June 2013, the Company entered into several Sale and Purchase Agreements with Sandvik covering purchases of equipment to be used in its expansion program. Settlement of the said purchases on behalf of the Company was covered by financing agreements entered into with Sandvik. The said agreements due to Sandvik Credit are payable in three years and bear an interest rate of 10.00% per annum.

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

On December 29, 2014, the Company and Sandvik signed an amendment to the purchase agreements wherein, the amended terms provided for new 7 to 8 quarterly payment schedules starting January 20, 2015, including interest of ₱0.54 million on unpaid principal until October 20, 2016.

As at December 31, 2014, 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.

The Company has a remaining obligation of ₱224.64 million to Sandvik as at December 31, 2014.

Planters
The Company obtained various promissory notes from Planters which were used to finance the purchase of transportation equipment to be used in the mine site. The said promissory notes are payable in three years and bear an interest rate of 5.73% per annum. In addition, these are secured by chattel mortgages on the purchased transportation equipment totaling ₱17.38 million.

The Company was compliant with the terms and provisions of the above stated loans as at December 31, 2014.

The Company's availment and payment of loans and equipment financing as at December 31, 2014 and 2013 are as follows:

	2014		2013	
	Availment	**Payment**	Availment	Payment
HSBC/BDO - net	**₱14,792,816**	**₱246,353,810**	₱331,585,004	₱–
Unionbank	**357,760,000**	**–**	–	–
RCBC	**450,000,000**	**–**	–	–
Sandvik	**7,673,889**	**77,323,984**	350,129,169	55,834,262
Atlas	**6,569,815**	**70,239,473**	275,022,255	36,398,018
Planters	**3,018,927**	**8,726,322**	27,070,294	14,171,715
	₱839,815,447	**₱402,643,589**	₱983,806,722	₱106,403,995

Interest expenses incurred in 2014 and 2013 in relation to the availed loans are as follows:

	2014	2013
Atlas	**₱36,032,862**	₱26,716,025
Sandvik	**31,132,538**	31,675,752
RCBC	**14,062,500**	–
HSBC/BDO - net	**10,781,506**	6,539,230
Unionbank	**9,558,757**	–
Planters	**834,569**	5,095,281
	₱102,402,732	₱70,026,288

17. **Capital Stock**

Capital Stock

The Company has authorized capital stock of ₱2.80 billion, divided into a single class of common shares, with a par value of ₱1.00 per share as at December 31, 2014.

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

	2014		2013	
	Shares	**Amount**	Shares	Amount
Issued and subscribed shares at beginning of year	**1,868,639,664**	**₱1,868,639,664**	1,664,565,290	₱1,664,801,362
Less subscriptions receivable	**–**	**–**	–	236,072
Total issued and subscribed at beginning of year	**1,868,639,664**	**1,868,639,664**	1,664,565,290	1,664,565,290
Issued during the year	**–**	**–**	204,074,374	204,074,374
Issued shares at end of year	**1,868,639,664**	**₱1,868,639,664**	1,868,639,664	₱1,868,639,664

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

a. On March 12, 2015, the Company issued 1.86 billion shares to PMHI out of unissued capital stock at an issue price equivalent to its par value of ₱1.00 per share.

b. On February 3, 2015, the Company issued 2.50 billion shares out of the unissued capital stock at an issue price equivalent to its par value of ₱1.00 per share corresponding to the deposit for future stock subscriptions of ₱2.5 billion as at December 31, 2014.

c. On January 12, 2015, the Company's application for the increase in its authorized capital stock was duly approved by the Philippine SEC.

d. On December 29, 2014, the Company filed with the SEC an application for the increase in authorized capital stock from ₱2.80 billion divided into 2.80 billion shares, with par value of ₱1.00 per share, to ₱12.80 billion divided into 12.80 billion shares, with par value of ₱1.00 per share.

e. On October 10, 2014, through the execution of the subscription agreements between the Company and stockholders of MORE, the Company recorded as part of its equity deposit for future stock subscriptions amounting to ₱2.50 billion.

f. On April 16, 2014, MORE purchased from MCGC 644.68 million shares of the Company.

g. On August 27, 2013, the Company received subscriptions from:
   - MORE for the purchase of additional 31.29 million Class "A" shares for a total consideration of ₱87.30 billion.
   - MGL for the purchase of 62.58 million Class "B" shares for a total consideration of ₱174.60 million.

h. 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.

i. 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.

j. 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.

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

   - MORE for the purchase of additional 120.00 million Class "A" shares for a total subscription amount of ₱528.00 million.
   - MGL acquired additional 48.05 million Class "B" shares for a total subscription amount of ₱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.

l. 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.

Additional paid-in-capital
Movement in the additional paid-in capital is as follows:

	2014	2013
Balance at beginning of year	**₱3,098,234,838**	₱2,561,661,966
Additional paid-in capital from share issuances	**–**	542,720,617
Transaction costs of share issuances	**(49,408,614)**	(6,147,745)
Balance at end of year	**₱3,048,826,224**	₱3,098,234,838

18. **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, 2014 and 2013 are as follows:

	2014	2013
Net loss shown in the parent company statements of comprehensive income	**₱543,629,369**	₱827,430,860
Weighted average number of common shares for basic earnings (loss) per share	**4,368,639,664**	1,756,172,369
Dilutive shares arising from deposit for future stock subscriptions	–	–
Weighted average number of common shares adjusted for diluted earnings (loss) per share	**4,368,639,664**	1,756,172,369
Basic loss per share	**(₱0.12)**	(₱0.47)
Diluted loss per share	**(₱0.12)**	(₱0.47)

19. **Cost of Production**

	2014	2013	2012
Mine and milling costs	**₱601,050,238**	₱760,323,087	₱489,650,737
Depreciation, depletion and amortization (Note 22)	**402,056,618**	488,649,547	350,437,240
Personnel costs (Note 23)	**185,839,038**	135,728,733	113,302,224
Utilities	**94,388,177**	114,391,919	110,281,739
Rent	**59,631,456**	75,501,134	53,939,385
Contracted services	**44,694,660**	59,557,733	4,998,995
Marketing	**15,877,963**	17,370,177	17,322,468
Repairs and maintenance	**548,857**	639,603	4,172,954
Others	**25,693,055**	53,175,969	54,270,286
	₱1,429,780,062	₱1,705,337,902	₱1,198,376,028

Other costs of sales include costs of assay testing and contracted labor for the Company's operations.

20. **General and Administrative Expenses**

	2014	2013	2012
Personnel costs (Note 23)	**₱216,815,659**	₱170,252,093	₱163,718,692
Contracted services	**71,962,824**	47,431,656	42,483,854
Taxes, licenses and permits	**47,468,086**	36,806,396	34,310,395
Rent (Note 28)	**38,441,875**	41,272,020	38,439,472
Materials and supplies	**35,703,880**	37,041,444	35,305,845
Community development expenses	**26,428,157**	12,823,883	11,389,539
Representation and entertainment	**18,285,916**	13,159,231	10,367,093
Surface rights	**16,077,705**	17,334,908	18,173,216
Professional fees	**12,615,740**	21,347,411	16,458,675
Depreciation and amortization (Note 22)	**10,868,681**	10,342,179	63,973,169
Transportation and accommodation	**8,387,069**	4,918,792	6,486,543
Insurance	**8,106,980**	17,052,011	19,281,252
Employee activities	**7,055,207**	5,402,165	7,345,429
Data and communications	**4,683,526**	4,972,151	4,555,964
Utilities	**3,472,926**	2,922,544	3,061,062
Royalties	**1,772,380**	17,569,685	18,173,216
Donations and contributions	**1,717,701**	11,058,762	14,304,783
Repairs and maintenance	**1,080,400**	690,452	1,350,889
Overhead costs	**170,461**	17,557,758	2,783,602
Others	**13,109,317**	22,784,910	45,370,517
	₱544,224,490	₱512,740,451	₱557,333,207

Royalties pertain to expenses incurred for payments made to indigenous peoples near the Company's mining tenements. Other expenses pertain freight and handling, bank charges, laboratory expenses and miscellaneous expenses.

21. **Other Charges (Income) -** net

	2014	2013	2012
Loss on write-off of:			
Property, plant and equipment (Notes 1 and 9)	**₱136,012,675**	₱–	₱5,446,023
Inventory (Note 6)	**–**	92,417,740	–
Input VAT (Note 7)	**–**	5,427,414	–
Other noncurrent assets	**–**	37,817,999	–
Provision for inventory losses and obsolescence	**65,378,154**	–	–
Foreign exchange gain (loss) - net	**(62,410,290)**	126,635,075	(25,414,978)
Reversal of inventory writeoff	**(5,985,920)**	–	–
Loss on early extinguishment of loans	**393,810**	–	–
Interest income (Note 4)	**(355,947)**	(160,227)	(2,422,908)
Accretion expense (Note 15)	**290,246**	888,608	3,571,775
	₱133,322,728	₱266,027,097	(₱18,820,088)

22. **Depreciation, Depletion and Amortization**

	2014	2013	2012
Property, plant and equipment	**₱402,056,618**	₱476,186,648	₱387,129,761
Other noncurrent assets	**10,868,681**	22,805,078	27,280,648
	₱412,925,299	₱498,991,726	₱414,410,409

The amounts were distributed as follows:

	2014	2013	2012
Cost of production (Note 19)	**₱402,056,618**	₱488,649,547	₱350,437,240
General and administrative expenses (Note 20)	**10,868,681**	10,342,179	63,973,169
	₱412,925,299	₱498,991,726	₱414,410,409

In 2014, the Company capitalized depreciation, depletion and amortization costs amounting to ₱55.01 million as part of inventories and ₱106.95 million as part of mine development costs.

23. **Personnel Costs**

	2014	2013	2012
Salaries and wages	**₱227,122,517**	₱189,628,851	₱174,815,763
Other employee benefits	**156,830,034**	103,575,097	92,075,929
Retirement benefits cost (Note 14)	**18,702,146**	12,776,878	10,129,224
	₱402,654,697	₱305,980,826	₱277,020,916

The amounts were distributed as follows:

	2014	2013	2012
Cost of production (Note 19)	**₱185,839,038**	₱135,728,733	₱113,302,224
General and administrative expenses (Note 20)	**216,815,659**	170,252,093	163,718,692
	₱402,654,697	₱305,980,826	₱277,020,916

24. **Finance Cost**

	2014	2013	2012
Interest on loans payable (Note 16)	**₱102,402,732**	₱70,026,288	₱–
Net interest cost on retirement benefits (Note 14)	**4,420,975**	3,534,289	2,137,330
Interest - others	**3,556,867**	2,033,775	232,009
	₱110,380,574	₱75,594,352	₱2,369,339

Interest expense under “others” pertains to the charges made by banks and the availment of the price fixation agreement with Metalor Technologies S.A. subject to the leasing rates for the number of days of the early pricing.

25. **Income Tax**

The Company's provision for (benefit from) from income tax in 2014 and 2013 is presented below. Provision for current income tax in 2014 and 2013 pertains to the minimum corporate income tax (MCIT).

	2014	2013	2012
Current	**₱6,508,648**	₱2,618,689	₱–
Deferred	**15,576,040**	(33,753,391)	(15,314,553)
	₱22,084,688	(₱31,134,702)	(₱15,314,553)

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 parent company statement of comprehensive income follows:

	2014	2013	2012
Benefit from (provision for) income tax computed at statutory income tax rate	**₱156,463,404**	₱257,569,669	(₱12,533,420)
Add (deduct) tax effects of:			
Changes in unrecognized deferred income tax assets	**(139,247,211)**	(205,736,874)	(1,140,075)
Various nondeductible expenses	**(41,529,346)**	(34,454,393)	(23,742,689)
Realization of revaluation surplus	**3,478,210**	12,709,303	10,612,761
Expired NOLCO	**(3,152,305)**	(12,877,072)	(4,252,858)
Reversal of inventory write-off	**1,795,776**	–	–
Interest income subjected to final tax	**106,784**	48,068	726,872
Reversal of unrealized foreign exchange gain	**–**	13,876,001	–
Operating income under ITH	**–**	–	28,437,597
Benefit from write off of deferred income tax liability from TCGPI	**–**	–	17,206,365
Benefit from (provision for) income tax	**(₱22,084,688)**	₱31,134,702	₱15,314,553

Details of deductible temporary differences, unused tax credit and NOLCO as at December 31, 2014 and 2013, for which no deferred income tax assets were recognized in the parent company statement of financial position are as follows:

	2014	2013
NOLCO	**₱1,015,027,244**	₱531,307,010
Accrued retirement benefits	**202,678,040**	83,730,583
Allowance for impairment losses on:		
Property, plant and equipment	**162,674,211**	162,674,211
Inventory losses and obsolescence	**80,550,747**	15,172,593
Receivables	**2,329,870**	2,329,870
Provision for mine rehabilitation and decommissioning	**44,769,638**	47,806,902
MCIT	**9,127,337**	–
Unrealized foreign exchange losses	**–**	130,049,879
	₱1,517,157,087	₱973,071,048

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 profit within the allowed carry-over 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 differences and unused tax losses and credits.

The Company’s deferred income tax liabilities as at December 31, 2014 and 2013 pertain to the following:

	2014	2013
Unrealized foreign exchange gain	**₱16,512,253**	₱–
Asset retirement obligation	**2,541,996**	–
Revaluation surplus on property, plant and equipment	**538,023**	4,016,232
	₱19,592,272	₱4,016,232

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 said 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 and MCIT that can be claimed as deduction from future taxable income and future tax due, as follows:

Year Incurred	Year of Expiration	NOLCO	MCIT
2014	2017	₱494,227,918	₱6,508,648
2013	2016	520,799,326	2,618,689
		₱1,015,027,244	₱9,127,337

The movements of NOLCO are as follows:

	2014	2013
Balances at beginning of year	**₱531,307,010**	₱153,586,259
Additions	**494,227,918**	520,799,326
Expirations	**(10,507,684)**	(143,078,575)
Balances at end of year	**₱1,015,027,244**	₱531,307,010

The movements of MCIT are as follows:

	2014	2013
Balances at beginning of year	**₱2,618,689**	₱–
Additions	**6,508,648**	2,618,689
Expirations	**–**	–
Balances at end of year	**₱9,127,337**	₱2,618,689

The Company did not avail of the Optional Standard Deduction in 2014 and 2013.

26. **Financial Risk Management Objectives and Policies, and Capital Management**

Financial Risk Management Objectives and Policies

The Company’s financial instruments consist mainly of cash, receivables, deposits under “Prepayments and other current assets” trade and other payables, and mine rehabilitation fund under “Other noncurrent assets” which arise directly from its operations, advances to and from stockholders and related parties, and loans payable. The main purpose of these financial instruments is to raise funds and maintain continuity of funding and financial flexibility for the Company.

The main risks arising from the Company’s financial instruments are credit risk, liquidity risk, and foreign currency risk and commodity price risk. The BOD reviews and approves policies for managing each of these risks and these 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 highly traded commodities that has a readily available market.

The maximum exposure to credit risk of the Company’s financial assets (cash in bank, and trade receivables and other receivables), without taking into account any collateral and other credit enhancements is equal to the carrying amounts of the said financial assets, as at December 31, 2014 and 2013.

Aging analysis of the Company’s financial assets classified as loans and receivables as at December 31, 2014 and 2013 are as follows:

	December 31, 2014				
		Neither past due	Past due but not impaired		
	Total	nor impaired	1-30 Days	31-60 Days	Over 60 Days
Cash in banks	**₱56,463,215**	**₱56,463,215**	**₱–**	**₱–**	**₱–**
Other receivables	**2,694,505**	**–**	**–**	**–**	**2,694,505**
Others classified under “Prepayments and other current assets”	**12,044,810**	**12,044,810**	**–**	**–**	**–**
Mine rehabilitation fund classified under “Other noncurrent assets”	**9,219,858**	**9,219,858**	**–**	**–**	**–**
	₱80,422,388	**₱77,727,883**	**₱–**	**₱–**	**₱2,694,505**

	December 31, 2013				
		Neither past due	Past due but not impaired		
	Total	nor impaired	1-30 Days	31-60 Days	Over 60 Days
Cash in banks	₱31,861,811	₱31,861,811	₱–	₱–	₱–
Trade and others receivables					
Trade	66,353,805	66,353,805	–	–	–
Others	2,883,952	2,329,870	201,322	51,878	300,882
Advances to a related party	486,992	486,992	–	–	–
Mine rehabilitation fund classified under “Other noncurrent assets”	5,150,000	5,150,000	–	–	–
	₱106,736,560	₱106,182,478	₱201,322	₱51,878	₱300,882

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 bank were assessed as high grade since these are deposited in reputable banks, which have low probabilities of insolvency.
b. Trade receivables 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 these have history of defaults.

Liquidity Risk

Liquidity risk is the risk that Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. 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, 2014 and 2013.

2014	**On demand**	**Less than three months**	**Three to 12 months**	**More than 12 months**	**Total**
Trade and other payables					
Trade	**₱1,422,458**	**₱176,061,432**	**₱365,378,865**	**₱34,367,090**	**₱577,229,845**
Accrued interest and other expenses	**19,190,217**	**19,040,869**	**11,586,829**	**73,236,225**	**123,054,140**
Retention fees	**9,835,156**	**–**	**–**	**–**	**9,835,156**
Payable to employees	**1,172,235**	**–**	**13,979,546**	**2,116,736**	**17,268,517**
Others*	**2,563,624,326**	**–**	**–**	**–**	**2,563,624,326**
Advances from stockholders and related parties	**1,150,861,959**	**–**	**–**	**–**	**1,150,861,959**
Loans payable	**914,394,757**	**–**	**224,001,904**	**176,571,734**	**1,314,968,395**
	₱4,660,501,108	**₱195,102,301**	**₱614,947,144**	**₱286,291,785**	**₱5,756,842,338**

**Others include payables to PMHI, MGL and ASVI.*

2014	**On demand**	**Less than three months**	**Three to 12 months**	**More than 12 months**	**Total**
Cash in banks	**₱56,463,215**	**₱–**	**₱–**	**₱–**	**₱56,463,215**
Other receivables	**2,694,504**	**–**	**–**	**–**	**2,694,504**
Others classified under "Prepayments and other current assets"	**–**	**–**	**12,044,810**	**–**	**12,044,810**
Mine rehabilitation fund classified under "Other noncurrent assets"	**–**	**–**	**–**	**9,219,858**	**9,219,858**
	₱59,157,719	**₱–**	**₱12,044,810**	**₱9,219,858**	**₱80,422,387**

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 interest and other expenses	41,652,392	102,098,858	–	–	143,751,250
Retention fees	–	–	17,114,451	–	17,114,451
Payable to employees	–	–	15,894,180	–	15,894,180
Others	3,726,092	–	–	–	3,726,092
Advances from stockholders and related parties	483,830,181	–	–	–	483,830,181
Loans Payable	–	–	870,211,544	7,191,183	877,402,727
	₱640,160,661	₱292,376,068	₱1,365,595,432	₱7,191,183	₱2,305,323,344

2013	On demand	Less than three months	Three to 12 months	More than 12 months	Total
Cash in banks	₱31,861,811	₱–	₱–	₱–	₱31,861,811
Trade and other receivables					
Trade	66,353,805	–	–	–	66,353,805
Others	2,883,952	–	–	–	2,883,952
Advances to a related party	486,992	–	–	–	486,992
Mine rehabilitation funds classified under "Other noncurrent assets"	–	–	–	5,150,000	5,150,000
	₱101,586,560	₱–	₱–	₱5,150,000	₱106,736,560

Foreign Currency Risk

The Company is exposed to currency risk arising from the effect of fluctuations in foreign currency exchange rates, which 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 sales and 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, 2014 and 2013 are as follows:

	2014		2013	
	US$	**Php**	US$	Php
Financial Assets				
Cash	**873,343**	**39,055,877**	136,804	6,073,414
Trade receivables	**–**	**–**	5,647,867	250,737,040
	873,343	**39,055,877**	5,784,671	256,810,454
Financial Liability				
Trade payables	**9,667,337**	**432,323,324**	15,851,948	703,747,231
Advances from stockholders and affiliates	**3,245,089**	**145,120,380**	8,896,546	395,006,642
Loans payable	**14,638,925**	**654,652,741**	19,473,007	870,290,148
	27,551,351	**1,232,096,445**	44,221,501	1,969,044,021
Net financial liability	**(26,678,008)**	**(1,193,040,568)**	(38,436,830)	(1,712,233,567)

As at December 31, 2014 and 2013, the exchange rates of the Philippine peso based on the Philippine Dealing System were ₱44.72 and ₱44.395 to a US$, respectively.

The sensitivity to a reasonable 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, 2014 and 2013 are as follows:

		Change in foreign exchange rates	Effect in income (loss) before tax
US$	**2014**	**0.62**	**(₱16,540,365)**
		(0.35)	**9,337,303**
	2013	**0.83**	(₱33,578,744)
		(0.33)	13,178,363

There is no other impact on the Company's equity other than those already affecting the parent company 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 prices is monitored regularly to determine the impact on its parent company statements of financial position.

Since the amount of gold and silver inventory subject to commodity price risk and the impact of the change in metal prices are deemed immaterial relative to the parent company financial statements, management opted not to disclose commodity price risk sensitivity analysis for 2014 and 2013.

Capital Management
The primary objective of the Company's 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, or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2014 and 2013.

The Company considers the following as its core economic capital:

	2014	2013
Capital stock	**₱1,868,639,664**	₱1,868,639,664
Additional paid-in capital	**3,048,826,224**	3,098,234,838
Deposit for future stock subscriptions	**2,500,000,000**	–
Revaluation surplus on property, plant and equipment	**5,271,619**	13,387,441
Remeasurement loss on retirement plan	**(24,178,104)**	(10,146,744)
Deficit	**(3,205,789,772)**	(2,670,276,225)
	₱4,192,769,631	₱2,299,838,974

The Company has no externally imposed capital requirements.

27. Fair Value Measurements

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, 2014 and 2013.

	Carrying Values		Fair Values	
	2014	2013	**2014**	2013
Other Financial Liability				
Loans payable - noncurrent	**₱176,571,734**	₱7,199,381	**₱169,998,020**	₱6,091,166

Property and Equipment
The fair value of property and equipment is calculated using the direct income capitalization method, which results in measurements being classified as Level 3 in the fair value hierarchy.

Cash, Trade and Other Receivables, Advances to a Related Party, Others under "Other Current Assets", Mine Rehabilitation Funds under "Other Noncurrent Assets", Trade and Other Payables, Advances from Stockholders and Related Parties and Current Portion of Loans Payable
The carrying amounts of these financial instruments approximate their fair values due to their short-term nature and maturities.

The Parent Company has no financial instruments measured at fair value under Levels 1, 2 and 3 of the fair value hierarchy. There were no transfers between levels in 2014 and 2013.

28. 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, North Davao Mining Corporation (NDMC), and are correctly under the Regional Panel of Arbitrators (the Panel). The Company has filed an Adverse Claim/Protest against NDMC 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 NDMC 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's preferential rights over the cluster.

On December 28, 2009, the Company filed a "Motion for reconsideration" which was acknowledged by the MAB on September 14, 2010.

On December 22, 2014, the Court of Appeals rendered a decision in favor of the Company, upholding its preferential rights to the conflict areas with NDMC.

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 ₱100.11 million, ₱116.77 million and ₱116.77 million in 2014, 2013 and 2012, 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 (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.

The case denominated as NCIP Case No. R-XI-0037-12 entitled Maco Ancestral Domain, Inc. (MADCI) vs. Apex Mining Co., Inc. is still pending before the Regional Hearing Office of the National Commission on Indigenous Peoples - Region XI, Davao City. Aside from MADCI, the following Indigenous Peoples Organization (IPO) of Maco joined the case as intervenor-complainants:

a. Mantakadong Mansaka Indigenous Peoples Ancestral Domain of Inc.
b. Sumpaw ng Inangsabong Mansaka, Inc.

After trial on the merits, the Regional Hearing Office is expected to resolve the representation issue among the three foregoing IPO's and decide who is authorized to receive the royalty payments from the Company. As at December 31, 2014, the Company and IPOs are still currently engaged in settlement negotiations.

29. 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.

30. Events After the Reporting Period

On January 12, 2015, the Philippine SEC approved the aforementioned amendments in the Company's Articles of Incorporation.

On February 3, 2015, the Company issued 2.50 billion shares out of the unissued capital stock at an issue price equivalent to its par value of ₱1.00 per share corresponding to the deposit for future stock subscriptions of ₱2.5 billion as at December 31, 2014.

On March 12, 2015, the Company issued 1.86 billion shares to PMHI out of unissued capital stock at an issue price equivalent to its par value of ₱1.00 per share.

On March 20, 2015, BDO approved a one year, short term ₱2.25 billion loan to the Company to bridge its cash requirements and capital expenditures. Availments of the loan facility may be availed of by the Company on staggered basis to be fully drawn by June 30, 2015. Interest shall be based on the prevailing market rates at the time of drawdown. On April 7, 2015, the Company made its first drawdown from the facility amounting to ₱1.5 billion. The loan is secured by a Continuing Surety of PMHI.

31. Supplemental Disclosure to the Parent Company Statements of Cash Flows

The Company had the following non-cash investing and financing activities in 2014 and 2013 which were considered in the preparation of the parent com statements of cash flows as follows:

	2014	2013
Debt-to-equity conversion	**₱–**	₱503,490,971
Addition (reduction) to property, plant and equipment pertaining to capitalized mine rehabilitation costs	**3,327,510**	6,934,378

32. Supplementary Tax Information Required Under Revenue Regulations (RR) No. 15-2010

On November 25, 2010, the BIR issued RR No. 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 2014:

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 2014, the Company declared zero-rated VAT sales, which arise 100% export sales of gold and silver bullion, amounting to ₱1,705,208,123, pursuant to the 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 and current year purchases as follows:

Balance at January 1, 2014	₱47,414,415
Add current year's domestic purchases/payments for:	
Capital goods subject to amortization	21,993,707
Goods and services	14,601,823
Less:	
2010 TCC claimed	295,028
Applications filed for input VAT claim – CY2010	(45,536,415)
Balance at December 31, 2014	₱38,768,558

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, 2014 follows:

Landed cost of imports	₱277,601,135
Amount paid for customs duties and tariff fees	8,267,946
	₱285,869,081

d. Excise tax
Excise taxes for the year ended December 31, 2014, resulting from the sales of gold and silver amounted to ₱34,578,395.

e. Documentary stamp tax
Documentary stamp taxes paid for the year ended December 31, 2014, pertaining to the issuance of additional Company shares amounted to ₱12,547,878.

f. Securities and Exchange Commission (SEC) filing fee
SEC filing fee paid for the year ended December 31, 2014 pertaining to the application of increase in capital stock amounted to ₱20,200,510.

g. Capital gains tax (CGT)
CGT paid for the year ended December 31, 2014 pertaining to the acquisition of MORE amounted to ₱19,208,104.

h. Other taxes and licenses
All other local and national taxes paid for the year ended December 31, 2014 consist of:

Municipal taxes	₱31,290,422
Penalty on late payment of taxes	8,934,843
Mayor's permit	2,678,769
Real property tax	2,169,297
Registration fees	645,368
Occupation Tax	140,625
Customs Duties	13,818
Community tax	11,573
Others	1,583,371
	₱47,468,086

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.

i. Withholding taxes
Withholding taxes paid and accrued and/or withheld for the year ended December 31, 2014 consist of:

	Paid	Accrued	Total
Expanded withholding tax	₱21,598,536	₱1,651,201	₱23,249,737
Withholding tax on compensation	46,543,742	5,388,494	51,932,236
Final withholding tax	3,039,897	1,172,519	4,212,416
	₱71,182,175	₱8,212,214	₱79,394,389

j. 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, 2014.

COVER SHEET

4 0 6 2 1

S.E.C. Registration Number

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

(Company's Full Name)

3 3 0 4 B W E S T T O W E R E X CHANGE R O A D

O R T I G A S C E N T E R P A S I G C I T Y

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

ROSANNA A. PARICA

Contact Person

706-2805

Company Telephone Number

1 2 Month 3 1 Day

Fiscal Year

Amended ACGR 2014

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

ck ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

GENERAL INSTRUCTIONS

(A) Use of Form ACGR

This SEC Form shall be used to meet the requirements of the Revised Code of Corporate Governance.

(B) Preparation of Report

These general instructions are not to be filed with the report. The instructions to the various captions of the form shall not be omitted from the report as filed. The report shall contain the numbers and captions of all items. If any item is inapplicable or the answer thereto is in the *negative*, an appropriate statement to that effect shall be made. Provide an explanation on why the item does not apply to the company or on how the company's practice differs from the Code.

(C) Signature and Filing of the Report

A. Three (3) complete sets of the report shall be filed with the Main Office of the Commission.

B. At least one complete copy of the report filed with the Commission shall be **manually** signed.

C. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.

D. This report is required to be filed annually together with the company's annual report.

(D) Filing an Amendment

Any material change in the facts set forth in the report occurring within the year shall be reported through SEC Form 17-C. The cover page for the SEC Form 17-C shall indicate "Amendment to the ACGR".

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year - 2014

2. Exact Name of Registrant as Specified in its Charter - APEX MINING CO., INC.

3. 3304B West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City 1605
   Address of Principal Office Postal Code

4. SEC Identification Number - 40621

5. (SEC Use Only)

   Industry Classification Code

6. BIR Tax Identification Number - 000 284 168

7. Tel Nos. +632 7062805
   Issuer's Telephone number, including area code

8. U1704 17F Prestige Tower Cond., F. Ortigas Jr. Road, Ortigas Center, Pasig City
   Former name or former address, if changed from the last report

TABLE OF CONTENTS

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	7

Actual number of Directors for the year	7

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)[1]	Elected when (Annual /Special Meeting)	No. of years served as director
Ramon Y. Sy	ED		Nomination and Compensation Committee	October 21, 2013 BOD Mtg	June 16, 2014	Annual Meeting	1 yr. 2 mos.
Walter W. Brown	ED		Nomination Committee	October 21, 2013 BOD Mtg.	June 16, 2014	Annual Meeting	1 yr. 2 mos.
Modesto B. Bermudez	ED		None	June 16, 2014 Annual Stockholders' Mtg	June 16, 2014	Annual Meeting	6 mos.
Graciano P. Yumul, Jr.	ED		None	July 20, 2012 BOD Mtg	June 16, 2014	Annual Meeting	2 yr. 5 mos
Noel V. Tanglao	ED		Audit and Compensation Committee	July 12, 2013 BOD Mtg	June 16, 2014	Annual Meeting	I yr. 6 mos.
Dennis A. Uy	ID		Compensation and Audit Committee	March 19, 2013 BOD Mtg.	June 16, 2014 ID for 1 yr. 9 mos.	Annual Meeting	1 yr. 9 mos.
Joselito H. Sibayan	ID		Nomination and Audit Committee	June 16, 2014 Stockholders' Mtg	June 16, 2014 ID for 6 mos.	Annual Meeting	6 mos.

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The following are the policies adopted by the board as stated in the Corporation's Corporate Governance Manual (CG Manual), relative to the treatment of shareholders, respect for the rights of minority shareholders and other stakeholders, disclosure duties and board responsibilities:

Article 6 A) The Board shall respect the rights of the stockholders as provided for in the Corporation Code, namely:
(i) Right to vote on all matters that require their consent or approval; (ii) Pre-emptive right to all stock issuances of the corporation; (iii) Right to inspect corporate books and records; (iv) Right to information; (v) Right to dividends; and
(vi) Appraisal right.
B) It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

(c) How often does the Board review and approve the vision and mission?
The board conducts a yearly review and approval of the Corporation's vision and mission.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[2]

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Ramon Y. Sy	Monte Oro Resources and Energy, Inc.	Executive
Walter W. Brown	Monte Oro Resources and Energy, Inc.	Non-Executive

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Walter W. Brown	A. Brown Company Inc.	Executive

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
NA		
NA		
NA		
NA		

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

Although the Corporation's CG Manual provides that the Board may consider the adoption of guidelines on the number of directorships its members can hold in stock and non-stock corporations, no limit has been set. The Board believes the capacity of its directors to diligently and efficiently perform their duties and responsibilities to the boards have not been compromised.

	Guidelines	Maximum Number of Directorships in other

[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

		companies
Executive Director	NA	NA
Non-Executive Director	NA	NA
CEO	NA	NA

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Ramon Y. Sy	1	0	0.00%
Walter W. Brown	298	0	0.00%
Modesto B. Bermudez	1	0	0.00%
Graciano P. Yumul, Jr.	1,000	0	0.00%
Noel V. Tanglao	1	0	0.00%
Dennis A. Uy	1	0	0.00%
Joselito H. Sibayan	299	0	0.00%
TOTAL	**1,601**	**0**	0.00%

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes ☐ No ☐

Identify the Chair and CEO:

Ramon Y. Sy	Chairman of the Board
Walter W. Brown	President and CEO

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the President, Management and the directors Maintain qualitative and timely lines of communication and information between the Board and Management Assist in ensuring compliance with the Manual of Corporate Governance	In addition to the duties imposed on him by the board, he shall: In the absence of the Chairman of the Board, preside at all meetings of the Board of Directors; Act as temporary Chairman at and call to order all meetings of the Stockholders meeting of the Company He shall have general supervision of the business affairs and property of the company, and over its several officers and employees

Accountabilities	Adherence to the principles, standards, and requirements of good corporate governance Strategic planner, pinpointing annual needs of the board and planning accordingly Takes responsibilities for the Board's composition and development Hires and oversees independent advisors as needed Ensures that the organization has an effective succession planning process	He shall see that all orders and resolutions of the Board of Directors are carried into effect Supports operations and administrations of the Board by advising and informing the Board of Directors Assists in the selection and evaluation of board members Ensures staff and board have sufficient and up- to- date information
Deliverables	Developing a long-term strategy and vision for the Company that leads to the creation of shareholder. Provide investors with value-relevant information. Stipulate annual objectives and priorities.	Hold regular progress review meetings to build accountability into their management routine. The CEO will maintain governance in the Company Improve operating performance Recruit and support new board members. The President shall submit to the Board of Directors as soon as may be after the close of each fiscal year, and to the stockholders of each annual meeting, a complete report of the operations of the Company for the preceding year, and the state of its affairs.

3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Board understands the need to ensure that the Board and executive management are always well provided, with the right people in terms of skills and experience to deliver the Company's strategy. Board composition is regularly reviewed to ensure the Board is refreshed progressively. Factors considered include length of tenure, background, experience, including industry knowledge, and diversity.

The Board and Nominations & Compensation Committee are responsible for both executive and non-executive Director Succession planning and recommend new appointments to the Board.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

The company does not have a board diversity policy. The board ensures it maintains high-caliber members of mostly broad range of senior individuals within the business to take on additional roles to gain valuable board experience.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

The board has more than one non- executive director with experience in the sector or industry the Company belongs to. Dr. Walter W. Brown, Dr. Graciano P. Yumul, Jr. are both geologists while Mr. Modesto B. Bermudez is a mining engineer.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	The President shall be the chief executive officer of the Company	A director's office is one of trust and confidence. A director should act in the best interest of the corporation in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the corporation towards sustained progress.	
Accountabilities	• In the absence of the Chairman of the Board, preside at all meetings of the Board of Directors. • Act as temporary Chairman at and call to order all meetings of the stockholders of the Company. • He shall have general supervision of the business affairs and property of the Company, and over its several officers and employees.	• Conduct fair business transactions with the corporation, and ensure that his personal interest does not conflict with the interests of the corporation. • Devote the time and attention necessary to properly and effectively perform his duties and responsibilities. • Act judiciously. • Exercise independent judgment. • Have a working knowledge of the statutory and regulatory requirements that affect the corporation, including its articles of incorporation and by-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies. • Observe confidentiality. • To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.	
Deliverables	• He shall see that all orders and resolutions of the Board of Directors are carried into effect. • The President shall submit to the Board of Directors as soon as may be after the close of each fiscal year, and to the stockholders of each annual meeting, a complete report of the operations of the Company for the preceding year, and the state of its affairs.	• Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent, professional, honest and highly-motivated management officers. Adopt an effective succession planning program for Management. • Provide sound strategic policies and guidelines to the corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance. • Ensure the corporations faithful compliance with all applicable laws, regulations and best business practices • Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the corporation. If feasible, the corporations CEO or chief financial officer shall exercise oversight responsibility over this program. • Identify the sectors in the community in which the corporation operates or are directly affected by its	

		operations, and formulate a clear policy of accurate, timely and effective communication with them. • Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the Decision-making and reporting processes at all times. There should be a continuing review of the corporations internal control system in order to maintain its adequacy and effectiveness. Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability. • Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates. • Affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board. • Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities. • Establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities. • Meet at such times or frequency as may be needed. The minutes of such meetings should be duly recorded. Notice, quorum and voting requirements for the meeting, including attendance by teleconference facility, shall be subject to the requirements of the By-laws, the Corporation Code and applicable regulations of the Securities and Exchange Commission. Independent views during Board meetings should be encouraged and given due consideration. • Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations. • Appoint a Compliance Officer who shall have the rank of at least vice president, In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as compliance Officer

Provide the company's definition of "independence" and describe the company's compliance to the definition.

Independent director means a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any corporation that meets the *requirements of Section 17.2 of the Securities Regulation Code and includes, among others, any person who:*

i. Is not a director or officer or substantial stockholder of the corporation or of its related companies or any of its substantial shareholders (other than as an independent director of any of the foregoing);
ii. Is not a relative of any director, officer or substantial shareholder of the corporation, any of its related companies or any of its substantial shareholders. For this purpose, relatives includes spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
iii. Is not acting as a nominee or representative of a substantial shareholder of the corporation, any of its related companies or any of its substantial shareholders;
iv. Has not been employed in any executive capacity by that public company, any of its related companies or by any of its substantial shareholders within the last five (5) years;
v. Is not retained as professional adviser by that public company, any of its related companies or any of its substantial shareholders within the last five (5) years, either personally of through his firm;
vi. Has not engaged and does not engage in any transaction with the corporation or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial or insignificant.

The Corporation's election of its Independent Directors is in accordance with SEC Memorandum Circular No. 16, Series of 2002.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The Corporation's term limit for Independent Directors is in accordance with SEC Memorandum Circular No.9 Series of 2011, which states in part that Independent Directors (ID) should not exceeded the five (5) year term limit. After a term of five years, an ID can serve for another five years after a "cooling off" period of two (2) years provided, that during such period, the ID concerned has not engaged in any activity that under existing rules disqualifies a person from being elected as ID in the same company.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
None			
None			

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	The Nominations Committee screens the Directors named for election. The Nominations Committee determines that the candidates possess all the qualifications and none the disqualifications as director or independent director.	The criteria for the election and appointment of for all directors in general are enumerated in Item 1.4 of the Company's CG Manual

	The seven (7) directors shall be stockholders and shall be elected annually by the stockholders owning majority of the outstanding capital stock for a term of one (1) year and shall serve until the election and qualification of their successors. The election of the board of directors for the current fiscal year will be taken up and all stockholders have the right to cumulate their votes in favor of their chosen nominees for director in accordance with Section 24 of the Corporation Code. The total number of votes cast by such stockholder should not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected. Any vacancy in the board of directors other than removal or expiration of term may be filled by a majority vote of the remaining members at a meeting called for that purpose if they still constitute a quorum, and the director or directors so chosen shall serve for the unexpired term.	
(ii) Non-Executive Directors	The process adopted is the same as stated above.	The criteria for the election and appointment for all directors in general , are enumerated in item 1.4 of the Company's CG Manual.
(iii) Independent Directors	The nomination and election of independent director shall be in accordance with Section 38, as amended of Republic Act 8799 or the Securities Regulation Code. The process adopted is the same a stated above.	Corporation's election of its Independent Directors is in accordance with SEC Memorandum Circular No. 16, Series of 2002.
b. Re-appointment		
(i) Executive Directors	The process adopted for reappointment is the same as above.	The Board observes the same criteria enumerated in item 1.4 of the Company's CG Manual provided that the candidate has not engaged in any activity under existing

		rules which disqualifies a him from being re- appointed as ED in the company.
(ii) Non-Executive Directors	The process adopted for reappointment is the same as above.	
(iii) Independent Directors	Re- appointment of ID is in accordance with SEC Memorandum Circular No.9 Series of 2011. The process adopted for reappointment is the same as above.	The Corporation's re- election of its Independent Directors is in accordance with SEC Memorandum Circular No. 16, Series of 2002 provided that the candidate has not engaged in any 14 activity under existing rules which disqualifies a him from being reappointed as ID in the company.
c. Permanent Disqualification		
(i) Executive Directors	Any vacancy in the board of directors due to permanent disqualification may be filled by a majority vote of the remaining members thereof at a meeting called for that purpose if they still constitute a quorum, and the director or directors so chosen shall serve for the unexpired term.	Grounds for permanent disqualification for all directors in general are enumerated in item 1.5.1 of the Company's CG Manual.
(ii) Non-Executive Directors	The process adopted is the same as above.	Grounds for permanent disqualification for all directors in general are enumerated in item 1.5.1 of the Company's CG Manual.
(iii) Independent Directors	The process adopted is the same as above.	Grounds for permanent disqualification for all directors in general are enumerated in item 1.5.1 of the Company's CG Manual.
d. Temporary Disqualification		
(i) Executive Directors	Any vacancy in the board of directors due to temporary disqualification may be filled by a majority vote of the remaining members at a meeting called for that purpose if they still constitute a quorum, and the director or directors so chosen shall serve for the unexpired term.	Grounds for temporary disqualification for all directors in general are enumerated in item 1.5.2 of the Company's CG Manual.
(ii) Non-Executive Directors	The process adopted is the same as above.	Grounds for temporary disqualification for all directors in general are enumerated in item 1.5.2 of the Company's CG Manual.
(iii) Independent Directors	The process adopted is the same as above.	SEC Memorandum Circular No.9 Series of 2011 states that after serving for a total

		of 10 years, the ID can no longer be elected as such in the same company any time in the future. The other grounds for permanent disqualification for all directors in general are enumerated in item 1.5.2 of the Company's CG Manual.
e. Removal		
(i) Executive Directors	Section 2 of the Amended By-laws of the Company provides: Officers shall be elected by each new Board at the first meeting after its election. Every officer other than the chairman and the president of the board who may be removed or suspended for reasonable or just cause, shall be subject to removal at any time by the Board of Directors, but all officers, unless removed, shall hold office until their successors are appointed. If any vacancy shall occur among the officers of the Company, such vacancy shall be filled by the Board of Directors.	
(ii) Non-Executive Directors	The process adopted is the same as above.	
(iii) Independent Directors	The process adopted is the same as above.	
f. Re-instatement		
(i) Executive Directors	The process adopted is the same as above.	
(ii) Non-Executive Directors		
(iii) Independent Directors		
g. Suspension		
(i) Executive Directors	The process adopted is the same as above.	
(ii) Non-Executive Directors		
(iii) Independent Directors		

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Ramon Y. Sy	81.04%
Walter W. Brown	81.04%
Modesto B. Bermudez	81.04%
Graciano P. Yumul, Jr.	81.04%
Noel V. Tanglao	81.04%
Dennis A. Uy	81.04%
Joselito H. Sibayan	81.04%

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any

The Company does not have an orientation program for new directors. The Chairman and board have a responsibility to ensure that first-time directors are given proper support in learning their role so that they can get up to speed as quickly as possible.

(b) State any in-house training and external courses attended by Directors and Senior Management[3] for the past three (3) years:

All Directors and Officers of the Company have taken the required Corporate Governance Seminar.

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
None	None	None	None
None	None	None	None
None	None	None	None

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest			All employees are expected to act in the best interests of the Company, AMCI. A "conflict of interest" occurs when an individual's private interest improperly interferes, or appears to interfere, with the interests of AMCI. Acts constituting conflict of interest may cause an employee to make decisions based on personal gain rather than in the best interests of the Company. Thus, employees must avoid conflict of interest. One must not use his or her position at AMCI in obtaining improper personal benefit.
(b) Conduct of Business and Fair Dealings			All employees must at all times act with the highest degree of integrity. All must

[3] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

			act fairly in dealing with AMCI's contractors, suppliers, employees. No one may take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice.
(c) Receipt of gifts from third parties			AMCI employees must not seek or solicit any gifts or other benefits for personal or individual use from the Company's actual or potential business partners or suppliers. Employees or a member of their immediate family must not accept gifts or entertainment of a value that may appear to or tend to influence business decisions or compromise independent judgment. Gifts of cash or cash value vouchers shall not be accepted from AMCI's business associates under any circumstances.
(d) Compliance with Laws & Regulations			AMCI is committed to comply and adhere with all government laws, rules, and regulations. As such all employees are expected to do the same. Employees are mandated to educate themselves of the statutes of the land, be it local, or national, and to seek the assistance of the in-house legal department when necessary or appropriate. It is AMCI's policy that it shall not pay, offer to pay or promise to give anything of value, directly or indirectly, to any party, government or otherwise, for the purpose of obtaining or retaining or securing any improper advantage in connection with AMCI's business. As such, AMCI employees must follow.
(e) Respect for Trade Secrets/Use of Non-public Information			Employees should maintain all confidential information in strict confidence, unless

			authorized by AMCI. Confidential information includes, among other things, any non-public information relating to AMCI, its business, financial performance, prospects, and any other non-public information provided by a third party intended to be used solely for business purpose. The employee's obligation to safeguard confidential information continues even after retirement or other end of employment.
(f) Use of Company Funds, Assets and Information			All employees must do their best to protect AMCI's assets from loss, damage, theft, misuse, and waste, including efficient use of one's time at work, equipment, vehicles, computers and software, trading and bank accounts, company information and most of all, AMCI's reputation and name. AMCI-provided facilities such as telephone, email, internet and other electronic provisions are for business purposes. Personal communication should be kept to a minimum. Employees should exercise extraordinary care and prudence in the incurring of operational expenses, and must ensure that such expenses are kept to their most reasonable levels.
(g) Employment & Labor Laws & Policies			The code of employee discipline is not the sole reference used for the administration of employee discipline. The Philippine Labor Code, applicable policies e.g. Code of Conduct, Company Memorandum Circulars and regulatory provisions shall also be used to provide support and direction for cases not covered in the policy. AMCI expects all employees

			of the company to act in accordance with the highest standards of personal and professional integrity in all aspects of their activities and to comply with all applicable laws, regulations and company policies. Integrity must never be compromised; either for personal benefit or for AMCI purported benefit. In accepting a position with the Company, an employee becomes accountable for compliance with the Code of Conduct and with Company Memorandum Circulars.
(h) Disciplinary action			Apex Mining Co. Inc. will pursue its goals through safe work practices; conduct its activities honestly and ethically and treat people with respect and dignity. To provide guidelines to attain this goal, a Code of Conduct is created. The principal purpose of the Code of Conduct is to provide employees with a working guide to understand the day-to-day management of Human Resources policies and practices. It is also designed to give employees a general summary describing the Company's Code of Conduct. The Company however reserves the right to change, modify, delete, deviate from, or add policies and procedures.
(i) Whistle Blower			None
(j) Conflict Resolution			Grievance Handling Policy, July 1, 2006

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees? YES

Discuss how the company implements and monitors compliance with the code of ethics or conduct.

The Company implements and monitors compliance with the Code of Conduct through memo issuances, notices to explain, grievance procedure and in-house company hearings.

3) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	NA
(2) Joint Ventures	NA
(3) Subsidiaries	NA
(4) Entities Under Common Control	NA
(5) Substantial Stockholders	NA
(6) Officers including spouse/children/siblings/parents	NA
(7) Directors including spouse/children/siblings/parents	NA
(8) Interlocking director relationship of Board of Directors	NA

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

The Company is not aware of any conflict of interest exists to which directors/officers/5% shareholders maybe involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	NA
Name of Officer/s	NA
Name of Significant Shareholders	NA

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	The Company's Manual of Corporate Governance provides: (Under Duties and Functions of the Board) Item 1.6.2. •The Board shall establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities.
Group	

4) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[4] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

[4] Family relationship up to the fourth civil degree either by consanguinity or affinity.

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
NA	NA	NA
NA	NA	NA
NA	NA	NA

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
NA	NA	NA
NA	NA	NA

5) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	The Company's Manual of Corporate Governance provides: (Under Duties and Functions of the Board) Item 1.6.2, •The Board shall establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities.
Corporation & Third Parties	
Corporation & Regulatory Authorities	

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Ramon Y. Sy	June 2014	10	10	100
Member	Walter W. Brown	June 2014	10	9	90

Member	Modesto B. Bermudez	June 2014	10	6	60
Member	Graciano P. Yumul, Jr.	June 2014	10	8	80
Member	Noel V. Tanglao	June 2014	10	10	100
Independent	Dennis A. Uy	June 2014	10	7	70
Independent	Joselito H. Sibayan	June 2014	10	6	60

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? *None*

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

   The company's Articles of Incorporation sets the number of board members to seven (7). A quorum constitutes majority of the board.

5) Access to Information

   (a) How many days in advance are board papers[5] for board of directors meetings provided to the board?

   Normally, materials for board of directors' meeting should be sent out a week in advanced or a minimum of 2 days to give the board enough time to review matters to be discussed.

   (b) Do board members have independent access to Management and the Corporate Secretary?

   The Company's CG Manual provides that members of the Board be given independent access to Management and the Corporate Secretary.

   (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

   SECTION 9 of the Articles of Incorporation states:

   The Secretary shall issue notices of all meetings, shall keep minutes of all meetings, shall have charge of the seal and the corporate books, and shall make such report and perform such other duties as are incident to this office or are properly required of him by the Board of Directors.

   ARTICLE 3.L of the CG Manual states:
   The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the corporation. He should –

   (i) Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation;
   (ii) Be loyal to the mission, vision and objectives of the corporation;
   (iii) Work fairly and objectively with the Board, Management and Stockholders and other stakeholders;
   (iv) Have appropriate administrative and interpersonal skills;
   (v) If he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
   (vi) Have a working knowledge of the operations of the corporation;
   (vii) Inform the members of the Board, in accordance with the bylaws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
   (viii) Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;
   (ix) Ensure that all Board procedures, rules and regulations are strictly followed by the members; and
   (x) If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer

[5] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

as provided for in this Code.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

The Secretary is formerly an accountant of the Company. She has attended various seminars and trainings on secretarial practices while the Asst. Secretary is a lawyer by profession and is a partner of PICAZO BUYCO TAN LAW FIRM.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes ☐ No ☐

Committee	Details of the procedures
Executive	Notice of the meeting and related Agenda and meeting materials (if any), are sent at least two days before the scheduled meeting date.
Audit	
Nomination	
Remuneration	
Others (specify)	

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
Financial	Sycip Gorres Velayo & Co.
Legal	Picazo Buyco Tan Law
Stockholder matters	Banco de Oro Unibank, Inc.

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
Principal address	Amended Articles of Incorporation to reflect the change in principal address from Metro Manila to 3304B West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City	Approved by the Stockholders owning at least two-thirds(2/3) of the outstanding capital stock at their meeting held on June 16, 2014 and by the Board of Directors at their meeting held on April 11, 2014
Increase in Capital Stock	• Amended Articles of Incorporation to reflect increase in capital stock from Two Billion Eight Hundred Million to Twelve Billion Eight Hundred Million • Pre-emptive rights of all holders of shares is denied	Approved by the Stockholders owning at least two-thirds(2/3) of the outstanding capital stock at their meeting held on June 16, 2014 and by the Board of Directors at their meeting held on May 2, 2014

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Sec. 30. Of the Corporate Code of the Philippines provides:
Compensation of directors. - In the absence of any provision in the by-laws fixing their compensation, the directors shall not receive any compensation, as such directors, except for reasonable per diems: Provided, however, that any such compensation other than per diems may be granted to directors by the vote of the stockholders representing at least a majority of the outstanding capital stock at a regular or special stockholders' meeting. In no case shall the total yearly compensation of directors, as such directors, exceed ten (10%) percent of the net income before income tax of the corporation during the preceding year.

The Company's GG Manual Provides:

The levels of remuneration of the corporation should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance. Corporations may establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers depending on the particular needs of the corporation. No director should participate in
deciding on his remuneration.

The corporation's annual reports and information and proxy statements shall include a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top four (4) management officers during the preceding fiscal year.

To protect the funds of a corporation, the Commission may, in exceptional cases, e.g., when a corporation is under receivership or rehabilitation, regulate the payment of the compensation, allowances, fees and fringe benefits to its directors and officers.

K) Board

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	The compensation of the 4 highest paid management officers is disclosed in the Company's annual report. There is no contract covering their managerial and consultancy services with the Company and they hold office by virtue of their election to office. The Company has no agreements with its executive officers regarding compensatory plan or arrangement exceeding P80,000 resulting from resignation, retirement, termination of employment, or change-in-control of the Company.	
(2) Variable remuneration	NA	
(3) Per diem allowance	The amount of other compensation includes per diems of directors at the rate of P80,000 per director per meeting.	
(4) Bonus	NA	
(5) Stock Options and other financial instruments	NA	
(6) Others (specify)	NA	NA

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	NA	NA	NA
Non-Executive Directors	NA	NA	NA

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
The Company does not have a remuneration scheme.	NA
	NA
	NA

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	NA	NA	NA
(b) Variable Remuneration	NA	NA	NA
(c) Per diem Allowance	P1.06 million	NA	P1.06 million
(d) Bonuses	NA	NA	NA
(e) Stock Options and/or other financial instruments	NA	NA	NA
(f) Others (Specify)	NA	NA	NA
Total			

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	NA	NA	NA
2) Credit granted	NA	NA	NA
3) Pension Plan/s Contributions	NA	NA	NA
(d) Pension Plans, Obligations incurred	NA	NA	NA
(e) Life Insurance Premium	NA	NA	NA
(f) Hospitalization Plan	Company Hospitalization Plan	NA	NA
(g) Car Plan	NA	NA	NA

(h) Others (Specify)	NA	NA	NA
Total			

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/ Warrants	Number of Indirect Option/Rights/ Warrants	Number of Equivalent Shares	Total % from Capital Stock
NA	NA	NA	NA	NA
NA	NA	NA	NA	NA
NA	NA	NA	NA	NA
NA	NA	NA	NA	NA

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
NA	NA	NA
NA	NA	NA
NA	NA	NA

5) Remuneration of Management

Identify the five (5) members of management who are <u>not</u> at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
NA	NA
NA	
NA	
NA	
NA	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	NA	NA	NA	NA	NA	NA	NA
Audit	1		2	Committee Charter to be formalized.	Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations; •Provide oversight over management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities •Perform oversight functions over the corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from other and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions; •Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it; •Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts; •Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal; •Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and		

					information technology security; •Review the reports submitted by the internal and external auditors; •Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters: a)Any change/s in accounting policies and practices b)Major judgmental areas c)Significant adjustments resulting from the audit d)Going concern assumptions e)Compliance with accounting standards f) Compliance with tax, legal and regulatory requirements. •Coordinate, monitor and facilitate compliance with laws, rules and regulations; •Evaluate and determine the nonaudit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The committee shall disallow any non- audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report; •Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.	
Nomination	2		1	Committee Charter to be formalized	A Nomination Committee, which may be composed of at least three (3) members and one of whom should be an independent director, to review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors;	

Remuneration	2		1	Committee Charter to be formalized	A Compensation or Remuneration Committee, which maybe composed of at least three (3) members and one of whom should be an independent director, to establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the corporation's culture, strategy and the business environment in which it operates.		
Others (specify)	NA	NA	NA	NA	NA	NA	NA

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Ramon Y. Sy	NA	2	2		3 mos.
Member (ED)	Walter W. Brown, Ramon Y. Sy, Modesto B. Bermudez, Graciano P. Yumul, Jr., Noel V. Tanglao	NA	2	2		3 mos.
Member (NED)	NA	NA	NA	NA	NA	NA
Member (ID)	NA	NA	NA	NA	NA	NA
Member	NA	NA	NA	NA	NA	NA

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Dennis A. Uy (ID)	June 16, 2014	1	1		6 mos.
Member (ED)	Noel V. Tanglao	June 16, 2014	1	1		6 mos.
Member (NED)	NA					
Member (ID)	Joselito H. Sibayan	June 16, 2014	1	1		6 mos.
Member	NA	NA	NA	NA		NA

Disclose the profile or qualifications of the Audit Committee members.

Describe the Audit Committee's responsibility relative to the external auditor.

The Company's CG Manual provides:

(i) The Audit Committee shall consist of at least three (3) directors, who shall preferably have accounting and finance backgrounds, one of whom shall be an independent director and another with audit experience. The chair of the Audit Committee should be an independent director. The committee shall have the following functions:

a) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;
b) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities;
c) Perform oversight functions over the corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and
that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
d) Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it;
e) Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the
audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
f) Organize an internal audit department, and consider the appointment of an independent internal auditor and the
terms and conditions of its engagement and removal;
g) Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial
reporting control and information technology security;
h) Review the reports submitted by the internal and external auditors;
i) Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:
- Any change/s in accounting policies and practices
- Major judgmental areas
- Significant adjustments resulting from the audit
- Going concern assumptions
- Compliance with accounting standards
- Compliance with tax, legal and regulatory requirements.

j) Coordinate, monitor and facilitate compliance with laws, rules and regulations;
k) Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees
paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the
corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his
duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report;
l) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee.

The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from
interference by outside parties.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Ramon Y. Sy	June 16, 2014	1	1		6 mos.
Member (ED)	Walter W. Brown	June 16, 2014	1	1		6 mos.
Member (NED)	NA	NA	NA	NA		NA
Member (ID)	Joselito H. Sibayan	June 16, 2014	1			6 mos.
Member	NA					

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Ramon Y. Sy	June 16, 2014	1	1		6 mos.
Member (ED)	Noel V. Tanglao	June 16, 2014	1	1		6 mos.
Member (NED)	NA					
Member (ID)	Dennis A. Uy	June 16, 2014	1	1		6 mos.
Member	NA					

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	NA	NA	NA	NA		NA
Member (ED)	NA	NA	NA	NA		NA
Member (NED)	NA	NA	NA	NA		NA
Member (ID)	NA	NA	NA	NA		NA
Member	NA	NA	NA	NA		NA

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	NA	NA
Audit	NA	NA
Nomination	NA	NA
Remuneration	NA	NA
Others (specify)	NA	NA

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	NA	NA
Audit	Reviewed and evaluated the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring the appointment by the Board	Reviewed and discussed quarterly unaudited financial statements, audited annual financial statements including Management's Discussion and analysis of financial condition and results of operations, .Approved the overall scope and audit plans of the external audits, effectiveness of the external audit function and recommended for approval the re appointment of the current external

		auditors.
Nomination	Reviewed and evaluated the Reviewed the qualifications of the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring the appointment by the Board.	Reviewed the qualifications of all nominees to the Board of directors pursuant to the requirements of the Securities and Exchange Commission relative to qualifications and disqualifications of both regular and independent director nominees.
Remuneration	Currently discussing a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration of corporate officers and directors.	Shall provide provide oversight over remuneration of senior management and other key personnel. No other resolution relating to director's remuneration has been adopted by the Board of Directors as the schedule of the amount of per diem for attendance in meetings of the Board of Directors/Committees has remained unchanged.
Others (specify)	NA	NA

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	NA	NA
Audit	Programs to be discussed and formalized.	
Nomination	Programs to be discussed and formalized.	Discuss the proper evaluation of the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors;
Remuneration	Programs to be discussed and formalized.	Formulate policy on remuneration of directors and officers to ensure that their compensation is consistent with the corporation's culture, strategy and the business environment in which it operates.
Others (specify)	NA	NA

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;
(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;
(c) Period covered by the review;
(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and
(e) Where no review was conducted during the year, an explanation why not.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Liquidity	Proper utilization of available bank lines and related party borrowings.	To minimize, if not fully eliminate instances of defaulting on short-term financial obligations
Security	Deployment of adequately trained security personnel and establishment of an effective intelligence and communications group.	To ensure that aside from the safety of our employees and contractors, operations will not disrupted.
Energy Shortage	Properly planning energy consumption and diverting, if necessary, limited energy to the more important sections of the operations.	To efficiently utilize available power to be able to sustain operations as long as possible.
Supply Chain	More than one supplier is accredited to be able to supply high quality items; reorder points properly identified for fast-moving items; and adequate supplies are available for other materials.	To be able continuously operate without the disruption of unavailable and low quality materials and unaccredited suppliers.

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
NA
NA
NA

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

The Board of Directors and Management assess the various risks involved in its operations, including the agreements, contracts and transactions it enters into. The company has appointed an Audit Committee composed of the 2 independent Directors and 1 regular director whose duty and responsibilities include among others, the oversight of financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management.

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
NA	NA	NA
NA	NA	NA

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;
(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;
(c) Period covered by the review;
(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and
(e) Where no review was conducted during the year, an explanation why not.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Internal Audit is established to provide the Board of Directors and Management, in general, and the Audit Committee, in particular, with independent and	To assess if AMCI's governance, risk management, and governance processes are adequately designed and functioning effectively to	1. In-house but may outsource some audit engagements that require competencies not found within IA. 2. Will also		IA reports to the Audit Committee.

objective assurance and consulting services on AMCI's governance, risk management and control processes. (*Internal Audit Charter*)	achieve its vision, mission and strategic objectives IA covers the following areas: 1. Strategic objectives are achieved 2. Resources are procured and used effectively, efficiently and economically. 3. Assets are safeguarded from losses, damages or untimely obsolescence. 4. Employees act in accordance with policies, procedures, contracts and applicable laws and regulations. 5. Significant financial, operating and management information are reliable, accurate and timely. 6. Significant risk exposures are identified, assessed and managed according to the risk appetite approved by the Board. 7. Governance processes that ensure the promotion of appropriate ethics and values within AMCI and ensure effective organizational performance management and accountability.	coordinate with other assurance providers within (Quality Group, Safety etc.) and outside AMCI (external auditors)		

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Yes. Outsourcing of IA audit activities is also reviewed and approved by the Audit Committee as well.

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

Internal Audit, headed by the Internal Audit Head, is reporting functionally to the Audit Committee and administratively to the Chairman of the Board. (Internal Audit Charter and Audit Committee Charter)

The IA Head also is given direct and unrestricted access to the Audit Committee, the Board of Directors and the President/CEO. The IA Head and the staff is also given directed and unrestricted access to all records, properties and personnel in line with its assurance and consulting engagements. (Internal Audit)

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
NA	NA
NA	NA
NA	NA

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	**Due to change in ownership of AMCI in late 2013, plans are still being developed for 2015.**
Issues[6]	NA
Findings[7]	NA
Examination Trends	NA

The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) Preparation of an audit plan inclusive of a timeline and milestones;
2) Conduct of examination based on the plan;
3) Evaluation of the progress in the implementation of the plan;
4) Documentation of issues and findings as a result of the examination;
5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
NA	NA
NA	NA
NA	NA

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial

[6] "Issues" are compliance matters that arise from adopting different interpretations.
[7] "Findings" are those with concrete basis under the company's policies and rules.

analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
NA	NA	NA	NA
NA	NA	NA	NA

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

The Chairman and the President/CEO, after review and consultations with the Audit Committee Chairman and Management.

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	**NA**	**NA**
Supplier/contractor selection practice	**NA**	**NA**
Environmentally friendly value-chain	**NA**	**NA**
Community interaction	**NA**	**NA**
Anti-corruption programmes and procedures?	**NA**	**NA**
Safeguarding creditors' rights	**NA**	**NA**

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

Yes, the Company has its separate Corporate Responsibility Report.

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

(b) Show data relating to health, safety and welfare of its employees.

(c) State the company's training and development programmes for its employees. Show the data.

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner/s
PCD Nominee Corp.	860,278,877	46.038	Various shareholders
Mindanao Gold Ltd.	597,051,165	31.951	Direct
Monte Oro Resources and Energy, Inc.	224,627,948	12.021	Various shareholders
Mapula Creek Gold Corporation	115,326,533	6.172	Direct

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Ramon Y. Sy	95	none	0.00
Walter W. Brown	298	none	0.00
Modesto B. Bermudez	1	none	0.00
Graciano P. Yumul, Jr.	1,000	none	0.00
Noel V. Tanglao	1	none	0.00
Silverio Benny J. Tan	10,000	None	0.00
TOTAL	**11,395**		

2) Does the Annual Report disclose the following:

Key risks	
Corporate objectives	
Financial performance indicators	
Non-financial performance indicators	
Dividend policy	
Details of whistle-blowing policy	
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	
Training and/or continuing education programme attended by each director/commissioner	
Number of board of directors/commissioners meetings held during the year	
Attendance details of each director/commissioner in respect of meetings held	
Details of remuneration of the CEO and each member of the board of directors/commissioners	

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

5) Date of release of audited financial report:

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) **Disclosure of RPT**

RPT	Relationship	Nature	Value

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	Section 5 of the Company's By-Laws - Quorum in any annual or special meeting of the stockholders shall consist of stockholders representing either in person or by proxy, a majority of the subscribed capital stock of the corporation, entitled to vote at such meeting except as otherwise specially provided by law or in the Articles of Incorporation. In the absence of a quorum, the stockholders attending or represented at the time and place at which such meeting shall have been called, or to which it may have been adjourned, or any officer entitled to preside at such meeting or to act as Secretary thereof, may adjourn such meeting for a period not exceeding thirty (30) days.

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	
Description	

Vote Required: The vote of stockholders representing at least a majority of the issued and outstanding capital stock entitled to vote is required except in those matters where the Corporation Code of the Philippines requires the affirmative vote of a greater proportion.

Manner of Voting – Straight and Cumulative

The procedure shall be based on the Company's By Laws Section 6 – At every meeting of the stockholders of the Company, every stockholder entitled vote shall be entitled to one vote for each share of stock standing in his name on the books of the Company. Provided, however, that in the case of the election of directors every stockholder shall be entitled to cumulate his votes in accordance with the provisions of law in such case made and provided.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	**Stockholders' Rights not in The Corporation Code**
Stockholders' Rights concerning Annual/Special Stockholders' Meeting are in accordance with the provisions stated in the Corporation Code.	There are no stockholders' rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Dividends

Declaration Date	Record Date	Payment Date
NA	NA	NA

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	**Communication Procedure**
Sending of Notice of the Annual Stockholders' Meeting fifteen (15) business days prior to stockholders' meeting. The Notice of Meeting includes the date, time, venue and agenda of the meeting, the record date of stockholders entitled to vote, and the date and place of proxy validation.	The notice is being published in newspaper of general circulation and also posted in the Company's website.
Each share entitles the holder to one vote that may be exercised in person or by proxy at shareholder meetings, including the Annual Stockholders' Meeting. Shareholders have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code	During the Stockholders meeting, for each item in the agenda, the Chairman opens the floor for any questions that the stockholders may have. Any other person entitled by law, may take the floor on the matters under discussion, making observations and asking for information.
Voting procedures on matters presented for approval to the stockholders in the Annual Stockholders' Meeting are presented in the Definitive Information Statement, which is sent to all stockholders of record at least 15 days before the shareholders are allowed to inspect corporate books and accordance with the Corporation Code.	Once that all answers, any replies or statements of votes have been provided for on each topic on the agenda, the Chairman declares the end of the discussion for each single topic.

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
   a. Amendments to the company's constitution
   b. Authorization of additional shares
   c. Transfer of all or substantially all assets, which in effect results in the sale of the company

   The above matters were included in the report to be sent to all stockholders on record prior to Annual Stockholders Meeting date. During the meeting, the stockholders may ask their questions or comments and shall be entitled to vote at the said meeting either in person or by proxy.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

   a. Date of sending out notices: May 2, 2014

   b. Date of the Annual/Special Stockholders' Meeting: June 16, 2014

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

   There were questions raised by stockholders and responded immediately by the Chairman.

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Election of Directors	81.04%		
Appointment of Sycip, Gorres Velayo & Co., as external auditors of the Company for the ensuing year	81.04%		
Amendments to the following articles of the Corporation's Articles of Incorporation in the language previously approved by the Board: a. Amend the Seventh Article of the Amended Articles of Incorporation to increase the authorized capital stock of the Corporation from Php2,800,000,000 divided into 2,800,000,000 common shares with par value of One Peso each to Php12,800,000,000 divided into12,800,000,000 common shares with par value of One Peso per share; b. Amend the Seventh Article of the Amended Articles of Incorporation to confirm the denial of pre-emptive rights to all holders of shares; and Amend the Third Article of the Amended Articles of Incorporation to change the address of the principal office of the Corporation to 3304B West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City, Philippines	81.04%		
The subscriptions to the increase in authorized capital stock and such other follow-on offering and/or placing and subscription transaction under such terms and conditions that the Board of Directors may determine and the listing of shares issued in connection therewith with the Philippine Stock Exchange.	81.04%		
The grant of authority to the Board of Directors to:	81.04%		

a. to issue such number of shares of stock out of the existing capital stock and increase in authorized capital stock to such persons and at an issue price of not less than par value as the Board of Directors may determine and to accept cash or non-cash properties as payment for such subscription; b. to conduct equity offerings as a means to raise funding for the Company or for expansion, including, but not limited to, placing and subscription transaction, under such terms and conditions that the Board of Directors may determine, inclusive of: (i) authority to fix the number of shares for such equity transaction in such number of shares as may be required by the Corporation for funding its projects or for its expansion; (ii) authority to appoint advisers, consultants, underwriters/lead managers, stabilization agent, and other relevant parties for the equity transaction; and (iii) determination of the offering price based on generally accepted pricing formula for publicly traded companies, as may be appropriate or relevant per prevailing market conditions			
The waiver of the requirement to conduct a rights or public offering for shares issued by the Corporation pursuant to following transactions: (1) all shares issued by the Corporation pursuant to the increase in authorized capital stock; (2) the 72,910,681 Class "B" common stock issued by the Corporation to Mindanao Gold Ltd. on July 16, 2012 at an issue price of Php4.40 per share in exchange for an assignment by Mindanao Gold Ltd. of receivables amounting to Php320,806,998 in favor of the Corporation; and (3) the 37,292,725 Class "A" common stock (issued by the Corporation to Mapula Creek Gold Corporation on July 16, 2012 at an issue price of Php4.40 per share in exchange for an assignment by Mapula Creek Gold Corporation of receivables amounting to	81.04%		

Php164,087,992 in favor of the Corporation.			

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

The results of the Annual Stockholders' Meeting are immediately disclosed to the PSE thru the Online Disclosure System (Odisy) and to the Securities and Exchange Commission via SEC Form 17-C.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
NA	NA
NA	NA
NA	NA

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH .01attendance
Annual	Ramon Y. Sy Walter W. Brown Noel Tanglao Graciano P. Yumul, Jr. Modesto B. Bermudez Rosanna A. Parica Atty. Silverio Benny Tan	June 16, 2014			81.03%	.01%
Special	None					

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

Representatives from the Company's stock transfer office are present to count or validate the votes.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Yes.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies

<table>
<tr><th></th><th></th></tr>
<tr><td>Execution and acceptance of proxies</td><td rowspan="8">Sec. 58. The Corporate code states:

Proxies.

Stockholders and members may vote in person or by proxy in all meetings of stockholders or members. Proxies shall in writing, signed by the stockholder or member and filed before the scheduled meeting with the corporate secretary. Unless otherwise provided in the proxy, it shall be valid only for the meeting for which it is intended. No proxy shall be valid and effective for a period longer than five (5) years at any one time.

Section 6 of the Company's By-Laws states:

Stockholders may vote ar all meetings in petson or by proxy duly given in wdring and presented to the Secretary for validation/recording and/or inspection, as the case may be, at least three (3) calendar days before the scheduled dare of the meeting. The form, use, solicitation and other data required for a valid ptoxy shall be govemed by the Proxy Rule as implemented by the Securities and Exchange Commission.</td></tr>
<tr><td>Notary</td></tr>
<tr><td>Submission of Proxy</td></tr>
<tr><td>Several Proxies</td></tr>
<tr><td>Validity of Proxy</td></tr>
<tr><td>Proxies executed abroad</td></tr>
<tr><td>Invalidated Proxy</td></tr>
<tr><td>Validation of Proxy</td></tr>
<tr><td>Violation of Proxy</td><td></td></tr>
</table>

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
Definitive Information Statement, accompanied or preceded by Management Report should be sent at least 15 business days prior to stockholders meeting.	Sent either thru the Company's chosen messengerial service, post office or hand delivered by the Company's messenger.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	2,795
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	May 23, 2014
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	May 23, 2014
State whether CD format or hard copies were distributed	Hard copies
If yes, indicate whether requesting stockholders were provided hard copies	Yes

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	Yes, if declared
The amount payable for final dividends.	Yes, if declared
Documents required for proxy vote.	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
The Board shall respect the rights of the stockholders as provided for in the Corporation Code, namely: I. Right to vote on all matters that require their consent or approval; II. Pre-emptive right to all stock issuances of the corporation; III. Right to inspect corporate books and records; IV. Right to information; V. Right to Dividends; VI. VI.A appraisal Rights. The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the By-Laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.	Shareholders are informed at least 15 business days before the scheduled date of the Annual Stockholders' Meeting.

(b) Do minority stockholders have a right to nominate candidates for board of directors? Yes

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

The Company has no formal Investors Relations Programs. Shareholders are encouraged to call or personally visit the Company's head office or stock transfer office for clarifications regarding their holdings in the Company.

All major announcements are reviewed by the board of directors and discussed with the Corporate Information Officer for the proper disclosure requirements.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	NA
(2) Principles	NA
(3) Modes of Communications	NA
(4) Investors Relations Officer	NA

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

The Company consults independent party that the Board of Directors of the Company appoints to evaluate the fairness of the transaction price.

L. **CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
HEALTH AND SANITATION PROGRAM **a. Medicine Assistance**	- Residents from 8 host barangays were provided with free medical consultations and medicines. The Company also extends medical assistance to neighboring communities. The 8 host barangays are: 1.) Teresa 2.) Masara 3.) Mainit 4.) Tagbaros 5.) Elizalde 6.) New Barili 7.) New Leyte 8.) Golden Valley.
b. Ambulance Transportation	- Patients from Host and Neighboring Communties needing further medical referrals were transported to tertiary government hospital in Tagum City via Company Ambulance (210 trips)
c. Medical Mission and Outreach Program (Blood Letting, Operation Tuli and Gamot sa Barangay)	- The Company also conducted medical missions and community outreach through 1)Blood-letting; 2) Operation Tuli & Alis Bukol (159 children); 3) Nutrition Program, and the likes
EDUCATIONAL ASSISTANCE **a. Scholarship Grants**	- The Company provided scholarship assistance and educational aids. For SY 2014-2015, the following are scholarship grantees: Mining-related courses (14 students), College 4-year course (29 students), Vocational/2-yr course (11 Students), Seminary Scholar (1), High School scholars (268students), Bible School Scholars (4) and special high school scholars (15).
b. Student Transportation	- The Company provided Student Buses dedicated to transport students from a designated pooling area (of their residences) to their respective schools,

	and return trip after every class dismissal. Pupils from Teresa Elementary School, New Leyte National High School – Teresa Campus, Elizalde National High School and Thompson Christian School.
LIVELIHOOD PROGRAMS **a. Sustainable Agriculture (Cacao, Coffee, Rubber and Corn)** **b. Community-based entrepreneurship training for women** **c. Conventional Contractors and Ayuda Program Assistance**	- Distribution of cacao seedlings to: Religious Group with (341 recipients), Barangay Gubatan (47 upland farmers), Barangay New Leyte (138 upland farmers), Barangay Elizalde (45 upland farmers) - Women from Barangay Gubatan (10 graduated bizcampers) and for the interfaith group (47); - Organized 16 Small Miners Groups (previously engaged into illegal mining operations) and institutionalized them to work at Company's supervision. 425 miners were given livelihood opportunity as Conventional Contractors and Ayuda Program Beneficiaries.
PUBLIC INFRASTRUCTURE **a. Teresa High School Building and Land Acquisition** **b. Road Maintenance**	- Completed the construction of a 4-classrooom building for New Leyte High School – Teresa Campus. The school site where the school is constructed is also purchased and donated by the Company. - Regular de-silting of Masara and Hijo rivers are continually implemented. The project avoids flooding of communities along the Masara Lines namely Barangay Tagbaros, Elizalde, Masara, Mainit, and Panibasan. - Cash-for-work Program is also implemented for roadside brushing. Aside from road maintenance, the program also aims to provide alternative livelihood to the communities. More than 103 brushers availed on the said program.
SOCIO-CULTURAL AND RELIGIOUS SUPPORT **a. Community Development** **b. Community Transportation** **c. Immaculate Concepcion Quasi Parish in**	- Implemented Tabang Eskwela to IP Beneficiaries at 61 college students, 8 high schools and 2 elementary pupils; - Implemented Binurigay Program – a medical assistance (15% of hospital bill) and mortuary assistance (Php 3,000/decease) for the IP families. A total of 36 beneficiaries for Binurigay. - The Company also serviced community request for transportation during special events and occasions. Ninety Nine (99) various requests for transportation from host and neighboring areas were served. - Counterpart for the construction of

Elizalde d. **Maco Parish** e. **Shuttle Buses** f. **Faith and Development Program**	Immaculate Concepcion Quasi Parish in Barangay Elizalde. - Completion of roofing project at Maco Parish. - Two (2) shuttle buses were handed-over to Religious groups of Masara Lines. The buses aim to provide alternative income for the group, to fund their future programs and projects. - Three (3) Kasalan ng Bayan at AMPICO (30 couples), Upperlake Christian Fellowship-New Leyte, Interfaith Masara Lines-Elizalde.
INFORMATION EDUCATION AND COMMUNICATION (IEC) a. **General IEC Activities** b. **Bayanihan sa Karunungan Program** c. **Printed Newspaper-Local Circulation**	- Conducted Twenty (20) symposia, community assemblies, focus group discussions, and the likes for the hosts and neighboring communities to institutionalize greater public awareness in responsible mineral development, company updates, among others. - Adopted two (2) schools at Mawab and Muntevista, all in Compostela Valley Province. The adopted schools were provided with various books and reading materials for the improvement of their respective libraries. - Four Thousand (4,000) copies of newspapers were printed for host and neighboring barangays.
DEVELOPMENT OF MINING TECHNOLOGY AND GEOSCIENCES (DMTG) a. **Barangay Profiling Survey** b. **Science Laboratory Equipment**	- Conducted family surveys to 7 host barangays to determine the socio-economic information of the community. Said data shall be the baseline information for the Company, the BLGU and MLGU as a planning tool. - Improve the lecture room of Engineering/Geology Department at University of Southeastern Philippines – Obrero Campus in Davao City by providing aircon unit, LCD projector, amplified speakers and computer units (4).

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	NA	NA

Board Committees	NA	NA
Individual Directors	NA	NA
CEO/President	NA	NA

B. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
NA	NA
NA	NA
NA	NA
NA	NA
NA	NA

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of ____________________ on________________, 20___.

SIGNATURES

RAMON Y. SY
Chairman of the Board

WALTER W. BROWN
President and CEO

ROSANNA A. PARICA
Compliance Officer

JOSELITO H. SIBAYAN
Independent Director

QUEZON CITY

SUBSCRIBED AND SWORN to before me this 6th day of May 2015, affiant(s) exhibiting to me their Tax Identification No. ID, as follows:

NAME/NO.	TIN	DATE/PLACE OF ISSUE
RAMON Y. SY	107-202-819	
WALTER W. BROWN	128-993-816	
JOSELITO H. SIBAYAN	900-379-833	

NOTARY PUBLIC

ATTY. BENJAMIN F. ALFONSO
NOTARY PUBLIC
UNTIL December 31, 2016
PTR NO. 0682987-C- 1-20-15 - QUEZON CITY
IBP NO. 975600 12-11-2014 - QUEZON CITY
ROLL NO. 13296
ADM. MATTER NO. NP -144 (2015 - 2016)
TIN NO. 177967619
MCLE EXEMPTED

Doc No. 69
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Book No. 8-A
Series of 2015.