APEX MINING CO., INC.

Annual Report 2014

TABLE OF CONTENTS

3 Snapshots

4 Chairman and President's Message

6 Company Profile

8 Maco Gold Mine
Site Profile

10 From Ore to Bullions
Milling Plant and Process

12 Operations Report

14 Environment and Community Relations

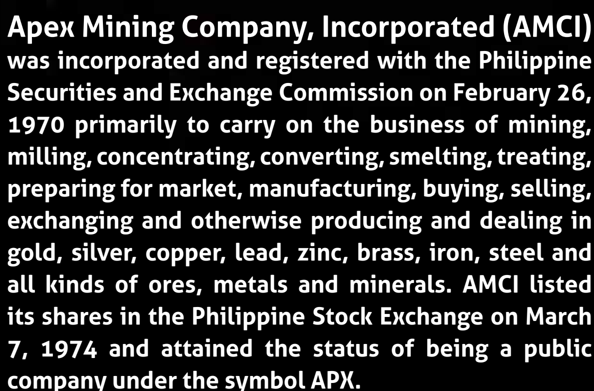
17 Safety and Health Report

19 Cycle of Life
Interview with Pong Ortega

20 Financial Statements

104 Board of Directors and Officers

106 Corporate Directory



Apex Mining Company, Incorporated (AMCI) was incorporated and registered with the Philippine Securities and Exchange Commission 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. AMCI listed its shares in the Philippine Stock Exchange on March 7, 1974 and attained the status of being a public company under the symbol APX.

ABOUT THE COVER

At the heart of the Davao Region in Eastern Mindanao lies the rustic beauty of Compostela Valley, home to Apex Mining Company, Inc. As dawn breaks to reveal the majestic mountains and surrounding God-designed vegetation, a miner lovingly offers a seedling to Mother Nature. This is his way of giving back to nature what nature has given him – the bounty from AMCI's mines.

2014 SNAPSHOTS

1,110,000
tonnes
Ore Reserves

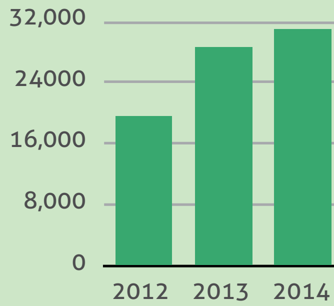
368,270
tonnes
Gold ores mined

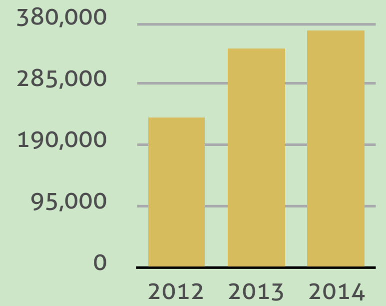
4.78
grams/tonnes mined
Average grade **(gold)**

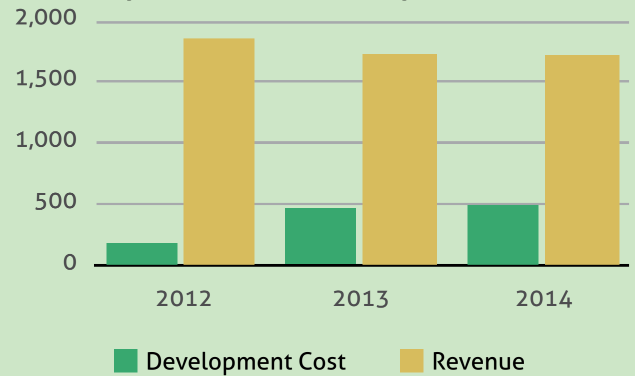
28,802
ounces
Gold produced

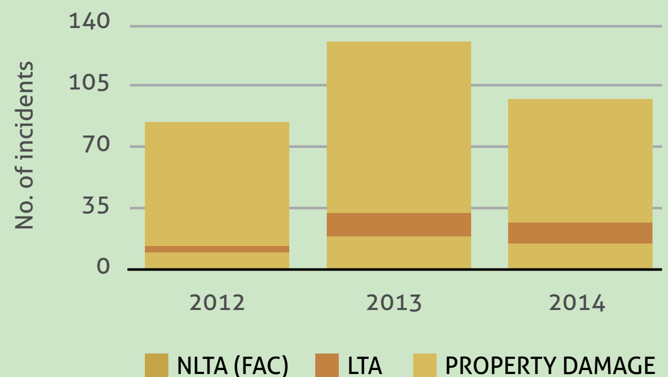
158,754
ounces
Silver produced

900
tonnes/day
Milling capacity as of December, 2014

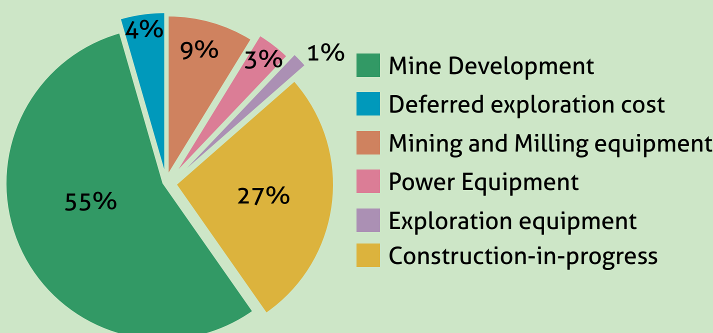




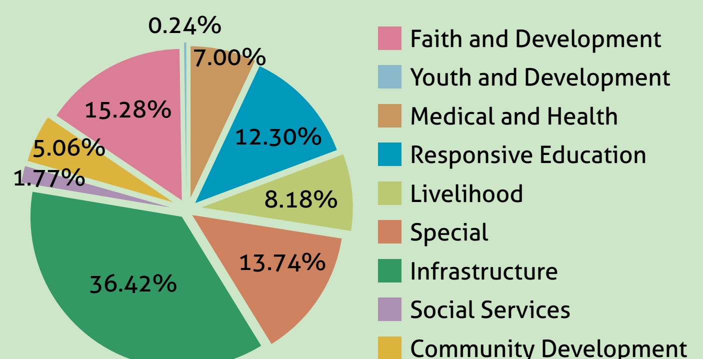




P919.3M
Capital Expenditures



P31.9M
Social Development Management Plan Expenditures



Chairman and President's Message

In our last year's report, we enumerated the Company's programs and objectives, having taken over in October 2013 as the Company's new management team. We are gratified to be able to report the progress we have made in 2014.

The restructuring of mine operations has resulted in the attainment of record production levels with gold and silver output reaching 28,802 ounces and 158,754 ounces, respectively. This production was attained in spite of inadequate underground mine equipment for the greater part of the year. This was a result of the April 2014 attack by armed men who burned almost one third of the underground production fleet as well as some surface equipment. This incident has not only hampered production but also resulted in significant delays in mine development.

The Company has been able to overcome this setback in terms of production capability by accessing higher grade ore (close to 5 grams of gold per tonne and 29 grams of silver per tonne) due to the ingenuity, dedication and, above all, an extraordinary spirit of teamwork which in our personal experience is unparalleled based on more than 35 years in the local mining industry. Unfortunately, due to the lack of adequate equipment, we shall not be able to recover the delays in mine development until the latter part of the year when the supplemental equipment have arrived and been installed.

The record metal production would have been matched by equivalent profit had it not been for the lower metal prices realized during the year (an average of $1,262 per ounce of gold and $19 per ounce of silver). Nonetheless, revenue for the year was the fourth highest recorded by the Company to date.

The net loss of P827 million in the previous year has been reduced by more than a fourth to P593 million. The loss included the P137 million write off representing the carrying value of the equipment lost in the April 2014 burning. It is noteworthy to mention that the string of yearly losses suffered by the Company in the past (save for 2012) has been broken in the first quarter of 2015 with the Company reporting consolidated net income of P100 million.

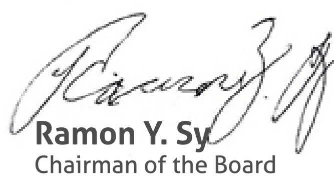
In October 2014, the Company acquired Monte Oro Resources & Energy Inc. This acquisition has widely expanded the Company's business from a single mine operation in Compostela Valley locally, to several mining properties or projects in other countries such as Mongolia, Myanmar and Sierra Leone. Through Monte Oro, the Company has also gained a processing plant in Jose Panganiban, Camarines Norte, as well as several tenements with good potential owned by Paracale Gold Limited, a 30% participating interest in the natural gas field under Service Contract 72 in the Reed (Recto) Bank in Northwest Palawan, and a 52% equity in a solid waste management company.

The Company has been able to overcome this setback in terms of production capability by accessing **higher grade ore (close to 5 grams of gold per tonne and 29 grams of silver per tonne)** due to the ingenuity, dedication and, above all, an extraordinary spirit of teamwork which in our personal experience is unparalleled based on more than 35 years in the local mining industry.

The Company has taken the lead in what we suggest is the proper mechanism to deal with illegal mining activity which not only destroys and pollutes the environment but is also the source of revenue for the NPA, as well as both local and foreign illegal operators. The Company undertook the dismantling of several identified illegal rod millers and panners in the Company's tenements based on the request of the local community which was supported by their deputization by the Mines and Geosciences Bureau. We accomplished most of the dismantling on a voluntary basis, as we offered compensation for the ore and allowed the operators to remove their equipment. For the few hardcore illegal operators and for those who refused to cooperate, we requested and obtained the support of the local government, as well as the PNP and the military, to legally eject them for the premises. In addition, the Company continued on its mission to care for the impact communities surrounding the minesite by providing livelihood opportunities, scholarships, infrastructure projects and medical assistance as part and parcel of the Company's social development and assistance programs. Many of the illegal rod millers and panners who were removed were contracted by the Company for underground conventional mining work to provide them with alternative source of income. Those who were not capable to work underground have been engaged to participate in surface work as well as encouraged and assisted to supply the Company with hollow blocks for the use in the Company's construction activities. We have the plan to provide socialized housing for displaced residents in the Company's tenements in compliance with the requirement to resettle inhabitants of unsafe areas as mandated by the Mines and Geosciences Bureau. Treating the communities and their residents with sincerity and fairness does not only address the Company's social concern but also helps in providing economic benefits, feeling of security and a general sense of stability in the area. The economic status of the community is also enhanced as can be seen from the growing number of entrepreneurs and expanding economic activities. During the year, the Company has had its share of awards and recognition.

The perennial shortness of funds for capital expenditures particularly towards the latter part of the past year has hampered the Company's drive to meet its goal of mining consistently at 1,500 tonnes a day. We are optimistic, however, that this matter will be positively resolved by early 2016, by a combination of internally generated profits, restrucutring of the Company's short-term debts to longer-termed lower-cost maturities, and equity infusion. Interim milling capacity has been set at 1,000 tonnes a day, while peripherals have been installed to fully utilize this capacity. We are confident that towards the latter part of 2015, the Company would be able to hopefully achieve and sustain production of at least 4,000 ounces of gold a month.

Our resolve is strengthened by the unwavering support that all of the Company's stakeholders have provided throughout the challenges that the Company has to face and hurdle. For this, on behalf of the Company's Board of Directors, officers and employees, we would like to express our appreciation and gratitude.



Ramon Y. Sy
Chairman of the Board

Walter W. Brown
President and CEO

Company Profile

Apex Mining Co., Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission 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 listed its shares in the Philippine Stock Exchange on March 7, 1974 and attained the status of being a public company under the symbol APX.

In 1974, the Company commenced the operation of its Maco Gold Mine situated in the Municipalities of Maco and Mabini in Compostela Valley.

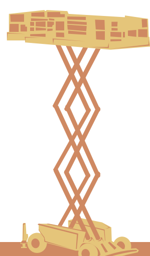
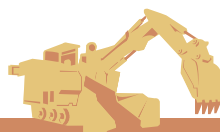
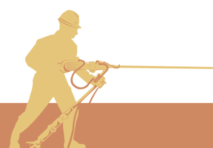
On October 10 2014, the Company acquired 100% ownership over Monte Oro Resources & Energy, Inc. (MORE) which has mining and non-mining business interests. MORE's mining interests in the Philippines consist of 100% ownership over Paracale Gold Ltd. which, in turn, fully owns Coral Resources Philippines, Inc. and 40% of Bulawan Mineral Resources Corporation, both located in the Municipality of Jose Panganiban, Camarines Norte. MORE has mining interests in other countries consisting of: (a) 100% shareholding in Minas de Oro Mongol LLC (a Mongolian company) which owns 51% equity in Erdenejas LLC, a joint venture company holding a mining license in Khar At Uul in Mongolia; (b) 90% shareholding in Monte Oro Mining Company Ltd., which is engaged in mining exploration in Sierra Leone, and in MORE Minerals SL which is engaged in artisinal mining and gold trading in Sierra Leone; and (c) 3.92% participation in National Prosperity Gold Production Group Ltd. which holds 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. MORE'S non-mining businesses consist of a 52% ownership over International Cleanvironment Systems, Inc., a company engaged in solid waste management, and a 30% participating interest in Service Contract No. 72 for natural gas in the Sampaguita gas field offshore northwest of Palawan in the West Philippine Sea.

2014 Developments

The 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 Hong Kong.

Manpower Headcount as of December 2014

Group: Division/Department	Rank & File	Supervisor	Manager	Total
Executive	0	0	4	4
Mine	913	118	17	1084
Mill	203	32	4	239
Geology & Exploration	130	23	6	159
Support	147	59	12	218
Corporate Services	42	30	7	79
Head Office	3	5	4	12
Total	1,438	267	54	1,759

Gold pouring

Mill Plant

Blessing of new equipment

Ball Mill Commissioning

Employees with outstanding safety track record

MACO GOLD MINE

Site Profile

APEX Mining Co., Inc. (AMCI) is a proudly Philippine-owned company, run by Filipinos, with origins in the Maco Gold Mine in Compostela Valley, Province of Mindanao in the Southern Philippines. Maco Gold Mine was formerly known as Masara, situated in the municipalities of Maco and Mabini, but the name change was effected in recognition of the entire municipality where mining occurs, rather than one particular village near the mine site.

Compostela Valley, which used to be a part of Davao del Norte until it was made independent in 1998, is now the fourth newest province of the Philippines. It borders Davao del Norte to the west, Agusan del Sur to the North, and Davao Oriental to the east.

Its original inhabitants came from several ethnic tribes such as the Mansaka, Mandaya, Manobo, Mangguangan, Dibabawaon, Aeta, Kamayo, Davaweño and Kalagan. The current population, similar to that of most Mindanao provinces, is made up of descendants from migrants of Luzon and the Visayas.

Compostela Valley is made up of eleven municipalities, one of them being Maco where Apex Mining Company, Incorporated is located. Maco has thirty-seven barangays, 10 of which lies within its borders.

Livelihood is mainly made up of agricultural products such as rice, coconut, cacao, coffee, papaya, mango, pineapple, durian and banana. Aside from agriculture, the province is also rich with gold ore, discovered by indigenous peoples in rivers during the 1980s. An estimated $1.8 billion worth of gold reserves remain untapped in the 5,000-hectare area of Mt. Diwalwal. Mining has now become another popular trade.

MACO
COMPOSTELA VALLEY
Milling Site
Mandaya Clearing
Material Recovery Facility
TERESA
APEX Village Area
Nursery Site and Agro Forestry Demo Farm
MUNICIPALITY OF MACO
DON MANUEL VEIN
MUNICIPALITY OF MABINI
MPSA-234-2007-XI

Apex Mining Equipment

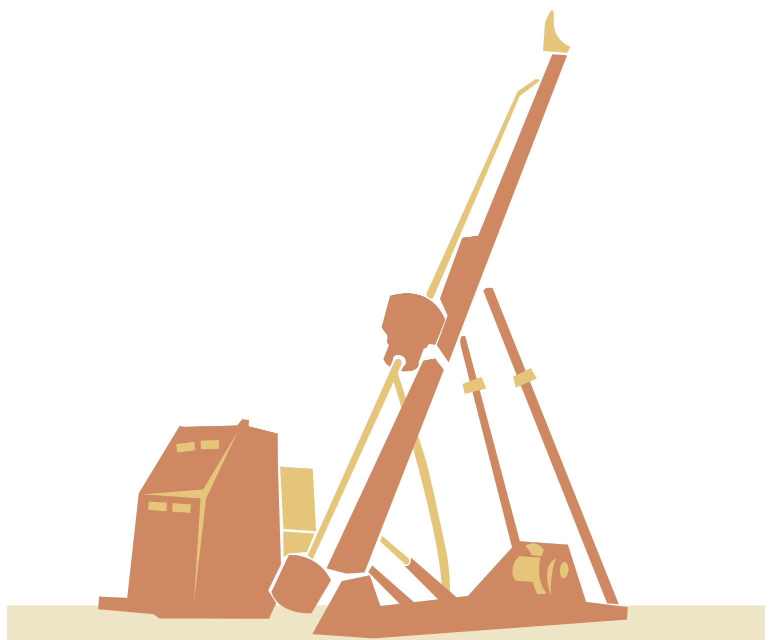
Mineral Production Sharing Agreements (MPSA)

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.

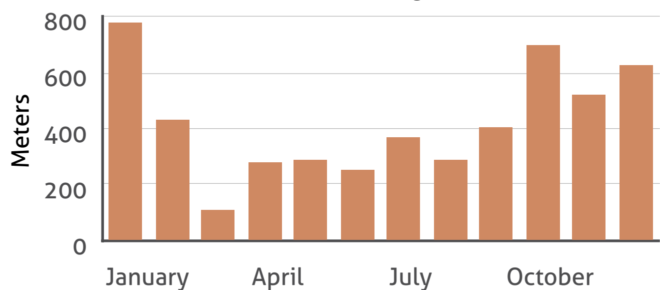
2) MPSA 234-2007-XI – This allows the exploration of gold, copper and associated metals. The Company's first venture during the 1970's was a small scale copper mining via a number of minor open pit operations.

GEOLOGY AND EXPLORATION

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



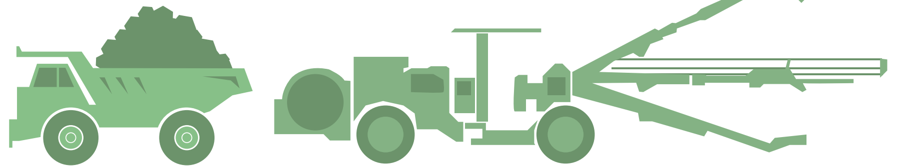
Exploration diamond drilling is used in the mining industry to probe the contents of known ore deposits and potential sites. By withdrawing a small diameter core of rock from the orebody, geologists can analyse the core by chemical assay and conduct petrologic, structural and mineralogical studies of the rock.



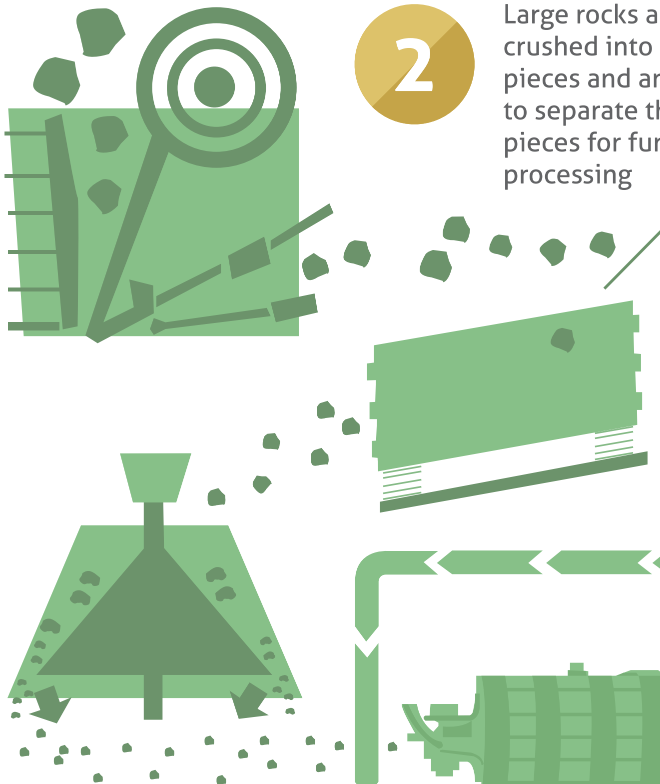
From Ore to Bullions: Milling Plant and Process

Milling is the process of breaking down the rocks gathered from mining into smaller pieces in order to separate the precious material from the non-precious material in the rocks.

1 After mining the rocks, these are transported to the mill for processing

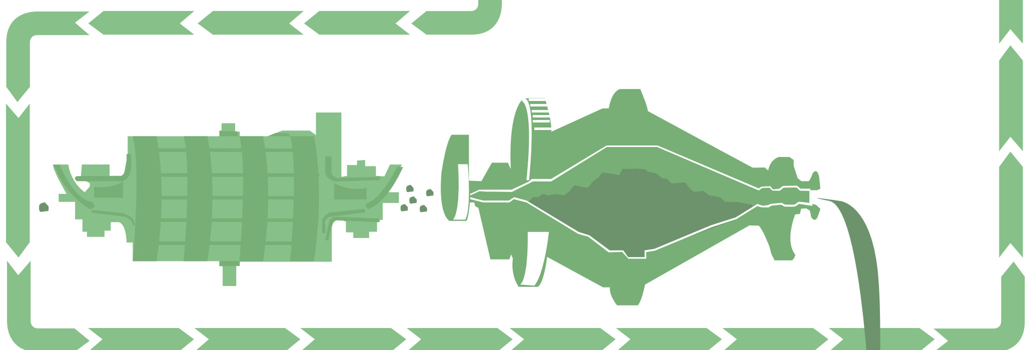


2 Large rocks are crushed into smaller pieces and are sifted to separate the finer pieces for further processing

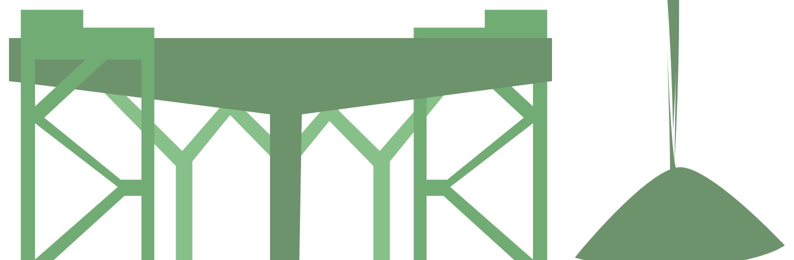


To meet the target of 1,500 tonnes day, we plan to add an additional cone crusher and a ball mill to the existing workflow.

3 The resulting pieces are further crushed and ground into a series of grinding equipment to produce a fine powder (approx. 0.8mm small)



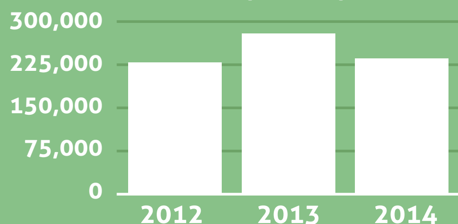
4 Water is mixed in to thicken the resulting powder, before it is pumped into leach tanks.



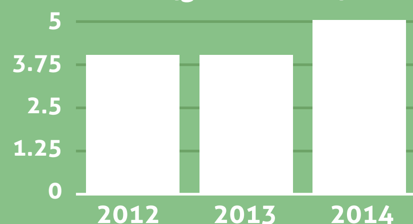
1,500

Tonnes per day milling capacity targeted for 2015

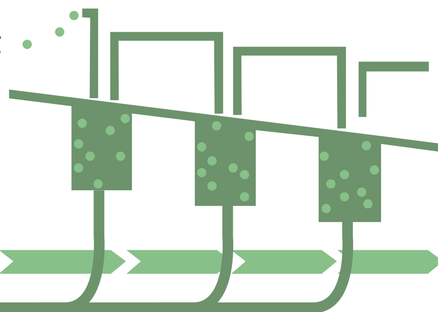
2012-2014 Mill Production (tonnes)



2012-2014 Gold Recovered (grams/tonne)

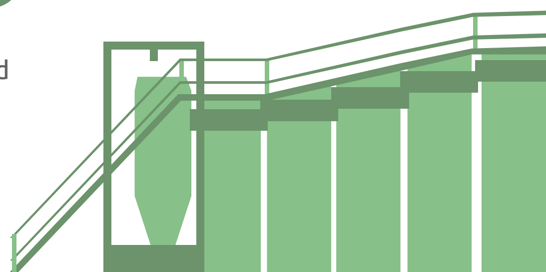


5 **Leaching** involves using chemicals to extract the precious minerals from the non-precious minerals



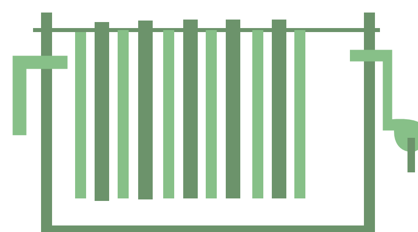
Additional leach tanks with a total capacity of 3,000 tonnes/day will be added

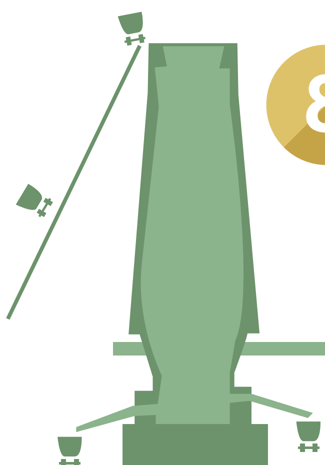
6 Carbon is then used to further separate the gold and silver from the resulting liquid solution



Waste from the leaching process is transported to detox tanks before it is finally pumped into the tailings dam.

7 Electrowinning further extracts the gold and silver with an electric current before the process of smelting





8 Smelting super-heats (about 1,250°C) the precious metal which are eventually poured into casts to produce non-bank standard gold-silver bars called dore.

Operations Report

The total mine production 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 and Maria Inez.**

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.

Total mill production was 234,928 tonnes with a mill head grade of 4.9 Au, g/t. Total gold produced in 2014 was 31,301 ounces, which is 13.7% higher than in 2013.

Prior to 2014, the highest gold produced by AMCI in a month is 2,910 oz. In August 2014, the Company produced 3,084 oz of gold – the first time in the history of AMCI to breach 3,000 oz in a month. More importantly, this level of production was sustained until the end of the year except for the month of November. Average gold production from August to December is 2,967 oz per month.

Mill Upgrades

In late 2013, instead of upgrading the Mill capacity to 3,000 tonnes per day, the new management of AMCI decided to pursue Mill capacity upgrade from 850 TPD to 1,500 TPD only since the capacity of the mine will only be able to support the said tonnage. The 1,500 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 the old conventional thickener to high rate thickener
5. Electrical capacity upgrade to 9.5 MW
6. Installation of new tailings pumping system and pipe line

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.

2014 Timeline

First Quarter
Additional manpower was added to the mine's workforce to replace converted personnel to become operators of the mining equipment.

January
Mill low monthly production due to the 27-day mill shutdown from January 16 to February 13, 2014 because of the sealing of the discharge pipe at the tailings dam. Several other factors also significantly contributed to the low plant availability such as, the replacement of the bearing and shafting of the Ball Mill; power shortage; and, problems in the motor and gears of the rod mill due to gear alignment issues.

February
The mill resumes operations.

March
Ayuda Project was formulated, where contractors were given an area to be driven manually. Their accomplishment served as an initial exploration to gather data on the near surface extension of existing veins.

April
The mine's operation was interrupted by the burning of underground equipment by armed men.

May
Armed men burned a newly acquired bus on its way to the mine site.

Second Quarter
The Mine deferred the development of Don Calixto and Don Fernando veins (at Mine West) pending completion of all the required surface facilities and infrastructures. In its place, the mine reopened the Fern vein and Masarita vein and Barabadan area for further exploration and access development.

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

Mineral Resource @ cut off grade of 1.5 gpt

	Grade	Tonnage	Contained gold
DE-140 # 1	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

Mill Production 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

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 pillars and a block cut-off grade of 3.0 gpt. Meanwhile, the mineral resource was estimated using a block cut-off grade of 1.5 gpt.

June
Through the combined efforts of the Geology, Comrel and Security groups, several illegal rod mills at Barangays Teresa and Pag-asa were successfully dismantled.

July
Gear alignment issues plagued the Ball Mill which resulted in a crack in a 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 tonnes per day.

August
Starting point for the mines to attain production level of 3,000 ounces of gold in a month.

September
Resumption of the Ayuda Project, with the completion of the road cut of Wagas L700 which began in August. By late September, preparations for the Tagbaros Exploration Tunnel, such as an information campaign, the selection of a portal location and the acquisition of surface rights were activated. Several meetings with tribal leaders and elders, along with Barangay officials of Tagbaros, were held in order to explain the impact of the proposed project together with the series of activities to be introduced to their community.

October
Corrected gear alignment issues with the Rod Mill. Power failures due to limited NGCP power supply also continued for this semester.

December
Start of ground preparations at the Tagbaros Exploration Tunnel. This involved slope stabilization of the proposed portal location and the relocation of the community water line. By this quarter, mine output increased from 1,200 tonnes per day to 1,400 tonnes per day.

Environment and Community Relations

Giving Back

2014 has been a very good and productive year for AMCI and there is no better time than now to give back – to the environment, our staff and the surrounding impact barangays.

Land Resources

The rich land resources provided us with ores that literally turned our business into gold. The community has helped make our business more profitable. Therefore, it is only fitting that we return the favor through our Reforestation and Forest Rehabilitation projects.

Tree Planting and Reforestation, courtesy of the company's Forestry Section, conducts tree planting, protection and maintenance to enhance disturbed areas. Planting assorted shrubs and grasses, the establishment of wattling structures used for stabilization and erosion control, and enrichment planting in low density areas were also conducted. For 2014, a total of **10,929 seedlings** were planted within a 22.08 hectare area (SEE TABLES 1 & 2). In September 2014, AMCI personnel and employees participated in the Treevolution at **Barangay New Leyte, Maco** in the Compostela Valley Province.

For the adopted Mangrove Project at **Pantukan** and **Bucana** in **Maco**, **Compostela Valley,** we sustained tree planting maintenance and protection. At the **Central Nursery**, we established a clonal garden for the rubber Demo-Farm and African Tulip cuttings.

Forest Protection consisted of conducting continuous monitoring of illegal activities within the **tenement of AMCI**.

Surface Maintenance entailed road maintenance within the mine site, continued maintenance of drainage canals, managed de-silting activity of settling ponds and siltrap, led Geohazard inspections of the area to evaluate the conditions and performed an Information and Education Campaign (IEC) on Geohazard Assessment, Slope Stabilization and Dam Stability.

Every Saturday, we conduct 2 hours of regular housekeeping in the mine site work areas in support of our compliance with RA 9003.

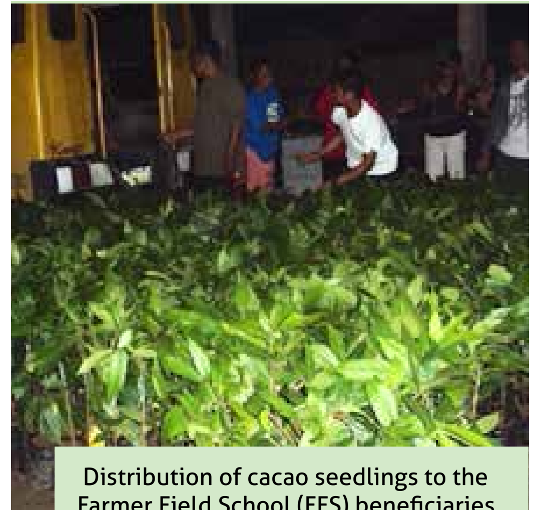
A permanent Material Recovery Facility (MRF) and Hazardous Waste Storage were constructed to facilitate garbage segregation. Likewise, all metal scraps, chips and cuttings generated from various operations are collected and transported to the scrap yard for proper disposal to qualified buyers.

We also conducted the protection and maintenance of our planted seedlings on the established plantations within its tenement. A total of 83,978 seedlings were planted within a **131.64 hectare area**. This was supplemented with the replanting of 2,970 assorted seedlings in a **4.15 hectare area** with low surviving tree species.

A part of our giving back also included donating 46,686 assorted seedlings with an approximated area of **93.37 hectares** to LGUs, DENR, civic organizations, different barangay councils, schools and private individuals for tree planting purposes (TABLES 3 &4).

Treevolution

Beneficiary school


Distribution of cacao seedlings to the Farmer Field School (FFS) beneficiaries from host and neighboring

Medical Mission

Tribal dance from the local community

Solid Waste Management

There is a great environmental concern regarding the systematic assessment of potential hazards, disposal and proper utilization of waste products in mining. We ensure the protection of the environment through numerous programs.

For Sanitation and Domestic Waste and Scraps Management, we maintained the collection and hauling of domestic waste from the mine site and 4 host barangays which was dumped at our Residual Containment Area (RCA).

Daily water quality monitoring

Water Resources

Our Tailings Pond Operations and Maintenance conducts regular de-silting at the Header Dam, Malumon Creek, Masarita Creek, Bibak Creek and Bunlang Creek.

The siphoning pipe at the tailings dam is maintained regularly. For the protection of the surrounding area of the tailings pond, tree planting has become a practice. The tailings pipe lines is consistently maintained through patching of leaking pipes and the replacement of worn out pipes. The drainage canals along the tailings pond is well-maintained. There is an on-going construction of the Phase 2 Dam to raise the elevation to 660 masl*.

**Meters above sea level*

Adopt an Estero

We, in partnership with Barangay Teresa officials and constituents, created the Adopt-an-Estero Program where we cleaned up Buenatigbao and Malumon Creeks, and planted tree seedlings in celebration of World Water Day, Earth Day, National Clean-Up Month, National Environmental Awareness Month and Climate Change Consciousness Week.

To ensure that DENR standards are met, we sustain the monitoring of effluents from the different established sampling station points during the year as well as the monitoring of the piezometer, conducted at the tailings pond for information and reference. All safety measures and maintenance works are regularly undertaken to safeguard the smooth operations from the tailings conveyance to the disposal area.

The supervision of chemical waste entails proper disposal at the Assay Laboratory. Acid and alkali wastes are diluted with water in order to reduce acidity and alkalinity while being treated with sodium hydroxide at the sump box before disposal at the sewerage. Cupelsand slags are contained in drums and brought to a designated area at the mill which is suitable for waste disposal. Regular analysis of water and effluent samples from the tailings pond is conducted.

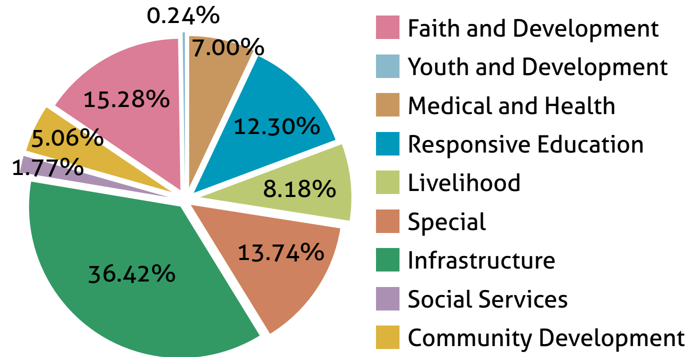
Maintaining the collection and management of used or waste oil generated from various operations to the oil depository area for proper disposal to legitimate buyers who have permits to transport from the Environment Management Bureau of the DENR. This year, we were able to treat and dispose a total of **40,800 liters of used oil** and **40 empty containers of used oil** to accredited used oil buyers.

All used oil-water separators installed in the different discharge areas are closely monitored and inspected to ensure that no oil spillage will affect the river system.

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.

Social Development Management Plan



On the other hand, a total of P2.1 million was appropriated for Information, Education and Communication programs.

Information Education and Communication provide trainings, seminars and orientations to AMCI representatives such as the recently-concluded 2- day training for Managing Heads on Environmental Management and Regulations in accordance with the DAO 02 series of 2014: Revised Guidelines for PCO Accreditation. A regular orientation regarding Safety, Health and Environmental Awareness was given for newly-hired employees.

A total of P3.0 million was utilized for the Development of Mining Technology and Geosciences.

Vermi culture

We were able to treat and dispose a total of **40,800 liters of used oil** and **40 empty containers of used oil** to accredited used oil buyers.

Womens Livelihood Bizcamps

Central Nursery

Safety and Health Report

Our Safety Department takes a pro-active approach in ensuring that the well-being of all stakeholders is being prioritized. This translates to providing a workplace where no one gets hurt or injured and everyone goes home safe during business operations.

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

In areas where the noise level is not tolerable, the use of PPE (earmuffs/plugs) is strictly enforced among the workers.

The underground good air quality in the working areas is maintained with the smooth operation of the ventilation systems.

On the surface work areas, an in-house ambient air quality monitoring being done in coordination with the Environmental Department is frequently performed in strategic locations within the mine site. Particulate matter concentration is maintained within DENR standards. Dust masks and respirators are also enforced for workers assigned in surface work areas. Regular safety inspections of work areas are being done every shift.

Seminars and Trainings

The AMCI Safety Department regularly conducts seminars and trainings for its personnel in order to ensure that all the AMCI manpower is equipped in handling safety issues and emergency cases. Some of these include Basic Fire Safety Training, Incident/Accident Report Training for Supervisors, and Loss Control Management Training, among others.

Risk Assessment

The Safety Department continued to play a major role in the safety management system within the company by placing of programs that will aid to eliminate or minimize hazards and risks in our area. Hazard identification and risk assessment is being done by the Safety Department in order to formulate effective action plans before any incident may arise. All of these are documented to ensure prevention strategies are developed, implemented and monitored.

Statutory Compliance

Our Safety Management System and Programs is audited on a regular basis by our government partners and found to be SUBSTANTIALLY SATISFACTORY by Mines and Geosciences Bureau Region XI. This programs includes the submission of a monthly and quarterly Safety and Accomplishment Report to the MGB-XI Office; the procurement of permits to construct and operate all major electrical and mechanical installations in coordination with MGB-XI; and, the submission of ASH Programs 2015 to MGB-XI ERP.

Emergency Drills

The Emergency Response and Preparedness Program (ERPP) primary intent is to provide an appropriate guidance and instruction in the management of any emergency that may occur in the mine site or in neighboring communities. This guideline ensures that our personnel are kept well informed and capable of performing emergency procedures. Emergency drill such as regular Fire and Evacuation Drills are done with a complete organization and procedural framework. Additional safety and rescue equipment are also acquired such as 9 units of the closed-circuit breathing apparatus to be able to respond for any mine emergency rescue activities.

Safety Officer in Pep-talk

First Aid Team 2014 Practice

Health Programs Update

The AMCI Health Programs are continuously reviewed and renewed for the benefit of our employees including that of the residents of the surrounding impact barangays. These programs include the Annual Physical Examination for all employees; the launching of the AMCI Smoking Cessation Program; Regular follow-up for Tuberculosis updates and the supply of anti-TB drugs; Anti-Rabies Dog Vaccination Program; 2014 Provincial Red Orchid Awardee as a 90-100% Tobacco-Free Establishment; regular workplace inspections for identification of health and safety hazards; routine Medical and Dental consultations and treatments for employees, contractors, dependents and community residents; Flu Vaccination for all employees; consistent monitoring of malnourished children from the impact barangays; and, Blood Lead Level Testing for Mill employees exposed to lead.

Emergency Vehicle Donated Tagum

Health and Fitness

Alis Bukol

Cycle of Life:
Interview with Chief Geologist Pong Ortega

Life at Apex Mining Co., Inc. continues to go full circle. AMCI staff members move in to the community, with some of them starting out a family, raising their children and seeing them pursuing their chosen career paths. Some of these AMCI children have opted to follow their parents' footsteps and stayed on with the company. Take the case of Chief Geologist Paul "Pong" Ortega, whose father, Pastor "Bebs" H. Ortega Jr, became one of the early AMCI employees.

When did your father join AMCI?
My father joined AMCI in 1972, right after Apex bought the Masara Copper Gold Project from Samar Mining Co., Inc., where he was employed in 1950.

What was your father's job?
He was hired as a Personnel Officer and eventually became the Industrial Community Development Officer.

What were your initial reactions when your family moved to the AMCI community in Compostela Valley? What was the community like?
My father met my mother during the early years of Samar Mining in the 1950s and got married in 1954. I was born in 1955, at the time when the mining operation was concentrated in the Maligaya area, which was formerly known as Level 0.

I can describe the community at that time as quite close where people knew each other. The company provided employees with housing and AMCI became a melting pot of Filipinos from different provinces. There was closeness in terms of friendly relationships, mainly due to several programs implemented by AMCI, which made it possible for employees to work hand in hand, especially during trying times.

Was it easy making friends in the community? Are you still in touch with some of them?
Yes, people in the community were generally friendly and helpful, especially to new employees, mostly coming from different parts of the country. They were always made to feel that "everybody is somebody."

Most of the old-timers have maintained contact through social media. Some live abroad while others are enjoying their retirement in various places all over the country.

What are your fondest memories of life in the AMCI community?
It was the time when the big bosses from the Main Office came over for a visit. They were the late Dr. Fernando A. Muñiz (FAM), the President and founder of Apex, together with the VP for Operations, Mr. Jose Ernesto C. Villaluna and VP for Exploration, Mr. Alberto C. Mercado.

I also remember back in 1985 when Apex celebrated its foundation anniversary. It was a grand affair with raffle prizes given away in the evening at the Masara Gym.

It was also some time in the 1980s when Maan Hontiveros, a famous television celebrity, visited the mine site where AMCI was featured in her talk show.

From 1975 to 1981, more memorable events happened during the annual Christmas parties and foundation anniversary celebrations. Popular television and film celebrities graced these occasions and one of them was the appearance of Gary Valenciano, whose late father, Mr. Vic Valenciano, was the Vice President for Administration back then.

Did your father ever take you to the mine site and explain what the place was all about?
There were times when I, together with my brother and sisters, went to the mine site and our father toured us around. We all had fun and we enjoyed it very much.

What made you decide to join AMCI? Did your father play a major role in your chosen career path?
Being born and having grown up in the AMCI community, I naturally chose my vocation with AMCI. It was in 1975 when I first applied at the Head Office in Metro Manila in order to pursue my studies in Geology. As a local member of the community, I was given the privilege to work with AMCI while continuing with my studies.

Would you encourage any of your children to join AMCI in the future?
Both my wife and I dream that some of our children would be able to join AMCI. One son is studying Geology at USEP and will be graduating in two years. God willing, I hope and pray that he will be given the same privilege at AMCI that I have enjoyed. If and when this happens, he will be the third-generation Ortega to become a part of AMCI.

Mr. Ortega together with the rest of the Geology group is currently working on surface and underground geology , reviewing all areas possible for mining to ensure continues mining operation for the next ten years and beyond.

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

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A member firm of Ernst & Young Global Limited

APEX MINING CO., INC.

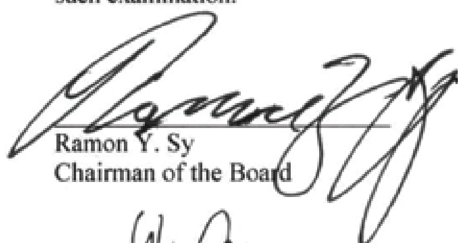
Maco, Compostela Valley Province

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of ***Apex Mining Co., Inc. and Subsidiaries*** 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

Signed this 29th day of April 2015

Manila Office: 3304B West Tower Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Philippines; **Tel Nos.**: 706-2805/706-2806; **Fax No.**: 706-2804
Davao Office: km 10, former Everett Building fronting Philippines Port Authority, Sasa, Davao City, Philippines; **Tel. No.**: (082) 234-3192;**Fax No.** (082)235-1191
Mine Site: Maco, ComVal Province, Philippines.

"Proud to be an All-Filipino Team"

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.

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.

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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

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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**

- 3 -

	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. (MORE)	–	–	–	–	(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 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

International Cleanvironment Systems, Inc. (ICSI), formerly known as Jancom Environmental Corporation, was incorporated on September 27, 1996 with the Securities and Exchange Commission. Its primary purpose was to manage, rehabilitate, and introduce ecologically friendly technologies for waste disposal, recycling and energy generation. In 1997, ICSI entered into a Build-Operate-Transfer Agreement with the Philippine Government for solid waste management and for disposal site of municipal solid waste of Metro Manila. This BOT Agreement was supplemented in 2008 for the financing, design, construction, operation and maintenance of sanitary land fill and material recovery facilities/transfer station. This BOT Agreement is pending implementation with the Metro Manila Development Authority (MMDA).

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)

- 6 -

	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.

NCI

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.

Future Changes in Accounting Standards and Interpretations
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.

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

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

The 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 41%, 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 earns 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$0.13 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.

- 40 -

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

- 43 -

	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.

- 45 -

	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

- 46 -

	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).

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 funds	**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
Others	**2014**	**3,230**	**3,230**	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).

Trustee bank

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 loss:			
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**
	119,152,368	**204,911**	**118,947,457**
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 loss:			
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
	30,861,734	519,207	13,126,304
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 loan 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

	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)

	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)
Various nondeductible expenses	**47,876,745**	(34,454,393)	(23,742,689)
Expired NOLCO	**18,050,507**	(12,877,072)	(4,252,858)
Expired MCIT	**201,826**	–	–
Nontaxable income	**(123,842)**	–	–
Interest income subjected to final tax	**(368,430)**	48,068	726,872
Reversal of inventory previously write-off	**(1,795,776)**	–	–
Realization of revaluation surplus	**(97,866,856)**	12,709,303	10,612,761
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.

- 66 -

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 funds 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 funds 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 funds 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.

The Parent Company filed a Motion for Reconsideration on 28 December 2009, but it was denied by the MAB on 26 December 2013. The Parent Company then filed a Petition for Review with the Court of Appeals on 14 February 2014.

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 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 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

BOARD MEMBERS AND OFFICERS

(From left to right) Dennis Uy, Walter Brown, Modesto Bermudez, Ramon Sy, Noel Tanglao, Graciano Jr Yumul, Joselito Sibayan, Gil Marvilla, Rosemarie Padilla, Renato Migriño, Rosanna Parica, Silverio Benny Tan

Ramon Sy
Chairman of the Board

Walter Brown
Executive Director
President and CEO

Graciano Jr Yumul
Executive Director
EVP-Geology, Exploration and Operations

Noel Tanglao
Executive Director
EVP-Corporate Services

Modesto Bermudez
Executive Director
SVP Projects and Development

Dennis Uy
Independent Director

Joselito Sibayan
Independent Director

Gil Marvilla
VP-Resident Manager

Renato Migriño
Treasurer

Silverio Benny Tan
Asst. Corporate Secretary

Rosemarie Padilla
VP-Asst. Resident Manager/Admin. and Finance

Rosanna Parica
Corporate Secretary

(Not in above photo)
Rodolfo C. Ramos
AVP/Asst. Resident Manager-Operations

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Apex Mining Co., Inc.
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