PHILEX MINING
CORPORATION

April 10, 2014

PHILIPPINE STOCK EXCHANGE, INC.
Tower One & Exchange Plaza
Ayala Avenue, Makati City
Makati City

Attention: **MS. JANET A. ENCARNACION**
Head, Disclosure Department

Gentlemen:

We submit to you a copy of our Company's SEC Form 17-A Annual Report for the year ended December 31, 2013 which we filed with the Securities and Exchange Commission today.

Very truly yours,

DANNY Y. YU
SVP - Finance

COVER SHEET

1 0 0 4 4

SEC Registration Number

P H I L E X M I N I N G C O R P O R A T I O N
A N D S U B S I D I A R I E S

(Company's Full Name)

2 7 B r i x t o n c o r F a i r L a n e S t r e e t s
P a s i g C i t y

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

DANNY Y. YU

(Contact Person)

(632) 631-13-81

(Company Telephone Number)

1 2	3 1	SEC 17A		
Month	*Day*	(Form Type)	*Month*	*Day*
(Calendar Year)			(Annual Meeting)	

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

44,533	P2,569,750,000	P3,661,633,000
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

S.E.C. Number 10044
File Number______

PHILEX MINING CORPORATION
(Company's Full Name)

Philex Building, No. 27 Brixton Street, Pasig City
(Company's Address)

631-1381 to 88
(Telephone Numbers)

December 31
(Fiscal Year Ending)
(month & day)

SEC FORM 17-A Annual Report
Form Type

____
Amendment Delegation (If applicable)

December 31, 2013
Period Ended Date

____
(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the calendar year ended **December 31, 2013**
2. SEC Identification Number **10044**
3. BIR Tax Identification No. **000-283-731-000**
4. Exact name of issuer as specified in its charter: **PHILEX MINING CORPORATION**
5. **Philippines**
   Province, Country or other jurisdiction of incorporation or organization
6. [ ] (SEC Use Only) Industry Classification Code:
7. **Philex Building, 27 Corner Brixton and Fairlane Streets, Pasig City** **1600**
   Address of principal office Postal Code
8. **(632) 631-1381 to 88**
   Issuer's telephone number, including area code
9. **Not applicable**
   Former name, former address, and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 & 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common shares, P1 par value (as of Dec. 31, 2013)	**4,936,996,068**
Debt Outstanding (as of December 31, 2013)	**P6,231,383,000**

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

    Yes [**X**] No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:

    Philippine Stock Exchange **Common Shares**

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a) – 1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the issuer was required to file such reports).

    Yes [**X**] No [ ]

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

    Yes **[X]** No [ ]

13. Aggregate market value of the voting stock held by non-affiliates: **P43.692 billion** based on closing price at the Philippine Stock Exchange on April 8, 2014.

PART 1
BUSINESS AND GENERAL INFORMATION

Item 1. Business

<u>CORPORATE PROFILE</u>

Philex Mining Corporation ("PMC" or the "Company") and its subsidiaries are organized into two main business groupings: the metals business directly under PMC and Philex Gold Holdings, Inc. (PGHI) and the energy and hydrocarbon business under Philex Petroleum Corporation (PPC).

The Company was incorporated in the Philippines in 1955 and has been listed in the Philippine Stock Exchange since November 23, 1956. PMC, Philex Gold Philippines, Inc. (PGPI, a wholly-owned subsidiary through a holding company incorporated in the Philippines) and Silangan Mindanao Exploration Co., Inc. (SMECI, a wholly-owned subsidiary through a holding company incorporated in the Philippines) and its subsidiary, Silangan Mindanao Mining Co., Inc. (SMMCI), are primarily engaged in large-scale exploration, development and utilization of mineral resources.

PMC operates the Padcal Mine in Benguet, while PGPI operated the Bulawan mine in Negros Occidental until the second quarter of 2002. SMECI, through SMMCI, owns the Silangan Project covering the Boyongan and Bayugo deposits in Surigao which are currently under pre-feasibility stage.

The Company's exploration strategy in the late 1980's was focused on gold exploration, which resulted in the acquisition and staking of a number of primarily gold claim holdings throughout the Philippines. In July 1996, these gold assets were transferred to PGPI. These assets included the Bulawan mine in Negros Occidental, Negros Island, which operated commercially from January 1996 until 2002, when it was decommissioned due to unfavorable metal prices. The Bulawan mine currently has remaining resources of 23.9 million tonnes, including that of the Vista Alegre area. Exploration projects in the Vista Alegre area include the Nagtalay project and the Laburan/Skid 9 project, which are undergoing resource modelling and estimation to ascertain additional resources.

The Boyongan copper-gold porphyry deposit in Surigao del Norte was discovered in August 2000 under SMMCI, a joint venture with Anglo American Exploration Plc. On February 6, 2009, the Company acquired Anglo's 50% interest in the Silangan Project under SMMCI for a cash consideration of US$55 million.

As of December 31, 2013, the Company had 44,533 stockholders of record with 38.61% of its outstanding shares owned by foreign nationals and institutions.

PPC, a 64.79% owned subsidiary of PMC, is a Philippine corporation organized in December 2007 and is listed in the Philippine Stock Exchange. It has interests in various petroleum service contracts in the Philippines and Peru held directly and through its subsidiaries, Pitkin Petroleum Plc ("Pitkin"), and Forum Energy Plc ("FEP").

PPC's direct interests in Philippine petroleum service contracts include: (1) a 50% operating interest in SC 75 NW Palawan, (2) an overriding royalty interest of 1.65% in SC 6 Cadlao, and (3) 1.6% in SC 6A Octon – all located in the North West (NW) Palawan Basin.

PPC also holds a 50.28% controlling interest in Pitkin, an oil and gas exploration company registered in the United Kingdom with operations in Peru and in the Philippines. The Pitkin assets in Peru include: (a) a 25% participating interest in Peru Block Z-38 located in offshore Tumbes Basin offshore and (b) a 100% operating interest in Peru Block XXXIII located in Sechura Basin. Pitkin's Philippine assets include: (a) a 29.14% participating interest in SC 14

Block C-2 West Linapacan; (b) a 70% operating interest in SC 6A Octon; (c) a 70% operating interest in SC 74 NW Palawan; and (d) a 35% participating interest in SC 53 Mindoro.

PPC also holds a 60.49% controlling interest in FEP, with 36.44% held directly and 24.05% held indirectly through a 51.24%-owned subsidiary, FEC Resources, Inc. – a Canadian company. FEP, a UK incorporated oil and gas company with focus on the Philippines, has: (a) a 70% operating interest in SC 72 Reed Bank, which covers the Sampaguita natural gas discovery in offshore west Palawan, (b) a 100% operating interest in SC 40 North Cebu, and (c) and minority interests in the SC 6 and SC 14 sub-blocks in offshore NW Palawan, including a 2.27% interest in the producing Galoc field.

PPC owns 100% of BEMC, a coal mining company operating Coal Operating Contract ("COC") 130 in Zamboanga, Mindanao. BEMC suspended its underground operations beginning January 1, 2013 and announced its closure effective September 1, 2013. On January 6, 2014, BEMC finalized agreements for the assignment of COC 130 to Grace Coal Mining and Development, Inc. The transfer of assignment of COC 130 is subject to the approval of the Department of Energy.

PRODUCTS/SALES

The Company has operated for the past 56 years the Sto. Tomas II deposit at Padcal, Tuba, Benguet Province – the first underground block caving operation in the Far East.

The Company's Padcal mine produces copper concentrates, containing copper, gold and silver. Total ore extracted and processed from start of operation to 2013 aggregated to 372.5 million tonnes, producing 2.144 billion pounds of copper, 5.782 million ounces of gold, and 6.276 million ounces of silver.

Of the Company's annual production of concentrates, 60% - representing approximate;y 45,000 tonnes on an annualized basis – is currently committed to Pan Pacific Copper Co., Ltd. (Pan Pacific), an integrated Japanese copper producer jointly established by JX Nippon Mining & Metals Corporation and Mitsui Mining & Smelting Co., Ltd. in 2000. Pan Pacific processes the concentrates through its smelter plants and produces products, such as refined copper, precious metals and sulfuric acid. Pan Pacific is one of the largest buyers of copper concentrates in the world, with their smelting plants having a capacity of 1.5 million tonnes per annum. As such, the volume of the Company's shipments to them is relatively insignificant in comparison to their other suppliers.

In 2004, Pan Pacific provided the Company with a long-term loan to finance the development of the 782 Meter Level of the Padcal mine. As a concession, the Company agreed to contract portions of its production to Pan Pacific up to end of the Padcal mine life. Part of the agreement is that should the Company develop other mines that would produce sulfide flotation copper concentrates, the Company will have to discuss the sale of such copper concentrates first with Pan Pacific before offering such concentrates to other parties.

All of the Parent Company's sales revenues for the years 2011 to 2013 were from copper concentrate shipments made to Japan. The 2013 consolidated revenue of the Company included the net realizable value of mine products inventory at the end of the financial reporting period. About 2% of the 2013 consolidated revenue came from petroenergy contributed by FEP and BEMC.

The contributions over the past three years of the gold and copper produced from the Padcal mine to sales revenue are as follows:

(In Thousand Pesos)	2013 Amount	2013 Percent to Total Revenue	2012 Amount	2012 Percent to Total Revenue	2011 Amount	2011 Percent to Total Revenue
Metals						
Gold	5,581,587	53%	4,946,041	54%	9,294,021	58%
Copper	4,579,757	44%	3,865,704	42%	6,091,803	38%
	10,161,344	97%	8,811,745	96%	15,385,824	95%
Total Revenue	10,461,792		9,137,360		16,134,416	

For the Years Ended December 31

COMPETITION

The Company's sales of copper concentrates are based on internationally accepted pricing in the world market available from the London Metal Exchange. Since no one mine can affect international metal prices, competition among mining companies is virtually non-existent.

SOURCES AND AVAILABILITY OF RAW MATERIALS AND SUPPLIES

The ore that the Company mines from the Padcal ore body is deemed to be the basic raw material of the copper, gold, and silver minerals actually produced by nature. In the process of producing copper concentrates for shipment to smelters, labor, materials and supplies, power, and other services are employed and utilized.

Labor is generally provided by the Company's regular employees, augmented by labor contractors for certain mining activities.

Sourcing of machinery and equipment, direct and indirect materials including Maintenance, Repair and Operating Supplies (MRO) is handled by the Company's Supply Chain Organization. To ensure operational availability of these equipment and prevent supply risk, medium to long-term contracts are maintained with major mining equipment manufacturers and Original Equipment Manufacturers (OEMs), respectively. Indirect materials, such as explosives, lime, steel, timber, fuel and lubricants, are mostly sourced locally and are either abundant in supply or under Vendor Managed Inventories (VMIs). Imported items, such as grinding balls and mill chemicals which have a high degree of quality and performance assurance requirement, are supplied by preferred vendors through long-term blanket purchase orders.

Energy is currently sourced from Team (Philippines) Energy Corporation under a two-year contract for the supply of electricity ending on December 31, 2015, although the Padcal mine has the capacity to self-generate standby electricity principally for mine underground use in case of supply interruptions, using generating sets run by bunker fuel. The National Grid Corporation of the Philippines provides the transmission lines for the delivery of power to the mine. Diesel fuel and gasoline are used mostly for the Load, Haul, Dump equipment and the Low Profile Trucks mostly acquired from Sandvik Tamrock, Atlas Copco, and Volvo utilized underground, and for the mine's transportation fleet.

The maintenance of the Padcal mine's cable-haul conveyor system to carry the ore underground to the mill is contracted with Prince ACE Corporation, a Philippine company that works closely with Conveyor Design Engineering (Australia) and JV Industries (Australia). The Company has its own drilling expertise and equipment to conduct its own drilling activities, but drilling contractors, such as Quest Exploration Drilling (Philippines), Inc., DrillCorp Philippines, Inc., and MDGI Philippines, Inc., are also utilized, particularly for exploration. From time to time as may be needed, local and foreign consultants would also be engaged to provide the Company technical advice or assistance in doing specific engineering projects.

EMPLOYEES

The over-all manpower of the Company as of December 31, 2013 consists of 2,438 full-time regular employees from Padcal (2,239) and Pasig Corporate Office (199). Of the Company's employees, 1,726 are in operations, while 712 are performing support services functions. Employee classifications according to rank are as follows:

Officers and Managerial	167
Supervisory	550
Rank & File	1,721
Total	2,438

Over-all average tenure of employees is 17 years with the average age at 43 years old. Gender distribution consists of 90% male and 10% female. The Company anticipates no material change in the number and type of employees within the ensuing twelve months.

The Padcal employees belong to two collective bargaining agents: the Philex Rank-and-File Employees Union-Association of Labor Unions (Trade Union Congress of the Philippines) [PRFEU-ALU (TUCP)] for rank-and-file and the Philex Mining Supervisory Employees Union-Association of Professional Supervisory Office Technical Employees Union (Trade Union Congress of the Philippines) [PMSEU-APSOTEU (TUCP)] for supervisors. Duly signed five-year collective bargaining agreements (CBAs) with both Unions are expiring in 2015. Currently, negotiation on the final two years of the existing CBAs covering salary increase is ongoing.

On the other hand, Pasig rank-and-file employees are members of the Philex Pasig Employees Union whose agreement with the Company was signed and executed in February 2012. The agreement which was registered with the DOLE on April 27, 2012 covers a period of five years to expire in August 2016.

There has been no labor dispute or strike by any of the Company's unions in the past five years. There are no other supplemental benefits or incentive arrangements the Company has under its collective bargaining agreements other than the usual employee benefits, such as vacation and sick leave pays, etc.

MINING PROPERTIES / ROYALTY AGREEMENTS

The Company's mineral properties in the vicinity of the Padcal mine are covered by mineral agreements over a total area of 13,492 hectares all within the municipalities of Tuba and Itogon in Benguet.

The Sto. Tomas II deposit used to be under 12 mineral holdings containing a total area of 95 hectares covered by a royalty agreement with claim owners. Three of the holdings with an aggregate area of 14 hectares are now part of Mineral Production Sharing Agreement (MPSA) 156-2000-CAR issued on April 10, 2000 and valid up to April 10, 2025. The remaining nine holdings with an aggregate area of 81 hectares are under MPSA-276-2009-CAR, valid up to January 19, 2034.

A table of the Padcal vicinity mining tenements is shown below:

Tenements	Area (Ha.)	MPSA Date of Expiration
MPSA-156-2000-CAR	3,848	10-Apr-25
MPSA-157-2000-CAR	2,958	10-Apr-25
MPSA-276-2009-CAR	81	19-Jan-34
EXPA-075	486	
EXPA-078	5,994	
APSA-098	125	
	13,492	

MPSA-276-2009-CAR is under the names of the heirs of Baldomero Nevada, Sr., Trinidad Nevada and Baldomero Nevada, Jr. as contractors given the right to operate the property for the government. This right has earlier been assigned by the contractors to the Company by virtue of a royalty agreement executed on August 29, 1955 for an indefinite term in consideration of royalty payments of 1% for copper and 4% for gold and silver based on the net value of minerals after deducting marketing costs.

Certain areas of the Padcal mineral properties are also under royalty agreements with basically similar terms and conditions.

As of December 31, 2013, the Padcal Mine's mineral resources and proved reserves were estimated as follows:

MINERAL RESOURCES					
				Contained	
	Million Tonnes	Copper %	Gold g/t	Copper (Million lbs.)	Gold (000 ozs.)
908 ML	90.93	0.24	0.48	484.7	1,390.0
782 ML	45.31	0.25	0.57	253.5	830.0
798 ML	36.72	0.20	0.39	162.7	460.0
Total	172.96	0.24	0.48	900.9	2,680.0

CuEq cut-off grade = 0.317%; Metal Prices: US$3.00 per pound Cu, US$1,500 per ounce Au; Metal Recoveries: 82% Cu, 72% Au

This resource statement was prepared by Mr. Noel C. Oliveros, Exploration Division Manager of Philex Mining Corporation, who has sufficient experience relevant to the style of mineralization of Sto. Tomas II Porphyry Copper Deposit. Mr. Oliveros is a Competent Person for Exploration and Mineral Resource Estimation under the definition of the Philippine Mineral Reporting Code ("**PMRC**"). He is a professional Geologist with PRC License No. 1285 and accreditation number Geology CP-07-08-07.

PROVED RESERVES					
				Recoverable	
	Million Tonnes	Copper %	Gold g/t	Copper (Million lbs.)	Gold (000 ozs.)
908 ML	7.5	0.20	0.49	26.3	94.3
782 ML	18.2	0.22	0.46	72.5	206.6
798 ML	40.1	0.20	0.36	140.4	326.1
Total	65.8	0.20	0.40	239.2	627.0

CuEq cut-off grade = 0.317%; Metal Prices: US$3.00 per pound Cu, US$1,500 per ounce Au; Metal Recoveries: 82% Cu, 72% Au

> This reserve statement was prepared by Engr. Eulalio B. Austin, Jr. (BSEM), President and Chief Operating Officer. Engr. Austin is a Competent Person under the definition of the PMRC and has sufficient experience as to the type of deposit and style of mining in Padcal Mine. He is a licensed mining engineer with PRC registration number 0001814 and CP accreditation number EM 1814-1810.

In August 2011, the declared life of the Padcal Mine has been extended to year 2020 from 2017 based on then declared proved reserves which now include tonnage from the 798 Meter Level.

PATENTS, TRADEMARKS AND LICENSES

The Company has several target areas aimed for exploration in the vicinity of the Padcal mine where it has a total of 13,492 hectares covered by mining tenements discussed above.

Other than the mining tenement discussed above, the Company has no patents, trademarks, copyrights, licenses, franchises and concessions on which the Company's Padcal operations depend.

GOVERNMENT REGULATIONS AND APPROVALS

The effect on the Company's operation of existing governmental regulations are mainly on their corresponding costs of compliance to the Company which are appropriately reflected either as expense or as capital asset under generally accepted accounting principles. The effect on the Company of any probable government regulation could not be determined until the specific provisions are known.

The exploration, development and utilization of the country's natural resources are enshrined in our fundamental law, the Constitution. Specifically, the Constitution allows the state to directly undertake such activities, or it may enter into co-production, joint venture or production-sharing agreements with Filipino citizens or corporations or associations at least sixty per centum of whose capital is owned by such citizens. Consequently, the fundamental law authorizes the President of the Republic of the Philippines to enter into agreements with foreign-owned corporations involving either technical or financial assistance agreements for large-scale exploration, development, and utilization of minerals, petroleum, and other mineral oils according to the general terms and conditions provided by law, based on real contributions to the economic growth and general welfare of the country.

RA 7942: Mining Act of 1995

In line with said Constitutional provision, Republic Act 7942 or the Mining Act of 1995 sets out the provisions governing mining and mining-related activities in the country. The Mining Act declares the areas open for mining operations and at the same time, enumerates those closed for mining applications. More importantly, said law sets forth the mining cycle and the corresponding permits needed for each phase: from exploration to the declaration of mining project feasibility, the positive determination of commercial viability of a project, to the execution of mineral agreements with the government prior to actual operations, until the required rehabilitation after operating a mine.

RA 8371: Indigenous Peoples' Rights Act of 1997

There are some pertinent laws which have a direct impact or effect on mining operations in the country. One of these is RA 8371 or the Indigenous Peoples' Rights Act of 1997 ("IPRA Law"). The IPRA Law introduced the concept of the "Free and Prior Informed Consent" which basically means the consensus of members of the involved Indigenous People (IP) / Indigenous Cultural Community (ICC). Under said law, all departments and other governmental agencies are strictly enjoined from issuing, renewing, or granting any concession, license or lease or entering into a production sharing agreement, without prior certification from the National Commission on Indigenous Peoples (NCIP) which can be issued only if there is a written FPIC of the IPs / ICCs concerned.

Environmental Impact Assessment System (EIA)

Another important legislation affecting mining operations is Presidential Decree No. 1586, which introduced the Environmental Impact Assessment System (EIA) mandating that “no person, partnership, or corporation shall undertake or operate any such declared environmentally critical project or area without first securing an Environmental Compliance Certificate issued by the President or his duly authorized representative”. Hence, in accordance with said provision of law, the Mining Act of 1995 requires the Environmental Compliance Certificate in all phases of mining activities, except during the exploration stage .

Recently, Executive Order No. 79 was issued by President Benigno Aquino III creating the Mining Industry Coordinating Council (MICC) and instituting changes to ensure the practice of responsible mining in the country.

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

EXPLORATION AND DEVELOPMENT

Exploration and development (the equivalent of research and development for a mining company) are currently undertaken by the Company’s in-house team and with or assisted by consultants and other service providers like drilling contractors. Expenses related to exploration and development for 2013, 2012 and 2011 amounted to P3.778 billion, P1.896 billion and P2.075 billion, respectively.

Note 12 of the Notes to Consolidated Financial Statements of the Exhibits in Part V, Item 14 is also incorporated hereto by reference.

Padcal Projects

The Padcal Mine, which Philex has been operating since 1958, is the first underground block cave operation in the Far East. The mine produces copper concentrates containing copper, gold and silver. The mine, covering 12 mineral holdings with an aggregate area of 95 hectares in Benguet Province, is the subject of royalty agreements with claim owners.

Exploration activities in Padcal and vicinity were pursued in three areas in 2013 – in Sto.Tomas II ore body below 773ML, Southwest, and near Clifton. The Sto.Tomas II ore body below 773ML and near Clifton are covered by MPSA 276-2009-CAR. The Southwest prospect is within MPSA 156-2000-CAR.

Sto. Tomas II – Below 773ML

Exploration within Padcal continued, with drilling below 773ML sustained in 2013 to define the size and continuity of the gold-bearing zone discovered in 2011. The zone ranges from 30 to 60 meters wide characterized by pyrite-sphalerite-galena mineralization. A total meterage of 2,674.65 meters was completed. The extent of this zone will continue to be delineated in 2014.

Southwest prospect and vicinity

The Southwest prospect lies less than a kilometer from the Sto. Tomas II orebody. A breccia body, identified as a diatreme breccia, was confirmed after the old drill cores were reviewed and relogged in 2011.

Geochemical soil sampling, and induced polarization (IP) and ground magnetic survey were conducted to supplement the drilling campaign conducted underground from 908ML (meter level) and from the surface in 2012. Exploration in the nearby Pokis prospect, located 2 km from the Southwest prospect, also consisted of IP and ground magnetic surveys. One of the two anomalous zones defined by these surveys is subject for future drilling.

Near Clifton Project

The near Clifton prospect, where exploration adit is driven toward the west of Sto. Tomas II orebody at 773 ML level, is still within unmineralized breccias and andesites of the Pugo Formation. The driving of 773ML exploration adit or tunnel towards the Near Clifton Prospect resumed in August 2013 and advanced 103 meters as of end last year. This brings to 457 meters to date the length of the adit since it started in January 2012, which is 42% of the 1,075-meter target. The entire length of the exploration adit is still within the unmineralized metamorphosed sedimentary and volcanic rocks of Pugo and Zigzag Formations.

Support to Operations

Exploration completed geotechnical drilling, hydrogeology studies, identification of quarry sources and geological mapping within the proposed tailings storage facilities (TSF) #4 and the recently-constructed spillway for TSF#3.

Silangan Project

The Silangan Project is located in Surigao del Norte and is expected to become the Group's next operating mine. It comprises of two ore bodies – Boyongan, which is wholly-owned, and Bayugo, a portion of which is the subject of a joint venture agreement with Manila Mining Corporation.

Boyongan and Bayugo Deposits

The Silangan Project (then known as the Boyongan Project) came into existence in 1999 when the Company and PGPI entered into separate joint venture arrangements with Anglo American Plc (Anglo) – one of the world's leading multinational mining companies.

The joint ventures were formed for the purpose of exploring a group of the Company's claims in Benguet province, as well as those of PGPI in the province of Surigao del Norte. The focus of the joint ventures has been mainly in PGPI's property where Boyongan, the first of the two ore bodies in the Silangan Project, was discovered in August 2000. Bayugo was discovered later on in 2003 by Anglo during the definition drilling for the Boyongan ore body.

In November 2008, Anglo offered to sell its 50% interest in the Silangan joint venture to the Company. In February 2009, the Company acquired all of Anglo's interest in the joint venture for a cash consideration of $55 million.

In November 2009, an independent South African consultant – Independent Resource Estimations – submitted an initial estimate of the Bayugo resource.

In November 2010, as part of the Project's pre-feasibility study, SRK Consulting – an independent leading international mining engineering consulting firm – was engaged by the Company to make an independent evaluation of the project. SRK recommended the construction of an exploration decline or ramp to the bottom of the Boyongan deposit as part of a geotechnical investigation to provide more reliable and specific information on the area's ground condition for purposes of mine planning and design as well as to obtain bulk samples from the ore body.

Portal development of the decline was started in April 2011. Driving of the decline is ongoing and is targeted to reach the Boyongan ore body by the first half of 2016.

Several support activities have also been commenced to advance the pre-feasibility study of the Silangan Project. Mining studies are being done by SRK Vancouver, metallurgical test works are conducted by Arizona-based KD Engineering and Metcom Research, and engineering studies are undertaken by Golder Associates of Perth for the tailings storage facility.

AECOM Australia Pty. Ltd. ("**AECOM**") was commissioned as the lead consultant and study manager for the preparation of the project's Declaration of Mine Project Feasibility ("**DMPF**") to comply with government requirement for MPSA-149-99-XIII covering the Boyongan ore body. The DMPF was submitted on time on February 28, 2013 to the MGB. AECOM was also engaged in the decline engineering and detailed mine infrastructure design.

Meanwhile, Lycopodium Minerals QLD Pty Ltd was contracted to develop the process plant design, GHD Pty Ltd for the surface infrastructures, and Geotechnical Corporation for the geotechnical investigation of the tailings storage facility. All of these technical consultants are globally recognized and world-renowned in their respective fields of expertise.

Based on the latest project timetable, completion of the pre-feasibility study is targeted for June 2014. The preparation of the definitive or bankable feasibility study (DFS) is currently estimated to be concluded by late 2016. The decision whether to proceed with the project or not will be made only when the DFS is complete and adequate financing has been secured.

The total expenditures related to the project as of December 31, 2013 amounted to P8.649 billion, including P1.438 billion incurred prior to 2009 when the project was under Anglo. Once the decision has been made to proceed with the project, the estimated cost to reach commercial operations as indicated in the DMPF is $1.2 billion. Projected mine life based on initial estimates at the production rate of 30,000 tonnes per day is at least 30 years.

The Silangan Project is registered with the BOI as a non-pioneer project entitled to four years of income tax holiday beginning 2017, extendable for another two years subject to certain conditions.

The Silangan Project tenements, comprising of the Boyongan and Bayugo deposits, are covered by MPSA-149-99-XIII and EP-XIII-03 Lot-B located in Surigao del Norte. These two tenements which are held by Silangan Mindanao Mining Company, Inc. (SMMCI), a wholly owned subsidiary, are surrounded by several Company tenements within the Surigao del Norte Province, as listed below:

Tenements	Area (Has.)	Operator / Contractor	MPSA Date of Expiration
MPSA-149-9-XIII	2,880	SMMCI	December 29, 2024
EP-XIII-013 Lot-A&B	11,934	SMMCI	
EPA-XIII-012	1,755	SMMCI	
EPA-000039-XIII	6,309	SMMCI	
MPSA-034-95-X	405	SMMCI	February 1, 2021
Total	**23,283**		

The reported resources for Boyongan and Bayugo as of August 5, 2011, were as follows:

	Tonnes (millions)	Copper %	Gold g/t	Contained	
				Copper (million lbs.)	Gold (000 ozs.)
BOYONGAN					
Measured	201	0.54	0.78	2,400	5,000
Indicated	72	0.46	0.57	720	1,300
Measured + Indicated	273	0.52	0.72	3,120	6,300
Inferred	26	0.41	0.49	240	400
BAYUGO					
Measured	99	0.64	0.65	1,390	2,100
Indicated	26	0.76	0.69	430	600
Measured + Indicated	125	0.66	0.66	1,820	2,700
Inferred	7	0.77	0.60	120	100

Mr. Noel C. Oliveros, Exploration Division Manager and Head of the Exploration and Resource Estimation Group of Philex Mining Corporation, has given his consent to the release of this resource estimate. The resource estimate is compliant with the rules and guidelines as set forth by the Philippine Mineral Reporting Code (PMRC). Mr. Oliveros has more than 16 years experience in resource evaluation relevant to the style of mineralization in the Surigao Mineral District. Mr. Oliveros is a Competent Person for Exploration and Mineral Resource Estimation under the definition of the PMRC. He has given his consent to the public reporting of this estimate following the PMRC guidelines concerning Mineral Resource Estimation.

Kalayaan Project

In May 2011, the Company executed a Farm-In Agreement with Manila Mining Corporation (MMC). This involved the purchase of a 5% equity interest in Kalayaan Gold-Copper Resources Inc. (KGCRI), a subsidiary of MMC, which assigns the right to explore the Kalayaan properties covering 286 hectares under EP-XIII-014B adjacent to EP-XIII-013 and containing the Bayugo deposit.

Under the agreement, the Company is obligated to conduct exploration activities in the property for three years but was extended for an additional one year. In the event the Company declares commercial feasibility of the area within the period, it will have the right to increase its holdings in KGCRI to 60% by subscribing to an additional 55% of KGCRI's outstanding capital stock for a minimal amount and will become an integral part of the Silangan Project.

PMC commenced drilling in December 2011 after ground preparations, environmental mitigating measures and community-relations initiatives had been conducted. This transpired about seven months (7) months after the signing of the farm-in agreement. By September 2013, a total of 73,520 meters had been drilled, of which 66,486 meters were for resource definition and 7,034 meters were for scout drilling. Currently, the data obtained is being reviewed and an updated mineral resource estimate is being prepared.

Other Significant Projects

Bulawan Project

The Bulawan Project used to be PGPI's gold operation before it was mothballed in 2002. The mine was decommissioned due to unfavorable metal prices and has been kept under care and maintenance since then. With the improvement in gold prices, the Company reconsiders the possibility of reopening the mine, though deems it necessary to determine if the current resource estimates of 23.9 million tonnes containing 1.91 grams of gold per tonne can be increased before proceeding further and committing additional funds to the Project. With this objective, the Company is embarking on further explorations in the old Bulawan deposit, the Vista Alegre gold zone and the Nagtalay area in the province of Negros Oriental.

Old Bulawan Mine

In 2011, PGPI undertook a deep drilling exploration to discover additional resources in the old Bulawan mine area. Two rigs were commissioned and operated simultaneously, completing 17 holes – distributed in the periphery of the known Bulawan ore body – equivalent to 4,944m of core. Alongside drilling, induced polarization survey was also conducted in the area to aid in the search for additional scout holes. Three lines were programmed and each line covered a distance of 2 km, with an array spacing of 100 meter intervals.

After completing the scout drilling in the 4th quarter of 2011, geotechnical drilling ensued thereafter. A total of nine (9) geotechnical holes were proposed, with two (2) of these being completed in the same year. The remaining seven (7) geotechnical holes were completed in 2012 with an aggregate meterage of 1,863.60 meters.

These activities yielded a total of 1,939 pulp samples from 10 batches, which were then prepared and delivered for assaying. Based on the results, an engineering study of the old Bulawan mine will have to be undertaken.

Vista Alegre Gold Zone and Nagtalay Area

The Vista Alegre Gold Zone, a gold corridor southwest of the Bulawan deposit, had been targeted for exploration since 2007. Vista Alegre is composed of seven (7) gold prospects including Nagtalay, Skid-9, Skid-7, Laka Quarts, Laburan, South Ridge and Libertad. Resource modelling and estimation of the Nagtalay breccia-hosted gold is being updated to include Skid 9 and Laburan prospects.

In 2011, stream sediment geochemistry, soil geochemistry, and a geophysical survey were conducted to focus on the potentials of the Skid 9, Laburan and Libertad prospects. In addition, an IP survey was performed to determine ground resistivity and chargeability. Scout drilling commenced on the fourth quarter of 2011 up to the third quarter of the following year, which completed a total of 55 diamond drill holes with an aggregate meterage of 13,825 meters of core. Rehabilitation of the drilling area was also completed before the end of that year. Database management and geologic modeling is currently ongoing for a potential declaration of resource estimates from these areas via the possibility of open pit mining.

Currently, work in the Vista Alegre Project is concentrated on finalizing the geologic and mineralization models in preparation for mineral resource estimation. Aerial photography, field mapping, detailed core logging and infrared spectroscopy are simultaneously being undertaken.

Sibutad Project

Drill target selection in the Sibutad project begun in October 2011, after completing the IP and magnetic surveys within the selected areas of the tenement. Diamond drilling was performed in West Lalab – using the proposed model for Lalab and IP anomaly maps as reference – and Mt. Nanca Prospects, driving seven (7) drill holes with a total meterage of 2,624.50 meters of core. Two (2) drill holes were completed to test the breccia root model of Lalab while two (2) were targeted at the IP anomalies in Mt. Emily. After completing these activities, the drilling program then proceeded to Mt. Nanca to target soil geochem anomalies.

In 2013, a follow-up exploration program was conducted in Mt. Nanca prospect in Rizal, Zamboanga del Norte immediately following the scientific discovery of a weak porphyry-style mineralization 500 meters below the surface. This is about 5km to 6km southeast of the Lalab. Geochemical and alteration mapping using infra-red spectral analysis were employed to identify additional targets similar to Mt. Nanca. Additional prospective areas, underlain by rocks with alteration and geochemical signatures similar to Mt. Nanca, were defined. This is located southeast of the tenement that can be recommended for scout drilling in 2014.

Lascogon Project

Lascogon Project covers MPSA 148-99-13 where scout drilling encountered a possible deep-seated porphyry Cu-Au mineralization in its Parcel 4. Already, 5,790.90 meters of drilling were completed though more follow-up holes are necessary to confirm the presence of mineralization. This is about 7 km north-northeast of Silangan Project.

Geologic mapping and bulk rock sampling confirmed the occurrence of rock aggregate and lime deposits in Parcels 5 and 6 of MPSA 148-99-13, about 5 km and 7 km, respectively northeast of the Silangan Project, which have the potential to supply the requirements of the Silangan Project.

COMPLIANCE WITH ENVIRONMENTAL LAWS

The Company's Padcal mine had been issued ISO14001 Certification since 2002 for Environmental Management System. This certification is, however, currently suspended because of the tailings spill accident in the second half of 2012.

With the Company's commitment to its environmental and policy statement of protecting and enhancing the environment, it has spent total environmental expenses of P1.030 billion in 2013, bringing the Company's expenditures from 1967 to date to P4.638 billion.

The Company and its subsidiaries have been consistent winners in environmental contests. Awards won for the last three years include; for the Padcal mine, as the Best Mining Forest champion in 2012 and 2011, and first runner-up in 2010, and for the Silangan Project, as second runner-up in 2013, first runner –up in 2011 and third runner-up in 2010-Best Mining Forest Contest (Exploration Category). Silangan Project also won the Platinum Achievement Award (Mineral Exploration category) for the Presidential Mineral Industry Environmental Award in 2013, 2012 and 2011.

RELATED PARTY TRANSACTIONS

Philex Mining Corporation (PMC) has extended loans and advances to some of its subsidiaries, as described below.

Part III, Item 12 discusses related party transactions.

MAJOR BUSINESS RISKS

Exploration and Development of Mineral Deposits

The exploration for and development of mineral properties involve significant risks, which may not be completely eliminated even with a combination of careful evaluation, experience and knowledge. While the discovery of an ore body may result in substantial rewards, not all properties explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, develop metallurgical processes, and construct mining and processing facilities at a particular site.

There can be no assurance that the exploration of mining tenements, where the Company has interests in, during the exploration stage (or of any other tenement in which the Company may acquire an interest in the future) will result in the establishment of commercially viable mining operations. An apparently viable mineral deposit, even when identified, is no guarantee that the same can be exploited profitably.

If the exploration of the Company's existing tenements prove to be unsuccessful, this may result in a reduction of the value of those tenements, diminution in the Company's cash reserves and possible relinquishment of the tenements. Similarly, there can be no assurance that the exploration of mining tenements currently under development will result in the establishment of commercially viable mining operations.

The success of the Company depends on, among others, the delineation of the economically mineable reserves, access to required development capital, securing and maintaining title to its exploration and mining tenements and obtaining all consents and approvals necessary for the conduct of its exploration activities. The Company has a competent team of legal and technical personnel who handle and manage these matters.

Mineral Agreements, Permits and Licenses, and Operating and/or Royalty agreement

The Company relies on permits, licenses (including Mineral Production Sharing Agreements ("**MPSAs**")), operating and/or royalty agreements with third-party claim owners and land access agreements to conduct its mining operations. The MPSAs and operating and/or royalty agreements covering the Company's mineral properties expire at different times and require renewal upon expiration.

Regulatory authorities can exercise considerable discretion in the terms and timing of permit issuance or whether a permit may be issued at all. Accordingly, the approvals needed for mining operations may not be issued or renewed or, if issued or renewed, may not be issued in a timely fashion, or may involve requirements that may be changed or interpreted in a manner which restricts the Company's ability to conduct mining operations profitably.

Furthermore, new laws or regulations, or changes in the enforcement or interpretation of existing laws or regulations, may require substantial increases in equipment and operating costs in order to obtain approvals required by, or to otherwise comply with the conditions imposed by, such new or revised laws and regulations. The need to obtain such new or revised approvals or to comply with additional conditions may also cause material delays or interruptions in one or more of the Company's current or planned operations or developments or, to the extent such approvals or conditions cannot be obtained or met on an economical basis, the curtailment or termination of such operations or developments.
The local governments where the Company's mines or exploration properties are located may also impose additional restrictions on its operations. There can be no assurance that any such local government supervision or regulation will not interrupt current or planned operations. The failure to successfully resolve any such situations could have an adverse effect upon the Company's business, results of operations and financial condition.

In addition, the Company's ability to explore or develop its mining tenements may be subject to prior informed consent of indigenous people (IP) that have ancestral domain title over such tenements. The operation of such mining tenements may also require acquisition of surface rights from third parties. There is no certainty that the Company will be able to acquire all surface rights that are necessary for the exploration and development of its mining tenements on a timely basis or at all.

Typically, however, the Department of Environment and Natural Resources ("**DENR**") would write and afford a tenement holder an opportunity to address alleged breaches of the terms of, or challenges to, its mineral agreements, permits or licenses before issuing an order to cancel or terminate such mineral agreements, permits, or licenses. As a practical matter, the MGB would move to have a mineral agreement, permit or license cancelled or terminated only when there is an irremediable material breach on the part of the tenement holder.

To address the foregoing risks, the Company employs a team of legal and operating personnel, who exercise the requisite due diligence with respect to the ownership of mining and surface rights, and the enforceability of the Company's rights over its mining properties. Mining and surface rights are reviewed for ownership and location verification.

Operational Risk for Mining Operations

Mining operations are subject to all the hazards and risks normally encountered in exploration, development and production, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage, increased costs and possible legal liability. Additional costs are incurred by the Company for items such as labor, transport, costs of consumables and movement of plant and equipment. Other costs may also be incurred if the equipment necessary to the exploration and mining operations of the Company becomes damaged.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, volcanic eruptions, landslides, and earthquakes that may materially disrupt and adversely affect the Company's business operations. The Company cannot give any assurance that it will be able to obtain and maintain insurance coverage for the catastrophe or that such insurance coverage will be adequate to compensate the Company for all damages and economic losses resulting from natural catastrophes.

The Padcal tailings storage facilities have been designed to provide safety zones in cases of cave-ins. Emergency procedures are set-up in case of a tailings storage facility overtopping. The Company maintains a warning system to alert its workers in cases of landslides, major earthquakes, and potential cave-ins. The Company schedules underground blasting activities and plans drilling activities to ensure employee safety. The Company ensures compliance by all of its staff and visitors with underground safety standards that include wearing the proper gear and carrying the proper equipment. It provides periodic training on underground mining safety and survival. The Company likewise has a highly commended team of underground rescue staff that had assisted in the country's past landslides and major earthquakes.

Although the Company maintains insurance to cover some of these risks and hazards in amounts it believes to be reasonable, such insurance may not provide adequate coverage in all circumstances. No assurance can be given that the Company's insurance will continue to be available at economically feasible premiums or that it will provide sufficient coverage for losses related to these or other risks and hazards. Additionally, the Company may be subject to liability or sustain loss for certain risks and hazards against which it cannot insure or which it may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Price Risks

The Company's revenue is largely dependent on the world market prices for gold and copper. The factors affecting these prices are beyond the control of the Company.

If the sales price of these commodities fall and remain below the production costs for a sustained period, the Company will sustain losses. If those losses continue, the Company may curtail or suspend some or all of its mining and exploration activities. This would have an adverse impact on the Company's business, results of operations, stated reserves and financial condition.

To mitigate these price risks the Company constantly evaluates whether hedging a portion of the annual production would be appropriate.

Environmental and Natural Events Risks

As a natural resource operation, the Company is inherently subject to potential environmental concerns. The Company is also subject to Philippine laws and regulations governing the environmental impact of its operations.

To manage the risk, the Company puts a great amount of effort and invests a substantial amount of money into environmental protection and rehabilitation. As a manifestation of its commitment to responsible and sustainable mineral resource development, the Company has adopted an environmental policy statement which is consistent with ISO 14001 Certification on Environmental Management Systems. The Company was also covered by a pollution liability insurance to answer for claims against it by reason of environmental pollution caused by its Padcal mining operation.

While the Company believes it is in substantial compliance with all material environmental regulations, it can give no assurance that changes in these regulations will not be effected or environmental incidents will not happen, which may adversely impact its operation and/or impose added costs to the Company. For example, on August 1, 2012, the Company voluntarily suspended its Padcal operations when it was discovered that nontoxic water and sediment had discharged accidentally from its tailings pond due to heavy rainfall brought about by successive typhoons. As a result of the accident, the Company paid the local government in February 2013 P1.034 billion in fees to cover costs of remediation and rehabilitation activities for the affected area, and was fined by the Pollution Adjudication Board on January 18, 2013 in the amount of P92.8 million for violating the Philippine Clean Water Act of 2004 and the terms of its environmental compliance certificate.

In addition, natural disasters, such as earthquakes, floods and landslides, could also severely hamper operations of the Company. Such natural disasters could, among other things, damage the Company's facilities and surrounding infrastructure, block the access to its mining assets, injure its personnel and result in a suspension of its operations for an unpredictable period of time, all of which could materially and adversely affect its business, financial condition, results of operations and prospects.

Item 2. Properties

The Company's mineral properties are discussed in the sections for Mining Properties / Royalty Agreements, and Exploration and Development.

The Company owns real property where its Corporate Head Office is situated. It likewise owns real properties and support facilities in its Padcal mine site, and a concentrate loading facility at Poro Point, San Fernando, La Union, which properties are used in operation. PGPI similarly owns real properties and support facilities in its Bulawan and Sibutad Projects which are currently on care and maintenance basis. Certain mining assets of PGPI are covered by a Collateral Trust Indenture to secure its loans from the Parent Company.

SMMCI has been acquiring real properties or entering into land lease agreements for the Silangan Project. The lease agreements are typically for 25 years cancellable at the option of SMMCI.

The Company does not lease any significant real property nor has the intention at present to acquire any significant real property other than necessary for corporate purposes in the next 12 months. Machinery and equipment are routinely acquired month to month as needed by operation usually through direct purchase or through letters of credit, if imported, under supplier's or bank's credit terms.

Item 3. Legal Proceedings

A table that identifies material legal proceedings involving the Company is set out below:

	CASE TITLE / SUBJECT MATTER	VENUE	NATURE	PROBABLE AMOUNT/PENALTY	STATUS
1	Notice of Violation and/or Report on Investigation Re: Mill Tailings Fee and Liabilities	MGB-Central (DENR)	Violation of item C of Section 190, DAO No. 2010-12 (TSF3 incident)	₱1.034 billion (paid on 18 February 2013)	Under appeal with the Office of the Secretary of the DENR; allowed the temporary operation of the Padcal mine for rehabilitation purposes
2	Water Pollution Control and Abatement Case	Pollution Adjudication Board-NCR	Violation of RA 9275 (Clean Water Act) and its Implementing Rules	₱92.8 million as of 18 November 2012	Under motion for reconsideration ; allowed the temporary

	CASE TITLE / SUBJECT MATTER	VENUE	NATURE	PROBABLE AMOUNT/PENALTY	STATUS
			and Regulations		operation of the Padcal mine coinciding with the period given by the MGB in No. 1.
3	Mines Administrative case of Butan Mining Company vs. Philex	MGB-CAR	For rental fees for the 745 ML tunnel traversing Butan claims	Above ₱300 million	Under appeal with the Mines Adjudication Board
4	Civil case vs. The Province of Benguet& Provincial Treasure	La Trinidad, Benguet Regional Trial Court	Local quarry tax on TP3	₱12.2 million	Pending decision
5	Mines Administrative case of Tom P. Nalibsan, et al. vs. Philex	MGB-CAR	For compensation and damages	P10.3 million	Pending resolution
6	Adjudication case of the heirs of BucalGavino vs. Philex	MAB, MGB-Central Office	Claims for damages	₱12 million	Complainant's appeal dismissed; motion for reconsideration pending
7	ABAKATAF, et al., vs. DENR, et al.	Court of Appeals (Cagayan de Oro)	Action for injunction with urgent ex-parte application for temporary environmental protection order (TEPO) and/or environmental protection order under A.M. No. 09-6-8 SC	*N/A*	On appeal with the Court of Appeals, and with petition for certiorari with the Supreme Court. Both appeal and petition, respectively, were filed by plaintiffs.
8	NPC / SRPC / PSALM claims amounting to ₱6 billion	No court action as of yet	Demand to pay alleged damages	₱6 billion	Currently finalizing legal strategy on this matter / no particulars yet as to the details of the claims.
9	Heirs of Aritao v. Philex	NCIP-CAR	Demand to pay alleged damages due to the construction of the spillway	₱60.00 / per square meter (₱600,000.00 up); injunction against the construction of the spillway.	Complainants filed a motion to withdraw the case; RHO directed complainants' counsel to file written comment to the motion of his clients.
10	Case filed by Cong. Baraquel, et al., questioning the constitutionality of the Mining	Supreme Court	Declaration of unconstitutionality of the Mining Act of 1995.	*N/A*	The case is pending resolution by the Supreme Court.

	CASE TITLE / SUBJECT MATTER	VENUE	NATURE	PROBABLE AMOUNT/PENALTY	STATUS
	Act of 1995				
11	Sales Alipio, et al., v. Philex, et al.,	NCIP-CAR	Injunction	Injunction against construction of access roads to intended site of TSF4.	A writ of preliminary injunction has been issued by the RHO; PMC is set to file Motion to Lift.

The Parent Company may be liable under lawsuits and claims arising from the ordinary course of business, which are either pending decision by the courts or are being contested, the outcomes of which are not presently determinable. The Company expects that the outcomes from such lawsuits and claims would have no material effect to the Company.

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

There were no matters covered under this item submitted in the fourth quarter of 2013 to the security holders for a vote.

PART II

OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Market Information

The registrant's common equity, which was initially classified into Class A and Class B common stock until it was declassified into a single class in 2006, is traded in the Philippine Stock Exchange under the code name PX.

The Company's public float as of December 31, 2013 is 33.05%

The average quarterly stock prices for the Company's common shares within the last two years and for the first quarter of 2014 were as follows:

Year	Quarter	High	Low
2014	1st Quarter	9.98	8.00
2013	4th Quarter	9.20	7.80
	3rd Quarter	12.24	7.86
	2nd Quarter	17.96	8.80
	1st Quarter	19.76	14.92
2012	4th Quarter	15.80	12.52
	3rd Quarter	24.40	13.98
	2nd Quarter	27.85	20.10
	1st Quarter	24.15	20.05

The Company's stock was traded at P8.85 per share as of April 8, 2014.

Holders

Of the Company's 44,533 shareholders as of December 31, 2013 with 4,936,996,068 common shares issued and outstanding, the top 20 are as follows:

	Name of Stockholder	Number of Shares	% of Ownership
1	Asia Link B. V.	1,023,275,990	20.73
2	Social Security System (inclusive of 150,566,499 shares lodged with PCD Nominee Corporation)	1,012,011,428	20.50
3	PCD Nominee Corporation	984,744,875	19.95
4	Two Rivers Pacific Holdings Corp.	738,871,510	14.97
5	Kirtman Limited	242,011,062	4.90
6	Maxella Limited	239,479,900	4.85
7	The First National Investment Company	12,195,042	0.25
8	Makati Supermarket Corp.	8,353,226	0.17
9	Estate of Allen Cham	6,720,476	0.14
10	Estate of Eudaldo Boix	5,025,422	0.10
11	Philippine Remnants Co., Inc.	4,875,000	0.10
12	Manuel V. Pangilinan	4,655,000	0.09
13	Yvonne Awad	4,422,235	0.09
14	Yvonne Awad, Anuta Awad Detert and Christine Awad Hakim	4,007,869	0.08
15	Frank Pao	3,639,260	0.07
16	Religious of the Virgin Mary-B	3,125,777	0.06
17	Estate of Eudaldo Boix & Petra Hernando	3,093,203	0.06
18	Paulino de Ugarte &/or Elena de Ugarte	3,068,143	0.06
19	Carol Joan Reif	2,974,086	0.06
20	Robin John Pettyfer	2,644,747	0.05
	Total	4,309,194,251	87.28

Dividends

Starting from 2010, the Company's Board of Directors has adopted a policy to declare cash dividend of up to 25% of the Company's core net income should the circumstances allow for its declaration.

No dividends were declared in 2013. In 2014, 2012 and 2011, the following dividends were declared:

1. On February 26, 2014, a regular cash dividend of ₱0.05 per share based on the full-year 2013 core net income; for record date of March 12, 2014; paid on March 26, 2014.

2. On July 25, 2012, a regular cash dividend of ₱0.11 per share at 25% of first half 2012 core net income; for record date of August 8, 2012; paid on September 3, 2012.

3. On February 29, 2012, a regular cash dividend of ₱0.14 per share at 25% of second half 2011 core net income, and a special cash dividend of ₱0.28 per share at 25% of full year 2011 core net income; for record date of March 15, 2012; paid on April 12, 2012.

4. On July 27, 2011, cash dividend of P0.14 per share at 25% of first half 2011 core net income; for record date of August 10, 2011; payable on August 31, 2011.

5. On May 25, 2011, dividend comprising of 598,626,045 shares or 35.21% of Philex Petroleum Corporation (PPC) held by the Company as property component at one PPC shares for every eight Philex shares, and a cash component of P0.052 per share; for record date of June 8, 2011; payable on August 18, 2011 was also declared.

6. On February 23, 2011, cash dividend of P0.16 per share at 25% of second half 2010 core net income; for record date of March 10, 2011; payable on April 5, 2011.

Recent Sale of Unregistered or Exempt Securities

No securities were sold by the Company within the past three years which were not registered under the Code.

The Company's stockholders at its April 21, 2009 meeting approved to amend the Articles of Incorporation to increase the authorized capital stock of the Company from Five Billion Pesos divided into five billion shares at par value of One Peso per share to Eight Billion Pesos divided into eight billion shares at par value of One Peso per share. On May 22, 2009, the SEC approved the amendment of the Articles of Incorporation for the increase in authorized capital stock.

On June 23, 2006, the Company's stockholders approved and adopted a Stock Option Plan (SOP) which provides for the granting of options to the Company's directors, officers, managers and key consultants to purchase common shares of the Company at specified exercise price. The aggregate number of shares initially approved for grant was 88,733,707 shares or 3% of then total outstanding shares of the Company. On March 8, 2007, the SEC resolved that the issuance of the 88,733,707 shares under the plan is exempt from the registration requirements under Section 10.2 of the Code.

As adjustment to the shares reserved for stock option due to the effect of the declaration of stock dividend of 30% in 2007 and 25% in 2009, additional 22,882,037 shares and 17,180,737 shares were respectively made available for grant which were similarly granted exemption from registration by the SEC. The exercise prices for the outstanding option shares were correspondingly adjusted to avoid a dilution of their option value.

As of December 31, 2013, the total option shares granted under the 2006 SOP amounted to 150,728,832, of which 115,310,332 option shares have been exercised and 26,417,100 option shares were forfeited.

On June 29, 2011, the Company's stockholders approved a new stock option plan covering up to 246,334,118 shares equivalent to 5% of the Company's outstanding shares of 4,926,682,368 as of June 29, 2011. This plan was approved by the SEC on February 22, 2013, which approval was received by the Company on March 5, 2013.

As of December 31, 2013, the total option shares granted under the 2011 SOP amounted to 40,410,000, of which 14,955,000 option shares have vested but none have been exercised and 10,500,000 option shares were forfeited.

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

For the years ended December 31, 2013, 2012 and 2011

Information on the Company's results of operations and financial condition presented in the 2013 Audited Consolidated Financial Statements and accompanying Notes to the Consolidated Financial Statements are incorporated herein by reference.

Beginning January 1, 2013, Philex has adopted revisions to PAS 19, *Employee Benefits* which became effective for annual periods beginning January 1, 2013. The revisions require that for defined employee benefits plans, all actuarial gains and losses are to be recognized in "Other Comprehensive income" and unvested service costs, which were previously recognized over the average vesting period, and be recognized immediately to profit or loss when incurred. Prior to adoption of the revision to PAS 19, the Company recognized actuarial gains and losses as income or expense when the net cumulative unrecognized actuarial gains or losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. The effects of the revisions of the amendments to PAS 19 on the consolidated financial statements as at January 1, 2012 and December 31, 2012 and 2013 and for the years ended December 31, 2012 and 2013 are detailed below:

	December 31, 2013	December 31, 2012	January 1, 2012
Increase (decrease) in:			
Statements of financial position			
Net defined benefit liability	**(90)**	180	161
Deferred tax assets	**(27)**	54	48
Retained earnings	**63**	(126)	(112)

	December 31, 2013	December 31, 2012
Statements of income		
Mine and milling cost	**25**	15
General and administrative expenses	**5**	3
Padcal maintenance cost during suspension of operations	**7**	4
Profit before income tax	**(37)**	(23)
Income tax benefit	**11**	7
Profit for the year	**(26)**	(16)

	December 31, 2013	December 31, 2012
Statements of comprehensive income		
Remeasurement loss on defined benefit obligation	**297**	3
Income tax effects	**(89)**	(1)
Other comprehensive income for the year, net of tax	**208**	2
Total comprehensive income for the year	**182**	(14)

REVIEW OF FINANCIAL RESULTS

Revenues

	For the Year Ended December 31			% Change	
	2013	2012	2011	2013 vs 2012	2013 vs 2011
Gold					
Revenue (P millions)	P5,582	P4,946	P9,294	13	(40)
Ounces produced	99,802	71,297	140,113	40	(29)
Average realized price	$1,297	$1,638	$1,536	(21)	(16)
Copper					
Revenue (P millions)	P4,580	P3,866	P6,092	18	(25)
Pounds produced	32,495,443	22,306,172	37,955,132	46	(14)
Average realized price	$3.27	$3.99	$3.70	(18)	(12)
Other revenues (P millions)	P300	P326	P749	(8)	(60)
Total Revenues (P millions)	P10,462	P9,137	P16,134	15	(35)

Total operating revenues for the year 2013 amounted to ₱10.462 billion, 15% higher than ₱9.137 billion in 2012, but 35% lower than ₱16.134 billion in 2011. The Company produced higher volumes of metal following the temporary lifting of the suspension order at the Padcal mine in March 2013, allowing the Company to operate for about ten months (299 operating days) as against seven months (214 operating days) of production in 2012. For 2011, the revenues were derived from a full year of operations (365 operating days). As a result of higher operating days, revenues rose despite lower realized metal prices in 2013.

Gold production rose to 99,802 ounces covering about ten-months of operations in 2013 from 71,297 ounces over a seven-month operation in 2012, but 29% lower than 140,113 ounces for 2011. As a result, gold revenue – comprising 53% of the total – grew to ₱5.582 billion in 2013 from ₱4.946 billion in 2012 but down from ₱9.294 billion in 2011.

Copper production climbed 46% to 32,495,443 pounds in 2013 from 22,306,172 pounds, but 14% lower than 37,955,132 ounces in 2011.The higher copper output resulted in 18% higher revenue in 2013 – accounting for 44% of the total – to ₱4.580 billion from ₱3.866 billion in 2012, but dropped from ₱6.092 billion in 2011.

Realized gold prices for the years ended December 31, 2013, 2012 and 2011 were $1,297 per ounce, $1,638 per ounce and $1,536 per ounce, respectively. The decrease in realized gold price was due to decline in world metal prices in the latter part of 2013. On the other hand, realized copper prices for years ended December 31, 2013, 2012 and 2011 were $3.27 per pound, $3.99 per pound and $3.70 per pound, respectively. Similar to gold prices, the drop of market copper prices towards the end of 2013 caused the lower average realized copper prices in 2013.

Other revenues, which came mostly from sales of silver, coal, and petroleum products, made up the remaining 3% of the Company's total revenue. Revenue from oil and gas exploration and coal mining in 2013 was lower at ₱208.8 million, compared with ₱239.0 million in 2012 and ₱552.9 million in 2011, due to the cessation of Brixton Energy & Mining Corporation's (BEMC's) coal mining operations. Revenue from BEMC, which suspended all underground operations effective January 1, 2013, amounted to ₱17.5 million from the sale of 38,098 tons of its coal inventory. This was 64% down from the ₱48.0 million in revenues derived from the sale of 10,600 tons of coal in 2012.

Operations in Galoc oil field, the main source of petroleum revenues, were suspended from November 2011 to April 2012, to pave the way for upgrading of the oil production facilities.

Nonetheless, petroleum revenues remained almost the same as in 2012. PPC's 60.49%-owned subsidiary, FEP, derives most of its income from the Galoc oil field.

In the previous years, to protect part of its revenues from unfavorable metal price and foreign exchange fluctuations, the Company entered into metal and foreign currency hedging contracts in the form of forwards, purchased put options and sold call options. The gains or losses from these transactions were reflected in revenue as addition or deduction in deriving the realized metal prices and realized foreign exchange for the Company's metal production during the respective reporting periods.

In 2012, the Company earned additional revenue of ₱384.7 million from hedging transactions, comprising of ₱410.6 million gain from copper and ₱22.0 million gain from currency, minus ₱47.9 million loss from gold. In 2011, the Company's revenue was reduced by a net loss of ₱165.1 million from hedging transactions, consisting of ₱203.9 million loss from gold, which was partially offset by the ₱14.1 million gain from copper and ₱24.7 million gain from currency adjustments. The net hedging gains recorded as revenue in 2012 do not include the ₱307.9 million marked-to-market gains from the pre-termination of the outstanding hedging contracts in August 2012 recorded under Other Income.

The Company had not entered into hedging contracts in 2013 as management supported the view that prevailing market trends and conditions will remain favorable to operations, thus had no outstanding derivative financial instruments as of December 31, 2013. Similarly, there were no outstanding derivative financial instruments as of December 31, 2012.

As of December 31, 2011, however, the Company had outstanding derivative financial instruments consisting of gold, copper, and currency hedging contracts. For gold, 48,000 ounces put options at a strike price of US$1,400 per ounce with monthly maturity of 8,000 ounces from January to June 2012; and 32,100 ounces collars at an average put price of US$1,600 per ounce and call price of US$1,930 per ounce were outstanding at year-end 2011. For copper, contracts outstanding were 3,900 DMT of collars at a put price of US$4.00 per pound and call price of US$4.81 per pound; 3,900 DMT at a forward price of US$4.43 per pound and 3,780 DMT of put options at a strike price of US$3.00 per pound. Additionally for currency, collar contracts for US$120 million were outstanding at an average put price of ₱42.50:US$1 and call price of ₱44.78:US$1.

Operational Overview

	For the Year Ended December 31			% Change	
	2013	2012	2011	2013 vs 2012	2013 vs 2011
Tonnes milled	7,738,258	5,537,423	9,487,037	40	(18)
Copper concentrates	60,582	40,562	69,613	49	(13)
No. of Operating Days	299	214	365	40	(18)
Gold					
Ounces	99,802	71,297	140,113	40	(29)
Head grade - grams/tonne	0.503	0.507	0.564	(1)	(11)
Recovery - %	79.77	78.99	81.35	1	(2)
Copper					
Pounds	32,495,443	22,306,172	37,955,132	46	(14)
Head grade - %	0.236	0.224	0.221	5	7
Recovery - %	80.60	81.50	82.10	(1)	(2)

Gold production was higher at 99,802 ounces covering ten-month of operations in 2013 from 71,297 ounces over a seven-month operation in 2012, but 29% lower than 140,113 ounces for a full year production in 2011. The 40% increase in the 2013 gold production was mainly due to higher tonnes milled, despite slightly lower head grade of 0.503 grams per tonne. Over the past three years, the 2011 production showed the highest head grade of 0.564 grams per tonne due to the presence of higher-grade performing mining blocks.

Likewise, copper production was higher by 46% at 32,495,443 pounds in 2013 from 22,306,172 pounds, but 14% lower than 37,955,132 ounces in 2011.The higher tonnes production combined with higher head grade of 0.236% resulted in favorable copper production in 2013 against 2012. The higher copper grade in 2013 was attributed to upgraded facilities, which drove efficiencies higher. Copper head grades in 2012 and 2011 were lower at 0.224% and 0.221%, respectively.

Total tonnes milled from the Company's Padcal mine for the year ended December 31, 2013 was 40% higher than 2012, but 18% lower than 2011 mainly due to higher operating days in 2013 of 299 days (over ten months) against 214 operating days in 2012 (over seven months). Operation in 2011 was for a full year or 365 operating days.

Operating Costs and Expenses

	For the Year Ended December 31			% Change	
(P milions)	2013	2012	2011	2013 vs 2012	2013 vs 2011
Cash Production cost	4,188	2,980	4,572	41	(8)
Depreciation, Depletion & Amortization	1,339	553	749	142	79
Total Production cost	5,527	3,533	5,322	56	4
Excise tax & Royalties	536	455	854	18	(37)
General and Administrative Expenses	1,311	1,148	1,038	14	26
Coal and Petroleum Cost	106	133	177	(21)	(40)
Consolidated Operating Costs and Expenses	7,480	5,269	7,391	42	1

Consolidated operating costs and expenses (including General and Administrative Expenses) amounted to ₽7.480 billion in 2013, higher by 42% than the ₽5.269 billion in 2012 due mainly to higher number of operating days but only slightly above by 1% from ₽7.391 billion in 2011. Treatment cost and refining charges rates increased for the period April 2013 to March 2014 by US$12.50 per DMT of copper concentrate and US$0.01 per pound copper, respectively, resulting to higher marketing charges in 2013 of ₽659.5 million from ₽439.8 million in 2012. Marketing charges of ₽659.5 million in 2013 was higher than the ₽439.8 million in 2012 in line with the 49% increase in copper concentrates, but was lower by 19% than the ₽810.5 million in 2011, when production volumes were higher. Income from operations amounted to only ₽2.322 billion in 2013, which is 32% and 71% lower than the ₽3.428 billion in 2012 and ₽7.933 billion in 2011, respectively.

Costs Per Tonne / Per Ounce / Per Pound

	For the Year Ended December 31			% Change	
	2013	2012	2011	2013 vs 2012	2013 vs 2011
Cash Production cost	4,187	2,942	4,563	43	(8)
Depreciation, Depletion & Amortization	1,339	553	749	142	79
Marketing	660	440	810	50	(19)
Excise tax & Royalties	535	453	854	18	(37)
Total Operating cost (P million)	6,721	4,388	6,977	53	(4)
Production cost per tonne	P 714	P 631	P 560	13	28
Operating cost per tonne	P 869	P 792	P 735	10	18
Operating cost per ounce	$ 858	$ 820	$ 696	5	23
Operating cost per pound	$ 2.16	$ 2.00	$ 1.68	8	29

Production and operating cost per tonne were higher in 2013 at ₽714 per tonne and ₽869 per tonne, respectively, against ₽631 per tonne and ₽792 per tonne in 2012 and ₽560 per tonne and ₽735 per tonne in 2011. The higher production cost per tonne in 2013 was caused mainly by the 142% increase in non-cash production costs as a result of the amortization of rehabilitation costs and the tailings storage facility no. 3 (TSF3). Against 2011, the 2013 costs per tonne also increased mainly from higher cost of power, materials and supplies in addition to higher non-cash production costs.

Operating cost (using a co-production method) per ounce of gold and per pound of copper were $858 per ounce and $2.16 per pound in 2013, both slightly higher than the 2012 costs by 5% on the cost per ounce and 8% on the cost per pound, but significantly higher than the 2011 costs by 23% on the cost per ounce and 29% on the cost per pound.

Other Income (Charges)

	For the Year Ended December 31		
(P millions)	2013	2012	2011
Other Income:			
Insurance proceeds	1,017	-	-
Gain on sale of subsidiaries and AFS financial asset	273	-	-
Reversal of impairment of inventory	63	-	-
Interest income	26	58	86
Marked to market gains	-	308	-
Gain on dilution of interest in associates	-	-	524
Others	-	34	-
	1,379	400	610
Other Charges:			
Provision for rehabilitation and other costs	(161)	(1,447)	-
Forex exchange losses-net	(174)	(165)	(15)
Impairment loss on deferred exploration costs and	(298)	(1,023)	(171)
Interest expense	(416)	(44)	(36)
Padcal minesite maintenance costs	(440)	(912)	-
Impairment of AFS Financial Assets	(1,007)	-	-
Equity in net losses of associates	-	-	(44)
Others	(131)	-	(157)
	(2,626)	(3,591)	(423)
	(1,247)	**(3,192)**	**187**

The Company received US$25 million or ₱1.017 billion from Chartis Philippines Insurance, Inc. (Chartis) on February 12, 2013 as full settlement of insurance claims covering pollution and business interruption under the Company's Pollution Legal Liability Insurance Policy pertaining to the 2012 TSF3 incident at the Padcal mine, settlement of which was covered by a Settlement, Release and Policy Buy Back Agreement signed on February 8, 2013 with Chartis. The insurance proceeds were used to pay the ₱1.034 billion MWT fee related to the TSF3 incident. The MWT fee, estimated charges for the alleged violation of the Clean Water Act, and other related rehabilitation and remediation costs were provided for in 2012 in the total amount of ₱1.447 billion. Additional provision of ₱161.4 million for rehabilitation and other costs was taken up in 2013.

Meanwhile, Philex Petroleum Corporation (PPC), a 64.8%-owned subsidiary, reported a ₱273.5 million gain in 2013 – consisting of ₱246.6 million gain from the sale of its subsidiary's, Pitkin Petroleum Plc's, interest in Vietnam American Exploration Company LLC (VAMEX) and ₱26.9 million gain from the sale of shares of stock in PetroEnergy Resources Corporation (PERC).

Interest income from short-term money placements amounted to ₱26.1 million, a 55% decrease from ₱58.2 million in 2012 and a 70% drop from ₱86.0 million in 2011. Interest rates averaged at 2.0% in 2013.

The unwinding of all of the Company's outstanding metal and foreign currency hedge contracts in August 2012, prompted by the suspension of Padcal operations, generated a marked-to-market gain of ₱307.9 million in 2012. In 2011, the Company booked a gain on dilution of interest in associates of ₱523.7 million, as a result of the reclassification of the Company's investment in shares of stock of Pitkin Petroleum Plc ("Pitkin") to Available for

Sale ("AFS") financial assets, when the Company's holdings in Pitkin was diluted from 21% to 18.46%.

The Company recognized a ₱1.007 billion impairment loss on its investments in shares of Lepanto Consolidated Mining Corporation (Lepanto) and Indophil Resources NL due to significant decline in the fair value of the shares as determined by the Company as above the 30% threshold. The Company owns 5% of Lepanto, a primary gold producer listed at the Philippine Stock Exchange and 2.4% of Indophil, an Austrialian publicly-listed company that has interest in the Tampakan Copper-Gold Project in the Philippines through Sagittarius Mines, Inc.

The Company incurred maintenance costs of ₱439.6 million in 2013 and ₱912.1 million in 2012 during the suspension of Padcal mine's operations from August 2, 2012 to March 7, 2013. This was related to manpower costs as the workforce were all retained and maintenance work for the mill and underground facilities to keep the mine ready for immediate resumption of operations. On interest expense, the Company incurred ₱416.4 million in 2013 mainly from the short-term loans with First Pacific's subsidiaries, significantly higher than in 2012 and 2011 when interest expenses amounted to ₱44.4 million and ₱36.2 million, respectively.

After assessing the viability of existing exploration projects, the Company recognized an impairment loss of P297.6 million on the deferred exploration costs related to Butan, Tapaya and Barobo projects as well as SC 40 under Forum Energy Plc (FEP), a 48.76%-owned subsidiary of PPC.

The impairment loss on SC 40 is in addition to the ₱388.6 million recognized in 2012 when FEP reassessed the remaining potential of the North Cebu block under Service Contract No.40 based on a third party report in the first quarter of 2013 primarily downgrading the potential of the block. Following this report, FEP has written down its deferred oil exploration costs in SC 40 resulting in a remaining carrying value of ₱546.2 million as of December 31, 2013 at the PPC level and, ultimately, at the Company's consolidated accounts.

The total amount of impairment loss in 2012 was ₱1.023 billion, consisting of ₱388.6 million in FEP's deferred oil exploration costs and ₱577.8 million in BEMC's assets, which BEMC recognized following the suspension of its mining operations. This impairment loss covers 100% of the carrying value of all BEMC's property, plant and equipment amounting to ₱434.3 million and a significant volume of its coal inventory due to high ash content, which poses a risk to the recoverability of inventory costs of additional ₱143.5 million. In 2013, BEMC recognized an additional ₱86.4 million impairment loss fully writing off the remaining book value of its coal inventory, as well as property, plant and equipment.

The Company recognized net foreign exchange losses of ₱174.0 million mainly from the revaluation of the Company's net foreign currency-denominated assets due to the effect of the appreciation of the US Dollar against Philippine Peso. Comparative amounts recognized in 2012 and 2011 were ₱164.7 million and ₱14.7 million, respectively. The foreign exchange rates at closing date were ₱44.40 in 2013, ₱41.05 in 2012 and ₱43.84 in 2011. Equity in net losses of associates in 2011, mostly from Pitkin, amounted to ₱44.1 million.

The impairment loss on AFS financial assets, deferred explorations costs and BEMC assets, provision for rehabilitation and other costs, the foreign exchange losses, as well as the gain realized from the sale of PPC's investments in shares of stocks, and insurance proceeds pertaining to pollution are non-recurring in nature and therefore do not form part of the Company's core net income.

Core and Reported Net Income

Net income attributable to the equity holders of the Company in 2013 amounted to ₱341.9 million, compared to ₱208.7 million in 2012 and ₱5.764 billion in 2011. The significant drop in 2013 and 2012 net income were primarily due to the suspension of Padcal mine operations starting August 1, 2012 following two weeks of unabated heavy rains that triggered the accidental discharge of mine tailings from TSF3. The suspension was temporarily lifted on March 8, 2013, which affected the Company's ability to generate earnings during that covered period. With non-controlling interests further contributing losses, the Company's results of operations ended in a lower consolidated net income of ₱312.4 million for the year 2013 and a consolidated net loss for the year 2012 of ₱310.8 million (restated), as compared to the consolidated net income of ₱5.792 billion (restated) in 2011 – the highest thus far recorded net income in the Company's 56-year operating history.

The Company's core net income was ₱1.508 billion in 2013, 11% lower than the ₱1.689 billion in 2012 and significantly below the ₱5.561 billion in 2011 as a result mainly of declining realized metal prices. The core net income reflects the Company's overall operating performance without the net effect of non-recurring transactions. In 2013, EBITDA amounted to ₱3.920 billion, compared to ₱3.294 billion in 2012 and ₱8.569 billion in 2011. The Company's EBITDA, similar to core net income, excludes non-recurring transactions to clearly provide results based on normal operating parameters of the business.

Reconciliation of Core Net Income to Consolidated Net Income

	For the Year Ended December 31		
(P millions)	2013	2012	2011
Core net income	1,508	1,689	5,561
Non-recurring gains (losses):			
Insurance proceeds	407	-	-
Gain on sale of assets	98	-	-
Provision for rehabilitation costs and others	(161)	(1,447)	-
Foreign exchange losses	(180)	(168)	(15)
Net Provision for write down of asset	(303)	(497)	(137)
Provision for impairment of AFS investments	(1,007)	-	-
Marked to market gain on derivative instruments	-	308	-
Clean-up costs	-	(22)	-
Gain (loss) on dilution of interest in associate	-	-	524
Provision for losses	-	-	(67)
Net tax effect of aforementioned adjustments	(20)	345	(102)
Net income attributable to equity holders of the Parent	342	209	5,764
Net income attributable to NCI	(30)	(520)	29
Consolidated net income (loss)	312	(311)	5,792

FINANCIAL CONDITION REVIEW

(P millions, except ratios)	As of December 31 2013	2012	2011
Cash and Cash equivalents	4,081	1,670	3,947
Current assets excluding cash and cash equivalents	4,307	2,686	4,384
Non-current assets	31,503	24,916	24,070
Total Assets	39,890	29,272	32,402
Short-term loans	6,176	1,450	350
Current liabilities excluding short-term loans	3,599	3,168	2,226
Non-current laibilities	4,198	2,563	2,887
Equity attributable to Equity Holders of the Parent Company	21,811	21,691	26,031
Non-Controlling interests	4,107	400	908
Total Equity	25,917	22,091	26,939
Current/Liquidity ratios			
Current ratio	0.86	0.94	3.23
Quick ratio	0.45	0.41	2.15
Solvency ratios and debt to equity ratios			
Debt-to-equity ratio	0.54	0.33	0.20
Solvency ratio	0.12	0.07	1.20
Financial leverage ratios			
Asset-to equity ratio	1.54	1.33	1.20
Interest rate coverage ratio	3.58	6.34	225.55
Profitability ratios			
Return on assests	0.90%	-1.01%	19.96%
Return on equity	1.30%	-1.27%	24.29%
Net profit margin	3.19%	-3.57%	37.80%

As of December 31, 2013, current Assets of the Company amounted to ₱8.387 billion in 2013, 93% and 1% higher than the ₱4.356 billion in 2012 and ₱8.332 billion in 2011, respectively, primarily due to higher Cash and Cash Equivalents, which increased to ₱4.081 billion in 2013 compared with ₱1.670 billion in 2012 and ₱3.947 billion in 2011. The cash balance of Pitkin amounting to ₱2.566 billion as of end 2013 boosted the Company's consolidated ending cash balance.

Current Assets excluding Cash and Cash Equivalents was higher at ₱4.307 billion mainly due to an increase in Inventories for higher volume of copper concentrates at 10,267 dmt that remained unshipped as at year end 2013 as against 2012 (nil) and 2011 (83 dmt).

Accounts Receivables consisted of Trade Receivables from sales of the Company's copper concentrates or bullion, Accrued Interest Receivables and Other Receivables. As at year-end 2013, Accounts Receivable amounted to ₱295.5 million, with Trade Receivables under subsidiaries amounting to P100.9 million, Accrued Interest Receivable amounting to ₱3.6 million and Other Receivables amounting to ₱191 million, against ₱207.7 million in 2012 and

₱1.596 billion in 2011. The copper concentrates shipment (S-698) scheduled on the latter part of December 2013 remained unshipped as of December 31, 2013 due to the persistence of unfavorable weather conditions. As a result, Pan Pacific advanced the sales proceeds, equivalent to 90% of the value, from S-698. The Company recorded the transaction in the balance sheet as a net liability to Pan Pacific as the advance payment was more than the outstanding trade receivables from previous shipments.

As of December 31, 2012, only the receivable from the 378 ounces in gold bullion shipped in December 2012 remained outstanding as all proceeds from 2012 copper concentrates shipments were fully collected. A total of ten (10) copper concentrates shipments were made in 2013 from Padcal mines' production covering 299operating days, which commenced on March 2013. Only eight (8) shipments were made in 2012 as a result of the suspension of the Padcal operations on August 2, 2012. The Padcal mine's copper concentrates shipments were provisionally valued based on prices in the second calendar week immediately prior to the week of shipment. These were then adjusted to the applicable final prices based on their "quotational period (QP)", which for contract years 2013 and 2012 was the calendar month following the month of the shipment's arrival in Japan for gold and silver, and the third calendar month following the month of arrival for copper – compared with the second calendar month following the month of arrival for copper for contract year 2011.

Inventories, mostly materials and supplies – comprising 42% of total value of inventories – were higher at ₱2.668 billion in 2013 compared to ₱1.315 billion in 2012 and ₱1.119 billion in 2011. Also included in inventories were ₱1.534 billion worth of mine products inventory, corresponding to 10,267 dmt of copper concentrates, and ₱21.2 million of coal and petroleum inventories. This includes copper concentrates totaling 10,267 dmt, which remained unshipped as of December 31, 2013, compared to none in 2012 and 83 dmt in 2011, with a value of ₱1.534 billion, nil and ₱41.5 million, respectively. In 2012, the amount of materials and supplies accounted for 93% of the total amount of inventories, with the remainder from the coal and petroleum inventories and none from the mine products inventory.

Prepaid Income Tax is nil in 2013 and 2011 but with a balance of ₱166.5 million in 2012 due to the higher income tax payments made in the first three quarters against the amount payable for the year, owing to losses incurred towards the end of 2012. Derivative Assets pertaining to marked-to-market gains on the outstanding hedging contracts at year-end was nil in 2013 and 2012, as there were no outstanding hedging contracts as of year-end compared to ₱904.7 million in 2011.

Other Current Assets increased to ₱1.343 billion in 2013 from ₱997.3 million in 2012 and ₱765.3 million in 2011. The increase pertains mainly to the rise in input value-added tax claims on importation of materials and supplies and equipment pending with the Department of Finance.

As of December 31, 2013, Non-Current Assets of the Company increased to ₱31.503 from ₱24.916 billion in 2012 and ₱24.070 billion in 2011, consisting mainly of property, plant and equipment, and deferred exploration costs. With property, plant and equipment of ₱6.880 billion – representing 17% - and deferred exploration costs of ₱22.427 billion – comprising 56% - of total assets, these portions reflect the capital intensive nature of the mining business. In the Company's case, these are attributed to internal exploration and development activities as well as upgrading of existing facilities.

Property, plant and equipment ("PPE") as of December 31, 2013 grew to ₱6.880 billion compared to ₱6.035 billion in 2012 and ₱5.400 billion in 2011.The annual increases over the past three years were mainly due to capital expenditures of ₱2.310 billion, ₱2.105 billion and ₱1.347 billion, respectively, incurred by the Company and its subsidiaries.

Available-for-Sale (AFS) financial assets, recorded at fair value, significantly declined to ₱975.4 million in 2013 from ₱3.991 billion in 2012 and ₱5.428 billion in 2011. The AFS financial assets portfolio consists substantially of investments in shares of stock of Indophil and Lepanto. Following a significant drop in the market prices of these shares, which were used to determine the fair value of these investments, the value of these investments was reduced by ₱1.007 billion by year-end 2013.

With the acquisition of additional interest in Pitkin in 2013, making Pitkin a 50.28%-owned subsidiary of the Company through PPC, the balance of investment in Pitkin of ₱1.231 billion under AFS financial assets was reclassified, thus reducing further the total amount compared to 2012. The sale of investment in PERC and the lower fair value of other investments under AFS financial assets also contributed to the lower balance of the account. The decrease in the fair value of investments under AFS financial assets other than Indophil and Lepanto are considered insignificant and temporary, therefore recorded as comprehensive loss through equity.

In July 2013, Pitkin sold all its interest in VAMEX for a total cash consideration of ₱2.100 billion. The acquisition of additional interest in Pitkin to 50.28% and the sale of its VAMEX interest resulted in a net increase in Goodwill by ₱949.4 million to ₱1.208 billion in 2013 from ₱258.6 million in 2012 and 2011.

Deferred Exploration Costs and Other Non-current Assets increased to ₱22.427 billion, a 53% growth from ₱14.632 billion in 2012 and 13% growth from ₱12.971 billion in 2011. The increase in balances was mainly on account of the on-going exploration activities in the Silangan and Kalayaan projects as well as in the oil exploration projects of FEP. In 2013, the consolidation of Pitkin accounts in PPC further increased Deferred Exploration costs and non-current assets. The Company also recorded ₱242.5 million impairment loss on its Butan, Tapaya and Barobo projects and ₱16.1 million for SC 40 under PPC.

	As of December 31, 2013		
(P millions)	Costs	Impairment	Net Book Value
Mining			
Silangan Project	13,205	-	13,205
Kalayaan Project	2,380	-	2,380
Bulawan and Vista Alegre Projects	609	-	609
Sto Tomas II Exploration Project	234	1	233
Sibutad Project II	224	-	224
Lascogon Project	224	161	63
Southwest Prospect	97	5	92
Clifton Project	65	-	65
Other exploration projects	1,322	1,122	201
Oil and Gas Projects			
Forum	1,336	389	947
Pitkin	4,027	-	4,027
Area 4	58	54	4
Other Non-Current Assets	377	-	377
Total	24,158	1,731	22,427

At year-end 2013, Total Assets of the Company amounted to ₱39.890 billion compared to ₱29.272 billion in 2012 and ₱32.402 billion in 2011.

As of December 31, 2013, Total Current Liabilities amounted to ₱9.775 billion, more than twice the ₱4.618 billion in 2012 and 79% higher than the ₱2.576 billion in 2011. The availment of short-term loans and the advance against copper concentrates shipment comprised the significant increase in Total Current Liabilities.

Short-term loans increased to ₱6.176 billion in 2013 from ₱1.450 billion in 2012 and ₱350.0 million in 2011. In 2013, the Company availed US$80 million and ₱1.000 billion in loans from the debt facilities with the subsidiaries of First Pacific Company Limited (FPC). These are on top of the ₱1.100 billion loan availed in 2012, which were principally allotted for the capital expenditures of Padcal mine and Silangan Project. The loan facilities available in 2013 were as follows: ₱2.100 billion and US$25 million with Kirtman Limited, US$25 million with Maxella Limited and US$100 million with Asia Link BV. The peso loans for a total of ₱2.100 billion were repaid in November 2013, bringing down the outstanding loan with the FPC subsidiaries to US$80 million or ₱3.552 billion as of December 31, 2013.

The ₱2.100 billion loans were retired from the Company's availment of US$50 million from local banks as follows: Philippine National Bank for US$20 million, Banco de Oro (BDO) for US$20 million and Bank of the Philippine Islands (BPI) for US$10 million. The ₱350 million short-term loans of BEMC in 2011 consisting of ₱250 million loan from BPI and ₱100 million loan from BDO remained outstanding and were assigned to the Company in 2013 under the same terms. Forum Energy Philippines Corporation (FEPCO), a subsidiary of FEP, drew down US$2.5 million from its loan facility with BNP Paribas to finance the drilling of two additional production wells in Galoc Phase II, about 50% of which is currently payable.

Accounts Payable and Accrued Liabilities, mainly payables to suppliers and contractors, increased to ₱2.321 billion in 2013 from ₱1.096 billion in 2012 and ₱1.160 billion in 2011. No significant amount of the Company's trade payables have been unpaid within their acceptable terms agreed upon with suppliers. The amount of Accounts Payable and Accrued Liabilities also included ₱693 million as advance payment for copper concentrates shipment no. 698 which Pan Pacific extended to the Company following the rescheduling of the shipment date from December 23, 2013 to January 2, 2014 due to unfavorable weather conditions.

Income Tax Payable amounted to ₱11.5 million in 2013 and ₱376 million in 2011, when earnings were at record high, but nil in 2012 due to a tax loss position in 2012 and an overpayment of ₱166.5 million from the quarterly payments following the suspension of Padcal operations.

Dividends Payable amounted to ₱460.7 million in 2013 compared to ₱483.3 million in 2012 and ₱325.3 million in 2011. The Company declared cash dividends totaling to ₱0.53 per share in 2012, representing regular dividends corresponding to 25% of the Company's core income for the second half of 2011 and first half of 2012, and a special dividend corresponding to 25% of 2011 full year core income, compared to ₱0.352 per share in 2011. No dividends were declared in the latter part of 2012 and in 2013 as a result of the suspension of Padcal operations in August 2012 to March 2013. In 2011, cash dividends of ₱0.96 per share were paid to US shareholders in lieu of the PPC shares declared by the Company as property dividends.

Provisions and Subscription Payable declined to ₱805.1 million from ₱1.589 billion in 2012, but higher than the ₱317.1 million in 2011. Subscription Payable remained the same at ₱40.7 million for the years 2011 to 2013.

In early 2013, the Company settled the ₱1.034 billion MWT fee assessed by the MGB, which fee was provided for in 2012 together with additional costs for the rehabilitation and remediation related to TSF3 totaling to ₱1.447 billion. There were no provisions for directors' compensation in 2013 and 2012, while ₱113 million was provided in 2011.

There were no hedge contracts outstanding as of December 31, 2013 and 2012, thus the nil amount for Derivative Liabilities. In 2011, however, Derivative Liabilities amounted to ₱47.3 million representing marked-to-market losses on the outstanding currency hedging contracts.

Total Non-Current Liabilities at year-end increased to ₱4.198 billion from ₱2.562 billion in 2012 and ₱2.887 billion in 2011, comprising mainly of Deferred Income Tax Liabilities.

Deferred Income Tax Liabilities (DTL) increased further to ₱3.916 billion in 2013 mainly from the acquisition of additional interest in Pitkin by PPC, compared to ₱2.327 billion in 2012 and

₱2.587 billion in 2011. The 2013 DTL consisted mainly of the following: ₱1.665 billion arising from the acquisition of 50% of Silangan from Anglo in 2009; ₱1.346 billion for accelerated depreciation and deferred exploration costs; and ₱949.4 million from the acquisition of additional interest in Pitkin.

The long-term portion of FEP's loan with BNP Paribas represents the ₱55.0 million balance of Loans Payable - Net of Current Portion, compared to nil in 2012 and 2011. Pension Obligation was P21.6 million in 2013 from ₱45.0 million in 2012 and ₱108 million in 2011.

Provision for Losses amounted to ₱184.0 million in 2013, slightly higher than the ₱171.6 million in 2012 and ₱173.7 million in 2011, comprising mainly of FEP's contingent liability. Provision for Mine Rehabilitation slightly increased to ₱20.8 million in 2013 from ₱19.0 million in 2012 and ₱17.8 million in 2011 representing the amortized value of the Company's estimated mine closure costs.

As of December 31, 2013, Total Liabilities of the Company significantly increased by 95% to ₱13.973 billion compared to ₱7.181 billion as of end-2012 – arising mainly from additional loans of ₱4.726 billion, increase in Accounts Payable and Accrued Liabilities by ₱1.226 billion and increase in Deferred Income Tax Liabilities by ₱1.589 billion – and from ₱5.462 billion as of end-2011.

Shareholder's Equity

	As of December 31,		
	2013	2012	2011
Common shares	4,936,996,068	4,933,026,818	4,929,750,743
Stock options	38,911,400	12,970,650	19,251,075

Total Equity as of December 31 amounted to ₱25.917 billion in 2013, 17% higher than the ₱22.091 billion in 2012 but lower by 4% than ₱26.939 billion in 2011.The yearly increases in the Capital Stock and Additional Paid-in Capital from 2011 to 2013 were from the exercise of stock options from the Company's 2007 stock option plan.

The Company's Net Income Attributable to the Equity Holders of the Parent Company of ₱341.9 million boosted Retained Earnings to ₱14.129 billion from ₱13.578 billion in 2012 and ₱15.980 billion in 2011. There were no dividends declared in 2013 unlike in 2012 and 2011, reducing the balance of the Retained Earnings on those years. As the amount of Retained Earnings exceeded 100% of the paid-in capital stock, the Company's Board of Directors approved the appropriation of ₱10 billion of the Retained Earnings for the Company's share in the Silangan mine development and construction from 2016 to 2018.

A temporary decline in the fair value of AFS Financial Assets of ₱596.4 billion was recorded in 2013 in Net Unrealized Gain on AFS Financial Assets under Equity, reducing further the ₱601.1-million balance in 2012 from ₱2.021 billion in 2011. In 2013, the decline in the market prices of Indophil and Lepanto was considered permanent therefore not taken up under equity but recognized as loss in the income statement. As a result of the translation of foreign subsidiaries in 2013, Cumulative Translation Adjustments amounted to ₱25.1 million from a negative ₱41.8 million in 2012 and ₱495.0 million in 2011.

The amount of Net Revaluation Surplus remained at ₱1.611 billion for the years 2011 to 2013. The Effect of Transactions with Non-controlling Interests remained at ₱45.1million in 2013 and 2012 compared to ₱106.0 million in 2011 – reflecting the difference between the acquisition cost and the book value of the interest acquired in PGI, FEP and FEC shares. With the consolidation of Pitkin accounts following PPC's acquisition of additional interest in Pitkin, making it a subsidiary, the Non-controlling Interests account increased to ₱4.107 billion in 2013 from ₱400.3 million in 2012 and ₱908.0 million in 2011.

Liquidity and Capital Resources

The Company's primary objectives are to fund existing operations and to maintain a healthy pipeline of exploration projects for possible expansion. Despite the risks inherent in the business associated with metal prices, foreign exchange rates and the changing economic and market conditions, the Company generated strong net cash flows from operating activities of ₱2.471 billion in 2013, ₱2.913 billion in 2012 and ₱6.641 billion in 2011. The cash generated in 2013 and 2012 were significantly affected by the lower metal production due to the suspension of Padcal operations from August 2, 2012 to March 7, 2013.

Other than internally generated funds, which remain as the Company's principal source of cash, the Company also raised funds from borrowings primarily to finance the capital expenditures of the Padcal mine, Silangan project and other exploration initiatives, as well as to refinance existing debt. The liquidity position of the Company is supported by credit facilities committed by various local banks and First Pacific Company Limited. The US$150 million loan facility with FP, which was renewed in March 2014, has an undrawn amount of US$70 million as of December 31, 2013 and at present.

Net cash used in investing activities, principally for capital expenditures and exploration costs, amounted to ₱4.452 billion from ₱3.931 billion in 2012 and ₱5.095 billion in 2011. Capital expenditures increased to ₱2.310 billion in 2013 from ₱2.105 billion in 2012 and ₱1.347 billion in 2011, which were attributed to the higher sustaining capital expenditure of Padcal mine amounting to ₱1.667 million as against ₱1.572 million in 2012 and ₱1.066 million in 2011. Expenditure for the continuing exploration activities at the Silangan, Kalayaan, and other projects amounted to ₱3.778 billion in 2013, a significant increase from ₱1.896 billion in 2012 and ₱2.076 billion in 2011.

The net cash used in investing activities also reflected the acquisition of additional interest in Pitkin for ₱1.433 billion in 2013 against P20.7 million in 2012 and additional investment mainly in Lepanto and Indophil for ₱1.716 billion in 2011. The additional investment in Pitkin of ₱1.433 billion was partially offset by the ₱803.4 million cash reflected upon consolidation of the Pitkin accounts in mid-2013. The proceeds from the sale of Pitkin's interest in VAMEX amounting to ₱2.100 billion was also reflected under net cash generated from investing activities.

Net cash provided by financing activities amounted to ₱4.386 billion in 2013 versus net cash used in financing activities of ₱1.253 billion in 2012, on account of higher cash dividend payments of ₱2.456 billion, and ₱1.400 billion in 2011, also from cash dividend payments of ₱1.633 billion. Net cash provided by financing activities were principally comprised of: 1) proceeds from the availment of short-term loans with FPC subsidiaries amounting to ₱3.270 billion, on top of the ₱1.100 billion loan in 2012 (of which ₱2.100 billion was repaid in 2013); and 2) proceeds from short-term loans with local banks of ₱2.220 billion, which were used to repay the ₱2.100 billion loans with FPC subsidiaries.

Capital Expenditures and Exploration Costs

	For the Year Ended December 31		
(P millions)	2013	2012	2011
Padcal and Others			
Mine Development	434	406	591
Tailings Pond Structures	791	522	-
Machinery & Equipment	442	644	475
	1,667	1,572	1,066
Silangan Project			
Deferred Exploration	2,939	926	458
Machinery & Equipment	408	237	136
	3,347	1,163	594
Mine Exploration Projects	681	1,152	1,392
Oil and Gas Exploration Projects	393	115	372
	6,088	4,001	3,424

The Company continued to invest in the future and in new technologies to expand capacities and improve efficiencies. Last year, capital expenditures accelerated to ₱6.104 billion from ₱3.999 billion in 2012 and ₱3.372 billion in 2011.

The Silangan Project cornered bulk or 55% of capital outlays last year at ₱3.347 billion – more than double that of 2012 at ₱1.163 billion and five times more than in 2011 at ₱594 million. Deferred exploration costs amounted to ₱2.939 billion in 2013 against ₱926 million and ₱458 million in 2012 and 2011, respectively. Investments in new machinery and equipment likewise continued to grow to ₱408 million from ₱237 million in 2012 and ₱136 million in 2011.

Padcal operations accounted for the second largest chunk of capital investments at ₱1.667 billion last year or 27% of the total. This increased from ₱1.572 billion in 2012 and ₱1.066 billion in 2011 due to the construction of new facilities, particularly the TSF3, which entailed ₱791 million and ₱522 million in investments over the last two years. Upgrade of equipment and machinery continued as well, with outlays amounting to ₱442 million in 2013, ₱644 million in 2012 and ₱475 million in 2011.

Investments in exploration projects, meanwhile, fell to ₱681 million in 2013 from ₱1.152 billion and ₱1.392 billion, respectively, the previous two years as a result of prioritization of and a more focused approach to new mine developments.

Top Five Key Financial and Non-Financial Performance Indicators

<u>Safety Performance</u>

The Company believes that operational excellence can only be achieved unless personnel health and safety remains an utmost priority. In 2013, the Company recorded 3 Lost Time Accident-Fatal (LTA-F) from 2 LTA-F in 2012. Meanwhile, there were 10 Lost Time Accident-Non Fatal (LTA-NF) recorded in 2013, an improvement from 13 LTA-NF incidents the previous year.

The Company is working towards achieving “zero-harm” record by constantly reviewing safety policies and procedures. Initiatives are also in place to ensure that injuries are avoided and accidents are eliminated in the workplace. Third-party consultants are also engaged to evaluate the Company’s existing safety performance and identify risks areas and possible areas for improvement.

Earnings Per Share

The earnings per share (EPS) represent the net income attributable to equity holders of the Company expressed in amount per share of the Company's average outstanding capital stock. Assuming a constant outstanding number of shares, the earnings per share correspondingly increases the Company's earnings increase. The EPS ultimately reflect the Company's financial and operational growth as a result of its performance in cost management, technical efficiency and productivity.

The basic earnings per share in 2013 were ₱0.069 based on 4,933,657,951 weighted average shares outstanding for the period. In 2012, the basic earnings per share were ₱0.042 based on the 4,932,216,253 weighted average shares outstanding for the period. In 2011, the basic earnings per share were ₱1.170, based on the 4,926,583,729 weighted average shares outstanding for the period.

Considering the effect of the Company's potentially dilutive stock options outstanding for the period, an assumed exercise of the options at exercise price higher than market would have resulted in additional common shares. In 2013, the outstanding stock options were considered anti-dilutive based on lower market price of the Company's shares compared to the exercise price, thus the diluted earnings per share in 2013 was the same as the basic earnings per share of the Company. In 2012, the diluted earnings per share was ₱0.042 based on the 4,938,632,314 weighted average shares adjusted for the effect of assumed exercises of stock options of 6,416,061 while in 2011,the diluted earnings per share was ₱1.169 based on the 4,932,287,397 weighted average shares adjusted also for the effect of assumed exercises of stock options of 5,703,668.

Tonnes Milled and Metal Produced

Tonnes milled and ore grade determine concentrates production and sales volume. Tonnes milled were 7,738,258 tonnes in 2013, compared to 5,537,423 tonnes in 2012 and 9,487,037 tonnes in 2011. The Company resumed its Padcal operations on a temporary basis on March 8, 2013 after the suspension of operations on August 2, 2012, thus the lower tonnes milled in 2013 and 2012, compared to the full year production in 2011 – the highest level achieved in over the past twenty five years of Padcal's operation.

Metal production also increased to 99,802 ounces gold and 32, 495,443 pounds copper in 2013, compared to 71,297 ounces gold and 22,306,172 pounds copper in 2012; and 140,113 ounces gold and 37,955,132 pounds copper in 2011.

Total Production Cost Per Tonne and Operating Cost Per Tonne of Ore Milled, and Per Ounce Gold and Per Pound Copper Produced

The Company's average cost per tonne is a key measure of the Company's operating performance. At the same cost level, the higher the production volume, the lower the cost per tonne becomes, which will also be similar if the same production volume incurs a lower operating cost. Thus, a lower cost per tonne would generally reflect an improvement in operating efficiency.

The same essentially applies to cost expressed in per metal unit, which incorporates the metal grade, as it affects metal production, and the exchange rate, as it affects the conversion from peso to dollars.

In 2013, the total production cost (mine site cost and expenses excluding marketing charges, excise tax and royalties) per tonne of ore milled was ₱714, with total production cost of ₱5.526 billion over ore milled of 7.7 million tonnes. This was 13% higher than the cost per tonne of ₱631 from the total production cost of ₱3.495 billion over ore milled of 5.5 million tonnes in 2012 and 28% above the cost per tonne of ₱560 from the total production cost of ₱5.312 billion over ore milled of 9.5 million tonnes in 2011.

The operating costs and expenses (all cost and expenses excluding corporate overhead) per tonne of ore milled in 2013 was ₱869 from the total operating cost and expenses of ₱6.721 billion, 10% higher than the ₱792 from the operating costs and expenses of ₱4.388 billion in 2012, and 18% more than the ₱735 from the operating costs and expenses of ₱6.977 billion in 2011. The total operating costs for 2013 and 2012 are significantly higher than 2011 due to the suspension of Padcal operations from August 2 in 2012 to March 7, 2013.

As the mine produces both gold and copper (and silver) together in one operating process, no physical basis can be used in allocating costs between the two metals, thus, the cost may be allocated proportionately based on the revenue contribution of each product. In 2013, the operating cost applicable to gold produced amounted to US$858 per ounce compared to US$820 per ounce in 2012 and US$696 per ounce in 2011; while operating cost applicable to copper produced amounted to US$2.16 per pound in 2013 compared to US$2.00 per pound in 2012 and US$1.68 per pound in 2011.

Exploration Activities

The Company is cognizant that exploration in itself is a speculative endeavor, and mineral exploration and mining operations can be hampered by force majeure and other unforeseen circumstances beyond the Company's control. To mitigate the impact of these external factors and other contingencies, the Company banks on its ability to successfully explore and/or acquire reserves, design and construct efficient processing facilities, operate and manage its projects, and provide financial controls and management. To ensure the optimization of value from its natural resource properties and the long-term sustainability of operations, the Company pursues and invests in viable exploration activities and operational enhancements on a constant basis.

In 2013, the amount spent on exploration related to mining properties amounted to ₱3.620 billion compared to ₱2.078 billion in 2012 and ₱1.850 billion in 2011, and exploration costs related to oil and gas properties amounted to ₱393 million, compared to ₱115 million in 2012 and ₱372 million in 2011. As of December 31, 2013, total exploration costs, including costs related to oil and gas exploration, amounted to ₱22.427 billion, 56% of the Company's Total Assets, compared to ₱14.632 billion in 2012 and ₱12.970 billion in 2011.

Subsidiaries and Related Party Transactions

Philex Mining Corporation (PMC) has extended loans and advances to some of its subsidiaries, as described below.

Loan Facility Agreement between PMC and Forum Philippine Holdings Limited ("FPHL")

On November 24, 2010, PMC, as lender, and FEP, as guarantor, entered into a loan facility agreement amounting to US$10 million with FPHL, a wholly-owned subsidiary of FEP. The facility agreement will be available for a three-year period and funds can be borrowed at an interest rate of US LIBOR + 4.5% for the drawn portion and a commitment fee of 1% per annum for the undrawn portion. The facility agreement will enable FPHL to fund its 70% share of a first sub-phase work program over Service Contract 72. Obligations arising from funds drawn under this facility agreement are not convertible into FEP's or FPHL's ordinary shares but are guaranteed by FEP for repayment to the Company. On May 25, 2012, the amount of the facility was increased to US$15 million with the full amount fully drawn by end 2013. The Long Facility Agreement was assigned to Philex Petroluem Corporation (PPC) on November 21, 2013 consequently assigning the outstanding loans of FPHL amounting to US$15 million from PMC to PPC and increasing the advances of PMC to PPC by the same amount.

Advances from PMC to SMMCI and SMECI

PMC, owning directly and indirectly 100% of SMMCI and SMECI, provides the funds to SMMCI, through SMECI up to 2011 and directly thereafter, for the Silangan projects expenditures since the Company's acquisition of Anglo American's interest in the Silangan

Project in 2009. As of December 31, 2013, the total advances by the Company to SMECI and SMMCI, including the balance acquired from Anglo American, amounted to ₱7.556 billion from ₱5.200 billion as of December 31, 2012 and ₱4.012 billion as of December 31, 2011. These advances are payable on demand and will be settled either through cash payments by SMMCI or conversion to equity of the Company.

Advances from PMC to PGPI

PMC advanced PGPI's working capital and capital expenditure requirements which as of December 31, 2013, 2012, and 2011 amounted to ₱1.292 billion, ₱1.596 billion and ₱1.088 billion, respectively. A portion of these advances are secured by collateral participation certificates covering certain mining assets of PGPI's Bulawan mine, which is currently under care and maintenance.

Advances from PMC to PPC

PMC made cash advances to PPC for its additional working capital requirements, and for the acquisition of equity in FEP, PERC and Pitkin. These advances are unguaranteed and payable on demand through cash. As of December 31, 2013, 2012, and 2011, advances from Philex amounted to ₱2.579 billion, ₱621.0 million and ₱646.4 million, respectively.

Advances from PMC to BEMC

PMC provided cash advances to BEMC for the funding of its exploration and development activities of its coal company in Zamboanga, Sibugay. These advances are payable on demand through cash. As of December 31, 2013, 2012, and 2011, total advances amounted to ₱799.7 million, ₱400 million and ₱185.2 million, respectively. With the declaration of cessation of BEMC underground mining operations of its coal mine in Zamboanga Sibugay in September 1, 2013, PMC recognized an allowance for impairment if advances to BEMC amounting to ₱799.7 million in 2013.

Advances from PMC to FEC

PMC extended a loan of US$273,000 in 2009 to FEC for its working capital requirements. The loan was unsecured, due and demandable, and subject to interest at LIBOR + 3% per annum. FEC settled the loan amount including accrued interests on the loan in December 2012.

Agreements with Anglo

Philex was reimbursed by Anglo American for expenses incurred by Philex on behalf of Northern Luzon Exploration & Mining Co. Inc. ("**NLEMCI**"), which amounted to ₱1.2 million in 2013, ₱921 thousand in 2012, and ₱1.2 million in 2011. As of December 31, 2013, 2012, and 2011, the Company's receivables from these transactions amounted to ₱1.3 million, ₱431 thousand and ₱281 thousand, respectively.

On December 7, 2011, the Company entered into an agreement with Anglo where the Company agreed to buy and Anglo agreed to sell all its rights, interests and obligations in Minphil Exploration Company, Inc. ("**Minphil**"), the parent company of NLEMCI, for US$25,000. In addition, Anglo agreed with the Company that all of Anglo's rights, interests and title in and to its receivable to Minphil will be assigned to the Company for a consideration amounting to US$175,000. The purchase of share and assignment of receivable will, however, become effective and legally enforceable only upon fulfillment of the closing obligations under the agreement. As of December 31, 2013, the closing obligations have not yet been fulfilled, rendered the termination of the agreement.

Advances of PMC to PGHI
PMC provided advances to PGHI, a 100%-owned subsidiary of PMC, amounting to ₱1.902 billion, ₱1.652 billion and ₱1.651 billion, as of end 2013, 2012 and 2011, respectively. No additional advances for 2013.

Funding Commitment of FPC to PMC

In a letter issued by FPC in October 2012, it committed to provide funding of up to US$200 million to the Company for capital expenditures of the Padcal mine and Silangan Project as well as for the Company's working capital requirements.

As part of such commitment, a loan amounting to ₱2.1 billion was granted by Kirtman Limited, a wholly-owned subsidiary of FPC to the Company in November 2012 under a Term Loan Facility Agreement. The loan is unsecured, repayable within a year and subject to an interest rate of 5%. A commitment fee of 1% per annum is also due for the undrawn amount.

As of December 31, 2012, ₱1.1 billion has been drawn from the facility and the balance of ₱1.0 billion was drawn in January 2013. In November 2013, the full loan amount of ₱2.1 billion was fully paid from proceeds of loans availed by PMC from local banks.

On March 12, 2013, loan agreements covering the balance of US$150 million with Kirtman Limited for US$25 million, Maxella Limited for US$25 million and Asia Link B.V. for US$100 million (all FPC subsidiaries) were executed by the parties, for a term of one year and subject to the interest rate of 5%. As of December 31, 2013, US$15 million has been drawn from the Kirtman Limited loan, US$15 million from the Maxella Limited loan and $50 million from the Asia Link B.V. loan. In March 2014 this facility was extended and in April 2014 new loan agreements were executed.

Note 23 of the Notes to the Company's 2013 Consolidated Financial Statements on Related Party is incorporated hereto by reference.

Furthermore, Note 2 of the Notes to the Consolidated Financial Statements is likewise incorporated hereto by reference for discussions on the new and revised accounting standards that the Company adopted in 2013.

Known Trends, Events, or Uncertainties

There is no known event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation that have not been booked, although the Company could be contingently liable for lawsuits and claims arising from the ordinary course of business, which contingencies are not presently determinable.

Other than as discussed above, there are no known significant trends, demands, commitments, or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in a material way. There are no material commitments for capital expenditures not reflected in the Company's financial statements.

There is likewise no significant seasonality or cyclicality in its business operation that would have material effect on the Company's financial condition or results of operation. There were no other significant elements of income or loss that did not arise from the Company's continuing operations. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period. There are no line items in the Company's financial statements not already explained for causes either above or in the Notes to the Consolidated Financial Statements other than due to the usual period-to-period fluctuations in amounts natural in every business operations.

Item 7. Financial Statements

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

Item 8. Information on Independent Accountants and other Related Matters

External Audit Fees and Services

Audit and Audit-Related Fees

For 2013, 2012 and 2011, the Company's external auditors were engaged primarily to express an opinion on the financial statements of the Company and its subsidiaries. The audit, however, included the auditors providing assistance to the Company in the preparation of its income tax return in as far as ensuring the agreement of the reported income and costs and expenses in the return with the recorded amounts in the books. The procedures conducted for this engagement included those that are necessary under auditing standards generally accepted in the Philippines but did not include detailed verification of the accuracy and completeness of the reported income and costs and expenses. The audit fees for these services for the entire Philex group were P6.05 million for 2013, P9.66 million for 2012 and P8.86 million for 2011.

Tax Fees

In 2011, the Company engaged the external auditors' tax group to assist the Company handle the Bureau of Internal Revenue's tax assessment on the Company's income tax return for the taxable year 2007. The tax fees for these engagements was P950 thousand in 2011.

All Other Fees

The external auditors were engaged to review the Company's interim financial statements in relation to the Company's planned stock right offering in 2013 which engagement included the issuance of a comfort letter on the Company's financial statements as a requirement of the underwriter. Though the SRO was not pushed through, the external auditors were paid the amount of P14.5 million for their services.

Also in 2013, the external auditors were engaged to render services on customs compliance review of the Company's importations for the period June 2010 to June 2013 for a fee of P400 thousand. In 2012 and 2011, the external auditors rendered financial and tax due diligence services to the Company relative to certain acquisitions prospects for fees amounting to P7.8 million and P4.6 million, respectively.

All audit and non-audit engagements are approved by the Company's Audit Committee.

Audit Committee's Approval of Policies and Procedures

Prior to the commencement of this year-end audit work, the external auditors present their program and schedule to the Company's Board Audit Committee, which include discussion of issues and concerns regarding the audit work to be done. At the completion of this audit works, the Company's audited financial statements for the year are likewise presented by the external auditors to the Audit Committee for committee approval and endorsement to the full Board for final approval. On quarterly basis, the external auditors also prepare a report on their review of the Company's quarterly financial reports based on agreed upon audit procedures with the Audit Committee before the reports are filed with the SEC.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

There was no change in the Company's independent accountants during the two most recent calendar years or in any subsequent interim period, except for the change in the Company's audit engagement partner to Mr. Jose Pepito E. Zabat III starting the 2012 year-end audit.

There has been no disagreement with the independent accountants on accounting and financial disclosure.

PART III

CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

Directors

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

MANUEL V. PANGILINAN - 67, Filipino citizen. Mr. Pangilinan has been Chairman of the Board since June 24, 2009, and was Chief Executive Officer from December 7, 2009 to April 3, 2013. He has been a Director of the Company and Philex Gold Philippines, Inc. (PGPI) since November 2008, and was re-elected on June 26, 2013. He is also Managing Director and Chief Executive Officer of First Pacific, and Chairman of the Philippine Long Distance Telephone Company (PLDT) since 2004, after serving as its President and Chief Executive Officer since 1998. He is also Chairman of Smart Communications, Inc., PLDT Communications and Energy Ventures, Inc. (Digitel), Metro Pacific Investments Corporation, Landco Pacific Corporation, Medical Doctors Inc. (Makati Medical Center), Colinas Verdes Corporation (Cardinal Santos Medical Center), Asian Hospital, Inc., Davao Doctors, Inc., Riverside Medical Center Inc., Our Lady of Lourdes Hospital, Central Luzon Doctors' Hospital, Inc., Maynilad Water Services Corporation, Mediaquest, Inc., Associated Broadcasting Corporation (TV5), Manila North Tollways Corporation and Philex Petroleum Corporation. Mr. Pangilinan is also Chairman of the Manila Electric Company (MERALCO), after serving as its President and Chief Executive Officer from July 2010 to May 2012. In December 2013, Roxas Holdings, Incorporated, the largest sugar producer in the Philippines, announced the election of Mr Pangilinan as Vice Chairman of its Board of Directors.

JUAN B. SANTOS - 75, Filipino citizen. Mr. Santos has been a member of the Company's Board of Directors since September 28, 2010, and currently serves as its Vice Chairman. He was most recently re-elected as Director on June 26, 2013. He is currently Chairman of the SSS and a Director of the Philippine Long Distance Telephone Company, First Philippine Holdings Corporation, Zuellig Group, Inc., Sun Life Grepa Financial, Inc. and Alaska Milk Corporation. He also sits on the Board of Advisors of Coca-Cola Bottlers Phils., Inc., and East-West Seeds Co., Inc., and serves as Trustee of the St. Luke's Medical Center and Chairman of the Ramon Magsaysay Award Foundation, and Consultant of the Marsman-Drysdale Group of Companies. Mr. Santos was Chairman, President and Chief Executive Officer of Nestle Philippines, Inc. from 1987 to 2003, and Secretary of the Department of Trade and Industry in 2005.

EULALIO B. AUSTIN, JR. – 52, Filipino citizen. Mr. Austin has been a Director of the Company and PGPI since June 29, 2011 and was re-elected on June 26, 2013. He became President and Chief Operating Officer on January 1, 2012 and President and Chief Executive Officer of the Company on April 3, 2013. He previously served the Company as its Senior Vice President for Operations and Padcal Resident Manager in 2011, Vice President & Resident Manager for Padcal Operations from 2004 to 2010, Mine Division Manager (Padcal) from 1999 to 2003, Engineering Group Manager in 1998 and Mine Engineering & Draw

Control Department Manager from 1996 to 1998. Mr. Austin concurrently serves as Director of Philex Petroleum Corporation and President and Director of Silangan Mindanao Mining Co., Inc. He likewise sits on the Board of Directors of the Philippine Society of Mining Engineers ("PSEM"), and was Founding President of PSEM's Philex Chapter. He took his Management Development Program at the Asian Institute of Management and his Advance Management Program at Harvard Business School.

ELIZA BETTINA R. ANTONINO - 36, Filipino citizen. Ms. Antonino has been a Director of the Company and PGPI since April 27, 2011 and re-elected on June 26, 2013. She is currently a Commissioner of the SSS, where she is Chairperson of its IT Committee and a Member of its Committee on Coverage, Collection and Other Related Matters, Governance and Remunerations Committee and a Resource Person in the Audit Committee. She was also Vice President for Business Development of WEMILCO Management and Development Company

MARILYN A. VICTORIO-AQUINO – 58, Filipino citizen. Ms. Aquino has been a Director of the Company and PGPI since December 7, 2009 and was re-elected on June 26, 2013. She is an Assistant Director of First Pacific Co. Ltd. Since July 2012, following her 32-year law practice at SyCip Salazar Hernandez and Gatmaitan Law Offices, where she was Partner from 1989 to 2012. She is also a Director of Philex Petroleum Corporation since April 2013, Silangan Mindanao Mining Co., Inc., Lepanto Consolidated Mining Company since October 2012, Maynilad Water Services Corporation since December 2012 and a Non-Executive Director of Pitkin Petroleum Plc. since March 2013. Ms. Aquino graduated cum laude (class salutatorian) from the University of the Philippines, College of Law in 1980 and placed second in the Philippine Bar Examinations.

OSCAR J. HILADO – 76, Filipino citizen. Mr. Hilado has been an Independent Director of the Company since December 7, 2009, and was last re-elected on June 26, 2013. He is currently the Chairman of the Board of Directors of Philippine Investment Management (Phinma), Inc., Phinma Corp., Holcim Philippines, Inc., Trans Asia Oil and Energy Development Corporation, Phinma Property Holdings Corporation and Union Galvasteel Corporation, and Vice Chairman of Trans Asia Power Generation Corporation. Mr. Hilado is also a Director of A. Soriano Corporation, First Philippine Holdings Corporation, United Pulp and Paper Company, Inc., Beacon Property Ventures, Inc., Manila Cordage Company, Pueblo de Oro Development Corporation, Seven Seas Resorts and Leisure, Inc., Asian Eye Institute, Araullo University, Cagayan de Oro College, University of Iloilo, University of Pangasinan, Microtel Inns & Suites (Pilipinas) Inc., and Trans Asia Renewable Energy Corporation.

BIENVENIDO E. LAGUESMA. 63, Filipino citizen. Mr. Laguesma was elected to the Board of Directors of the Company and PGPI on February 27, 2013, and re-elected on June 26, 2013. He is presently a Commissioner of the SSS and has held such position since March 2011. Mr. Laguesma was Secretary of the DOLE from 1998-2001, Presidential Assistant (Office of the President of the Republic of the Philippines) from 1996 to 1998, and DOLE Undersecretary from 1990 to 1996, after holding various other positions in the Government since 1976. He is a Director of the First Metro Investment Corporation and Chairman of the Charter Ping An Insurance Corporation of the Metrobank Group. He is also Senior Partner of the Laguesma Magsalin Consulta and Gastardo Law Offices.

BARBARA ANNE C. MIGALLOS. – 59, Filipino citizen. Ms. Migallos was elected to the Board of Directors of the Company and PGPI on June 26, 2013. She is also the Company's Corporate Secretary since July 1998. Ms. Migallos is also Director and Corporate Secretary of Philex Petroleum Corporation~~,~~ and Corporate Secretary of Silangan Mindanao Mining Co., Inc. She is the Managing Partner of the Migallos & Luna Law Offices. Ms. Migallos is also a Director of Mabuhay Vinyl Corporation since 2000 Philippine Resins Industries since 2001, and Corporate Secretary of Eastern Telecommunications Philippines, Inc. since 2005, and Nickel Asia Corporation since 2010. She is a professorial lecturer in Insurance, Securities Regulation and Credit Transactions at the De La Salle University College of Law.

ROBERT C. NICHOLSON - 58, British citizen. Mr. Nicholson has been a Director of the Company and PGPI since November 28, 2008, and was re-elected on June 26, 2013. He is Executive Director of First Pacific, Executive Chairman of Forum Energy Plc, and Commissioner of PT Indofood Sukses Makmur Tbk. He is also a Director of Metro Pacific Investments Corporation, Philex Petroleum Corporation and Silangan Mindanao Mining Co, Inc., Executive Director of Pitkin Petroleum Plc, and Independent Non-Executive Director of Pacific Basin Shipping Limited and Lifestyle Properties Development Limited. A qualified solicitor in England and Wales and in Hong Kong, Mr. Nicholson was Senior Partner of Reed Smith Richards Butler from 1985 to 2001, and Senior Advisor to The Board of Directors of PCCW Limited from 2001 to 2003.

WILFREDO A. PARAS - 67, Filipino citizen. Mr. Paras was elected as an Independent Director of the Company on June 29, 2011 and was re-elected on June 26, 2013. He is currently Independent Director of GT Capital Holdings, Inc. since May 2013, President of WAP Holdings, Inc., and a Director of Granexport Manufacturing Corporation, Iligan Oil Mills Inc. and Cagayan de Oro Oil Mills Inc., all under the CIIF Oil Mills Group of Companies. He is also a member of the Board of Trustees of Dualtech Training Center. Mr. Paras was previously the Executive Vice-President, Chief Operating Officer and Director of JG Summit Petrochemical Corporation, President and Director of PT Union Carbide Indonesia, Managing Director of Union Carbide Singapore, and Business Director for Union Carbide Asia Pacific.

EDWARD A. TORTORICI – 74, American citizen. Mr. Tortorici has been a Director of the Company and PGPI since December 7, 2009 and was re-elected on June 26, 2013. He is an Executive Director of First Pacific, and Commissioner of PT Indofood SuksesMakmurTbk. He also serves as Director of Metro Pacific Investments Corporation, Silangan Mindanao Mining Co., Inc., and AIM-listed Forum Energy Plc. Mr. Tortorici also serves as Trustee of the Asia Society Philippines, Director of Jeti Investments, LLC and FPM Power Ltd., and Adviser for Ideaspace Foundation, Inc. Mr. Tortorici is also on the Board of Advisors of the Southeast Asia Division of the Center for Strategic and International Studies, a Washington D. C. non-partisan think tank, and previously served as Commissioner of the U.S. ASEAN Strategy Commission.

Executive Officers

The following persons are the present executive officers of the Company:

EULALIO B. AUSTIN, JR. – 52, Filipino citizen. Mr. Austin has been a Director of the Company and PGPI since June 29, 2011 and was re-elected on June 26, 2013. He became President and Chief Operating Officer on January 1, 2012 and President and Chief Executive Officer of the Company on April 3, 2013. He previously served the Company as its Senior Vice President for Operations and Padcal Resident Manager in 2011, Vice President & Resident Manager for Padcal Operations from 2004 to 2010, Mine Division Manager (Padcal) from 1999 to 2003, Engineering Group Manager in 1998 and Mine Engineering & Draw Control Department Manager from 1996 to 1998. Mr. Austin concurrently serves as Director of Philex Petroleum Corporation and President and Director of Silangan Mindanao Mining Co., Inc. He likewise sits on the Board of Directors of the Philippine Society of Mining Engineers ("PSEM"), and was Founding President of PSEM's Philex Chapter. He took his Management Development Program at the Asian Institute of Management and his Advance Management Program at Harvard Business School.

BARBARA ANNE C. MIGALLOS – 59, Filipino citizen. Ms. Migallos was elected to the Board of Directors of the Company and PGPI on June 26, 2013. She is also the Company's Corporate Secretary since July 1998. Ms. Migallos is also Director and Corporate Secretary of Philex Petroleum Corporation and Brixton Energy & Mining Corporation, and Corporate Secretary of Silangan Mindanao Mining Co., Inc. and Lascogon Mining Corporation. She is the Managing Partner of the Migallos & Luna Law Offices. Ms. Migallos has also been a Director of Mabuhay Vinyl Corporation since 2000 and the Philippine Resins Industries since 2001, and Corporate Secretary of Eastern Telecommunications Philippines, Inc. since 2005 and Nickel Asia Corporation since 2010. She is also a professorial lecturer in insurance law and securities regulation law at the De La Salle University College of Law.

DANNY Y. YU. – 52, Filipino citizen. Mr. Yu was appointed Senior Vice President for Finance and Chief Financial Officer ("**CFO**") on September 2, 2013. He is also the Company's Compliance Officer. Prior to joining the Company, Mr. Yu was CFO of Digitel Communications, Inc. (subsidiary of PLDT) and of Digitel Mobile Philippines, Inc. (Sun Cellular) since November 2011. He was also Group CFO of ePLDT, Inc. and subsidiaries (November 2010 to December 2011); CFO of PLDT Global Corporation (June 2004 to November 2010) and of Mabuhay Satellite Corporation (March 1999 to May 2004). Mr. Yu was also Vice President-Corporate Development of Fort Bonifacio Development Corporation (March 1997 to March 1999).

MANUEL A. AGCAOILI – 57, Filipino citizen. Mr. Agcaoili has recently joined the Company as Senior Vice President and Padcal Resident Manager effective January 15, 2014. He was previously with MBMI Resources, Inc. (Vancouver, Canada) as Director and President from 2004 to 2014 and Senior Philippine Representative, Narra Nickel Mining and Development Corporation, Tesoro Mining And Development Corporation, and McArthur Mining, Inc. as Director and President from 2006 to 2008, and Lafayette Philippines, Inc. as Director also from 2006 to 2008. He was also previously connected with the Philippine Associated Smelting and Refining Corporation.

BENJAMIN DEODATO R. GARCIA – 52, Filipino citizen. Mr. Garcia has been Senior Vice President for Human Resource since November 2010. He was previously with Mead Johnson Nutrition as its Human Resource Director for Asia Pacific from 2000 to 2010, Regional Human Resource Director for North Asia, Philippines, Malaysia, Singapore in 1999 and Human Resource and Corporate Affairs Director for the Philippines from 1996 to 1999.

MICHAEL T. TOLEDO – 53, Filipino citizen. Mr. Toledo has been Senior Vice President for Corporate Affairs since February 15, 2012. He also heads the Media Bureau of the MVP group of companies. Before joining the Company, he was President and Chief Executive Officer of the Weber Shandwick Manila office since 2006, and was Director and/or Legal and Financial Consultant for various government owned and controlled corporations. Mr. Toledo was also Press Secretary and Presidential Spokesperson for former President Joseph Ejercito Estrada.

REDEMPTA P. BALUDA – 59, Filipino citizen. Ms. Baluda has been Vice President for Exploration since January 2, 2009. She was formerly Assistant Vice President for Exploration from 2007 to 2009, Division Manager for Environment and Community Relations and Geology for Padcal Operations from 1998 to 2007 and Department Manager for Geology from 1996 to 1998.

VICTOR A. FRANCISCO – 49, Filipino citizen. Mr. Francisco has been Vice President for Environment and Community Relations since January 2, 2009. He was previously Group Manager for Corporate Environment and Community Relations in 2007, Department Manager – Corporate Environment and Community Relations in 1999 and Assistant Manager – Corporate Environmental Affairs in 1997.

RAYMUND BRETT C. MEDEL – 49, Filipino citizen. Mr. Medel joined the Company as Vice President and Chief Information Officer on May 17, 2012. Before joining the Company, Mr. Medel was Vice President and Chief Information Officer of PNB Life Insurance from 2010 to 2012, Vice President for Information Systems of Prulife U.K., Philippines from 2002 to 2010, and Senior Consulting Manager for C&T Solutions, Singapore from 2001 to 2002

ENRIQUE C. RODRIGUEZ, JR. – 54, Filipino citizen. Atty. Rodriguez has been Vice President for Legal since January 2, 2009. He was previously Assistant Vice President – Legal from 2007 to 2008. Before joining the Company, he was Corporate Legal Counsel and Assistant Vice President of SunRise Holiday Concepts, Specified Holdings and Management Inc. and Specified Construction and Development Inc. from 2000 to 2006; and Corporate Legal Counsel and Senior Manager of Splash Holdings, Inc./Splash Manufacturing Corporation, Hoseki Manufacturing Corporation and HBC, Inc. from 1996 to 2000.

LIBBY R. RICAFORT – 60, Filipino citizen. Mr. Ricafort has been Vice President for Padcal Operations and Resident Manager since January 1, 2012. He was previously Padcal Assistant Resident Manager and Mill Division Manager in 2011, Padcal Mill Division Manager from 1999 to 2011, and Mill Division Manager of the Bulawan mine under PGPI from 1995 to 1999. Before joining the Company, Mr. Ricafort was Metallurgical Engineer of Atlas Consolidated Mining & Development Corporation's copper operations in Cebu and gold operations in Masbate.

While all employees are expected to make a significant contribution to the Company, there is no one particular employee, not an executive officer, expected to make a significant contribution to the business of the Company on his own.

The Company is not aware of any adverse events or legal proceedings during the past five (5) years that are material to the evaluation of the ability or integrity of its directors or executive officers. Note 31 of the Notes to the Consolidated Financial Statements of the Exhibits in Part V, Item 14 is also hereto incorporated by reference.

There are no family relationships up to the fourth civil degree of consanguinity among any of the directors and executive officers.

No director has resigned or declined to stand for re-election because of disagreement with the Company on any matter relating to the Company's operations, policies or practices.

Item 10. Executive Compensation

Directors are paid per diem of P8,000 per board meeting or committee participation attended.

There are no arrangements for additional compensation of directors other than that provided in the Company's by-laws which provides compensation to the directors, at the Board's discretion to determine and apportion as it may deem proper, an amount up to one and a half (1 ½ %) percent of the Company's net income before tax of the preceding year. Payments made in 2012 and 2011 amounted to P122.4 million and P68.1 million, respectively. No payment made in 2013.

There is no executive officer with contracts or with compensatory plan or arrangement having terms or compensation significantly dissimilar to the regular compensation package, or separation benefits under the Company's group retirement plan, for the managerial employees of the Company.

On June 23, 2006, the Company's stockholders approved the stock option plan of the Company which was thereafter duly approved by the Securities and Exchange Commission on March 8, 2007. Note 24 of the Notes to Consolidated Financial Statements of the Exhibits in Part V, Item 14 on the Company's Stock Option Plan.

On June 29, 2011, the Company's stockholders approved a new stock option plan covering up to 246,334,118 shares equivalent to 5% of the Company's outstanding shares of 4,926,682,368 as of June 29, 2011. This plan was approved by the SEC on February 22, 2013, which approval was received by the Company on March 5, 2013.

The following table shows the compensation of the directors and officers for the past three years and estimated to be paid in the ensuing year. Starting 2008, stock option exercises of the Company's non-management directors, consisting of the difference between the market and exercise prices at the time of option exercise, are considered as director's fee for purposes of the table.

SUMMARY OF COMPENSATION TABLE
(In Thousands)

DIRECTORS

Year	Directors' Fee
2014 (Estimated)	P 17,214
2013	P 33,833
2012	P 121,256
2011	P 70,892

CEO AND FOUR MOST HIGHLY COMPENSATED OFFICERS

Year	Salary	Bonus/Others
2014 (Estimated)	P 62,341	P 5,195
2013	P 45,544	P 24,539
2012	P 36,040	P 38,786
2011	P 32,918	P 38,214

The aggregate amount of compensation paid in 2013, 2012 and 2011 and estimated amount expected to be paid in 2014 as presented in the above table are for the following executive officers:

2014 - Eulalio B. Austin, Jr. (CEO), Danny Y. Yu, Manuel A. Agcaoili, Michael T. Toledo and Benjamin R. Garcia

2013 - Eulalio B. Austin, Jr. (CEO), Michael T. Toledo, Benjamin R. Garcia, Redempta P. Baluda and Renato N. Migriño

2012 - Manuel V. Pangilinan (CEO), Eulalio B. Austin, Jr., Renato N. Migriño, Benjamin R. Garcia and Michael T. Toledo

2011 - Manuel V. Pangilinan (CEO), Jose Ernesto C. Villaluna, Jr., Eulalio B. Austin, Jr., Renato N. Migriño and Benjamin R. Garcia

	Total Officers'	
Year	Salary	Bonus/Others
2014 (Estimated)	P 82,276	P 6,856
2013	P 65,421	P 35,100
2012	P 64,882	P 86,416
2011	P 55,565	P 52,554

ALL DIRECTORS & OFFICERS AS A GROUP

Year	Total Amount
2014 (Estimated)	P 106,346
2013	P 134,354
2012	P 272,554
2011	P 179,011

Item 11. Security Ownership of Certain Beneficial Owners and Management

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

The list of registered stockholders owning five (5%) percent or more of the Company's stock as of December 31, 2013 follows:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Amount of Ownership	%
Common	Asia Link B.V. *Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands* *Stockholder*	First Pacific Company Limited See Note 1 below.	Dutch	1,023,275,990	20.73
Common	Social Security System *East Avenue, Quezon City* *Stockholder*	Social Security System, See Note 2 below.	Filipino	1,012,011,428	20.50
Common	PCD Nominee Corp. *G/F MSE Building, 6767 Ayala Ave., Makati City.* *Stockholder*	See Note 3 below.	Filipino	984,744,875	19.95
Common	Two Rivers Pacific Holdings Corp. *10/F MGO Building, Legazpi corner de la Rosa Streets, Legazpi Village, Makati City* *Stockholder*	Two Rivers Pacific Holdings Corp. See Note 4 below.	Filipino	738,871,510	14.97

[1] Asia Link B.V., a wholly-owned subsidiary of First Pacific Company Limited (First Pacific), is the registered owner of 1,023,275,990 shares. In its SEC Form 23-A dated December 3, 2009, First Pacific disclosed that it beneficially owns 1,542,589,352 shares inclusive of the shares held by Asia Link B.V. First Pacific is represented by Messrs. Manuel V. Pangilinan, Robert C. Nicholson and Edward A. Tortorici on the Company's Board of Directors.

[2] The total shares held by the Social Security System (SSS) presented above is inclusive of 150,566,499 shares lodged with the PCD Nominee Corporation as the record owner as of December 31, 2013. Messrs. Juan B. Santos and Bienvenido E. Laguesma, and Ms. Eliza R. Antonino currently represent the SSS in the Company as members of the Board of Directors.

[3] PCD Nominee Corporation (PCD), the nominee of the Philippine Depository & Trust Corp., is the registered owner of the shares in the books of the Company's transfer agent. The beneficial owners of such shares are PCD's participants who hold the shares on their own behalf or in behalf of their clients. The 984,744,875 shares shown above as of December 31, 2013 are exclusive of the 150,566,499 shares owned by SSS which shares were included as part of the total holdings of SSS as indicated above. PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to

implement an automated book-entry system of handling securities transaction in the Philippines. Other than SSS whose shares under the PCD which were excluded and presented separately in the table above, there are no participants under the PCD account owning more than 5% of the voting securities of the Company.

[4] Two Rivers Pacific Holdings Corporation is represented by Ms. Marilyn A. Victorio-Aquino and Mr. Eulalio B. Austin Jr. on the Company's Board of Directors.

[5] The foregoing record owners have no relationship with the Company other than being stockholders.

Security Ownership of Management

The beneficial ownership of the Company's directors and executive officers as of December 31, 2013 follows:

Title of Class	Name of Beneficial Owner	Nature of Ownership	Number of Shares	Citizenship	%
Common	Manuel V. Pangilinan	Direct	4,655,000	Filipino	0.094%
Common	Juan B. Santos	Direct	1	Filipino	0.000%
Common	Eulalio B. Austin, Jr.	Direct	1,360,937	Filipino	0.028%
Common	Barbara Anne C. Migallos	Direct	203,875	Filipino	0.004%
Common	Eliza R. Antonino	Direct	1	Filipino	0.000%
Common	Marilyn A. Victorio-Aquino	Direct	500,100	Filipino	0.010%
Common	Oscar J. Hilado	Direct	173	Filipino	0.000%
Common	Bienvenido E. Laguesma	Direct	1	Filipino	0.000%
Common	Robert C. Nicholson	Direct	1,250	British	0.000%
Common	Wilfredo A. Paras	Direct	1	Filipino	0.000%
Common	Edward A. Tortorici	Direct	3,285,100	American	0.067%
Common	Danny Y. Yu	Direct	40,000	Filipino	0.001%
Common	Benjamin Deodato R. Garcia	Direct	149,500	Filipino	0.003%
	Michael T. Toledo		0	Filipino	0.000%
Common	Redempta P. Baluda	Direct	20	Filipino	0.000%
Common	Victor A. Francisco	Direct	155,000	Filipino	0.003%
	Raymund Brett C. Medel		0	Filipino	0.000%
Common	Libby R. Ricafort	Direct	416,800	Filipino	0.008%
Common	Enrique C. Rodriguez, Jr.	Direct	615,000	Filipino	0.012%
Directors and Officers as a Group			11,382,759		0.2306%

The above directors and executive officers have no indirectly owned shares and held the same number of shares as of December 31, 2012 as presented in the table except for Ms. Marilyn A. Victorio-Aquino whose ownership increased by 500,000 shares from 100 shares in 2012 and the addition of Mr. Danny Y. Yu's 40,000 shares following his appointment as SVP for Finance of the Company in September 2013.

Voting Trust/Changes in Control

There is no voting trust holder of 5% or more of the Company's stock. There are no arrangements which may result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

The Company's significant related party transactions as of December 31, 2013, 2012 and 2011, which are under terms that are no less favorable than those arranged with third parties, and account balances are as follows:

a. On November 24, 2010, PMC, as lender, and FEP, as guarantor, entered into a loan facility agreement amounting to US$10 million with FPHL, a wholly-owned subsidiary of FEP. The facility agreement will be available for a three-year period and funds can be borrowed at an interest rate of US LIBOR + 4.5% for the drawn portion and a commitment fee of 1% per annum for the undrawn portion. The facility agreement will enable FPHL to fund its 70% share of a first sub-phase work program over Service Contract 72. Obligations arising from funds drawn under this facility agreement are not convertible into FEP's or FPHL's ordinary shares but are guaranteed by FEP for repayment to the Company. On May 25, 2012, the amount of the facility was increased to US$15 million with the full amount fully drawn by end 2013. The Long Facility Agreement was assigned to Philex Petroluem Corporation (PPC) on November 21, 2013, consequently assigning the outstanding loans of FPHL amounting to US$15 million from PMC to PPC and increasing the advances of PMC to PPC by the same amount.

b. PMC, owning directly and indirectly 100% of both SMMCI and SMECI, provides the funds to SMMCI, through SMECI up to 2011 and directly thereafter, for the Silangan projects expenditures since the Company's acquisition of Anglo American's interest in the Silangan Project in 2009. As of December 31, 2013, the total advances by the Company to SMECI and SMMCI, including the balance acquired from Anglo American, amounted to P7.556 billion from P5.200 billion as of December 31, 2012. and P4.012 billion as of December 31, 2011. These advances are payable on demand and will be settled either through cash payments by SMMCI or conversion to equity of the Company.

c. PMC advanced PGPI's working capital and capital expenditure requirements which as of December 31, 2013, 2012 and 2011 amounted to P1.292 billion, P1.596 billion and P1.088 billion, respectively. A portion of these advances are secured by collateral participation certificates covering certain mining assets of PGPI's Bulawan mine, which is currently under care and maintenance.

d. PMC made cash advances to PPC for its additional working capital requirements, and for the acquisition of equity in FEP, PERC and Pitkin. These advances are unguaranteed and payable on demand through cash. As of December 31, 2013, 2012, and 2011, advances from Philex amounted to P2.579 billion, P621.0 million and P646.4 million, respectively.

e. PMC provided cash advances to BEMC for the funding of its exploration and development activities of its coal company in Zamboanga, Sibugay. These advances are payable on demand through cash. As of December 31, 2013, 2012, and 2011, total advances amounted to P799.7 million, P400 million and P185.2 million, respectively. With the declaration of cessation of BEMC underground mining operations of its coal mine in Zamboanga Sibugayin September 1, 2013, PMC recognized an allowance for impairment if advances to BEMC amounting to P799.7 million in 2013.

f. PMC extended a loan of US$273,000 in 2009 to FEC for its working capital requirements. The loan was unsecured, due and demandable, and subject to interest at LIBOR + 3% per annum. FEC settled the loan amount including accrued interests on the loan in December 2012.

g. Philex was reimbursed by Anglo American for expenses incurred by Philex on behalf of Northern Luzon Exploration & Mining Co. Inc. ("NLEMCI"), which amounted to P1.2 million in 2013, P921 thousand in 2012, and P1.2 million in 2011. As of December 31, 2013, 2012, and 2011, the Company's receivables from these transactions amounted to P1.3 million, P431 thousand and P281 thousand, respectively.

   On December 7, 2011, the Company entered into an agreement with Anglo where the Company agreed to buy and Anglo agreed to sell all its rights, interests and obligations in Minphil Exploration Company, Inc. ("Minphil"), the parent company of NLEMCI, for US$25,000. In addition, Anglo agreed with the Company that all of Anglo's rights, interests and title in and to its receivable to Minphil will be assigned to the Company for a consideration amounting to US$175,000. The purchase of share and assignment of receivable will, however, become effective and legally enforceable only upon fulfillment of the closing obligations under the agreement. As of December 31, 2013, the closing obligations have not yet been fulfilled which rendered the agreement terminated.

h. PMC provided advances to PGHI, a 100%-owned subsidiary of PMC, amounting to P1.902 billion, P1.652 billion and P1.651 billion, as of end 2013, 2012 and 2011, respectively. No additional advances for 2013.

i. In a letter issued by FPC in October 2012, it committed to provide funding of up to US$200 million to the Company for capital expenditures of the Padcal mine and Silangan Project as well as for the Company's working capital requirements.

j. As part of such commitment, a loan amounting to P2.1 billion was granted by Kirtman Limited, a wholly-owned subsidiary of First Pacific, to the Company in November 2012 under a Term Loan Facility Agreement. The loan is unsecured, repayable within a year and subject to an interest rate of 5%. A commitment fee of 1% per annum is also due for the undrawn amount. As of December 31, 2012, P1.1 billion has been drawn from the facility and the balance of P1.0 billion was drawn in January 2013. In November 2013, the full loan amount of P2.1 billion was fully paid from proceeds of loans availed by PMC from local banks.

k. On March 12, 2013, loan agreements covering the balance of US$150 million with Kirtman Limited for US$25 million, Maxella Limited for US$25 million and Asia Link B.V. for US$100 million (all First Pacific subsidiaries) were executed by the parties, for a term of one year and subject to the interest rate of 5%. As of December 31, 2013, US$15 million has been drawn from the Kirtman Limited loan, US$15 million from the Maxella Limited loan and $50 million from the Asia Link B.V. loan. The Company is exploring the possibility of refinancing these US$ loans obtained from the FPC subsidiaries.

Note 23 of the Notes to Consolidated Financial Statements of the Exhibits in Part V, Item 14 on Related Party Transactions, is incorporated hereto by reference.

PART IV

CORPORATE GOVERNANCE

Item 13. Corporate Governance

Vision and Mission

The Company's Vision and Mission Statement is reviewed and approved by the Management and Board of Directors on an annual basis.

The Company's vision is to be a highly respected, world-class natural-resource company, committed to deliver excellent value to its investors, employees, and other stakeholders. The Company's mission is to become a responsible mining corporation that discovers and processes minerals and energy resources for the use of society.

Governance Statement

Good governance is key to sustaining a genuine and inclusive growth of any organization and improving shareholder wealth. We believe that a strong commitment to sound corporate governance principles and global best practices is essential in achieving long term goals, consistent with the vision of becoming a highly respected, world-class natural resource company committed to deliver excellent value to its investors, employees and stakeholders.

Philex Mining Corporation's (PMC's or the Company's) corporate governance principles and practices are principally embodied in the Company's Articles of Incorporation, Corporate By-Laws and its amendments, and the Manual of Corporate Governance. Our Company complies with the Code of Corporate Governance of the Securities and Exchange Commission (SEC) and Corporate Governance Guidelines and listing rules of the Philippine Stock Exchange (PSE), and endeavors to elevate its corporate governance practices in line with global best practices.

Shareholder Engagement

Shareholder's Rights
We respect the rights of all stockholders, in accordance with the Corporation Code of the Philippines, Articles of Incorporation, By-Laws and the Corporate Governance Manual..

We likewise respect the rights of the minority shareholders and develop policies towards ensuring that the Board, in all cases, will consider the corporate interest as a whole. Key guidelines include: (i) Emphasis on the fiduciary responsibilities of the Board and the officers to the Company and its shareholders as well as the duties of care and prudence; (ii) Emphasis on the avoidance of conflicts of interest and on prompt disclosure of potential conflict; (iii) Prompt, full and fair disclosure of material information; (iv) Adoption of policies on related party transactions; and (v) other policies towards avoidance of actions that will favor the controlling or major shareholder/s at the expense of the minority shareholder. Where feasible or practicable, we respect the right of minority shareholders to propose the holding of meetings, and the items for discussion in the agenda that relate directly to the business of the Company.

Stockholders' Meeting
We recognize that all stockholders of the Company have the right to attend all the scheduled stockholders meetings. Regular meetings of stockholders shall be held annually on a date fixed in the Company's By-Laws. The holding of the annual meeting is mandatory, as it is during which the directors are elected, and the stockholders have the opportunity to be updated on the condition of the Company, its plans and programs.

It also serves as a venue to ask questions and raise relevant issues or concerns. Special meetings, as needed, shall be held at any time and for any purpose.

As matter of practice, the members of the Board, the Chairman, the President and Chief Executive Officer, Audit Committee Chairman, representatives of the external auditor and other key officers and employees are present during the scheduled meetings of stockholders. They shall have the opportunity to make a statement, should they desire to do so, and will be available to respond to appropriate questions.

Notice and Procedures
We recognize that sending the notice of meeting to stockholders of record is mandatory. Written notice stating the date, time and place of the annual meeting, shall be sent to all stockholders of record at least thirty (30) days, as matter of practice, prior to the scheduled annual meeting. The notice of meeting shall specify the detailed agenda and explanatory circulars as needed. The Board shall provide the rationale and explanation for each agenda item which requires shareholders' approval in the notice of meeting.

Stockholders shall have the right to vote at all stockholders' meeting in person or by proxy. The conduct of stockholders' meeting shall be in accordance with the provisions of the Company's By-Laws.

The Board & Governance Structure

Directors --
Each Director has three-fold duty of obedience, diligence and loyalty to the corporation he serves. The Director shall:
(a) Act within the scope of power and authority of the Company and the Board as prescribed in the Articles of Incorporation, By-Laws, and in existing laws, rules and regulations;
(b) Exercise their best care, skill, and judgment, and observe utmost good faith in the conduct and management of the business and affairs of the Company; and
(c) Act in the best interest of the Company and for the common benefit of the Company's shareholders and all stakeholders.

The Directors are elected by the stockholders at the annual stockholders' meeting. Each director shall serve a one-year term and until their successors are elected and qualified. Any vacancy in the Board before the end of their terms shall be filled in accordance with applicable law and rules. As needed, the Board uses professional search firms to fill in the Board.

The Board considers it appropriate that its structure comprises ethical and honest experts who are knowledgeable, experienced, and skillful in diverse fields relevant to the conduct of the business and that members are selected with no discrimination for gender, race, religion, age, professional skill, or other qualifications.

Definition of Independence & Independent Directors --
The Company adopts the common and ordinary meaning of the term "independence", and defines an independent director as a person independent of management. He or she, apart from his shareholdings, is free from any business dealings or other relationship with the Company which could, or could reasonably be perceived to, materially interfere in the exercise of independent judgment in carrying out his duties and responsibilities to the Company.

The Board has two (2) independent non-executive directors in accordance with Philippine laws and regulations (Section 38 of the Securities Regulations Code of the Philippines). An independent director is allowed to serve as such for five (5) consecutive years, and shall be ineligible for re-election as such in the same company unless the independent director has undergone a "cooling-off" period of two (2) years. After serving as such for 10 years, the independent director shall be perpetually barred from being elected as such in the same company. (SEC Memorandum Circular No. 9, Series of 2011, effective January 2, 2012)

Board of Directors --
The Board of Directors is composed of eleven (11) directors duly elected by stockholders who are entitled to vote in accordance with the By-Laws, the Corporation Code and the Securities Regulation Code.

Name	Position	Nature of Appointment
Manuel V. Pangilinan	Chairman	Non-executive
Juan B. Santos	Vice-Chairman	Non-executive
Eulalio B. Austin, Jr.	Director	Executive*
Eliza Bettina R. Antonino	Director	Non-executive
Marilyn V. Aquino	Director	Non-executive**
Oscar J. Hilado	Director	Non-executive / Independent
Bienvenido E. Laguesma	Director	Non-executive
Barbara Ann C. Migallos	Director	Executive*
Robert C. Nicholson	Director	Non-executive
Wilfredo A. Paras	Director	Non-executive / Independent
Edward A. Tortorici	Director	Non-executive

*Executive Directors do not serve on more than two boards of listed companies outside the group.
** Atty. Aquino has extensive experience in mining and natural resources, having represented some of the world's biggest natural resource companies, junior resource companies, as well as financial institutions and other participants of the Philippine Mining sector. Ms. Aquino is presently a member of the Finance Committee of the Philippine Chamber of Mines.

Faithful compliance with the principles of good corporate governance is the paramount responsibility of, and shall start with, the Board. Furthermore, the Board is required to exercise corporate powers, conduct the business, and control the properties of the Company in compliance with the corporate governance principles instituted in this Corporate Governance Manual and shall be responsible for fostering the long-term success of the Company and securing its sustained competitiveness.

Types of decisions that require the approval of the Board of Directors pertain to ordinary business transactions of the Company and shall not extend beyond the management of ordinary corporate affairs or the limits of its authority as provided by law.

Directorship in Other Listed Companies outside the Group

Director's Name	Name of Listed Company	Type of Directorship
Manuel V. Pangilinan	First Pacific Company Ltd. Philippine Long Distance Telephone Co. (PLDT) Manila Electric Company Metro Pacific Investments	CEO/Executive Director Non-executive Director Executive Director

	Corporation Roxas Holdings, Inc.	Non-executive Director Director
Juan B. Santos	Philippine Long Distance Telephone Company (PLDT) Alaska Milk Corporation First Philippine Holdings Corp.	Non-executive Director Non-executive Director Independent Director
Eulalio B. Austin, Jr.	None	N/A
Eliza Bettina R. Antonino	None	N/A
Marilyn V. Aquino	First Pacific Company Ltd.	Assistant Director
Oscar J. Hilado	Phinma Corporation Trans Asia Oil & Energy Development Corporation First Philippine Holdings Corp. Holcim Philippines Inc. A. Soriano Corporation	Non-executive Director Non-executive Director Independent Director Non-executive Director Non-executive Director
Bienvenido E. Laguesma	None	N/A
Barbara Ann C. Migallos	None	N/A
Robert C. Nicholson	First Pacific Company Ltd . Metro Pacific Investments Corporation QPL International Holdings Limited (Hong Kong) Pacific Basin Shipping Limited (Hong Kong)	Executive Director Executive Director Independent Director Independent Director
Wilfredo A. Paras	GT Capital Holdings, Inc.	Independent Director
Edward A. Tortorici	First Pacific Company Ltd . Metro Pacific Investments	Executive Director Executive Director

	Corporation PT Indofood Sukses	 Non-executive Director

Board Committees

Corporate Governance Committee
Marilyn A. Victorio-Aquino (Chairman)
Oscar J. Hilado (Independent)
Wilfredo A. Paras (Independent)

Executive Committee
Manuel V. Pangilinan (Chairman)
Eulalio B. Austin, Jr.
Robert C. Nicholson
Juan B. Santos
Edward Tortorici

Audit Committee
Oscar J. Hilado (Chairman – Independent)
Marilyn A. Victorio-Aquino
Robert C. Nicholson
Eliza Bettina R. Antonino
Wilfredo A. Paras (Independent)

Nomination Committee
Manuel V. Pangilinan (Chairman)
Juan B. Santos
Marilyn A. Victorio-Aquino
Robert C. Nicholson
Wilfredo A. Paras (Independent)

Compensation Committee
Juan B. Santos (Chairman)
Oscar J. Hilado (Independent)
Robert C. Nicholson
Edward A. Tortorici
Wilfredo A. Paras (Independent)

Finance Committee
Robert C. Nicholson (Chairman)
Oscar J. Hilado (Independent)
Juan B. Santos
Eulalio B. Austin, Jr.
Bienvenido E. Laguesma

Chairman's Role

The Chairman of the Board, Mr. Manuel V. Pangilinan, ensures that the Board functions effectively. He assists in ensuring compliance with and performance of corporate governance policies and practices. He provides leadership to the Board and ensures that the Board works effectively and discusses key issues in a timely manner – taking into account proposals and recommendations of the CEO and management. In addition, the Chairman ensures that the open lines of communication and free flow of information between Management and the Board are maintained.

The President and the Chief Executive Officer

The President and Chief Executive Officer (CEO), Mr. Eulalio B. Austin, Jr., shall be responsible for the general care, management, and administration of the business of the Company. He ensures that the operations and financial affairs are managed in a sound and prudent manner and financial and internal controls are adequate and effective to ensure reliability and integrity of financial and operational information. Further, he oversees the effectiveness and efficiency of operations and safeguards assets in compliance with laws, rules and regulations. The President and CEO provides leadership to the management in developing and implementing business strategies, policies, processes and budgets to the extent approved by the Board and takes the lead in identifying and managing operational and other business risks.

The Chairman and the CEO are held separately by unrelated individuals. The Chairman is Mr. Manuel V. Pangilinan and the CEO is Mr. Eulalio B. Austin, Jr.

Board Attendance, Appraisal & Trainings

Board Attendance --
The Board has a pre-determined schedule of meetings at the beginning of each calendar year. Discussions during meetings are open, where independent views are given due consideration. As necessary, the Board likewise holds meetings through electronic medium or telecommunications.

Name	*Attendance*	*Percentage*
Manuel V. Pangilinan	16	100%
Juan B. Santos	13	81.25%
Eliza Bettina R. Antonino	13	81.25%
Marilyn V. Aquino	16	100%
Eulalio B. Austin,Jr.	12	75%
Bienvenido E. Laguesma	11	78.57%
Barbara Ann C. Migallos	7	87.50%
Robert C. Nicholson	13	81.25%
Edward A. Tortorici	10	62.50%
Jose Ernesto C. Villaluna, Jr.	8	100%
Oscar J. Hilado	11	68.75%
Wilfredo A. Paras	15	93.75%

Notes:
(a) Mr. Eulalio B. Austin, Jr. was on study leave (Harvard University) from September 2 to October 24, 2013.
(b) Mr. Bienvenido A. Laguesma was elected Director on 27 February 2013. The percentage reported above is based on the number of meetings since his election on February 27, 2013.
(c) The term of Mr. Jose Ernesto C. Villaluna, Jr. expired on June 26, 2013, the date of the Company's annual shareholders meeting. He attended 100% of the meetings held before his term expired.
(d) Ms. Barbara Anne C Migallos was elected Director on June 26, 2013. The percentage reflected is based on her attendance at Board meetings as a Director from June 26, 2013 to Dec. 31, 2013. Ms. Migallos is the Corporate Secretary, and attended Board meetings prior to her election as a Director.

Board Committee Meetings

Audit Committee

Name of Member	*Attendance*	*Percentage*
Oscar J. Hilado (Chairman – Independent)	4	100%
Marilyn A. Victorio-Aquino	3	75%
Robert C. Nicholson	2	50%

Eliza Betina R. Antonino	2	50%
Wilfredo A. Paras (Independent)	4	100%

Nomination Committee

Name of Member	*Attendance*	*Percentage*
Manuel V Pangilinan- Chairman	2	100%
Juan B. Santos	2	100%
Marilyn A. Victorio-Aquino	2	100%
Robert C. Nicholson	2	100%
Wilfredo A. Paras (Independent)	2	100%

Finance Committee

Name of Member	*Attendance*	*Percentage*
Robert C. Nicholson (Chairman)	1	100%
Juan B. Santos	-	0%
Eulalio B. Austin, Jr.	1	100%
Bienvenido E. Laguesma	1	100%
Oscar J. Hilado (Independent)	1	100%

Performance Appraisal --
On a yearly basis, the Board conducts an assessment to evaluate their performance and overall compliance with laws, regulations and best practices. The Board holds monthly and special meetings, as needed, with an agenda that includes discussion of business strategies and issues, updates by the Chairman of the Board and the Board Committees, reports on financial performance by the Chief Finance Officer or CFO, and operational performance by the President and CEO.

Director Trainings & Development --

List of Seminars and Training Attended by the Board of Directors for 2013:

Name of Directors	**Date of Training**	**Program**	**Name of Training Institution**
Manuel V. Pangilinan Chairman	12/2/2013	Ensuring Effective Board Oversight of Ethics and Compliance: Emerging Trends and Lessons Learned	First Pacific Leadership Academy
Juan B. Santos Vice Chairman	12/2/2013	Executive Talks: Corporate Governance Enhancement Session	First Pacific Leadership Academy
Eulalio B. Austin, Jr.	3/8/2013	Lifting the hood: The Obama Engine and how it worked from day 1	First Pacific Leadership Academy

	Sept-Oct. 2013	Advance Management Program	Harvard Business School
Oscar J. Hilado	6/20/2013	Business Continuity Management Training	SGV & Co.
Marilyn V. Aquino	12/2/2013	Corporate Governance Enhancement Session	First Pacific Leadership Academy
Robert C. Nicholson	5/2/2013 8/27/2013 12/5/2013	Hong Kong Corporate Law Regulatory Update Diversity on Board and Recent Regulatory Developments on Corporate Governance Synopsis on Legal and Regulatory Issues	Pacific Basin First Pacific Co. Ltd. First Pacific Co. Ltd.
Edward A. Tortorici	12/5/2013	Synopsis on Legal and Regulatory Issues	First Pacific Co. Ltd.
Wilfredo A. Paras	2/28/2013, 3/7-8/2013, 3/14-15/2013 12/16/2013	Professional Directors' Program Inducted as a Fellow	Institute of Corporate Directors (ICD) Institute of Corporate Directors (ICD)
Bienvenido E. Laguesma	1/ 11/ 2013 1/30/2013 3/21/2013	Philippines on the Rise: 2013 Economic Outlook Philippine Investment Summit with Dr. Nouriel Roubini New Rules on Taxation of Internal Income & Other Issues Affecting Financial Institution	First Metro Investment Corporation First Metro Investment Corporation First Metro Investment Corporation
Barbara Anne C. Migallos	5/18/2013 8/21 - 23/2013	SEC's Revised Code of Corporate Governance Corporate Governance for Directors and Institutional Investors	Center for Global Best Practices Truventus Kuala Lumpur, Malaysia

Management

The Management is responsible for the Company's successful implementation of the strategy and direction as approved by the Board. Management is represented by a Management Committee (ManCom) composed of the corporate officers and executives headed by the President and CEO. Weekly meetings are conducted by the ManCom to ensure implementation of major policies and directions governing the Company and its subsidiaries. It reports to the Board during regular Board meetings or special meetings through the President and CEO. An annual performance of Management is assessed through a specific criteria of evaluation referred to as Key Result Areas (KRA). Furthermore, management regularly attends structured executive training and development programs, including trainings on compensation, benefit plans and succession planning, to further strengthen their competencies.

Key Partners

External Audit --
The Company's external auditor is SyCip Gorres Velayo & Co ("SGV & Co") with office address at SGV Building, Ayala Avenue, Makati City. The external auditor is selected based on competence, performance, and independence and determined based on a fair and transparent process, and is responsible for the proper audit and review of the Company's financial statements. The external auditor reports to the Board's Audit Committee, which has the direct responsibility for the appointment, setting of compensation, retention, removal and oversight of the external auditor's performance, in a manner consistent with applicable laws, regulations and valid corporate practices.

The fees and scope of engagement for audit and non-audit services are determined and periodically reviewed by the Audit Committee. As best practice, the external auditor – or its lead audit partner primarily responsible for the audit and review of the Company's financial accounts – is rotated at least once every five (5) years.

Internal Audit --
The internal audit group is a separate and independent unit within the Company directly reporting to the Audit Committee. The head of internal audit, Ms. Geraldine B. Ateo-an, is appointed by the Management, in accordance with the Company's employment requirements and policies, and functionally reports directly to the Audit Committee. The role of the internal auditor is to provide independent and objective assurance and consulting services to the Management, designed to add value and improve the Company's operations and processes. He or she is also tasked to ensure the network adequacy for risk management, control and governance processes.

As provided in the Audit Committee Charter, the internal audit provides an annual report to the Audit Committee on the internal audit's activities, purposes, authorities, responsibilities and performance relative to the audit plans and strategies approved by the Audit Committee. Such annual report shall include significant risk exposures and control issues, corporate governance concerns, evaluation of compliance with the code of conduct for Management, and other matters as requested by the Committee or the Board.

Employees --
PMC conducts its business and activities fairly, honestly, and with due regard for the dignity and human rights of our employees, including the rights guaranteed under existing labor laws. The Company promotes safety, non-discrimination, environmental awareness, and commitment in the workplace and supports programs that advance the development and potential of employees – encouraging transparency, professionalism, and accountability among them.

Subsidiaries --
The Company recognizes that subsidiaries contribute significantly in boosting shareholder value. As such, the Company continues to encourage and strengthen good corporate governance practices among subsidiaries by strongly advocating the need for to adopt own corporate governance policies, manual of corporate governance as well as code of business conduct and ethics. It is the intention of the Board that good corporate governance practices,

policies and procedures be adopted and implemented by each of the Company's operating subsidiary/ies and their respective operating subsidiary/ies.

Creditors --
The Company upholds the rights of creditors by publicly disclosing all material information, such as earning results and risk exposures, relating to but not limited, to loan covenants. Corporate disclosures, controls and procedures also include periodic reports to creditors, such as the latest certified financial statements, among others.

Communities and Indigenous People --
PMC recognizes the desires and aspirations and respect the cultural practices of the communities and indigenous people (IP) hosting its projects. The Company is committed to act responsibly and comply with all applicable laws and legislations in order to minimize the impact of its projects on the environment, protect the health and safety of those directly affected by its activities and ensure that real benefits from its operations are realized by its social and environmental constituents.

The Company treats host communities and IP as partners in the exploration and development of its mining projects. PMC is cognizant that social acceptability is critical in the long-term, stable, and mutually-beneficial resource development of its identified and existing mining properties. To this end, the Company constantly strives to deliver the real benefits of its operations to the host communities and IP by adopting programs geared towards developing their livelihood and capacity requirements, and providing their social, cultural, educational, health, safety, and environmental needs.

<u>Corporate Governance Manual, Report & Policies</u>

Corporate Governance Manual --
In 2003, the Company's Board of Directors and management reaffirmed their commitment to the principles and best practices contained in the Company's manual on corporate governance by adopting the first addendum to its Manual on Corporate Governance. In February 2004, the Company adopted a second addendum in compliance with the revised disclosure rules of the Philippine Stock Exchange (PSE), prohibiting the communication of material non-public information without simultaneously disclosing the same information to the stock exchange. In February 2011, the company filed with Philippine Securities and Exchange Commission (SEC) its Revised Manual on Corporate Governance.

Annual Corporate Governance Report (ACGR) --
The Company filed with the Philippine SEC on July 01, 2013 the Company's Annual Corporate Governance Report or ACGR (SEC Form – ACGR) for the year 2012 in accordance with the Revised Code of Corporate Governance of the SEC. Under SEC Circular No. 1 Series of 2014 on Guidelines for Changes and Updates in the ACGR, all listed companies are not required to submit ACGR to the Commission on the 2nd to the 4th year, and the next submission will be five (5) years from initial submission and every five (5) years thereafter. The aforesaid Circular took effect immediately, which the Company appropriately complied with.

Corporate Governance Policies --
Code of Business Conduct and Ethics
PMC is dedicated to doing business in accordance with the highest standards of ethics. The Company, its directors, officers and all employees shall comply with the Code and shall endeavor to promote a culture of good corporate governance by observing and maintaining its core business principles of integrity, teamwork, work excellence, respect for individuals, corporate responsibility, social and environmental responsibility in their relationships among themselves and with the Company's customers, suppliers, competitors, business partners, other stakeholders, regulators and the general public. A copy of the policy and the details of which are available at the Company website <u>www.philexmining.com.ph</u>

Whistle Blowing Policy

The Company created a Whistle-Blowing Policy to provide a system and venue for the proper submission, handling and resolution of employees' complaints or disclosures regarding violations of corporate governance rules, questionable accounting or auditing practices, and offenses covered by the Company's existing Code of Discipline or the equivalent policy. This policy likewise contains provisions and procedures for anonymity and confidentiality to protect an employee/person who reveals the illegal/unethical behavior from retaliation. A copy of the policy, along with prescribed forms and details are available at the Company website www.philexmining.com.ph

Conflict of Interest Policy
A Conflict of Interest Policy was also issued to ensure that all work-related decisions, actions or inactions of PMC directors, officers, employees and consultants are above-board and based on sound business principles and judgment, devoid of bias or partiality. A copy of the policy and the details of which are available at the Company website www.philexmining.com.ph

Policy on Gifts, Entertainment and Sponsored Travels
The Policy on Gifts, Entertainment and Sponsored Travels provides the general guidelines for directors, employees and consultants on how to handle gifts, entertainment and sponsored travel offered by external parties. A copy of the policy and the details of which are available at the Company website www.philexmining.com.ph

Vendor Relations Policy
A Vendor Relations Policy was developed that seeks to uphold the highest professional standards of business practices, core values and ethics in its business dealings with its suppliers in the procurement of products and services. The selection of vendors and purchases, as a matter of general practice and principle, shall be based on a competitive bidding process. A copy of the policy and the details of which are available at the Company website www.philexmining.com.ph

Policy on Dealings in Company Shares of Stock
Furthermore, the Policy on Dealings in Company Shares of Stock provides the general guidelines and disclosure requirements on dealings of corporate insiders in shares of stock, and provides the definition of material information. This policy complements the Company's practice of requiring directors to report their dealings in company shares within the prescribed reporting period from the date of transaction. A copy of the policy and the details of which are available at the Company website www.philexmining.com.ph

Diversity Statement
PMC embraces and promotes diversity at all levels, including at the Board level. The Company recognizes that human capital remains as its most valuable asset and as such, PMC is committed to fostering, cultivating and preserving a culture of diversity and inclusion. The collective sum of the diversity – in terms of background, race, ethnicity, life experiences, knowledge, inventiveness, innovation, self-expression, unique capabilities and talents – represents a significant part of the Company's culture, reputation and achievements.

Environmental Policy
As a socially and environmentally responsible company, PMC is committed to the continuous improvement of operations, mindful of any adverse environmental impacts, and faithful compliance with all laws, legislations and other regulatory policies, pertaining to the promotion of environmental awareness and preservation among its workers at all levels.

Other Policy Statements

Human Rights Policy --
PMC values the dignity of every individual and the basic human rights as provided under the Philippine Constitution and the Universal Declaration of Human Rights. In all its endeavors, the Company is entrusted to respect human rights and to conduct its activities in a manner

that is consistent with applicable laws and best practices in mineral exploration and development, environmental stewardship, health and safety, and community relations.

Ethics Policy --
The Company engages in fair, honest, and responsible business practices, and with due regard to the dignity and rights of every human individual and the governing and applicable laws, rules and regulations as embodied in our Code of Business Conduct and Ethics.

Intellectual Property Rights Policy --
PMC's conducts its businesses strictly in accordance with the Philippine and international laws, rules or regulations governing intellectual property and intellectual property rights, including trademarks, patents, and copyrights.

Site Safety Policy --
The Company adheres to a Site Safety Policy and is committed to the highest levels of health and safety programs to ensure every stakeholders' safety and espouses loss prevention as a way of life. PMC strives to maintain a sound and safe working place for the prevention of injury, illness, property damage, and loss to process, in compliance with all relevant legislations, and the preservation of the environment as well.

Risk Management Policy

An effective management of risk is vital to the continued growth and success of the Group and the Company is committed to manage risk in a proactive and effective manner across the organization. This commitment is embodied in the PHILEX Group Risk Management Philosophy Statement, which read as follows:

> *"The PHILEX Group shall undertake a Risk Management Program that will mitigate or eliminate identified physical, socio-ecological and economic risks inherent in its mining business thereby ensuring a productive and profitable operation.*
>
> *Accordingly, the Philex Group employs a comprehensive, integrated risk management program, effected across all levels of the organization, with the goal of identifying, analysing and managing the Group's risks to an acceptable level, so as to enhance opportunities, reduce threats, and thus sustain competitive advantage. The Group believes that an effective risk management program will contribute to the attainment of objectives of PHILEX and its subsidiaries, thereby creating value for the business and its stakeholders."*

The Company adopted a Risk Management Policy Manual which encompasses the Enterprise Risk Management ("ERM") framework for managing risk at an enterprise-wide level in PMC and its subsidiaries (the "PHILEX Group"). It contains the guidelines governing the risk management process of the Group, including the roles and responsibilities for its implementation. The policy aims to help the organization integrate risk management into business and strategic planning by enabling operational units to identify significant risks and take appropriate decisions and actions to address and treat these risks.

The Company's ERM activities is in accordance with internationally recognized frameworks, such as but not limited to, COSO, (The Committee of Sponsoring Organizations of the Treadway Commission) I and II. As needed, the Company hires technical consultants related to risk management. In 2013, the Company commissioned the following reputable companies for its Padcal operations:

(1) In January 2013, Hawcroft Consulting International ("HCI") of London to do risk survey/ assessment of the minesite,
(2) In July 2013, engaged HCI for a follow-up risk survey after 6 months,
(3) In July 2013, the Canadian Emergency + Risk Management ("CERM"), a Canadian fire specialist, to assess the fire safety procedures and practices, and
(4) In September 2013, the Environmental Resources Management Limited ("ERM") of

London, to do Environment Health & Safety (EHS) report.

Remuneration Policy

As matter of policy, the remuneration of directors and other officers must be competitive and at a level that will attract and retain talent and motivate them to continue their efforts in contributing to the long-term success of the Company. The compensation is in accordance with the Corporation Code and the Company By-Laws or as approved by the shareholders.

Director
A director is entitled to receive reasonable per diem for attendance at Board meetings plus directors fees, based on the computation provided in the By-Laws.

President and CEO
The President and CEO is entitled to receive fixed and variable remuneration which is in accordance with compensation plans approved by the Board. Variable remuneration includes: (1) equity-based benefits; and (2) performance bonus, based on productivity or performance, or under an approved plan.

Key Officers
Key officers are entitled to receive fixed and variable remuneration which is in accordance with the compensation plans approved by the Board. Variable remuneration includes: (1) equity-based benefits; and (2) performance bonus, based on productivity or performance, or under an approved plan.

Corporate Secretary

The Corporate Secretary is Atty. Barbara Anne C. Migallos, a Filipino and a resident of the Philippines. She brings with her many years of relevant experience in the corporate law and legal practice, and has sufficient understanding of the financial reporting rules, standards and practices.

Roles and duties of corporate secretary, among others, include: responsible safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation; informing the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensuring that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval; ensuring that all Board procedures, rules and regulations are strictly followed by the members; assisting the Chairman in preparing the Board agenda, facilitating trainings of directors, and keeping directors updated regarding relevant statutory and regulatory changes, including new policies or rules of the Securities and Exchange Commission and the Philippine Stock Exchange.

Corporate Governance Officer

The Corporate Governance Officer reports to the Chairman and the Corporate Governance Committee of the Board. His duty is primarily to monitor compliance by the corporation with the Code of Corporate Governance and the rules and regulations of regulatory agencies. The Company's Corporate Governance Officer is Mr. Danny Y. Yu, Chief Finance Officer and Senior Vice President for Corporate Finance and the Deputy Corporate Governance Officer is Atty. Jeffrey R. Balmores

Chief Compliance Officer

The Company's Chief Compliance Officer reports to the President and CEO, whose duty is to ensure strict adherence to and compliance with all the rules and regulations of the SEC, PSE, and all other regulatory bodies the Company is mandated to report to. The Company's Chief Compliance Officer is Mr. Danny Y. Yu and the Deputy Compliance Officer is Mr. Rolando S. Bondoy.

Conformance to Corporate Governance Standards & Best Practices

As a publicly-listed Philippine corporation, PMC conforms to the corporate governance rules, requirements, and regulations of the Philippine SEC and the PSE. The Company is likewise committed to the highest standards of corporate governance and continues to benchmark against recognized international best practices and monitors developments in corporate governance to elevate the Company's corporate governance structures, processes, and practices to global standards. PMC also advocates an ethical corporate culture guided by its core values of integrity, teamwork, respect for individuals, work excellence, corporate as well as social and environment responsibility.

PART V

EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits and Schedules

Statement of Management's Responsibility for Financial Statements
Report of Independent Auditors
Audited Consolidated Financial Statements and Notes for the year ended December 31, 2013

Schedule I :	Reconciliation of Retained Earnings Available for Dividends Declaration
Schedule II :	Schedule of Financial Soundness Indicators
Schedule III :	Chart Showing Ownership and Relationship between the Parent Company and its Subsidiaries
Schedule IV :	Schedule of All Effective Standards and Interpretations
Schedule V:	Schedules as Required by SRC Rule 68, As Amended
Schedule A.	Financial Assets
Schedule B.	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)
Schedule C.	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
Schedule D.	Intangible Assets – Other Assets (Deferred Mine Exploration Costs and Other Noncurrent Assets)
Schedule E.	Long Term Debt
Schedule F.	Indebtedness to Related Parties
Schedule G.	Guarantees of Securities of Other Issuers
Schedule H.	Capital Stock

(b) Reports on SEC Form 17-C

There were twenty eight reports filed by the Company on SEC Form 17-C during the last six months in 2013 covered by this report and up to filing of this report, part of which follows:

Report Date	Item Reported
April 2, 2014	Annual verification of the Mines and Geosciences Bureau on the Company's mining claims and properties for its Padcal operations
February 28, 2014	Schedule of Annual Stockholders' Meeting on June 25, 2014.

	Change of the Company's stock transfer agent to Stock Transfer Service, Inc. (STSI).
	Creation of Corporate Governance Committee
	Press release on the Company's financial and operating results for the year 2013
	Declaration of cash dividend of Five Centavos (P0.05) per share
January 17, 2014	Appointment of Mr. Manuel A. Agcaoili as Senior Vice President and Padcal Resident Manager effective January 15, 2014.
November 22, 2013	Agreement to increase and extend the US$15 million loan facility to Forum Philippines Holdings Limited.
November 8, 2013	Press release on the results of operations for the nine months ended September 30, 2013.
August 2, 2013	Press release on the results of operations for the six months ended June 30, 2013.
	Retirement of Mr. Renato N. Migriño as Senior Vice President for Finance, Treasurer and Chief Financial Officer and also the Company's Compliance Officer effective August 31, 2013 but remains as a consultant to the Company.
July 12, 2013	Receipt of a copy of the Order from the Pollution Adjudication Board (PAB) dated July 5, 2013 relative to the temporary lifting of the Cease and Desist Order issued by the PAB to the Company.
	Receipt of the letter from the Mines and Geosciences Bureau dated July 5, 2013 relative to the Company's letter of June 21, 2013.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig on April_______, 2014.

EULALIO B. AUSTIN, JR.
President & Chief Executive Officer

BARBARA ANNE C. MIGALLOS
Corporate Secretary

DANNY Y. YU
Chief Financial Officer
and Senior Vice President for Finance

PARALUMAN M. NAVARRO
Division Manager – Corporate Finance

SUBSCRIBED AND SWORN TO before me this APR 1 0 2014 day of April 2014 at Pasig City. Affiants exhibiting to me their Competent Evidence of Identity indicated opposite their names:

:

Name	**Competent Evidence of Identity**
Eulalio B. Austin, Jr.	Passport No. EB0177105; valid until May 2, 2015
Danny Y. Yu	Passport No. EC0261993; valid until Feb. 9, 2019
Barbara Anne C. Migallos	Passport No. EC0356963; valid until Feb. 19, 2019
Paraluman M. Navarro	Passport No. EC0588618; valid until Mar. 17, 2019

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Series of 2 0 1 4

ATTY. LUCILA M. LAWAS-YUTOK
Notary Public
686-B Shaw Blvd., Kapitolyo, Pasig City
Until December 31, 2014
PTR No. 9443928, Issued on:01-07-14 at Pasig City
IBP No. 951749, Issued on:01-07-14 at Pasig City
TIN No. 162-942-995-000
IBP Roll No. 28494
MCLE Compliance No. I-0006299
Appointment No. 42 (2013-2014) Renewal

PHILEX MINING CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills

The management of Philex Mining Corporation is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2013, 2012 and 2011, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

MANUEL V. PANGILINAN
Chairman of the Board

EULALIO B. AUSTIN, JR.
President & Chief Executive Officer

DANNY Y. YU
Chief Financial Officer and
Senior Vice President-Finance

Subscribed and sworn to before me this APR 1 0 2014 as Pasig City, affiants exhibiting to me their respective Social Security ID No. indicated opposite their names:

Name	SSS No.
Manuel V. Pangilinan	03-1881608-3
Eulalio B. Austin, Jr.	01-0618335-5
Danny Y. Yu	06-0896968-2

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Book No. 774
Series of 2 0 1 4

ATTY. LUCILA M. LAWAS-YUTOK
Notary Public
686-B Shaw Blvd., Kapitolyo, Pasig City
Until December 31, 2014
PTR No. 9443928, Issued on:01-07-14 at Pasig City
IBP No. 951749, Issued on:01-07-14 at Pasig City
TIN No. 162-942-995-000
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Appointment No. 42 (2013-2014) Renewal

COVER SHEET

1 0 0 4 4

SEC Registration Number

PHILEX MINING CORPORATION AND SUBSIDIARIES

(Company's Full Name)

Philex Building, 27 Brixton corner Fairlane Streets, Pasig City

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

Danny Y. Yu	**(632) 631-1381**
(Contact Person)	(Company Telephone Number)

1 2	3 1	A A C F S		
Month	*Day*	(Form Type)	*Month*	*Day*
(Calendar Year)			(Annual Meeting)	

Not Applicable

(Secondary License Type, If Applicable)

Not Applicable	**Not Applicable**
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

44,533	**₱2,569,750,000**	**₱3,661,633,000**
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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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
Philex Mining Corporation
Philex Building
27 Brixton corner Fairlane Streets
Pasig City

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

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the Philippines applied on the basis described in Note 2 to the consolidated financial statements, 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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Philex Mining Corporation and its subsidiaries as at December 31, 2013 and 2012, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2013 in accordance with accounting principles generally accepted in the Philippines applied on the basis described in Note 2 to the consolidated financial statements.

SYCIP GORRES VELAYO & CO.

Jose Pepito E. Zabat

Jose Pepito E. Zabat III
Partner
CPA Certificate No. 85501
SEC Accreditation No. 0328-AR-2 (Group A),
March 1, 2012, valid until March 1, 2015
Tax Identification No. 102-100-830
BIR Accreditation No. 08-001998-60-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225235, January 2, 2014, Makati City

February 26, 2014

PHILEX MINING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, Except Par Value Per Share)

	December 31		
	2013	2012 (As restated, see Note 2)	January 1, 2012 (As restated, see Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 6)	**₱4,080,512**	₱1,669,542	₱3,947,295
Accounts receivable (Notes 7, 20 and 22)	**295,451**	207,749	1,595,629
Inventories (Note 8)	**2,668,274**	1,314,851	1,118,667
Derivative assets (Note 20)	–	–	904,701
Prepaid income tax (Note 24)	–	166,467	–
Other current assets (Note 9)	**1,343,245**	997,340	765,334
Total Current Assets	**8,387,482**	4,355,949	8,331,626
Noncurrent Assets			
Property, plant and equipment (Note 10)	**6,880,096**	6,035,174	5,399,716
Available-for-sale (AFS) financial assets (Note 11)	**975,380**	3,990,761	5,428,069
Goodwill (Note 4)	**1,208,020**	258,593	258,593
Deferred income tax assets - net (Note 24)	**11,818**	–	12,720
Deferred exploration costs and other noncurrent assets (Notes 1, 12 and 18)	**22,427,186**	14,631,528	12,970,879
Total Noncurrent Assets	**31,502,500**	24,916,056	24,069,977
TOTAL ASSETS	**₱39,889,982**	₱29,272,005	₱32,401,603
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable - current (Note 13)	**₱6,176,369**	₱1,450,000	₱350,000
Accounts payable and accrued liabilities (Note 14)	**2,321,301**	1,095,550	1,160,205
Income tax payable (Note 24)	**11,519**	–	376,006
Dividends payable (Note 25)	**460,650**	483,257	325,333
Provisions and subscriptions payable (Notes 1, 11 and 31)	**805,108**	1,589,578	317,111
Derivative liabilities (Note 20)	–	–	47,270
Total Current Liabilities	**9,774,947**	4,618,385	2,575,925
Noncurrent Liabilities			
Deferred income tax liabilities - net (Notes 4 and 24)	**3,916,378**	2,327,129	2,587,131
Loans payable - net of current portion (Note 13)	**55,014**	–	–
Pension obligation (Note 18)	**21,598**	44,966	108,039
Provision for losses and mine rehabilitation costs (Notes 10 and 31)	**204,791**	190,523	191,506
Total Noncurrent Liabilities	**4,197,781**	2,562,618	2,886,676
Total Liabilities	**13,972,728**	7,181,003	5,462,601
Equity Attributable to Equity Holders of the Parent Company			
Capital stock - ₱1 par value (Note 25)	**4,936,996**	4,933,027	4,929,751
Additional paid-in capital	**1,058,497**	963,867	887,290
Retained Earnings (Note 25)			
Unappropriated	**4,128,826**	13,578,086	15,980,594
Appropriated	**10,000,000**	–	–
Net unrealized gain on AFS financial assets (Notes 11 and 24)	**4,689**	601,055	2,020,940
Cumulative translation adjustments (Notes 20 and 24)	**25,116**	(41,785)	495,019
Net revaluation surplus (Note 4)	**1,611,397**	1,611,397	1,611,397
Effect of transactions with non-controlling interests (Note 2)	**45,099**	45,099	106,027
	21,810,620	21,690,746	26,031,018
Non-controlling interests (Note 25)	**4,106,634**	400,256	907,984
Total Equity	**25,917,254**	22,091,002	26,939,002
TOTAL LIABILITIES AND EQUITY	**₱39,889,982**	₱29,272,005	₱32,401,603

See accompanying Notes to Consolidated Financial Statements.

PHILEX MINING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share)

	Years Ended December 31		
	2013	2012 (As restated, see Note 2)	2011 (As restated, see Note 2)
REVENUE (Notes 7, 20 and 30)			
Gold	**₱5,581,587**	₱4,946,041	₱9,294,021
Copper	**4,579,757**	3,865,704	6,091,803
Silver	**82,063**	79,571	187,893
	10,243,407	8,891,316	15,573,717
Less marketing charges	**659,536**	439,771	810,467
	9,583,871	8,451,545	14,763,250
Petroleum	**191,243**	191,003	551,568
Coal	**17,530**	48,030	1,288
Others	**9,612**	7,011	7,843
	9,802,256	8,697,589	15,323,949
COSTS AND EXPENSES			
Mining and milling costs (including depletion and depreciation) (Note 15)	**5,457,881**	3,473,183	5,257,916
General and administrative expenses (Note 15)	**1,311,059**	1,148,291	1,038,143
Mine products taxes and royalties (Note 15)	**536,522**	454,858	854,229
Petroleum production costs	**87,895**	98,245	175,883
Handling, hauling and storage	**69,003**	59,339	63,723
Cost of coal sales	**17,770**	35,238	1,210
	7,480,130	5,269,154	7,391,104
OTHER INCOME (CHARGES)			
Insurance proceeds (Note 31)	**1,017,125**	–	–
Impairment on AFS financial assets (Note 11)	**(1,006,508)**	–	–
Padcal maintenance costs during suspension of operations (Notes 1 and 15)	**(439,590)**	(912,107)	–
Interest expense (Notes 10 and 13)	**(416,360)**	(44,355)	(36,161)
Impairment loss on deferred exploration costs and others (Notes 7, 8, 10 and 12)	**(297,585)**	(1,023,376)	(170,772)
Gain on sale of subsidiaries and AFS financial assets (Note 3 and 11)	**273,464**	–	–
Foreign exchange losses - net	**(173,972)**	(164,716)	(14,681)
Provision for rehabilitation and other costs (Notes 1 and 31)	**(161,400)**	(1,446,859)	–
Reversal of impairment of inventories (Note 8)	**62,682**	–	–
Interest income (Note 6)	**26,060**	58,201	86,017
Marked to market gains (Note 20)	–	307,928	–
Gain on dilution of interests in associates (Note 11)	–	–	523,710
Equity in net losses of associates (Note 11)	–	–	(44,116)
Others - net (Notes 11, 12, 20 and 31)	**(130,990)**	33,599	(156,773)
	(1,247,074)	(3,191,685)	187,224
INCOME BEFORE INCOME TAX	**1,075,052**	236,750	8,120,069

(Forward)

	Years Ended December 31		
	2013	2012 (As restated, see Note 2)	2011 (As restated, see Note 2)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 24)			
Current	**₱255,703**	₱551,979	₱1,877,452
Deferred	**506,954**	(4,390)	450,156
	762,657	547,589	2,327,608
NET INCOME (LOSS)	**₱312,395**	(₱310,839)	₱5,792,461
Net Income (Loss) Attributable to:			
Equity holders of the Parent Company	**₱341,932**	₱208,733	₱5,763,795
Non-controlling interests (Note 25)	**(29,537)**	(519,572)	28,666
	₱312,395	(₱310,839)	₱5,792,461
Basic Earnings Per Share (Note 27)	**₱0.069**	₱0.042	₱1.170
Diluted Earnings Per Share (Note 27)	**₱0.069**	₱0.042	₱1.169

See accompanying Notes to Consolidated Financial Statements.

PHILEX MINING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2013	2012 (As restated, see Note 2)	2011 (As restated, see Note 2)
NET INCOME (LOSS)	**₱312,395**	(₱310,839)	₱5,792,461
OTHER COMPREHENSIVE INCOME (LOSS)			
Items to be reclassified to profit or loss in subsequent periods:			
Unrealized gain (loss) on AFS financial assets - net of related deferred income tax (Note 11)	**(1,620,140)**	(1,433,104)	1,601,536
Realized loss on impairment of AFS investments (Note 11)	**1,006,508**	–	–
Gain (loss) on translation of foreign subsidiaries	**210,071**	(117,795)	(20,598)
Realized loss on sale of AFS financial assets (Note 11)	**30,485**	–	–
Realized loss (gain) on fair value of hedging instruments transferred to the consolidated statements of income - net of related deferred income tax (Note 20)	–	(499,496)	574,168
	(373,076)	(2,050,395)	2,155,106
Items not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains (losses) on defined benefit plans - net of income tax effect (Note 17)	**207,671**	2,601	(82,983)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**(165,405)**	(2,047,794)	2,072,123
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱146,990**	(₱2,358,633)	₱7,864,584
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the Parent Company	**₱21,275**	(₱1,745,356)	₱7,843,541
Non-controlling interests (Note 25)	**125,715**	(613,277)	21,043
	₱146,990	(₱2,358,633)	₱7,864,584

See accompanying Notes to Consolidated Financial Statements.

PHILEX MINING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent Company										
			Retained Earnings (Note 25)								
	Capital Stock (Note 25)	Additional Paid-In Capital	Unappropriated	Appropriated	Net Unrealized Gain (Loss) on AFS Financial Assets (Notes 11 and 24)	Cumulative Translation Adjustments (Notes 20 and 24)	Net Revaluation Surplus (Note 4)	Effect of Transactions with Non-controlling Interests (Note 2)	Subtotal	Non-controlling Interests (Note 25)	Total
BALANCES AT DECEMBER 31, 2010 (As previously presented)	₱4,922,131	₱812,378	₱12,716,722	₱–	₱419,404	(₱66,174)	₱1,611,397	₱106,027	₱20,521,885	₱236,085	₱20,757,970
Effect of change in accounting for employee benefits, net of tax (Note 2)	–	–	(22,054)	–	–	–	–	–	(22,054)	–	(22,054)
BALANCES AT DECEMBER 31, 2010 (As restated)	₱4,922,131	₱812,378	₱12,694,668	₱–	₱419,404	(₱66,174)	₱1,611,397	₱106,027	₱20,499,831	₱236,085	₱20,735,916
Net income	–	–	5,763,795	–	–	–	–	–	5,763,795	28,666	5,792,461
Other comprehensive income (loss):											
Items to be reclassified to profit or loss in subsequent periods:											
Movement in fair value of hedging instruments - net of related deferred income tax (Note 20)	–	–	–	–	–	574,168	–	–	574,168	–	574,168
Unrealized gain on AFS financial assets - net of related deferred income tax (Note 11)	–	–	–	–	1,601,536	–	–	–	1,601,536	–	1,601,536
Loss on translation of foreign subsidiaries	–	–	–	–	–	(12,975)	–	–	(12,975)	(7,623)	(20,598)
Items not to be reclassified to profit or loss in subsequent periods:											
Remeasurements of net defined benefit losses, net of tax (Note 18)	–	–	(82,983)	–	–	–	–	–	(82,983)	–	(82,983)
Total comprehensive income	–	–	5,680,812	–	1,601,536	561,193	–	–	7,843,541	21,043	7,864,584
Increase in paid-in capital due to exercise of stock option (Note 25)	7,620	24,947	–	–	–	–	–	–	32,567	–	32,567
Increase in additional paid-in capital due to stock option plan (Note 25)	–	49,965	–	–	–	–	–	–	49,965	–	49,965
Declaration of cash dividends and property dividends (Note 25)	–	–	(2,401,287)	–	–	–	–	–	(2,401,287)	650,856	(1,750,431)
Deemed acquisition of shares of stock	–	–	6,401	–	–	–	–	–	6,401	–	6,401
BALANCES AT DECEMBER 31, 2011 (As restated)	₱4,929,751	₱887,290	₱15,980,594	₱–	₱2,020,940	₱495,019	₱1,611,397	₱106,027	₱26,031,018	₱907,984	₱26,939,002

	Equity Attributable to Equity Holders of the Parent Company										
			Retained Earnings (Note 25)								
	Capital Stock (Note 25)	**Additional Paid-In Capital**	**Unappropriated**	**Appropriated**	**Net Unrealized Gain (Loss) on AFS Financial Assets** (Notes 11 and 24)	**Cumulative Translation Adjustments** (Notes 20 and 24)	**Net Revaluation Surplus** (Note 4)	**Effect of Transactions with Non-controlling Interests** (Note 2)	**Subtotal**	**Non-controlling Interests** (Note 25)	**Total**
BALANCES AT DECEMBER 31, 2011 (As previously presented)	₱4,929,751	₱887,290	₱16,093,059	₱–	₱2,020,940	₱495,019	₱1,611,397	₱106,027	₱26,143,483	₱907,984	₱27,051,467
Effect of change in accounting for employee benefits, net of tax (Note 2)	–	–	(112,465)	–	–	–	–	–	(112,465)	–	(112,465)
BALANCES AT DECEMBER 31, 2011 (As restated)	₱4,929,751	₱887,290	₱15,980,594	₱–	₱2,020,940	₱495,019	₱1,611,397	₱106,027	₱26,031,018	₱907,984	₱26,939,002
Net income (loss)	–	–	208,733	–	–	–	–	–	208,733	(519,572)	(310,839)
Other comprehensive income (loss):											
Items to be reclassified to profit or loss in subsequent periods:											
Unrealized loss on AFS financial assets - net of related deferred income tax (Note 11)	–	–	–	–	(1,419,885)	–	–	–	(1,419,885)	(13,219)	(1,433,104)
Movement in fair value of hedging instruments - net of related deferred income tax (Note 20)	–	–	–	–	–	(499,496)	–	–	(499,496)	–	(499,496)
Loss on translation of foreign subsidiaries	–	–	–	–	–	(37,308)	–	–	(37,308)	(80,487)	(117,795)
Items not to be reclassified to profit or loss in subsequent periods:											
Remeasurements of net defined benefit gains, net of tax	–	–	2,601	–	–	–	–	–	2,601	–	2,601
Total comprehensive income	–	–	211,334	–	(1,419,885)	(536,804)	–	–	(1,745,355)	(613,278)	(2,358,633)
Increase in paid-in capital due to exercise of stock option and others (Note 25)	3,276	55,297	–	–	–	–	–	–	58,573	–	58,573
Increase in additional paid-in capital due to stock option plan (Note 25)	–	21,280	–	–	–	–	–	–	21,280	–	21,280
Deemed acquisitions / disposals of shares of stock of non-controlling interest in subsidiaries (Note 2)	–	–	–	–	–	–	–	(60,928)	(60,928)	105,550	44,622
Declaration of cash dividends (Note 25)	–	–	(2,613,842)	–	–	–	–	–	(2,613,842)	–	(2,613,842)
BALANCES AT DECEMBER 31, 2012 (As restated)	₱4,933,027	₱963,867	₱13,578,086	₱–	₱601,055	(₱41,785)	₱1,611,397	₱45,099	₱21,690,746	₱400,256	₱22,091,002

	Equity Attributable to Equity Holders of the Parent Company										
			Retained Earnings (Note 25)								
	Capital Stock (Note 25)	Additional Paid-In Capital	Unappropriated	Appropriated	Net Unrealized Gain (Loss) on AFS Financial Assets (Notes 11 and 24)	Cumulative Translation Adjustments (Notes 20 and 24)	Net Revaluation Surplus (Note 4)	Effect of Transactions with Non-controlling Interests (Note 2)	Subtotal	Non-controlling Interests (Note 25)	Total
BALANCES AT DECEMBER 31, 2012 (As previously presented)	**₱4,933,027**	**₱963,867**	**₱13,704,164**	**₱–**	**₱601,055**	**(₱41,785)**	**₱1,611,397**	**₱45,099**	**₱21,816,824**	**₱400,256**	**₱22,217,080**
Effect of change in accounting for employee benefits, net of tax (Note 2)	–	–	**(126,078)**	–	–	–	–	–	**(126,078)**	–	**(126,078)**
BALANCES AT DECEMBER 31, 2012 (As restated)	**₱4,933,027**	**₱963,867**	**₱13,578,086**	**₱–**	**₱601,055**	**(₱41,785)**	**₱1,611,397**	**₱45,099**	**₱21,690,746**	**₱400,256**	**₱22,091,002**
Net income (loss)	–	–	**341,932**	–	–	–	–	–	**341,932**	**(29,537)**	**312,395**
Other comprehensive income (loss):											
Items to be reclassified to profit or loss in subsequent periods:											
Unrealized loss on AFS financial assets - net of related deferred income tax (Note 11)	–	–	–	–	**(1,620,140)**	–	–	–	**(1,620,140)**	–	**(1,620,140)**
Realized loss on AFS financial assets due to impairment	–	–	–	–	**1,006,508**	–	–	–	**1,006,508**	–	**1,006,508**
Realized loss on sale of AFS financial assets	–	–	–		**17,266**	–	–	–	**17,266**	**13,219**	**30,485**
Loss on translation of foreign subsidiaries	–	–	–	–	–	**66,901**	–	–	**66,901**	**143,170**	**210,071**
Items not to be reclassified to profit or loss in subsequent periods:											
Remeasurements of net defined benefit gains, net of tax	–	–	**208,808**	–	–	–	–	–	**208,808**	**(1,137)**	**207,671**
Total comprehensive income	–	–	**550,740**	–	**(596,366)**	**66,901**	–	–	**21,275**	**125,715**	**146,990**
Increase in paid-in capital due to exercise of stock option and others (Note 25)	**3,969**	**10,497**	–	–	–	–	–	–	**14,466**	–	**14,466**
Increase in additional paid-in capital due to stock option plan (Note 25)	–	**84,133**	–	–	–	–	–	–	**84,133**	–	**84,133**
Increase in minority due to acquisition of Pitkin Petroleum Plc (PPP) (Note 4)	–	–	–	–	–	–	–	–	–	**3,580,663**	**3,580,663**
Appropriation during the year	–	–	**(10,000,000)**	**₱10,000,000**	–	–	–	–	–	–	–
BALANCES AT DECEMBER 31, 2013	**₱4,936,996**	**₱1,058,497**	**₱4,128,826**	**₱10,000,000**	**₱4,689**	**₱25,116**	**₱1,611,397**	**₱45,099**	**₱21,810,620**	**₱4,106,634**	**₱25,917,254**

See accompanying Notes to Consolidated Financial Statements.

PHILEX MINING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2013	2012 (As restated, see Note 2)	2011 (As restated, see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,075,052**	₱236,750	₱8,120,069
Adjustments for:			
Depletion and depreciation (Note 15)	**1,447,592**	778,995	770,289
Impairment loss on AFS financial assets (Note 11)	**1,006,508**	–	–
Interest expense (Notes 10 and 13)	**416,360**	44,355	36,161
Unrealized foreign exchange losses (gains) and others - net	**378,672**	(52,474)	(77,519)
Impairment loss on deferred exploration costs and others (Notes 7, 8, 10 and 12)	**297,934**	1,023,376	170,772
Gain on sale of subsidiaries	**(246,597)**	–	–
Provision for rehabilitation, clean up and other costs (Notes 1 and 31)	**161,400**	1,446,859	–
Stock-based compensation expense (Note 26)	**84,132**	21,280	49,965
Gain on disposal of AFS financial assets (Note 11)	**(26,867)**	–	(77)
Interest income (Note 6)	**(26,060)**	(58,201)	(86,017)
Gain on dilution of interest in an associate (Note 11)	–	–	(523,710)
Equity in net losses of associates (Note 11)	–	–	44,116
Gain on disposal of property and equipment	–	–	(324)
Operating income before working capital changes	**4,568,126**	3,440,940	8,503,725
Decrease (increase) in:			
Inventories	**(1,469,759)**	(392,891)	(25,242)
Accounts receivable	**(63,279)**	1,342,408	576,843
Pension assets	**(38,955)**	(82,520)	(52,219)
Other current assets	**(345,905)**	(235,659)	(78,688)
Increase (decrease) in:			
Accounts payable and accrued liabilities	**1,216,999**	90,194	162,021
Provisions and subscriptions payable	**(933,528)**	(195,645)	(175,578)
Pension obligation	**15,278**	23,164	10,612
Cash generated from operations	**2,948,977**	3,989,991	8,921,474
Interest received	**41,757**	41,515	93,664
Interest paid	**(442,220)**	(23,645)	(16,081)
Income taxes paid	**(77,717)**	(1,094,452)	(2,358,400)
Net cash flows from operating activities	**2,470,797**	2,913,409	6,640,657
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in deferred exploration costs and other noncurrent assets	**(3,778,195)**	(1,896,122)	(2,075,491)
Additions to:			
Property, plant and equipment (Note 10 and 13)	**(2,309,854)**	(2,104,626)	(1,347,344)
AFS financial assets	–	(20,680)	(1,716,388)
Net proceeds from sale of:			
Subsidiaries	**2,097,815**	–	–
AFS financial assets	**167,999**	–	280
Property, plant and equipment	–	90,288	43,461
Acquisition of additional interests in PPP (net of cash acquired):	**(629,953)**	–	–
Net cash flows used in investing activities	**(4,452,188)**	(3,931,140)	(5,095,482)

(Forward)

		Years Ended December 31	
	2013	2012 (As restated, see Note 2)	2011 (As restated, see Note 2)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availment of short-term loans (Note 13)	**7,769,313**	₱1,100,000	₱2,553,985
Exercise of stock options and others (Note 25)	**14,467**	103,195	32,567
Payments of:			
Short-term bank loans (Note 13)	**(3,374,935)**	–	(2,353,985)
Dividends (Note 25)	**(22,607)**	(2,455,918)	(1,632,973)
Net cash flows provided by (used in) financing activities	**4,386,238**	(1,252,723)	(1,400,406)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**6,123**	(7,299)	20,278
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,410,970**	(2,277,753)	165,047
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,669,542**	3,947,295	3,782,248
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱4,080,512**	₱1,669,542	₱3,947,295

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Amounts Per Unit and Number of Shares)

1. **Corporate Information, Business Operations and Authorization for Issue of the Financial Statements**

Corporate Information

Philex Mining Corporation and its subsidiaries are organized into two main business groupings: the metals business under Philex Mining Corporation, and the energy and hydrocarbon business under Philex Petroleum Corporation.

Philex Mining Corporation (the Parent Company or PMC) was incorporated on July 19, 1955 in the Philippines and is listed in the Philippine Stock Exchange on November 23, 1956. Having reached the end of its 50 years corporate life, the Parent Company's Philippine Securities and Exchange Commission (SEC) registration was renewed on July 23, 2004. The Parent Company, Philex Gold Philippines, Inc. (PGPI, a wholly-owned subsidiary through a holding company and incorporated in the Philippines), Lascogon Mining Corporation (LMC), (a subsidiary of PGPI and incorporated in the Philippines), and Silangan Mindanao Exploration Co., Inc. (SMECI, a wholly-owned subsidiary directly by the Parent Company and through a holding company and PGPI, and incorporated in the Philippines) and its subsidiary, Silangan Mindanao Mining Co. Inc. (SMMCI, a wholly-owned subsidiary directly by the Parent Company and through SMECI, and incorporated in the Philippines) are all primarily engaged in large-scale exploration, development and utilization of mineral resources. The Parent Company operates the Padcal Mine in Benguet. PGPI operated the Bulawan mine in Negros Occidental until the second quarter of 2002. LMC conducts exploration work on Taganaan, Surigao del Norte. SMMCI owns the Silangan Project covering the Boyongan and Bayugo deposits, which are under pre-feasibility study stage as of December 31, 2013.

Philex Petroleum Corporation (PPC, a 64.8% owned subsidiary of the Parent Company and incorporated in the Philippines) and its subsidiaries: Forum Energy plc (FEP, 60.5% owned and registered in England and Wales) and its subsidiaries, Pitkin Petroleum Plc. (PPP, 50.3% owned and incorporated and registered in United Kingdom of Great Britain and Northern Ireland) and its subsidiaries and FEC Resources, Inc. (FEC, 51.2% owned and incorporated in Canada) are engaged primarily in oil and gas operation and exploration activities, holding participations in oil and gas production and exploration activities through their investee companies. Brixton Energy & Mining Corporation (BEMC), a wholly-owned subsidiary of PPC and incorporated in the Philippines commenced operation of its coal mine in Diplahan, Zamboanga Sibugay in November 2010 but suspended operation in December 2012. On August 23, 2013, BEMC informed the Department of Energy of the closure, abandon and management plan of PPC due to negative returns of its coal mine operations. The closure of BEMC's coal mine is expected to be completed in the first quarter of 2014.

The foregoing companies are collectively referred to as the "Group" (see Note 2) whose income is derived mainly from the Padcal Mine. Income from petroleum and coal and other sources are relatively insignificant.

The Parent Company's registered business address is Philex Building, 27 Brixton corner Fairlane Streets, Pasig City.

Executive Order (EO) 79

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

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

Status of Business Operations

Padcal Mine Operations

The Parent Company has the Padcal Mine as its main source of revenue from its metals business segment. The Padcal Mine is on its 56th year of operation producing copper concentrates containing gold, copper and silver.

At around midnight of August 1, 2012, the Parent Company voluntarily suspended its operations of the Padcal Mine after tailings were accidentally discharged from the underground tunnel of Penstock A being used to drain water from Tailings Storage Facility (TSF) No. 3 of the mine. The incident followed the unabated and historically unprecedented heavy rains during the last two weeks of the preceding month from the two typhoons that brought unusual and heavy accumulation of rain water in TSF No. 3. The suspension of the mine's operations was formalized at around 8 p.m. of the following day, August 2, 2012, when the Mines and Geosciences Bureau (MGB) ordered the Padcal Mine to stop operations until such time as the safety and integrity of its tailings storage facility is assured. The discharge of tailings was fully stopped with the plugging of the sinkhole in one of the two penstocks used in the water management system of TSF no. 3 and the sealing of the underground tunnel of the affected penstock in November 2012. This has allowed the Padcal Mine to start conducting the necessary remediation and rehabilitation program (which includes the rehabilitation of TSF No. 3 and the construction of an open spillway in place of the existing penstock system for water management, and the undertaking of remediation and rehabilitation measures in the areas affected by the tailings spill) relative to the resumption of its operations. In an Order dated February 25, 2013, the PAB lifted its Cease and Desist Order dated November 28, 2012 effective for four months and imposed compliance on certain reportorial matters. On February 26, 2013, MGB lifted its suspension order and allowed the Padcal Mine to operate for a period of four months in order to undertake further remediation measures on TSF No. 3. Before the expiration of the four-month period, the Parent Company moved for a further extension of the four-month period with both the MGB and PAB, respectively. On July 5, 2013, the MGB advised the Parent Company that it is authorized to continue implementing such remediation measures in the meantime that the former is thoroughly reviewing the pertinent technical details, subject to the Mineral Industry Coordinating Council's (MICC) guidance.

On the same date, the PAB issued an Order extending the temporary lifting of the issued Cease and Desist Order issued last November 28, 2013 to allow the Parent Company to implement its Pollution Control Program.

On February 18, 2013, the Parent Company paid ₱1,034,358 Mine Waste and Tailings Fee to MGB in connection with the TSF No. 3 as provided for under DAO No. 2010-21 implementing the provisions of the Philippine Mining Act of 1995, which fee the Parent Company has provided for in the accounts as of December 31, 2012. The PAB has likewise assessed the Parent Company the amount of ₱92,800 and counting for alleged violations of the Clean Water Act of 2004, which the Parent Company has challenged and is the subject of a motion for reconsideration and supplemental motion for reconsideration pending before the PAB. Other provisions for the remediation and rehabilitation of T SF No. 3 and the areas affected by the tailings spill have also been made in the 2012 accounts.

The Parent Company implemented remedial measures that addressed the tailings spill incident in 2012 and, to its knowledge, has completed all regulatory requirements needed for the company to resume normal operations.

The Parent Company awaits the government's report and the Mining Industry Coordinating Council's (MICC's) recommendation on the status of its rehabilitation and clean-up efforts, based on the understanding of the nature of the incident and the direct and indirect interventions surrounding it. As of December 31, 2013, the motion for reconsideration and supplemental motion for reconsideration related to the Parent Company's alleged violations of the Clean Water Act of 2004, remains pending before the PAB.

The Group's ability to continue as a going concern depends on the resumption of regular operations of the Parent Company's Padcal Mine. Other than as mentioned in the preceding paragraph, the consolidated financial statements do not include any adjustment that might result from uncertainties relating to when the Parent Company would be able to resume regular operations. The effect of these uncertainties will be reported in the consolidated financial statements as they become known and estimable.

The Group continues to look for sources of funding to finance its activities and working capital requirements pending the resumption of the Parent Company's Padcal Mine operations. On October 30, 2012, the Parent Company obtained a commitment letter from First Pacific Ltd. (FPC) to provide a loan of up to a maximum of US$200,000 to finance the Silangan Project's exploration activities and the Padcal Mine's capital requirements. This loan commitment however was reduced to US$150,000 following payment of ₱2,100,000 loan to Kirtman Limited on November 8, 2013.

PGPI
PGPI operated the Bulawan mine in Negros Occidental from 1996-2002, when it was decommissioned due to unfavorable metal prices. The Bulawan mine currently has remaining resources of 23.9 million tonnes, including that of the Vista Alegre area. Exploration projects in the Vista Alegre area include the Nagtalay project and the Laburan/Skid 9 project, which are undergoing resource modelling and estimation to ascertain additional resources. PGPI currently holds 98.9% of LMC.

SMMCI
SMMCI is currently conducting the pre-feasibility study of the Silangan Project covering the Boyongan and Bayugo copper-gold deposits. Adjacent to the Bayugo deposit is the Kalayaan Project, the exploration of which is being undertaken by the Parent Company by virtue of a Farm-

in Agreement with Kalayaan Gold & Copper Resources, Inc., a subsidiary of Manila Mining Corporation.

BEMC
In January 2013, BEMC decided to undertake a detailed review of the operations and prospects of its coal mining project. The management determined that it was prudent to suspend underground mining operations at that time. On September 1, 2013, BEMC announced the closure of its coal mine in Diplahan, Zamboanga Sibugay under Coal Operating Contract 130 (COC 130). On January 9, 2014, BEMC has finalized the agreements for the assignment of COC 130 to Grace Coal Mining and Development, Inc.

FEP and its subsidiaries
FEP's principal asset is a 70% interest in Service Contract (SC) 72 which covers an area of 8,800 square kilometres in the West Philippine Sea. FEP is scheduled to accomplish its second sub-phase of exploration activities from August 2011 to August 2013. However, due to maritime disputes between the Philippine and Chinese governments, exploration activities in the area are temporarily suspended. In addition, newly purchased casing heads to be used for its drilling activities which were scheduled during the year were sold to third parties at a price lower than its original purchase price to avoid a larger expense from further impairment of the assets. FEP incurred a loss amounting to ₱24,164 on sale of these assets recorded under 'Others - net' in the consolidated statement of income.

FEP has been granted by the Department of Energy (DOE) an extension up to August 2015 to complete its obligation under SC 72 which requires two (2) wells to be drilled at a cost estimated at US$6,000 or ₱266,370 to FEP.

In addition, FEP's SC 14C Galoc has completed its development of Galoc Phase 2 which increased the capacity of the field to produce from 4,500 barrels of oil per day (BOPD) to 12,000 BOPD. On December 4, 2013, Galoc Phases 1 and 2 started to produce oil simultaneously.

PPP
PPP is an international upstream oil and gas group, engaged primarily in the acquisition, exploration and development of oil and gas properties and the production of hydrocarbon products with operations in the Philippines and Peru.

On July 16, 2013 and October 25, 2013, PPP completed the sale of all its interests in its wholly-owned subsidiaries, Vietnam American Exploration Company LLC (Vamex) with a 25% participating interest in Vietnam Block 07/03 and Lonsdale, Inc., respectively. The gain on sale of these subsidiaries amounted to ₱246,597. Accordingly, goodwill attributable to Vietnam Block 07/03 at time of acquisition of PPP by PPC was derecognized amounting to ₱554,178.

On September 5, 2013, SC 74 Area 5, located in the Northwest Palawan Basin, has been formally awarded to the consortium of PPP and the Philodrill Corporation (Philodrill) with operating interest of 70% and participating interest of 30%, respectively.

Recovery of Deferred Mine and Oil Exploration Costs
The Group's ability to realize its deferred mine and oil exploration costs amounting to ₱22,049,814 and ₱14,535,993 as at December 31, 2013 and 2012, respectively (see Note 12), depends on the success of exploration and development work in proving the viability of its mining and oil properties to produce minerals and oil in commercial quantities, and the success of converting the Group's EPs or EPAs or APSAs to new mineral agreements, which cannot be

determined at this time. The consolidated financial statements do not include any adjustment that might result from these uncertainties.

Authorization for Issue of the Financial Statements
The consolidated financial statements are authorized for issuance by the Parent Company's Board of Directors (BOD) on February 26, 2014.

2. Summary of Significant Accounting Policies and Financial Reporting Practices

Basis of Preparation
The consolidated financial statements of the Group have been prepared using the historical cost basis, except for mine products inventories that are measured at net realizable value (NRV), and for AFS financial assets and derivative financial instruments that are measured at fair value. The consolidated financial statements are presented in Philippine Peso (Peso), which is the Parent Company's functional and reporting currency, rounded to the nearest thousands, except when otherwise indicated.

The financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at January 1, 2012 is presented in these financial statements due to retrospective application of certain accounting policies as a result of new accounting standards.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the Philippines. The Group prepared its consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRS), except for the Parent Company's mine products inventories that are measured at NRV, which was permitted by the Philippine SEC. The significant accounting policies followed by the Group are disclosed below.

Changes in Accounting Policies and Disclosures
The Group applied, for the first time, certain standards and amendments that require restatement of previous financial statements. These include PAS 19, *Employee Benefits* (Revised 2011) and amendments to PAS 1, *Presentation of Financial Statements*. In addition, the application of PFRS 12, *Disclosure of Interests in Other Entities*, resulted in additional disclosures in the financial statements.

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

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

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

with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

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

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

- PFRS 10, *Consolidated Financial Statements*
  The Group adopted PFRS 10 in the current year. PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in Standard Interpretation Committee (SIC) 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

  The adoption of this standard did not have a significant impact on the Group's statement of financial position and performance.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method.

  The adoption of this standard did not have a significant impact on the Group's statement of financial position and performance.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). While the Group has subsidiaries with material noncontrolling interests (NCI), there are no unconsolidated structured entities. PFRS 12 disclosures are provided in Notes 3 and 25.

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

  As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 19.

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

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

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

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

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

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

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

	December 31, 2013	December 31, 2012	January 1, 2012
Increase (decrease) in:			
Statements of financial position			
Net defined benefit liability	**(₱90,329)**	₱180,112	₱160,664
Deferred tax assets	**(27,099)**	54,034	48,199
Retained earnings	**63,230**	(126,078)	(112,465)
Statements of income			
Mine and milling cost	**₱25,128**	₱15,346	₱9,006
General and administrative expenses	**5,267**	3,488	1,606
Padcal maintenance cost during suspension of operations	**7,090**	4,330	–
Profit before income tax	**(37,485)**	(23,164)	(10,612)
Income tax benefit	**11,246**	6,949	3,184
Profit for the year	**(₱26,239)**	(₱16,215)	(₱7,428)
Statements of comprehensive income			
Remeasurement loss (gain) on defined benefit obligation	**₱297,396**	₱3,331	(₱118,547)
Income tax effects	**(89,219)**	(999)	35,564
Other comprehensive income for the year, net of tax	**208,177**	2,332	(82,983)
Total comprehensive income for the year	**₱181,938**	(₱13,883)	(₱90,411)

The adoption did not have an impact on consolidated statement of cash flows.

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

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

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part.

  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Group.

Future Changes in Accounting Policies
The Group will 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 PFRS, PAS and Philippine Interpretations to have significant impact on its financial statements. The relevant disclosures will be included in the notes to the financial statements when these become effective.

Effective in 2014

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

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
  These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group.

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that IFRIC 21 will have material financial impact in future 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. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

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

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The Group does not expect that adoption of the amendments in PAS 19 will have material financial impact in future consolidated financial statements.

Effective subsequent to 2014

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss (FVPL). All equity financial assets are measured at fair value either through (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the FVO, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect

on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

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

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The 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 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 Financial Reporting Standards Council (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.

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

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The Group believes that the amendment will not have a material impact on the Group's consolidated financial statements when it becomes effective.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39,

if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

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

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

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

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

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

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

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

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

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

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

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

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

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

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

- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

Summary of Significant Accounting Policies

Basis of Consolidation

Basis of consolidation starting January 1, 2010

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at December 31 of each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

Subsidiaries are entities over which the Parent Company has the power to govern the financial and operating policies of the entities, or generally have an interest of more than one half of the voting rights of the entities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls another entity. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, directly or through the holding companies, and continue to be consolidated until the date that such control ceases. Control is achieved where the Parent Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. They are deconsolidated from the date on which control ceases.

All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest (NCI) even if that results in a deficit balance.

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it derecognizes the carrying amounts of the assets (including goodwill) and liabilities of the subsidiary, carrying amount of any NCI (including any attributable components of OCI recorded in equity), and recognizes the fair value of the consideration received, fair value of any investment retained, and any surplus or deficit recognized in the consolidated statement of income. The Parent Company's share of components previously recognized in OCI is reclassified to profit or loss or retained earnings, as appropriate.

Basis of consolidation starting January 1, 2013

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31 of each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

- The contractual arrangement 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 re-assesses 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 OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Basis of consolidation prior to January 1, 2010
The above-mentioned requirements were applied on a prospective basis. The difference, however, is carried forward in certain instances from the previous basis of consolidation. Losses incurred by the Group were attributed to the NCI until the balance was reduced to nil. Any further excess losses were attributed to the Parent Company, unless the NCI had a binding obligation to cover these. Losses prior to January 1, 2010 were not reallocated between NCI and the equity holders of the Parent Company.

The Parent Company's subsidiaries and their respective natures of businesses are as follows:

Subsidiaries	Nature and Principal Place of Business
Philex Gold Holdings, Inc. (PGHI)	Incorporated in the Philippines on August 28, 1996 to serve as an intermediary holding company through which its subsidiaries and the Parent Company conduct large-scale exploration, development and utilization of mineral resources. PGHI owns 100% of the outstanding shares of PGPI effective April 27, 2010.
Philippines Gold Mining Company B.V. (PGMC-BV)	Incorporated in The Netherlands on October 1, 1996, as previously the intermediary holding company of PGI. PGMC-BV was liquidated in 2013.
Philex Gold Inc. (PGI)	Incorporated in Canada on June 14, 1996 and owns 100% of the outstanding shares of PGPI until April 26, 2010.

(Forward)

Subsidiaries	Nature and Principal Place of Business
PGPI	Incorporated in the Philippines on August 9, 1996 as a wholly-owned subsidiary of PGI and became a wholly-owned subsidiary of PGHI on April 27, 2010. PGPI was primarily engaged in the operation of the Bulawan mine and the development of the Sibutad Project both now on care and maintenance status since 2002. PGPI currently owns 98.9% of the outstanding shares of LMC.
LMC	Incorporated in the Philippines on October 20, 2005 to engage in exploration, development and utilization of mineral resources, particularly the Lascogon Project in Surigao.
SMECI	Incorporated in the Philippines on October 12, 1999 primarily to engage in the business of large-scale exploration, development and utilization of mineral resources; currently the holding company of SMMCI.
SMMCI	Incorporated in the Philippines on January 4, 2000 primarily to engage in the business of large-scale exploration, development and utilization of mineral resources, principally the Silangan Project.
PPC	Incorporated in the Philippines on December 27, 2007 to carry on businesses related to any and all kinds of petroleum and petroleum products, oil, and other sources of energy. PPC's shares are listed in the Philippine Stock Exchange.
FEP	Incorporated on April 1, 2005 in England and Wales primarily to engage in the business of oil and gas exploration and production, with focus on the Philippines. FEP's shares are listed in the Alternative Investment Market of the London Stock Exchange.
FEC	Incorporated on February 8, 1982 under the laws of Alberta, Canada primarily to engage in the business of exploration and development of oil and gas and other mineral related opportunities. FEC's shares are traded in the OTC BB of NASDAQ.
BEMC	Incorporated in the Philippines on July 19, 2005 to engage in exploration, development and utilization of energy-related resources, particularly the Brixton coal operations in Diplahan, Zamboanga Sibugay. On September 1, 2013, BEMC announced the closure of its coal mine in Diplahan, Zamboanga Sibugay.
PPP	Incorporated and registered in United Kingdom (UK) of Great Britain and Northern Ireland on April 6, 2005 and is engaged primarily in the acquisition, exploration and development of oil and gas properties and the production of hydrocarbon products. PPP registered its Philippine Branch, Pitkin Petroleum (Philippines) Plc, on March 19, 2008 and is presently engaged in the exploration of oil and gas assets in the Philippine territories.
Fidelity Stock Transfers, Inc. (FSTI)	Incorporated in the Philippines on December 28, 1981 to act as a stock transfer agent and/or registrar of client corporations.
Philex Land, Inc. (PLI)	Incorporated in the Philippines on February 26, 2007 to own, use, develop, subdivide, sell, exchange, lease, and hold for investment or otherwise, real estate of all kinds including buildings, houses, apartments and other structures.

(Forward)

Subsidiaries	Nature and Principal Place of Business
Philex Insurance Agency, Inc. (PIAI)	Incorporated in the Philippines on May 20, 1987 to act as a general agent for and in behalf of any domestic and/or foreign non-life insurance company or companies authorized to do business in the Philippines. PIAI is currently in dormant status.

The ownership of the Parent Company and subsidiaries over the foregoing companies in 2013 and 2012 are summarized as follows:

	Percentages of Ownership			
	2013		2012	
	Direct	**Indirect**	Direct	Indirect
PGHI	**100.0**	–	100.0	–
PGMC-BV	–	–	–	100.0
PGI	–	**100.0**	–	100.0
PGPI	–	**100.0**	–	100.0
LMC	–	**98.9**	–	98.9
SMECI	–	**0.1**	–	60.0
SMMCI	–	**95.8**	–	83.3
PPC	**64.8**	–	64.8	–
BEMC	–	**100.0**	–	100.0
FEP	–	**36.4**	–	36.4
FEC	–	**51.2**	–	51.2
LMC	–	**1.1**	–	1.1
FEP	–	**24.1**	–	24.1
PPP	–	**50.28**	–	–
SMECI	**99.9**	–	40.0	–
SMMCI	**4.2**	–	16.7	–
FSTI	**100.0**	–	100.0	–
PLI	**100.0**	–	100.0	–
PIAI	**100.0**	–	100.0	–

Infusion of additional capital of PMC in SMECI

On October 17, 2013, PMC paid ₱7,500 to SMECI for the issuance of the remaining authorized shares of SMECI consisting of 450 Class "A" shares and 300 Class "B" shares. PMC previously owns 100 shares out of the total 250 issued shares of SMECI or 40.0%. After the increase, PMC owns 850 shares out of the total 1,000 issued shares of SMECI or 85.0%.

On December 19, 2013, the Philippine SEC approved the increase in authorized capital stock of SMECI from ₱10,000, divided into six hundred (600) class "A" shares with a par value of ₱10 per share and four hundred (400) class "B" shares with a par value of ₱10,000 per share to ₱1,700,000, divided into one hundred two thousand (102,000) shares, with a par value of ₱10 per share and sixty eight thousand (68,000) class "B" shares with a par value of ₱10,000 per share. Out of the total increase in authorized capital stock of ₱1,690,000, a total of ₱990,000 divided into 99,000 Class "A" shares has been subscribed and paid by PMC in the form of cash. PMC previously owns 850 shares out of the total 1,000 issued shares of SMECI or 85.0%. After the increase, PMC owns 99,850 shares out of the total 100,000 issued shares of SMECI or 99.9%.

Acquisition of additional shares of stock in SMMCI by SMECI and PMC

On April 3, 2013, SMECI paid ₱9.90 to convert the excess additional paid-in capital of ₱0.10 to one (1) Class "B" share.

On April 16, 2013, SMECI and PMC subscribed and paid ₱18,760 for 1,121 Class "A" shares and 755 Class "B" shares and ₱3,740 for 374 Class "B" shares, respectively, for their proportionate share of ownership in SMMCI. The transaction did not affect the respective percentage ownership of PMC and SMECI to SMMCI.

On November 26, 2013, SMECI subscribed and paid ₱74,490 for 4,729 Class "A" and 2,720 Class "B" shares of SMMCI. Due to this additional subscription, the share of ownership of SMECI and PMC in SMMCI has changed from 83.3% and 16.7%, respectively, to 95.8% and 4.2%, respectively.

Acquisition of additional shares of PPP
On April 5, 2013, PPC increased its stake in PPP from 18.5% to 50.3% through acquisition of additional 46.4 million shares at US$0.75 per share for a total of US$34,800 which resulted to PPC obtaining control over PPP.

On July 16, 2013, PPP completed the sale of all its interests in Vietnam American Exploration Company LLC (Vamex), a wholly-owned subsidiary of PPP, for a total cash consideration of approximately ₱2.1 billion. Vamex has a 25% participating interest in Vietnam Block 07/03.

On September 5, 2013, SC No. 74, located in the Northwest Palawan Basin, has been formally awarded to the consortium of PPP and the Philodrill Corporation with operating interest of 70% and participating interests of 30%, respectively.

On October 25, 2013, PPP sold all of its net assets in Lonsdale, Inc., a wholly-owned subsidiary, to Sterling Projects Holdings, LLP for a purchase price of $35 effective July 31, 2013.

Infusion of additional capital in LMC
On April 24, 2012, LMC increased its authorized capital stock from ₱10,000 to ₱260,000. By virtue of such increase, PMC, through its wholly-owned subsidiary PGPI, infused additional capital of ₱150,000 in LMC. Following the capital infusion, the Parent Company increased its effective ownership in LMC from 73.4% to 99.3%.

The difference between the equity in shareholdings before and after the infusion of capital amounting to ₱34,552 was recognized as "Effect of transactions with non-controlling interests" in the equity section of the consolidated statement of financial position.

Distribution of PPC shares as property dividend
On May 16, 2011, the Parent Company declared approximately 35.2% of its ownership interest in PPC as property dividend to its shareholders. As a result of the dividend declaration, the Parent Company's ownership to PPC was reduced from 100.0% to 64.8% (see Note 25).

Dilution of interest in FEP
On May 26, 2010, certain directors and employees exercised their option over ordinary shares granted under FEP's 2005 Share Option Plan. As a result of the exercise of options, ownership interest of PPC and FEC in FEP decreased to 38.8% and 25.6%, respectively. The difference between the equity in shareholdings before and after the dilution of ownership was recognized in 2010 as "Effect of transactions with non-controlling interests" amounting to ₱3,266 in the equity section of the consolidated statement of financial position as a result of the dilution of interest in FEP.

On May 30, 2012, PPC's and FEC's interest in FEP were reduced to 36.4% and 24.1%, respectively, after option exercises were made over 2,185,000 ordinary shares of FEP. Shares aggregating to 700,000 and 1,000,000 were subsequently sold to Asia Link B.V. (a wholly-owned subsidiary of FPC) and Tidemark Holdings Limited (a wholly-owned subsidiary of Atok-Big Wedge Co., Inc.), respectively. The additional amount of ₱26,376 was recognized as "Effect of transactions with NCI" in 2012.

NCI
NCI represents interest in a subsidiary that is not owned, directly or indirectly, by the Parent Company. Profit or loss and each component of OCI (loss) are attributed to the equity holders of the Parent Company and to the NCI. Total comprehensive income (loss) is 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 represents the portion of profit or loss and the net assets not held by the Group. Transactions with NCI are accounted for as an equity transaction.

<u>Investments in Associates</u>
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statements of income reflect the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statements of income outside operating profit and represents profit or loss after tax and NCI in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss as 'Share of profit of an associate in the consolidated statements of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Interest in Joint Arrangements

PFRS defines a joint arrangement as an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.

In relation to its interests in joint operations, the Group recognises its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

Business Combination and Goodwill

Business combinations starting January 1, 2010

Business combinations, except for business combination between entities under common control, 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 acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and financial 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.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any gain or loss on remeasurement is recognized in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in the consolidated statement of income, or in the consolidated statement of comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled 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 net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statement of 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 cash-generating units (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 within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Goodwill is reviewed 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. 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 in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its impairment test of goodwill annually every December 31.

Business Combinations Prior to January 1, 2010
Business combinations are accounted for using the purchase method. This involves recognizing identifiable assets and liabilities of the acquired business initially at fair value. If the acquirer's interest in the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination, the acquirer shall (a) reassess the identification and measurement of the acquiree's identifiable assets and liabilities and the measurement of the cost of the combination; and (b) recognize immediately in the consolidated statement of income any excess remaining after that reassessment.

When a business combination involves more than one exchange transaction, each exchange transaction shall be treated separately using the cost of the transaction and fair value information at the date of each exchange transaction to determine the amount of any goodwill associated with that transaction. This results in a step-by-step comparison of the cost of the individual investments with the Group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at each exchange transaction. The fair values of the acquiree's identifiable assets, liabilities and contingent liabilities may be different on the date of each exchange transaction. Any adjustments to those fair values relating to previously held interests of the Group is a revaluation to be accounted for as such and presented separately as part of equity. If the revaluation relates directly to an identifiable fixed asset, the revaluation will be transferred directly to retained earnings when the asset is derecognized in whole through disposal or as the asset concerned is depreciated or amortized.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share in the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is recognized separately as a noncurrent asset. Goodwill on acquisitions of associates is included in investments in associates and is tested annually for impairment as part of the overall balance.

Foreign Currency Translation of Foreign Operations
Each subsidiary in the Group determines its own functional currency and items included in the consolidated financial statement of each subsidiary are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate on the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at consolidated statement of financial position date. All exchange differences are recognized in consolidated statements of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

For purposes of consolidation, the financial statements of FEP, PPP and PGI, which are expressed in US dollar amounts, the financial statements of PGMC-BV, which are expressed in Euro dollar amounts, and the financial statements of FEC, which are expressed in Cdn dollar amounts, have been translated to Peso amounts as follows:

a. assets and liabilities for each statement of financial position presented (i.e., including comparatives) are translated at the closing rate at the date of the consolidated statement of financial position;
b. income and expenses for each statement of income (i.e., including comparatives) are translated at exchange rates at the average monthly prevailing rates for the year; and
c. all resulting exchange differences are taken in the consolidated statement of comprehensive income.

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

Financial Instruments
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition and classification of financial instruments
Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

On initial recognition, the Group classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and AFS financial assets. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Financial liabilities, on the other hand, are classified into the following categories: financial liabilities at FVPL and other financial liabilities, as appropriate. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

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

As at December 31, 2013 and 2012, the Group's financial assets and financial liabilities consist of loans and receivables, AFS financial assets and other financial liabilities.

Determination of fair value
The Group measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each statement of financial position date. 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 by 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 financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the 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.

Day 1 difference
Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Derivatives and Hedging
The Group uses currency and commodity derivatives such as forwards, swaps and option contracts to economically hedge its exposure to fluctuations in gold and copper prices. For accounting purposes, such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivatives are accounted for as at FVPL, where any gains or losses arising from changes in fair value on derivatives are taken directly to consolidated statement of income, unless hedge accounting is applied.

For the purpose of hedge accounting, hedges are classified as:

a. fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability; or
b. cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecast transaction; or
c. hedges of a net investment in a foreign operation.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges
Cash flow hedges are hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognized in the consolidated statement of comprehensive income, while the ineffective portion is recognized in the consolidated statement of income.

Amounts taken to equity are transferred to the consolidated statement of income when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts recognized as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in equity are transferred to the consolidated statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction or firm commitment occurs. If the related transaction is not expected to occur, the amount is taken to the consolidated statement of income.

Embedded derivatives
An embedded derivative is separated from the host financial or non-financial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVPL.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes a party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. Changes in fair values are included in the consolidated statement of income.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. These financial assets are included in current assets if maturity is within 12 months from the statement of financial position date. Otherwise, these are classified as noncurrent assets.

As of December 31, 2013 and 2012, the Group's accounts receivable are included under loans and receivables (see Note 7).

AFS Financial Assets
AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified in any of the three other categories. The Group designates financial instruments as AFS financial assets if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. After initial recognition, AFS financial assets are

measured at fair value with unrealized gains or losses being recognized in the consolidated statement of comprehensive income as “Net Unrealized gain on AFS financial assets.”

When the investment is disposed of, the cumulative gains or losses previously recorded in equity are recognized in the consolidated statement of income. Interest earned on the investments is reported as interest income using the effective interest method. Dividends earned on investments are recognized in the consolidated statement of income as “Dividend income” when the right of payment has been established. The Group considers several factors in making a decision on the eventual disposal of the investment. The major factor of this decision is whether or not the Group will experience inevitable further losses on the investment. These financial assets are classified as noncurrent assets unless the intention is to dispose of such assets within 12 months from the statement of financial position date.

Note 11 discuss the details of the Group’s AFS financial assets as of December 31, 2013 and 2012.

Other Financial Liabilities

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

As at December 31, 2013 and 2012, included in other financial liabilities are the Group’s accounts payable and accrued liabilities, dividends payable, subscriptions payable and loans payable (see Notes 11, 13, 14 and 25).

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Impairment of Financial Assets

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the contracted parties or a group of contracted parties are/is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument, that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument 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 discounted at the current market rate of return of a similar financial asset.

Loans and receivables
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. If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of loss is measured as a 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 asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of loss is recognized in the consolidated statement of income.

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 the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, 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 income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS financial assets
For AFS financial assets, the Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 30% or more and "prolonged" as greater than 12 months for quoted equity securities. When there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income is removed from equity and recognized in the consolidated statement of income.

Impairment losses on equity investments are recognized in the consolidated statement of income. Increases in fair value after impairment are recognized directly in the consolidated statement of comprehensive income.

Derecognition of Financial Assets and Financial 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 flows 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 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 or has entered into a pass-through arrangement 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 the 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. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

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

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

Inventories

Mine products inventory, which consist of copper concentrates containing copper, gold and silver, are stated at NRV. Coal inventory and materials and supplies are valued at the lower of cost and NRV.

NRV for mine products and coal 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. In the case of materials and supplies, NRV is the value of the inventories when sold at their condition at the statement of financial position date.

Costs of coal include all mining and mine-related costs and cost of purchased coal from small-scale miners. These costs are aggregated to come up with the total coal inventory cost. Unit cost is determined using the moving average method.

Cost of petroleum inventory includes share in productions costs consisting of costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Unit cost is determined using the weighted average method

Costs of materials and supplies comprise 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.

Input Tax Recoverable
Input tax recoverable is stated at 10% in prior years up to January 2006 and 12% starting February 2006 of the applicable purchase cost of goods and services, net of output tax liabilities and allowance for probable losses. Input tax recoverable represents the value-added tax (VAT) paid on purchases of applicable goods and services, net of output tax liabilities, which can be recovered as tax credit against future tax liabilities of the Group upon approval by the Bureau of Internal Revenue (BIR) and/or the Philippine Bureau of Customs.

Property, Plant and Equipment
Property, plant and equipment, except land, are stated at cost less accumulated depletion and depreciation and accumulated impairment in value, if any. Land is stated at cost less any accumulated impairment in value.

The initial cost of property, plant and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use and any estimated cost of dismantling and removing the property, plant and equipment item and restoring the site on which it is located to the extent that the Group had recognized the obligation to that cost. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of income as incurred.

When assets are sold or retired, the cost and related accumulated depletion and depreciation, and accumulated impairment in value are removed from the accounts and any resulting gain or loss is recognized in the consolidated statement of income.

Depletion or amortization of mine, mining and oil and gas properties is calculated using the units-of-production method based on estimated recoverable reserves. Depreciation of other items of property, plant and equipment is computed using the straight-line method over the estimated useful lives of the assets as follows:

	No. of Years
Buildings and improvements	5 to 10
Machinery and equipment	2 to 20
Surface structures	10

Depreciation or depletion of an item of property, plant and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or depletion ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, and the date the asset is derecognized.

The estimated recoverable reserves, useful lives, and depreciation and depletion methods are reviewed periodically to ensure that the estimated recoverable reserves, periods and methods of depletion and depreciation are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

Property, plant and equipment also include the estimated costs of rehabilitating the Parent Company's Padcal Mine and BEMC's Coal Mine, for which the Group is constructively liable. These costs, included under land, buildings and improvements, are amortized using the units-of-production method based on the estimated recoverable mine reserves until the Group actually incurs these costs in the future.

Level and block development (included as part of mine and mining and oil and gas properties) and construction in progress are stated at cost, which includes the cost of construction, plant and equipment, other direct costs and borrowing costs, if any. Block development and construction in progress are not depleted nor amortized until such time as these are completed and become available for use.

Deferred Exploration Costs
Expenditures for exploration works on oil and mining properties (i.e., acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling, and activities in relation to evaluating the technical feasibility and commercial viability of extracting an oil and mineral resource) are deferred as incurred and included under "Deferred exploration costs and other noncurrent assets" account in the consolidated statement of financial position. If and when recoverable reserves are determined to be present in commercially producible quantities, the deferred exploration expenditures, and subsequent oil and mine development costs are capitalized as part of the mine and mining and oil and gas properties account classified under property, plant and equipment.

A valuation allowance is provided for unrecoverable deferred oil and mine exploration costs based on the Group's assessment of the future prospects of the exploration project. Full provision is made for the impairment unless it is probable that such costs are expected to be recouped through successful exploration and development of the area of interest, or alternatively, by its sale. If the project does not prove to be viable or when the project is abandoned, the deferred oil and mine exploration costs associated with the project and the related impairment provisions are written off. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

Borrowing Costs
Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset is capitalized by the Group. The capitalization of borrowing costs: (i) commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are being incurred; (ii) is suspended during the extended periods in which active development, improvement and construction of the assets are interrupted; and (iii) ceases when substantially all the activities necessary to prepare the assets are completed.

Other borrowing costs are recognized as an expense in the period in which they are incurred.

Impairment of Noncurrent Non-financial Assets
The Group's noncurrent non-financial assets include property, plant and equipment, investments in shares of stock and other noncurrent assets. The Group assesses at each reporting date whether there is indication that a noncurrent non-financial asset or CGU may be impaired. If any indication exists, or when an annual impairment testing for such items is required, the Group

makes an estimate of their recoverable amount. 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 item, unless such item does not generate cash inflows that are largely independent of those from other assets or group of assets or CGUs. When the carrying amount exceeds its recoverable amount, such item is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows to be generated by such items are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset or CGU. Impairment losses of continuing operations are recognized in the consolidated statement of income in the expense categories consistent with the function of the impaired asset.

An assessment is made at least on each statement of financial position date as to whether there is indication that previously recognized impairment losses may no longer exist or may have decreased. If any indication exists, the recoverable amount is estimated and a previously recognized impairment loss is reversed only if there has been a change in the estimate in the assets or CGU's recoverable amount since the last impairment loss was recognized. If so, the carrying amount of the item is increased to its new recoverable amount which cannot exceed the impairment loss recognized in prior years. Such reversal is recognized in the consolidated statement of income unless the asset or CGU is carried at its 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 estimated useful life.

Provision for Mine Rehabilitation Costs

The Group records the present value of estimated costs of legal and constructive obligations required to restore the mine site upon termination of the mine operations. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and settling ponds, 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 constructed or the ground or environment is disturbed at the mine site. When the liability is initially recognized, the present value of the estimated cost is capitalized as part of the carrying amount of the related mining assets.

Changes to estimated future costs are recognized in the statement of financial position by either increasing or decreasing the rehabilitation liability and asset to which it relates if the initial estimate was originally recognized as part of an asset measured in accordance with PAS 16, *Property, Plant and Equipment*. Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment in accordance with PAS 36. If, for mature mines, the estimate for the revised mine assets net of rehabilitation provisions exceeds the recoverable value that portion of the increase is charged directly to expense.

For closed sites, changes to estimated costs are recognized immediately in profit or loss.

Capital Stock

Ordinary or common shares are classified as equity. The proceeds from the increase of ordinary or common shares are presented in equity as capital stock to the extent of the par value issued shares and any excess of the proceeds over the par value or shares issued less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Dividends on Common Shares
Cash and property dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Parent Company. Stock dividends are treated as transfers from retained earnings to capital stock.

Dividends for the year that are approved after the statement of financial position date are dealt with as an event after the statement of financial position date.

Retained Earnings
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.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders. Appropriated retained earnings represent that portion which has been restricted and, therefore, not available for dividend declaration.

Revenue Recognition
Revenue is recognized upon delivery to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Revenue from sale of mine products
Revenue from sale of mine products is measured based on shipment value price, which is based on quoted metal prices in the London Metals Exchange (LME) and weight and assay content, as adjusted for marketing charges to reflect the NRV of mine products inventory at the end of the financial reporting period. Contract terms for the Group's sale of metals (i.e. gold, silver and copper) in bullion and concentrate allow for a price adjustment based on final assay results of the metal concentrate by the customer to determine the content.

The terms of metal in concentrate sales contracts with third parties contain provisional arrangements whereby the selling price for the metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer (the quotation period). Mark-to-market adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement, and such adjustments are recorded as part of revenue. The period between provisional invoicing and final settlement can be between one (1) and three (3) months. Provisional shipment of ninety percent (90%) for the sale of metals is collected upon shipment, while the remaining ten percent (10%) is collected upon determination of the final shipment value on final weight and assay for metal content and prices during the applicable quotational period less deduction for smelting charges.

Revenue from sale of petroleum products
Revenue is derived from sale of petroleum to third party customers. Sale of oil is recognized at the time of delivery of the product to the purchaser. Revenue is measured, based on participating

interest of the Group, at the fair value of the consideration received, excluding discounts, rebates, and other sales tax or duty.

Revenue from sale of coal
Revenue from sale of coal is recognized when the risks and rewards of ownership is transferred to the buyer, on the date of shipment to customers when the coal is loaded into the Group's or customers' loading facilities.

Interest income
Interest income is recognized as the interest accrues using the effective interest method.

Cost and Expense Recognition
Costs and expenses are recognized in the consolidated statements of income in the year they are incurred. The following specific cost and expense recognition criteria must also be met before costs and expenses are recognized:

Mining and milling costs
Mining and milling costs, which include all direct materials, power and labor costs and other costs related to the mining and milling operations, are expensed as incurred.

Mine products taxes and royalties
Mine product taxes pertain to the excise taxes paid or accrued by the Parent Company for its legal obligation arising from the production of copper concentrates. Also, the Parent Company is paying for royalties which are due to the claim owners of the land where the mine site operations were located. These mine product taxes and royalties are expensed as incurred.

Petroleum production costs
Petroleum production costs, which include all direct materials and labor costs, depletion of oil and gas properties, and other costs related to the oil and gas operations, are expensed when incurred based on the Group's participating revenue interest in the respective service contracts.

Cost of coal sales
Cost of coal sales includes costs of purchased coal and all direct materials and labor costs and other costs related to the coal production. Cost of coal sales is recognized by the Group when sales are made to customers.

General and administrative expenses
General and administrative expenses constitute the costs of administering the business and are expensed as incurred.

Handling, hauling and storage
Handling, hauling and storage expenses includes all direct expenses incurred for logistics and store room costs for mine and mining inventories. Handling, hauling and storage costs are recognized by the Group when incurred.

Retirement Benefits 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 profit or loss. 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 profit or loss.

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 other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

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 Parent Company, nor can they 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 Parent Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Share-based Payments
Certain officers and employees of the Group receive additional remuneration in the form of share-based payments of either the Parent Company, FEP or PGI, whereby equity instruments (or "equity-settled transactions") are awarded in recognition of their services.

The cost of equity-settled transactions with employees is measured by reference to their fair value at the date they are granted, determined using the acceptable valuation techniques. Further details are given in Note 26.

The cost of equity-settled transactions, together with a corresponding increase in equity, is recognized over the period in which the performance and/or service conditions are fulfilled ending on the date on which the employees become fully entitled to the award ("vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date up to and until the vesting date reflects the extent to which the vesting period has expired, as well as the Group's best estimate of the number of equity instruments that will ultimately vest. The consolidated statements of income charge or credit for the period represents the movement in cumulative expense recognized at the beginning and end of that period. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which awards are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. An additional expense is likewise recognized for any modification which increases the total fair value of the share-based payment arrangement or which is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. If a new award, however, is substituted for the cancelled awards and designated as a replacement award, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Foreign Currency-Denominated Transactions and Translations
Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the rate of exchange at the statement of financial position date. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchanges rates at the date when the fair value was determined.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any foreign exchange component of that gain or loss shall be recognized in the consolidated statements of comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in the consolidated statement of income.

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

Income Taxes
Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the statement of financial position date.

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

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss,
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss,

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

In business combinations, the identifiable assets acquired and liabilities assumed are recognized at their fair values at acquisition date. Deferred income tax liabilities are provided on temporary differences that arise when the tax bases of the identifiable assets acquired and liabilities assumed are not affected by the business combination or are affected differently.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

Provisions and Contingencies

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. 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 assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the consolidated statements of income, net of any reimbursement.

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to the 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 when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

Basic Earnings Per Share

Basic earnings per share is computed by dividing the net income attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any.

Diluted Earnings Per Share

Diluted earnings per share amounts are calculated by dividing the net income attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

Other Comprehensive Income
Other comprehensive income comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRS.

Events After the Statement of Financial Position Date
Events after the statement of financial position date that provide additional information about the Group's position at the statement of financial position date (adjusting event) are reflected in the consolidated financial statements. Events after the statement of financial position date that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

Operating Segment
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. For management purposes, the Group is organized into business units based on their products and services, and has three (3) reportable operating segments. Financial information on business segments is presented in Note 5. The Group operates in one geographical segment. Being the location of its current mining activities; therefore, geographical segment information is no longer presented.

3. Management's Use of Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the Philippines requires the management of the Group to exercise judgment, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of any contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Accounting assumptions, estimates and judgments 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.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effects on amounts recognized in the consolidated financial statements:

Determination of the functional currency
The Parent Company and most of its local subsidiaries based on the relevant economic substance of the underlying circumstances, have determined their functional currency to be the Philippine peso. It is the currency of the primary economic environment in which the Parent Company and most of its local subsidiaries primarily operates. FEC's functional currency is the Cdn dollar. PGMC-BV's functional currency is the Euro dollar. PGI, PPP and FEP's functional currencies are US dollar.

Recognition of Deferred Income Tax Assets
The Group reviews the carrying amounts at each end of reporting period and adjusts the balance of deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The sufficiency of future taxable profits requires the use of assumptions, judgments and estimates, including future prices of metals, volume of inventories produced and, sold and amount of costs and expenses that are subjectively determined like depreciation. As at December 31, 2013 and 2012, deferred income tax assets recognized in the consolidated statements of financial position amounted to ₱476,285 and ₱681,907, respectively (see Note 24). As at December 31, 2013 and 2012, no deferred income tax assets were recognized on the following deductible temporary differences amounting to about ₱2,175,544 and ₱823,485, respectively (see Note 24), because management believes that it is not probable that future taxable income will be available to allow all or part of the benefit of the deferred income tax assets to be utilized.

Classification of Financial Instruments
The Group exercises judgment in classifying financial instruments in accordance with PAS 39. The Group classifies a financial instrument, or its components, on initial recognition 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 Group's consolidated statements of financial position.

The Group has no intention of selling its investments in stocks in the near term. These are being held indefinitely and may be sold in response to liquidity requirements or changes in market condition. Accordingly, the Group has classified its investments in stocks as AFS investments. The Group has no plans to dispose its AFS investments within 12 months from the end of the reporting date.

The Group determines the classification at initial recognition and re-evaluates this classification, where allowed and appropriate, at every reporting date (see Note 19).

Determining and classifying a joint arrangement
Judgment is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement.

Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, the Group considers:

- The structure of the joint arrangement - whether it is structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
    a. The legal form of the separate vehicle
    b. The terms of the contractual arrangement
    c. Other facts and circumstances (when relevant)

This assessment often requires significant judgment, and a different conclusion on joint control and also whether the arrangement is a joint operation or a joint venture, may materially impact the accounting.

As at December 31, 2013 and 2012, the Group's joint arrangement is in the form of a joint operation.

Accounting Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainties at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Measurement of Mine Products Revenue

Mine products revenue is provisionally priced until or unless these are settled at pre-agreed future or past dates referred to as "quotational period," the prevailing average prices at which time become the basis of the final price. Revenue on mine products is initially recognized based on shipment values calculated using the provisional metals prices, shipment weights and assays for metal content less deduction for insurance and smelting charges as marketing. The final shipment values are subsequently determined based on final weights and assays for metal content and prices during the applicable quotational period. Total mine products revenue, gross of marketing charges, amounted to ₱10,243,407, ₱8,891,316 and ₱15,573,717 in 2013, 2012 and 2011, respectively (see Note 30).

Impairment of Loans and Receivables

The Group maintains an allowance for doubtful accounts at a level that management considers adequate to provide for potential uncollectibility of its loans and receivables. The Group evaluates specific balances where management has information that certain amounts may not be collectible. In these cases, the Group uses judgment, based on available facts and circumstances, and based on a review of the factors that affect the collectibility of the accounts. The review is made by management on a continuing basis to identify accounts to be provided with allowance.

The Group did not assess its loans and receivables for collective impairment due to few counterparties that can be specifically identified. Outstanding trade receivables are mainly from the Parent Company's main customer. Other receivables of the Group are not material. The amount of loss is recognized in the consolidated statement of incomes with a corresponding reduction in the carrying value of the loans and receivables through an allowance account. Total carrying value of loans and receivables amounted to ₱295,451 and ₱207,749 as at December 31, 2013 and 2012, respectively (see Note 7). Allowance for impairment on these financial assets as at December 31, 2013 and 2012 amounted to ₱3,193 and ₱2,397, respectively (see Note 7).

Valuation of AFS financial assets

The Group carries its quoted and unquoted AFS financial assets at fair value and at cost, respectively. Fair value measurement requires the use of accounting estimates and judgment. At initial recognition, the fair value of quoted AFS financial assets is based on its quoted price in an active market, while the fair value of unquoted AFS financial assets is based on the latest available transaction price. The amount of changes in fair value would differ if the Group utilized a different valuation methodology.

Any change in fair value of its AFS financial assets is recognized in the consolidated statements of comprehensive income. As at December 31, 2013 and 2012, the Group has net cumulative unrealized gain on its AFS financial assets amounting to ₱4,689 and ₱601,055, respectively (see Note 11). As at December 31, 2013 and 2012, the carrying value of the Group's AFS financial assets amounted to ₱975,380 and ₱3,990,761, respectively (see Note 11).

Impairment of AFS financial assets
The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 30% or more and "prolonged" as greater than 12 months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted securities. The Group recognized impairment loss on investments in quoted shares amounting to ₱1,006,508 in 2013 due to significant decline in the fair value of the quoted shares below its cost. There were no impairment losses on AFS financial assets in 2012 (see Note 11). As at December 31, 2013 and 2012, the carrying value of the Group's AFS financial assets amounted to ₱975,380 and ₱3,990,761, respectively (see Note 11).

Impairment of Goodwill
The Group reviews the carrying values 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 losses were recognized in 2013, 2012 and 2011, whereas the carrying value of goodwill as at December 31, 2013 and 2012 amounted to ₱1,208,020 and ₱258,593, respectively (see Note 4).

Measurement of NRV of Mine Products Inventory
The NRV of mine products inventory is the estimated sales value less costs to sell, which can be derived from such inventory based on its weight and assay for metal content, and the LME and London Bullion Metal Association for prices, which also represents an active market for the product. Changes in weight and assay for metal content as well as the applicable prices as the mine products inventory are eventually shipped and sold are accounted for and accordingly adjusted in revenue. The NRV of mine products inventory as at December 31, 2013 and 2012 amounted to ₱1,533,883 and nil, respectively, which were also reflected as part of mine products revenue for the years then ended (see Note 8).

Write-down of Carrying Values of Coal and Materials and Supplies Inventories
The Group carries coal and material and supplies inventories at NRV when such value is lower than cost due to damage, physical deterioration, obsolescence or other causes. When it is evident that the NRV is lower than its cost based on physical appearance and condition of inventories, an allowance for inventory obsolescence is provided. Additional provision for materials and inventory write-down amounted to ₱46,059, ₱53,160 and nil in 2013, 2012 and 2011, respectively. Related allowance for inventory obsolescence amounted to ₱197,474 and ₱248,261 as at December 31, 2013 and 2012, respectively. The carrying value of materials and supplies inventories amounted to ₱1,113,198 and ₱1,225,127 as at December 31, 2013 and 2012, respectively (see Note 8).

Additional provision for coal inventory write-down amounted to ₱71,312, ₱143,547 and ₱8,394 in 2013, 2012 and 2011, respectively. Related allowance for decline in coal inventory amounted to ₱223,242 and ₱151,941 as at December 31, 2013 and 2012, respectively. The carrying amount of coal inventory amounted to nil and ₱86,856 as at December 31, 2013 and 2012, respectively (see Note 8).

Estimation of Fair Value of Identifiable Net Assets of an Acquiree in a Business Combination
The Group applies the acquisition method of accounting whereby the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of fair value at the date of acquisition. The determination of fair values requires estimates of economic conditions and factors such as metal prices, mineral reserve, freight exchange rates and others. Transactions qualified as business combinations are discussed in Note 4.

Estimation of Useful Lives of Property, Plant and Equipment
The Group estimates the useful lives of depreciable property, plant and equipment, except for mine and mining and oil and gas properties, based on internal technical evaluation and experience. These estimated useful lives are reviewed periodically and 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. For mine and mining properties which were depreciated based on units-of production, the Group estimates and periodically reviews the remaining recoverable reserves to ensure that remaining reserves are reflective of the current condition of the mine and mining and oil and gas properties. The estimated useful lives of the Group's property, plant and equipment are disclosed in Note 2 to the consolidated financial statements.

As at December 31, 2013 and 2012, net book value of property, plant and equipment amounted to ₱6,880,096 and ₱6,035,174, respectively (see Note 10).

Estimation of Recoverable Reserves
Recoverable reserves were determined using various factors or parameters such as market price of metals and global economy. These are economically mineable reserves based on the current market condition and concentration of mineral resource. The estimated recoverable reserves are used in the calculation of depreciation, amortization and testing for impairment, the assessment of life of the mine, and for forecasting the timing of the payment of mine rehabilitation costs. On June 30, 2011, the Padcal Mine life had been extended from 2017 to 2020 due to the discovery of additional reserves per an internal geological study performed by the Parent Company's geologists.

Estimation of Provision for Mine Rehabilitation Costs
The Group recognized a liability relating to the estimated costs of mine rehabilitation. The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability. 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 each end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated statements of financial position by adjusting the rehabilitation asset and liability. If, for mature mines, the revised mine assets, net of rehabilitation provisions exceeds, the carrying value, that portion of the increase is charged directly to the consolidated statements of income. For closed sites, changes to estimated costs are recognized immediately in the consolidated statements of income. Provision for mine rehabilitation costs amounted to ₱20,818 and ₱18,892 as at December 31, 2013 and 2012, respectively (see Note 10).

Impairment of Non-financial Assets
The Group's non-financial assets include input tax recoverable, property, plant and equipment, investments in shares of stock, deferred mine and oil exploration costs and other current and noncurrent assets. The Group assesses whether there are indications of impairment on its current and noncurrent non-financial assets, at least on an annual basis. If there is objective evidence, an impairment testing is performed. This requires an estimation of the value in use of the CGUs to which the assets belong. Assessments require the use of estimates and assumptions such as VAT disallowance rate, long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. In assessing value in use, the estimated future cash flows are discounted to their present value using a suitable discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses amounting to ₱179,962, ₱827,172 and ₱170,772 were recognized in 2013, 2012 and 2011, respectively. As at December 31, 2013 and 2012, the carrying value of non-financial assets amounted to ₱30,509,008 and ₱21,566,374, respectively (see Notes 10, 11 and 12).

Valuation of Financial Instruments
The Group carries certain financial assets and financial liabilities (i.e., derivatives and AFS financial assets) at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, quoted equity prices), the amount of changes in fair value would differ if the Group utilized a different valuation methodology. Any change in fair value of these financial assets and financial liabilities is recognized in the consolidated statements of income and in the consolidated statements of comprehensive income.

The carrying values and corresponding fair values of financial assets and financial liabilities as well as the manner in which fair values were determined are discussed in Note 19.

Provisions for Losses
The Group provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle the said obligations. An estimate of the provision is based on known information at each end of the reporting period, net of any estimated amount that may be reimbursed to the Group. The amount of provision is being re-assessed at least on an annual basis to consider new relevant information. In 2013 and 2012, payments were made for a total of ₱1,060,528 and ₱451,550, respectively, through the Parent Company and PGPI. As at December 31, 2013 and 2012, FEP made payments to Basic Energy Corporation amounting to ₱41,050 and ₱451,550, respectively. Provisions in 2013 and 2012 amounted to ₱114,619 and ₱1,700, respectively. Total provision for losses amounted to ₱969,154 and ₱1,739,214 as at December 31, 2013 and 2012, respectively (see Note 31).

Estimation of Net Retirement Benefits Liability (Plan Assets) and Costs
The Group's net retirement benefits costs are actuarially computed using certain assumptions with respect to future annual salary increases and discount rates per annum, among others. The Parent Company's net retirement plan asset, which is recorded as part of "Deferred exploration costs and other noncurrent assets" amounted to ₱297,705 as at December 31, 2013. Pension obligation amounting to nil and ₱43,973 was presented as part of non-current liabilities as at December 31, 2013 and 2012, respectively (see Note 18).

SMMCI's retirement liability amounted to ₱5,975 and ₱993 as at December 31, 2013 and 2012 are presented as part of non-current liabilities (see Note 18).

PPP's retirement liability amounted to ₱15,623 and nil as at December 31, 2013 and 2012 are presented as part of non-current liabilities (see Note 18).

4. Business Combinations

Acquisition of PPP
On April 5, 2013, PPC increased its stake in PPP from 18.46% to 50.28% through acquisition of additional 46.4 million shares at US$0.75 per share which resulted to PPC obtaining control over PPP.

The goodwill of ₱1,534,168 arising from the acquisition pertains to the revenue potential the Group expects from PPP Peru Block Z-38, SC 14 Block C-2 (West Linapacan) and other Philippine blocks.

As at the acquisition date, the fair value of the net identifiable assets and liabilities of the PPP are as follows:

	Fair Value Recognized on Acquisition	Previous Carrying Value in the Subsidiary
Assets		
Cash and cash equivalents	₱803,379	₱803,379
Receivables	40,916	40,916
Inventories	1,035	1,035
Deferred exploration oil and gas exploration costs	5,521,113	407,219
Property and equipment	2,801	2,801
Other noncurrent assets	6,842	6,842
	6,376,086	1,262,190
Liabilities		
Accounts payable and accrued liabilities	48,391	48,391
Deferred tax liability	1,534,168	–
	1,582,559	48,391
Total identifiable net assets	₱4,793,527	₱1,213,801
Total consideration	6,327,695	
Goodwill arising from acquisition	₱1,534,168	

The aggregate consideration follows:

	Amount
Fair value of previously held interest	₱1,313,700
Consideration transferred for additional interest acquired	1,433,332
Fair value of non-controlling interest	3,580,663
	₱6,327,695

The net assets recognized in the consolidated financial statements were based on a provisional assessment of fair values. The Group measured non-controlling interest using the fair value method.

	Amount
Consideration transferred for additional interest acquired	₱1,433,332
Less cash of acquired subsidiary	803,379
	₱629,953

Revenues and net income of the acquiree since the acquisition date amounted to ₱3,465 and ₱1,980,796, respectively. Consolidated revenue and net income of the Group had the business combination occurred on January 1, 2013 would be higher by ₱2,564 and lower by ₱34,650, respectively.

The Group also recorded additional retirement benefit liability amounting to ₱11,373 as at January 1, 2013 as a result of the business combination.

Acquisition of SMECI and SMMCI
On February 6, 2009, the Parent Company acquired the 50% effective interest of Anglo American Exploration (Philippines), Inc. (Anglo) in SMECI and SMMCI, the companies holding the Silangan Project at that time, which gave the Parent Company control over the property together with its subsidiary, PGPI, which holds the other 50%.

The final fair values of the identifiable net assets of SMECI and SMMCI as at the date of acquisition are as follows:

	SMECI		SMMCI	
	Fair Values	Carrying Values	Fair Values	Carrying Values
Assets				
Current assets	₱1,440,247	₱1,440,247	₱1,569	₱1,569
Investment	3,236,355	2,500	–	–
Land	–	–	7,510	7,510
Deferred mine exploration costs	–	–	6,977,717	1,426,007
Other noncurrent assets	–	–	3,172	3,172
	4,676,602	1,442,747	6,989,968	1,438,258
Liabilities				
Current liabilities	(1,441,241)	(1,441,241)	(1,440,233)	(1,440,233)
Deferred income tax liability	–	–	(1,665,513)	–
	(1,441,241)	(1,441,241)	(3,105,746)	(1,440,233)
Net Assets	₱3,235,361	₱1,506	₱3,884,222	(₱1,975)

The share of the Group in the foregoing fair values amounted to ₱1,942,111 while the cost of the business combination amounted to ₱1,176,114 which consisted of the cash purchase price and transaction costs incurred for the equity interests in SMECI and SMMCI. The resulting negative goodwill based on the accounting for this business combination amounted to ₱765,997.

The acquisition of SMECI and SMMCI by the Parent Company in 2009 qualified as a step acquisition and resulted in the Parent Company's step-by-step comparison of the cost of the individual investments with the Group's interest in the fair values of SMECI's and SMMCI's identifiable assets, liabilities and contingent liabilities. A revaluation surplus amounting to ₱1,572,385 was recognized in 2009 which pertains to the adjustments to the fair values of the net assets of both SMECI and SMMCI relating to the previously held interest of the Parent Company in SMECI and SMMCI through PGPI.

Acquisition of FEP
On July 3, 2008, PPC acquired 4,004,000 shares of stock of FEP representing 13.31% of its outstanding shares for £1,922 (₱185,158). On September 23, 2008, PPC completed the purchase of additional 5,935,311 shares of FEP for £2,849 (₱251,481). These purchases of the FEP shares representing 19.73% of its issued capital stock, including the 28.42% interest of FEC, brought the total number of shares owned and controlled by the Group to 61.46%, which since then required the consolidation of FEP to the Group.

The finalized fair values of the identifiable net assets of FEP as at September 23, 2008 are as follows:

	Fair Values	Carrying Values
Assets		
Cash and cash equivalents	₱43,158	₱43,158
Receivables	29,927	29,927
Advances to subsidiaries	186,311	186,311
Inventories	3,212	3,212
Property and equipment	179,735	180,661
Investments	282	282
Deferred oil and gas exploration costs	948,811	1,897,621
Other assets	43,633	43,633
	1,435,069	2,384,805
Liabilities		
Accounts payable and accrued liabilities	12,427	12,427
Contingent liability	387,374	–
Other payables	183,817	183,817
	583,618	196,244
Net Assets	₱851,451	₱2,188,561

The acquisition of FEP by PPC in 2008 qualified as a step acquisition and resulted in the Parent Company's step-by-step comparison of the cost of the individual investments with the Group's interest in the fair value of FEP's identifiable assets, liabilities and contingent liabilities at each transaction dates. A revaluation surplus amounting to ₱39,012 was recognized which pertains to the adjustment to the fair values of the net assets of FEP relating to the previously held interest of the Parent Company in FEP through FEC. The related NCI in the net assets of FEP and its subsidiaries amounted to ₱315,188.

As of December 31, 2012, PPC's holdings in FEP aggregate to 12,953,504 shares equivalent to 36.44% of its outstanding shares [as diluted due to the increase in outstanding shares of FP after stock options exercises in 2010 and 2012 (see Note 2)] after a total of 3,014,193 shares were acquired in 2009 and 2010.

5. Segment Information

The Group is organized into business units on their products and activities and has two reportable business segments: the metals segment and the energy and hydrocarbon 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.

In 2013, management reevaluated its calculation 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 EBITDA previously presented in 2012 and 2011 are then restated to effect this change.

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).

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

	December 31, 2013				
	Metals	**Energy and Hydrocarbon**	**Unallocated Corporate Balances**	**Eliminations**	**Total**
Revenue					
External customers	**₱9,583,871**	**₱208,773**	**₱9,612**	**₱–**	**₱9,802,256**
Inter-segment	–	–	–	–	–
Consolidated revenue	**₱9,583,871**	**₱208,773**	**₱9,612**	**₱–**	**₱9,802,256**

(Forward)

	December 31, 2013				
	Metals	**Energy and Hydrocarbon**	**Unallocated Corporate Balances**	**Eliminations**	**Total**
Results					
EBITDA	**₱4,209,905**	**(₱294,016)**	**₱3,641**	**₱–**	**₱3,919,530**
Interest income (expense) - net	**(395,475)**	**5,054**	**121**	**–**	**(390,300)**
Income tax benefit (expense)	**(776,484)**	**14,837**	**(1,010)**	**–**	**(762,657)**
Depreciation and depletion	**(1,442,750)**	**(4,478)**	**(364)**	**–**	**(1,447,592)**
Non-recurring items	**(1,188,626)**	**181,945**	**95**	**–**	**(1,006,586)**
Consolidated net income (loss)	**406,570**	**(96,658)**	**2,483**		**312,395**
Core net income (loss)	**₱816,409**	**₱440,927**	**₱2,418**	**₱248,585**	**₱1,508,339**
Consolidated total assets	**₱29,938,772**	**₱5,979,923**	**₱20,366**	**₱3,950,921**	**₱39,889,982**
Consolidated total liabilities	**₱10,866,323**	**₱1,213,218**	**₱4,380**	**₱1,888,807**	**₱13,972,728**

Other Segment Information					
Capital expenditures and other non-current assets	**₱5,540,200**	**₱547,801**	**₱48**	**₱–**	**₱6,088,049**
Non-cash expenses other than depletion and depreciation	**1,444,597**	**105,377**	**–**	**–**	**1,549,974**

	December 31, 2012 (As restated)				
	Metals	Energy and Hydrocarbon	Unallocated Corporate Balances	Eliminations	Total
Revenue					
External customers	₱8,451,545	₱239,033	₱7,011	₱–	₱8,697,589
Inter-segment	–	–	–	–	–
Consolidated revenue	₱8,451,545	₱239,033	₱7,011	₱–	₱8,697,589
Results					
EBITDA	₱3,227,837	₱65,375	₱457	₱–	₱3,293,669
Interest income (expense) - net	50,577	(36,955)	224	–	13,846
Income tax benefit (expense)	(445,737)	(101,831)	(21)	–	(547,589)
Depreciation and depletion	(708,360)	(70,259)	(376)	–	(778,995)
Non-recurring items	(1,349,008)	(942,688)	(74)	–	(2,291,770)
Consolidated net income (loss)	₱775,309	(₱1,086,358)	₱210	₱–	(₱310,839)
Core net income (loss)	₱1,910,561	(₱221,542)	₱262	₱–	₱1,689,281
Consolidated total assets	₱23,580,984	₱3,097,230	₱17,890	₱2,575,901	₱29,272,005
Consolidated total liabilities	₱4,810,049	₱1,363,888	₱883	₱1,006,183	₱7,181,003
Other Segment Information					
Capital expenditures and other non-current assets	₱3,783,569	₱396,843	₱15	₱–	₱ 4,180,427
Non-cash expenses other than depletion and depreciation	22,807	767,748	–	–	790,555

	December 31, 2011 (As restated)				
	Metals	Energy and Hydrocarbon	Unallocated Corporate Balances	Eliminations	Total
Revenue					
External customers	₱14,763,250	₱552,856	₱7,843	₱–	₱15,323,949
Inter-segment	–	–	–	–	–
Consolidated revenue	₱14,763,250	₱552,856	₱7,843	₱–	₱ 15,323,949
Results					
EBITDA	₱8,402,965	₱163,363	₱2,401	₱–	₱8,568,729
Interest income (expense) - net	76,453	(26,830)	233	–	49,856
Income tax benefit (expense)	(39,697)	(685)	(685)	–	(2,327,608)
Depreciation and depletion	(2,505)	(2,505)	(363)	–	(770,289)
Non-recurring items	(246,347)	518,115	5	–	271,773
Consolidated net income (loss)	₱5,178,424	₱612,446	₱1,591	₱–	₱5,792,461
Core net income (loss)	₱5,368,797	₱190,597	₱1,588	₱–	₱5,560,982
Consolidated total assets	₱32,257,537	₱5,538,045	₱18,209	(₱5,412,188)	₱32,401,603
Consolidated total liabilities	₱9,990,611	₱1,879,446	₱1,430	(₱6,408,886)	₱5,462,601
Other Segment Information					
Capital expenditures and other non-current assets	₱2,756,660	₱451,941	₱–	₱–	₱ 3,208,601
Investments in shares of stocks	1,104,775	1,104,775	–	(4,030,823)	–
Equity in net losses of associates	–	(44,116)	–	–	(44,116)
Non-cash expenses other than depletion and depreciation	(150)	–	–	–	(150)

The following table shows the Group's reconciliation of core net income to the consolidated net income for the years ended December 31, 2013, 2012 and 2011.

	2013	2012 (As restated)	2011 (As restated)
Core net income	**₱1,508,339**	₱1,689,281	₱5,560,982
Non-recurring gains (losses):			
Insurance proceeds	**406,850**	–	–
Gain on sale of assets	**97,747**	–	401
Provision for rehabilitation costs and others	**(161,400)**	(1,446,859)	
Foreign exchange losses	**(180,062)**	(167,761)	(14,681)
Net Provision for write down of asset	**(303,419)**	(497,154)	(137,489)
Provision for impairment of AFS investments	**(1,006,508)**	–	–
Marked to market gain on derivative instruments	**–**	307,928	–
Clean- up costs	**–**	(21,657)	–
Gain (loss) on dilution of interest in associate	**–**	–	523,710

(Forward)

	2013	2012 (As restated)	2011 (As restated)
Provision for losses	**₱–**	₱–	(₱66,854)
Net tax effect of aforementioned adjustments	**(19,615)**	344,955	(102,274)
Net income attributable to equity holders of the Parent Company	**341,932**	208,733	5,763,795
Net income attributable to NCI	**(29,537)**	(519,572)	28,666
Consolidated net income (loss)	**₱312,395**	(₱310,839)	₱5,792,461

Core net income per share is computed as follows:

	2013	2012 (As restated)	2011 (As restated)
Core net income	**₱1,508,339**	₱1,689,281	₱5,560,982
Divided by weighted average number of common shares outstanding during year	**4,933,657,951**	4,932,216,253	4,926,583,729
Core net income per share	**₱0.306**	₱0.342	₱1.129

Sales of the Parent Company are made to Pan Pacific Metals (Pan Pacific), which is covered by a Long-term Gold and Copper Concentrates Sales Agreement (see Note 30), and to Louis Dreyfuss Commodities Metals Suisse SA (LD Metals) for the remaining ore produce. Gross revenue from Pan Pacific and LD Metals for the year ended December 31, 2013 and 2012 are presented below:

	2013	2012	2011
LD Metals	**₱5,961,458**	₱4,428,747	₱10,219,215
Pan Pacific	**2,606,474**	4,047,513	5,654,565
	₱8,567,932	₱8,476,260	₱15,873,780

6. **Cash and Cash Equivalents**

Cash and cash equivalents consist of:

	2013	2012
Cash on hand	**₱3,616**	₱4,031
Cash with banks	**703,854**	552,030
Short-term deposits	**3,373,042**	1,113,481
	₱4,080,512	₱1,669,542

Cash with banks and short-term deposits earn interest at bank deposit rates. Short-term deposits are made for varying periods, usually of up to three months depending on the cash requirements of the Group. Interest income arising from cash with banks and short-term deposits amounted to ₱26,060, ₱58,201 and in ₱86,017 in 2013, 2012 and 2011, respectively.

7. Accounts Receivable

Accounts receivable consist of:

	2013	2012
Trade	**₱100,908**	₱133,565
Accrued interest	**3,591**	19,287
Others	**194,145**	57,294
	298,644	210,146
Less allowance for impairment losses	**3,193**	2,397
	₱295,451	₱207,749

The Parent Company's trade receivables arise from shipments of copper concentrates which are initially paid based on 90% of their provisional value, currently within one week from shipment date. The 10% final balance does not bear any interest until final settlement, which usually takes around three months from shipment date.

Accrued interest receivables arise from the Group's short-term deposits. Other receivables include advances to officers and employees, and other non-trade receivables.

The following table is a rollforward analysis of the allowance for impairment losses recognized on accounts receivable:

	2013	2012
January 1		
Trade	**₱689**	₱592
Others	**1,708**	1,708
Provisions during the year		
Trade	**–**	97
Others	**2,429**	–
Reversals during the year		
Trade	**(266)**	–
Others	**(1,367)**	–
December 31	**₱3,193**	₱2,397

The impaired receivables were specifically identified as at December 31, 2013 and 2012.

8. Inventories

Inventories consist of:

	2013	2012
Mine products - at NRV	**₱1,533,883**	₱–
Coal - at NRV	**–**	86,856
Petroleum - at cost	**21,193**	2,868
Materials and supplies:		
On hand - at NRV	**1,052,311**	1,128,294
In transit - at cost	**60,887**	96,833
	₱2,668,274	₱1,314,851

As at December 31, 2013 and 2012, the cost of materials and supplies inventories on hand amounted to ₱1,249,785 and ₱1,376,555, respectively. As at December 31, 2013 and 2012, the Group's coal inventory at cost amounted to ₱223,242 and ₱238,797, respectively.

The following table is a rollforward analysis of the allowance for impairment losses recognized on coal and materials and supplies inventories:

	2013	2012
January 1		
Coal	**₱151,941**	₱8,394
Materials and supplies	**248,261**	195,101
Provisions during the year		
Coal	**71,313**	143,547
Materials and supplies	**46,059**	53,160
Reversals during the year		
Materials and supplies	**(62,682)**	–
Write-off during the year		
Materials and supplies	**(34,164)**	–
Coal	**(12)**	
December 31	**₱420,716**	₱400,202

Additional provision for coal inventories which is related to BEMC's closure in 2013 is included in the "Impairment loss on deferred exploration cost and others" account in the consolidated statements of income due to its non-recurring nature.

Materials and supplies recognized as expense amounted to ₱1,656,530, ₱1,148,044 and ₱1,629,511, for the years ended December 31, 2013, 2012 and 2011 respectively (see Note 15).

9. Other Current Assets

Other current assets consist of:

	2013	2012
Input tax recoverable - net	**₱1,201,726**	₱899,672
Prepaid expenses and others	**141,519**	97,668
	₱1,343,245	₱997,340

The following table is a rollforward analysis of the allowance for impairment losses recognized on input tax recoverable:

	2013	2012
January 1	**₱99,392**	₱171,034
Provisions	–	3,653
Reversals and write-offs	–	(75,295)
December 31	**₱99,392**	₱99,392

10. **Property, Plant and Equipment**

Property, plant and equipment consist of:

	Mine, Mining and Oil and Gas Properties	Land, Buildings and Improvements*	Machinery And Equipment	Surface Structures	Construction in Progress	Non-operating Property and Equipment at Bulawan Mine	Total
			December 31, 2013				
Cost:							
January 1	**₱9,000,304**	**₱239,945**	**₱7,671,416**	**₱135,944**	**₱795,469**	**₱2,197,683**	**₱20,040,761**
Additions	**633,376**	**5,513**	**710,809**	**206**	**961,045**	**–**	**2,310,949**
Acquisition of subsidiary	**–**	**–**	**35,161**	**–**	**–**	**–**	**35,161**
Disposals	**–**	**(3,538)**	**(1,111,252)**	**(730)**	**–**	**–**	**(1,115,520)**
Reclassifications (see Note 32)	**1,073,959**	**86,328**	**133,347**	**(5,261)**	**(1,242,188)**	**–**	**46,185**
Effect of CTA	**(27,362)**	**–**	**(3,150)**	**–**	**–**	**–**	**(30,512)**
December 31	**10,680,277**	**328,248**	**7,436,331**	**130,159**	**514,326**	**2,197,683**	**21,287,024**
Accumulated Depletion and Depreciation:							
January 1	**6,413,990**	**228,563**	**5,034,991**	**129,600**	**760**	**2,197,683**	**14,005,587**
Depletion and depreciation for the year (Notes 17 and 32)	**812,891**	**4,335**	**698,102**	**231**	**–**	**–**	**1,515,559**
Acquisition of subsidiary	**–**	**–**	**32,360**	**–**	**–**	**–**	**32,360**
Disposals	**–**	**(3,187)**	**(1,106,987)**	**(729)**	**–**	**–**	**(1,110,903)**
Impairment (Note 1)	**18,290**	**–**	**954**	**206**	**–**	**–**	**19,450**
Reversal of impairment	**–**	**–**	**(34,739)**	**–**	**–**	**–**	**(34,739)**
Reclassifications (see Note 32)	**–**	**–**	**–**	**760**	**(760)**	**–**	**–**
Effect of CTA	**(17,548)**	**–**	**(2,838)**	**–**	**–**	**–**	**(20,386)**
December 31	**7,227,623**	**229,711**	**4,621,843**	**130,068**	**–**	**2,197,683**	**14,406,928**
Net Book Values	**₱3,452,654**	**₱98,537**	**₱2,814,488**	**₱91**	**₱514,326**	**₱–**	**₱6,880,096**

**Cost of land amounts to ₱2,053. This also includes capitalized costs of mine rehabilitation of ₱18,130 and related accumulated amortization of ₱18,130.*

	Mine, Mining and Oil and Gas Properties	Land, Buildings and Improvements*	Machinery And Equipment	Surface Structures	Construction in Progress	Non-operating Property and Equipment at Bulawan Mine	Total
			December 31, 2012				
Cost:							
January 1	₱8,411,329	₱239,945	₱6,945,112	₱163,372	₱86,868	₱2,197,683	₱18,044,309
Additions	612,666	–	769,183	3,970	718,807	–	2,104,626
Disposals	(74,049)	–	(32,298)	–	–	–	(106,347)
Reclassifications (see Note 32)	65,680	–	(10,250)	(31,398)	(10,206)	–	13,826
Effect of CTA	(15,322)	–	(331)	–	–	–	(15,653)
December 31	9,000,304	239,945	7,671,416	135,944	795,469	2,197,683	20,040,761
Accumulated Depletion and Depreciation:							
January 1	5,897,552	226,507	4,226,610	96,241	–	2,197,683	12,644,593
Depletion and depreciation for the year (Notes 17 and 32)	324,493	2,056	614,638	4,792	–	–	945,979
Disposals	(11,107)	–	(4,952)	–	–	–	(16,059)
Impairment (Note 1)	204,088	–	200,873	28,567	760	–	434,288
Effect of CTA	(1,036)	–	(2,178)	–	–	–	(3,214)
December 31	6,413,990	228,563	5,034,991	129,600	760	2,197,683	14,005,587
Net Book Values	₱2,586,314	₱11,382	₱2,636,425	₱6,344	₱794,709	₱–	₱6,035,174

**Cost of land amounts to ₱2,053. This also includes capitalized costs of mine rehabilitation of ₱18,130 and related accumulated amortization of ₱18,130.*

Mine and mining properties as at December 31, 2013 and 2012 include mine development costs of the 782 Meter Level and 798 Meter Level project amounting to ₱2,130,265 and ₱1,816,640 respectively. In 2011, the estimated mine life of the Parent Company's Padcal Mine was extended until 2020, or an additional three years from the original estimated mine life of until 2017. Correspondingly, the extension in mine life was considered as a change in estimate and the effect on the amortization of the depletion costs was taken up prospectively.

Total depreciation cost of machineries and equipment used in exploration projects amounting to ₱67,967, ₱166,984 and ₱172,549 in 2013, 2012 and 2011, respectively, are capitalized under deferred exploration costs, which relate to projects that are currently ongoing for PMC, SMMCI and PGPI.

Land, buildings and improvements include the estimated costs of rehabilitating the Parent Company's Padcal Mine. These costs, net of accumulated amortization, amounted to nil as at December 31, 2013 and 2012. These were based on technical estimates of probable costs, which may be incurred by the Parent Company in rehabilitating the said mine from 2021 up to 2030, discounted using the Parent Company's historical average borrowing rate of 10% per annum. The provision for mine rehabilitation costs amounted to ₱19,865 and ₱18,892 as at December 31, 2013 and 2012, respectively.

In 2012, BEMC recognized an impairment loss on its mining properties, machinery and equipment, surface structures, and construction in progress related to the coal property in Zamboanga Sibugay amounting to ₱434,288 reducing the carrying value of BEMC's property and equipment to nil as at December 31, 2013 and 2012.

Included in the mine and mining properties is the present value of the BEMC's mine rehabilitation costs amounting to nil as at December 31, 2013 and 2012. Discount rate of 14% was used to compute the present value of mine rehabilitation costs as at December 31, 2010. Accretion of interest totaled ₱120, ₱105 and ₱91 in 2013, 2012 and 2011, respectively. Accordingly, the provision for mine rehabilitation costs of BEMC amounted to ₱953 and ₱833 as at December 31, 2013 and 2012, respectively.

Non-operating property and equipment in the Bulawan mine pertains to PGPI's fully-depreciated property and exploration equipment that are presently not in use. These assets do not qualify as assets held for sale under PFRS 5 and are thus retained as property, plant and equipment.

11. **Investments**

AFS Financial Assets

The Group's AFS financial assets consist of the following:

	2013	2012
Investments in quoted shares of stock of:		
Lepanto Consolidated Mining Company (Lepanto)	**₱672,608**	₱2,169,704
Indophil Resources NL (Indophil)	**190,375**	307,317
PERC	–	168,230
Philippine Realty & Holdings Corporation (PRHC)	**29,956**	30,315
Other quoted equity investments	**9,747**	10,861
	902,686	2,686,427

(Forward)

	2013	2012
Investments in unquoted shares of stock of:		
Pacific Global One Aviation	**₱37,500**	₱37,500
Philippine Associated Smelting and Refining Corporation	**14,055**	14,055
PPP	**–**	1,231,440
Other unquoted equity investments	**21,139**	21,339
	72,694	1,304,334
	₱975,380	₱3,990,761

AFS financial assets in quoted shares of stock are carried at fair value with cumulative changes in fair values presented as a separate account in equity. Meanwhile, AFS financial assets in unquoted shares of stock are carried at cost because fair value bases (i.e., quoted market prices) are neither readily available nor is there an alternative basis of deriving a reliable valuation at the end of the reporting period.

As at December 31, 2013 and 2012, the cumulative increase in value of AFS financial assets amounted to ₱4,689 and ₱601,055, respectively as at December 31, 2013 and 2012, respectively. These changes in fair values in the same amounts have been recognized and shown as "Net unrealized gain on AFS financial assets" account in the equity section of the consolidated statements of financial position and are also shown in the consolidated statements of comprehensive income.

In 2013, the Company recognized impairment loss on quoted AFS investments in Lepanto and Indophil amounting to ₱1,006,508 due to a significant decline in the fair value of the quoted shares below its cost.

The following table shows the movement of the "Net unrealized Gain on AFS financial assets" account (including attributable to NCI of nil and ₱13,219 in 2013 and 2012, respectively):

	2013	2012
January 1	**₱587,836**	₱2,020,940
Net increase (decrease) in fair value of AFS financial assets	**(1,620,140)**	(1,375,522)
Loss transferred in consolidated statements of income due to impairment	**1,006,508**	–
Loss transferred in consolidated statements of income	**30,485**	–
Loss due to foreign exchange rate changes	**–**	(57,582)
December 31	**₱4,689**	₱587,836

Investment in PPP
On April 5, 2013, PPC increased its stake in PPP from 18.46% to 50.28% through acquisition of additional 46.4 million shares at US$0.75 per share which resulted in PPC obtaining control over PPP. The related investment account in PPP by PPC was reclassified as investment in subsidiary and eliminated during consolidation.

Investment in PERC
The Group's investment in shares of stock of PERC is carried at fair value with cumulative changes in fair value presented as part of "Unrealized gain on AFS financial asset" in the equity section of the consolidated statements of financial position.

On February 21, 2013, the Company sold all of its investment in PERC for ₱167,999. Gain on sale of PERC shares amounted to ₱26,867 which was recognized in the consolidated statements of income.

Subscriptions Payable
Subscriptions payable which is included as part of "Provisions and subscription payable" in the consolidated statements of financial position is related to the investments in shares of stock of PRHC and Philodrill amounting to ₱21,995 in both years.

12. Deferred Exploration Costs and Other Noncurrent Assets

Deferred exploration costs and other noncurrent assets consist of:

	2013	2012 (As restated)
Deferred mine exploration costs	**₱18,359,454**	₱14,726,242
Less allowance for impairment losses	**1,288,123**	1,048,811
	17,071,331	13,677,431
Deferred oil exploration costs	**5,421,457**	1,301,536
Less allowance for impairment losses	**442,974**	442,974
	4,978,483	858,562
Others	**377,372**	142,970
Less allowance for impairment losses	**–**	47,435
	377,372	95,535
	₱22,427,186	₱14,631,528

The following table is a rollforward analysis of the allowance for impairment losses recognized on deferred exploration cost and other noncurrent assets:

	2013	2012
January 1		
Deferred mine exploration cost	**₱1,048,811**	₱1,048,829
Deferred oil exploration cost	**442,974**	54,343
Others	**47,435**	47,435
Provisions during the year		
Deferred mine exploration cost	**242,686**	–
Deferred oil exploration cost	**–**	388,631
Reversals during the year		
Others	**(47,435)**	–
Write-off during the year		
Deferred mine exploration cost	**(3,374)**	(18)
December 31	**₱1,731,097**	₱1,539,220

Deferred Mine and Oil Exploration Costs

a. Deferred mine and oil exploration costs relate to projects that are ongoing. The recovery of these costs depends upon the success of exploration activities and future development of the corresponding mining properties or the discovery of oil and gas that can be produced in commercial quantities. Allowances have been provided for those deferred costs that are specifically identified to be unrecoverable. Allowances recognized for the year are included under "Impairment loss on deferred exploration costs and others" in the consolidated statements of income.

b. PPP , PPC and FEP, through its subsidiaries, has various participating interests in petroleum service contracts as follows:

	Participating Interest		
Service Contract	PPP	PPC	FEP
SC 6 (Cadlao Block)	–	1.65%	–
SC 6A (Octon Block)	70.00%	1.66%	1.67%
SC 6B (Bonita Block)	–	–	7.03%
SC 14 (Tara PA)	–	–	10.00%
SC 14 Block A (Nido)	–	–	8.47%
SC 14 Block B (Matinloc)	–	–	12.41%
SC 14 Block B-1 (North Matinloc)	–	–	19.46%
SC 14 Block C (Galoc)	–	–	2.28%
SC 14 Block C-2 (West Linapacan)	29.15%	–	2.28%
SC 14 Block D (Retention Block)	–	–	8.17%
SC 40 (North Cebu Block)	–	–	66.67%
SC 53 (Mindoro)	35.00%	–	–
SC 72 (Reed Bank)	–	–	70.00%
SC 74 Area 5 (Northwest Palawan)	70.00%	–	–
SC 75 Area 4 (Northwest Palawan)	–	50.00%	–
Peru Block XXVIII	100.00%	–	–
Peru Block Z-38	25.00%	–	–

SC 6A (Octon Block)
The SC covers an area of 1,080 square kilometres and was entered into by the DOE and the original second parties to the contract on September 1, 1973. In July 2011, PPP acquired 70% interest and operatorship of the block by carrying all costs of Phase 1 of the work program which involved acquisition, processing, and interpretation of 500-kilometer 3D seismic data. PPP shall also have the right but not the obligation to proceed and carry the costs of Phases 2 and 3 upon notification of the other farmors.

SC 14 Block C (Galoc)
On September 10, 2012, the Galoc JV approved the Final Investment Decision (FID) for Phase 2 development of the Galoc Field starting first half of 2013. On June 4, 2013, drilling of two additional production wells commenced and was completed on October 23, 2013. On December 4, 2013, Galoc Phase 2 started to produce oil and is expected to increase field production from the average 4,500 BOPD to around 12,000 BOPD.

The total project cost, including drilling and development, is approximately US$188,000, of which FEP's share is US$4,278 (2.27575%).

On December 21, 2012, FEP and Galoc Production Company (GPC) entered into a loan facility with BNP Paribas to provide a total of US$40 million project financing for the Galoc Field's Phase 2 development. Total amount drawn and still outstanding as at the end of the reporting period amounted to US$2,477 or ₱110,033 (see Note 13). The remaining balance will be funded from FEP's existing cash resources.

SC 14 Block C-2 (West Linapacan)
West Linapacan is located in 300 to 350 metres of water, approximately 60 kilometres offshore from Palawan Island in SC 14 Block C2 in the Northwest Palawan Basin, Philippines. It comprises two main oil bearing structures - West Linapacan A and B - and several seismic leads. The SC was entered into in December 17, 1975 between the Petroleum Board and the original second parties to the contract. PPP had a 58.30% interest in this SC pursuant to a Farm-In Agreement approved by the DOE on September 11, 2008. However, on February 7, 2011, PPP concluded a farm-out agreement whereby it transferred 29.15% participating interest to RMA (HK) Limited in exchange for being carried through the drilling and testing of the West Linapacan A appraisal/development well. The farm-out agreement was approved by the DOE on July 4, 2011. The viability of redeveloping the West Linapacan oil field is currently being evaluated.

SC 40 (North Cebu)
In 2012, FEP commissioned a resource assessment study to be undertaken by Petroleum Geo-Services (PGS) Reservoir Consultants, an independent competent person. The results of the study, which was received in 2013, downgraded previously identified leads and prospects within SC 40. An important factor in this assessment was that third parties had experienced a dry hole in drilling efforts within the Central Tañon Straits which significantly reduced the likelihood of the existence of a commercially viable hydrocarbon deposit in this region. In light of this report and applying appropriate caution, the carrying value of the investment in SC40 has been impaired by ₱388,631 which is included in 'Impairment loss on deferred exploration costs and others' in the consolidated statement of income in 2012. Carrying value as at December 31, 2012 reflects the potential of a number of smaller onshore locations within SC 40.

SC 53 (Mindoro)
SC 53 measures 6,600 square kilometres and is mostly located in onshore Mindoro Island. It is adjacent to the petroliferous North Palawan Basin where almost all of the producing oil and gas wells in the Philippines are found. The SC was entered into in July 8, 2005 between Government of the Republic of the Philippines through the DOE and Laxmi Organic Industries Ltd. On September 5, 2007, PPP executed a farm-in agreement with the existing partners of SC 53. The agreement was subsequently approved by the DOE on June 11, 2008. On April 4, 2011, PPP executed a farm-out agreement whereby it transferred 35% of its participating interest to the farmee in exchange for being carried through the drilling, testing and completing of the Progreso-2 well and the acquisition, processing and interpretation of 2D onshore and offshore seismic data. The farm-out agreement was approved by the DOE on July 4, 2011.

SC 72 (Reed Bank)
SC 72 was awarded on February 15, 2010. It covers an area of 8,800 square kilometers and contains the Sampaguita Gas Discovery which has the potential to contain In-Place Contingent Resources of 2.6 trillion cubic feet (TCF) as reported by Weatherford Petroleum Consultants (Weatherford) in 2012.

Based on the study, In-Place Prospective Resources totalling 5.4 TCF is expected to be drilled in the area. The results of the study were used to define the location of two wells, to be named Sampaguita-4 and Sampaguita-5, which if successfully drilled, would be expected to increase the amount of potentially recoverable resources. The drilling of two wells is part of the work programme of FEP for the second-sub-phase of SC 72 which was supposed to be accomplished by August 2013. However, FEP was unable to commence the drilling programme because of maritime disputes between the Philippine and Chinese governments. The DOE has granted FEP an extension from August 2014 up to August 2015 on the grounds of force majeure to allow the completion of obligations under the SC.

In the meantime, FEP recognizes its ongoing commitment to the project by continuously undertaking studies to discover the field's potential. In October 2013, CGG Mumbai (CGG) completed the reprocessing of 700 line-km of vintage 2D seismic data in Reed Bank. CGG earlier completed the reprocessing of the 2011-acquired 2D data totaling 2,200 line-km.

SC 74 Area 5 (Northwest Palawan)
In September 2013, PPP, in consortium with Philodrill, acquired acreage covering Area 5 North West (NW) Palawan Basin in a competitive bid under the Fourth Philippine Energy Contracting Round (PECR4), with operating interest of 70% and participating interest of 30%, respectively. It covers an area of 4,240 square kilometers and is located in shallow waters of the NW Palawan area.

SC 75 Area 4 (Northwest Palawan)
On January 3, 2014, the duly executed copy of Petroleum SC 75 was granted to the bid group comprising PPC, Philippine National Oil Company Exploration Corporation and PERC with operating interest of 50%, participating interests of 35% and 15%, respectively. It covers an area of 6,160 square kilometers in the NW Palawan Basin which was referred to as Area 4 in PECR4.

Peru Block XXVIII
Block XXVIII was awarded to PPP in October 2010. It covers an area of 3,143 square kilometres located in the eastern portion of the productive Sechura Basin. As at December 31, 2013, the project is in its 2nd phase of exploration which involves several geological and geophysical studies such as gradiometry and magnetometry.

Peru Block Z-38
In April 2007, Block Z-38 was awarded to PPP. Farm-out agreement has been made by PPP in which it resulted to Karoon Gas Australia Ltd. obtaining operating interest of seventy-five percent (75%). It covers an area of 4,875 square kilometers and is located in the Tumbes Basin offshore NW Peru.

Award of SC for Area 4
On February 14, 2013, the Parent Company received a letter from the DOE stating the joint bid of PPC (Operator), PNOC Exploration Corporation and PERC has won the bidding for Area 4 Northwest Palawan Basin that was offered in the PERC4 for Petroleum.

Others

a. "Others" primarily pertain to materials and supplies that are being used in operations over a period of more than one year.

b. Included in "Others" are accounts that the Parent Company and PGPI maintain with Land Bank of the Philippines to establish their respective Mine Rehabilitation Funds (MRF), pursuant to the requirements of Republic Act (RA) No. 7942, otherwise known as "The Philippine Mining Act of 1995." The MRF shall be used for the physical and social rehabilitation of areas and communities affected by the Padcal, Bulawan and Sibutad Mines, and for research in the social, technical and preventive aspects of their rehabilitation. As at December 31, 2013 and 2012, the Parent Company's MRF amounted to ₱5,988 and ₱5,790, while PGPI's MRF amounted to ₱6,730 and ₱6,642, respectively.

c. Included also in "Others" is the Parent Company's net retirement plan asset amounting to ₱297,705 (see Note 18). The Parent Company's retirement liability amounting to ₱43,973 as at December 31, 2012 was recorded under "Pension obligation" account.

13. **Loans Payable**

	2013	2012
Current		
Related Party		
Asia Link B.V.	**₱2,219,750**	₱–
Kirtman Limited	**665,925**	1,100,000
Maxella Limited	**665,925**	–
Bank loans		
Banco de Oro (BDO)	**987,900**	100,000
Philippine National Bank (PNB)	**887,900**	–
Bank of the Philippine Islands (BPI)	**693,950**	250,000
BNP Paribas - current portion	**55,019**	–
Total current loans	**6,176,369**	1,450,000
Noncurrent		
BNP Paribas - net of current portion	**55,014**	–
	₱6,231,383	₱1,450,000

Kirtman Limited Loan
On November 9, 2012, the Parent Company entered into an unsecured Term Loan Facility Agreement (the 1st Loan Agreement) with Kirtman Limited (a subsidiary of FPC), a related party, amounting to a maximum of ₱2,100,000 maturing 364 days after the Agreement date. The interest rate of the loan is set at 5% per annum. Initial drawdown of ₱1,100,000 was made on November 13, 2012. On January 14, 2013, the Parent Company availed of the ₱1,000,000 balance of the facility. The proceeds of the loan were used to fund the capital expenditures of Silangan Project and working capital requirements of the Group.

On March 12, 2013, the Parent Company entered into a second Term Loan Facility Agreement (the 2nd Loan Agreement) with Kirtman Limited amounting to a maximum of US$25,000 maturing 364 days after the 2nd Loan Agreement date. The interest rate of the loan is set at 5% per annum. Initial drawdown of US$15,000 was made on March 18, 2013.

Both loans contain a pre-termination clause which allows the Parent Company to pay all outstanding drawdown before maturity date.

On November 8, 2013, the Parent Company fully paid the ₱2,100,000 loan from Kirtman Limited.

Maxella Limited Loan
On March 12, 2013, the Parent Company entered into a Term Loan Facility Agreement (the 3rd Loan Agreement) with Maxella Limited (a subsidiary of FPC), a related party, amounting to a maximum of US$25,000 maturing 364 days after the 3rd Loan Agreement date. The interest rate of the loan is set at 5% per annum. Initial drawdown of US$15,000 was made on March 18, 2013. The loan also contains a pre-termination clause which allows the Parent Company to pay all outstanding drawdown before maturity date.

Asia Link B.V. Loan
On March 12, 2013, the Parent Company entered into a Term Loan Facility Agreement (the 4th Loan Agreement) with Asia Link B.V., a related party, for up to a maximum of US$100,000. Initial drawdown of US$50,000 at the interest rate of 5% per annum was made on April 12, 2013.

Interest expense on the Term Loan Facility Agreements with Kirtman Limited, Maxella Limited and Asia Link B.V amounted to ₱374,765 and ₱21,000 for 2013 and 2012, respectively.

BDO Loans
On April 25, 2013, PMC assumed the liability for the settlement of the ₱100,000 loan from BDO of BEMC at the interest rate of 4% subject to repricing. After a series of renewals during the year, the maturity of the loan was extended to January 20, 2014. The loan was consequently renewed upon maturity for an additional 85 days until April 15, 2014 under the same terms.

On November 6, 2013, the Parent Company obtained unsecured short-term loans from BDO amounting to US$20,000. The loan carries 2.5% interest per annum and will mature on February 4, 2014. The loan was also renewed upon maturity for an additional 90 days until May 5, 2014 under the same terms.

BPI Loans
On January 14, 2013 and February 18, 2013, PMC assumed the liability for the settlement of the ₱150,000 and ₱100,000 loans with BPI, previously payable by BEMC. The interest rates of the notes are at 4% per annum but subject to repricing every 30 days based on the prevailing interest rate at the date of repricing. The related interest is payable every 30 days. After a series of renewals, the maturity of the ₱150,000 and ₱100,000 loans from BPI was extended to January 30, 2014 and February 14, 2014, respectively. Interest was increased to 4.5% per annum for both loans. The maturity dates of both loans were extended through another renewal under the increased interest rate until March 3, 2014 and March 28, 2014, respectively.

On April 2, 2013, the Parent Company obtained an unsecured short-term loan from BPI amounting to US$10,000. The loan carries 2.375% interest per annum but subject to repricing every 30 days and will mature on July 1, 2013. After a series of renewals, the maturity of the US$10,000 BPI loan was extended and paid on September 12, 2013.

On November 6, 2013, the Parent Company obtained an unsecured short-term loan from BPI amounting to US$10,000. The loan carries 2.5% interest per annum and will mature on February 6, 2014. The loan was also renewed upon maturity for an additional 45 days or until March 21, 2014 under the same terms.

PNB Loans
The Parent Company also obtained a short-term loan on April 2, 2013 from PNB amounting to US$17,500 guaranteed by the Parent Company's ore concentrate shipment number 691 to Pan Pacific. The loan carries 2.5% fixed interest rate per annum and will mature on May 10, 2013 or upon receipt of payment from Pan Pacific, whichever comes earlier. The loan was fully settled on May 6, 2013.

On April 2, 2013, the Parent Company obtained an unsecured short-term loan from PNB amounting to US$2,500. The loan carries 2.5% interest per annum but subject to repricing every 30 days, respectively, and will mature on July 1, 2013. The US$2,500 loan from PNB was fully paid on July 1, 2013.

On November 6, 2013, the Parent Company obtained unsecured short-term loans from PNB amounting to US$20,000. The loan carries 2.5% interest per annum and will mature on February 4, 2014. The loan was renewed upon maturity for an additional 90 days or until May 5, 2014 under the same terms.

Interest expense on the bank loans amounted to ₱37,676, ₱14,361 and ₱13,918 for the 2013, 2012 and 2011 respectively.

BNP Paribas Loan

On December 21, 2012, FEP, together with GPC, entered into a $40 million loan facility with BNP Paribas for the purpose of financing the development activities of SC 14 C's Galoc Phase II. Five drawdowns were made during the year. Total amount drawn and still outstanding as at the end of the period amounted to US$2.48 million or ₱110,033. As at December 31, 2013, current and noncurrent portions of the loan amounted to ₱55,019 and ₱55,014, respectively. Interest expense capitalized as part of property and equipment relating to the loan amounted to ₱1,095 as at December 31, 2013. In the same year, facility fees and finance charges amounted to ₱7,100 and ₱7,890, respectively. The facility fees and finance charges are recorded under 'Interest expense' in the consolidated statements of comprehensive income.

The loan is secured by 500,000,006 shares of FEP representing 100% capital stock of the company.

Interest on the loan is set at 6% plus London Interbank Offered Rate (LIBOR) rate per annum as at December 31, 2013. It shall decrease to 5.5% plus LIBOR rate per annum once all stipulations in the loan facility agreement have been met.

14. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of:

	2013	2012
Trade	**₱1,331,320**	₱431,260
Accrued expenses	**675,338**	372,205
Accrued royalties and excise taxes	**129,233**	71,713
Withholding taxes	**99,975**	28,269
Refundable retention fee	**13,270**	35,468
Accrued interest	–	24,765
Other nontrade liabilities	**72,165**	131,870
	₱2,321,301	₱1,095,550

Trade payables are non-interest bearing and are generally settled within 30-60 day terms. Accrued expenses consist of accrued operating and administrative expenses, contracted and outside services. Other nontrade liabilities include payroll-related liabilities.

15. **Costs and Expenses**

Costs and expenses include the following:

	2013	2012 (As restated)	2011 (As restated)
Mining and milling costs:			
Materials and supplies	**₱1,580,141**	₱978,683	₱1,612,583
Communications, light and water	**1,291,863**	907,070	1,276,766
Personnel (Note 16)	**862,676**	665,939	1,026,596
Depletion and depreciation (Notes 10 and 17)	**1,339,139**	552,783	749,423
Contracted services	**232,155**	286,561	446,534
Others	**151,907**	82,147	146,014
	₱5,457,881	₱3,473,183	₱5,257,916
General and administrative expenses:			
Personnel (Note 16)	**₱550,866**	₱437,122	₱334,751
Contracted services	**236,400**	201,143	172,019
Taxes and licenses	**60,592**	66,735	151,567
Travel and transportation	**48,101**	59,246	58,799
Repairs and maintenance	**27,999**	20,956	20,974
Depreciation (Notes 10 and 17)	**22,562**	26,330	20,866
Communications, light and water	**18,738**	17,165	14,489
Donations	**6,875**	29,450	21,551
Business meetings	**4,279**	6,519	9,379
Office supplies	**3,821**	5,209	11,289
Exploration supplies	**1,908**	8,947	5,639
Others	**328,918**	269,469	216,820
	₱1,311,059	₱1,148,291	₱1,038,143
Mine products taxes and royalties:			
Royalties	**₱343,548**	₱295,590	₱544,841
Excise taxes	**192,974**	159,268	309,388
	₱536,522	₱454,858	₱854,229

Other general and administrative expenses include security, janitorial and other outside services, and general miscellaneous expenses.

Starting August 1, 2012, the Company suspended its operations at the Padcal Mine after tailings were accidentally discharged from the underground tunnel of Penstock A being used to drain water from TSF No. 3 of the mine. Maintenance costs incurred during the suspension of operations of the Padcal Mine until March 7, 2013 are as follows:

	2013	2012 (As restated)
Padcal maintenance costs:		
Personnel (Notes 16 and 18)	**₱126,313**	₱187,919
Depreciation (Notes 10 and 17)	**85,891**	199,882
Materials and supplies	**70,660**	155,205
Communications, light and water	**67,213**	151,362
Contracted services	**60,580**	117,755
Others	**28,933**	99,984
	₱439,590	₱912,107

16. **Personnel Cost**

Details of personnel costs are as follows:

	2013	2012 (As restated)	2011 (As restated)
Mining and milling costs:			
Salaries and wages	**₱576,940**	₱404,962	₱601,884
Employee benefits	**228,047**	210,760	378,054
Pension costs (Note 18)	**57,689**	50,217	46,658
	862,676	665,939	1,026,596
General and administrative expenses:			
Salaries and wages	**323,714**	246,679	182,617
Employee benefits	**211,304**	179,677	144,399
Pension costs (Note 18)	**15,848**	10,766	7,735
	550,866	437,122	334,751
Padcal maintenance costs:			
Salaries and wages	**73,398**	114,275	–
Employee benefits	**36,637**	59,474	–
Pension costs (Note 18)	**16,278**	14,170	–
	126,313	187,919	–
	₱1,539,855	₱1,290,980	₱1,361,347

17. **Depreciation**

Details of depreciation expense are as follows:

	2013	2012	2011
Mining and milling costs	**₱1,339,139**	₱552,783	₱749,423
General and administrative	**22,562**	26,330	20,866
Padcal maintenance costs	**85,891**	199,882	–
	₱1,447,592	₱778,995	₱770,289

18. **Retirement Benefits**

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employees retirement benefit under the collective bargaining and other agreements shall not be less than provided under the law. The law does not require minimum funding of the plan.

Parent Company Retirement Fund

The Parent Company has a funded, noncontributory, defined benefits retirement plan covering all of its regular employees. The pension funds are being administered and managed through the Retirement Gratuity Plan of Philex Mining Corporation, with Bank of Commerce (BC) and BDO as Trustee. The retirement plan provides for retirement, separation, disability and death benefits to its members.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employees retirement benefit under the collective bargaining and other agreements shall not be less than provided under the law. The law does not require minimum funding of the plan.

Changes in the net defined benefit liability (asset) of funded funds of the Parent Company are as follows:

2013

		Net benefit cost in charged to statement of income				**Remeasurements in other comprehensive income**					
	January 1, 2013	**Current service cost**	**Net interest**	**Subtotal**	**Benefits paid**	**Return on plan assets (excluding amount included in net interest)**	**Actuarial changes arising from changes experience adjustments**	**Actuarial changes arising from changes in financial assumptions**	**Subtotal**	**Contribution by employer**	**December 31, 2013**
Present value of defined benefit obligation	**₱1,418,115**	**₱88,819**	**₱49,395**	**₱138,214**	**(₱145,263)**	**₱–**	**(₱33,906)**	**(₱238,322)**	**(₱272,228)**	**₱–**	**₱1,138,838**
Fair value of plan assets	**(1,374,142)**	**–**	**(52,303)**	**(52,303)**	**116,397**	**(30,495)**	**–**	**–**	**(30,495)**	**(96,000)**	**(1,436,543)**
	₱43,973			**₱85,911**	**(₱28,866)**	**(₱30,495)**	**(₱33,906)**	**(₱238,322)**	**(₱302,723)**	**(₱96,000)**	**(₱297,705)**

2012

		Net benefit cost in charged to statement of income				Remeasurements in other comprehensive income					
	January 1, 2012	Current service cost	Net interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	December 31, 2012
Present value of defined benefit obligation	₱1,307,421	₱76,396	₱56,513	₱132,909	(₱127,253)	₱–	₱25,765	₱79,273	₱105,038	₱–	₱1,418,115
Fair value of plan assets	(1,199,523)	–	(58,041)	(58,041)	88,744	(109,322)	–	–	(109,322)	(96,000)	(1,374,142)
	₱107,898			₱74,868	(₱38,509)	(₱109,322)	₱25,765	₱79,273	(₱4,284)	(₱96,000)	₱43,973

	2011										
		Net benefit cost in charged to statement of income				Remeasurements in other comprehensive income					
	January 1, 2011	Current service cost	Net interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	December 31, 2011
Present value of defined benefit obligation	₱1,085,575	₱59,003	₱47,522	₱106,525	(₱49,440)	₱–	₱69,506	₱95,255	₱164,761	₱–	₱1,307,421
Fair value of plan assets	(1,054,479)	–	(52,271)	(52,271)	49,440	(46,213)	–	–	(46,213)	(96,000)	(1,199,523)
	₱31,096			(₱54,254)	–	(₱46,213)	₱69,506	₱95,255	(₱118,548)	(₱96,000)	₱107,898

The fair value of net plan assets of the Parent Company by each classes as at the end of the reporting period are as follows:

	2013	2012
Assets		
Cash and cash equivalents	**₱154,040**	₱88,608
Receivables	**12,639**	20,829
Investment in debt securities	**144,423**	968,659
Investment in equity securities	**1,112,738**	296,393
Other investments	**13,551**	495
	1,437,391	1,374,984
Liabilities		
Accrued trust fees payables	**848**	842
	₱1,436,543	₱1,374,142

The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2013	2012
Discount rate	**3.20%**	4.32%
Salary increase rate	**5.00%**	10.00%

The overall expected rate of return of assets is determined based on market expectation prevailing on that date, applicable to the period over which the obligation is expected to be settled.

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

	Increase (decrease)	Effect on defined benefit obligation
Discount rates	1.00%	(₱1,079,177)
	(1.00%)	1,202,472
Salary increase rate	1.00%	₱1,191,848
	(1.00%)	(1,088,079)

Shown below is the maturity analysis of the Company's undiscounted benefit payments:

	Expected benefit payments
Less than one year	₱66,501
More than one year to five years	338,545
More than five years to ten years	1,489,731

The average duration of the defined benefit obligation at the end of the reporting period is 5 years.

The Parent Company's actuarial funding requirement in 2013 is nil, however, the intention is to continue regular contributions to the fund. The Parent Company expects to make a total contribution of ₱96,000 to its defined benefit pension plan in 2014.

Pension expense from the defined benefit retirement plan is actuarially determined using the projected unit credit method. The latest actuarial valuation report was made as at December 31, 2013.

SMMCI Retirement Fund

SMMCI has unfunded, noncontributory defined benefit retirement plan covering its regular and full-time employees. The Company also provides additional post employment healthcare benefits to certain senior employees in the Philippines.

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2013	2012
Discount rates	**5.42%**	6.14%
Future salary increases	**10.00%**	10.00%
Turnover rate	**3.12%**	3.12%

Changes in the defined benefit liability of SMMCI are as follows:

	2013	2012
January 1	**₱993**	₱140
Current service cost	**1,295**	275
Interest cost	**46**	10
Subtotal	**1,341**	285
Remeasurements in other comprehensive income:		
Experience adjustments	**2,950**	417
Actuarial changes from changes in financial assumptions	**691**	151
Subtotal	**3,641**	568
December 31	**₱5,975**	₱993

The net retirement liability as at the end of the reporting period amounted to ₱5,975 and ₱993 as at December 31, 2013 and 2012, respectively.

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

	2013	
	Increase (decrease)	Present Value of Obligation
Discount rates	1.00%	(₱930)
	(1.00%)	1,170
Future salary increases	1.00%	1,074
	(1.00%)	(881)
Turnover rate	1.14%	(451)
	(1.00%)	471

The average duration of the defined benefit obligation at the end of the reporting period is 20.4 years and 22.5 years in 2013 and 2012, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2013	2012
Less than 1 year	**₱–**	₱–
More than 1 year to 5 years	**12,411**	1,512
More than 5 years to 10 years	**23,461**	5,356
More than 10 years to 15 years	**12,012**	4,853
More than 15 years to 20 years	**72,619**	13,658
More than 20 years	**293,338**	123,785

PPP Retirement Fund
PPP has an unfunded, noncontributory defined benefit retirement plan covering its regular and full-time employees.

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2013	2012
Discount rates	**3.25%**	4.75%
Future salary increases	**5.00%**	5.00%

Changes in the defined benefit liability of PPP as at December 31, 2013 are as follows:

	2013
January 1	₱–
Effect of business combination (Note 4)	11,373
Current service cost	2,023
Interest cost	540
Subtotal	2,563
Remeasurements in other comprehensive income:	
Experience adjustments	494
Actuarial changes from changes in financial assumptions	1,193
Subtotal	1,687
December 31	₱15,623

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

	2013	
	Increase (decrease)	Present Value of Obligation
Discount rates	1.00%	(₱14,815)
	(1.00%)	16,527
Future salary increases	1.00%	(16,502)
	(1.00%)	14,821

Shown below is the maturity analysis of the undiscounted benefit payments:

	2013
Less than 1 year	₱–
More than 1 year to 5 years	18,586
More than 5 years to 10 years	10,135

19. **Financial Instruments**

Fair Values of Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, short-term bank loan, accounts payable and accrued liabilities, dividends payable and subscriptions payable, approximate their fair values because of their short-term nature. Quoted AFS financial assets are carried at fair value based on the quoted values of the securities. Unquoted AFS financial assets are carried at book value since fair value cannot be readily determined based on observable market data.

The fair value measurement of the quoted financial assets is categorized as under Level 1 under fair value hierarchy.

20. Financial Risk Management Objectives and Policies and Hedging Activities

Financial Risk Management Objectives and Policies
The Group's principal financial instruments, other than derivatives, comprise mainly of cash and cash equivalents, accounts receivable, AFS financial assets, short-term bank loan and accounts payable and accrued liabilities. The main purpose of these financial instruments is to provide financing for the Group's operations and capital intensive projects.

The BOD is mainly responsible for the overall risk management and approval of the risk strategies and principles of the Group. On June 29, 2011, the BOD approved its formalized hedging policy in relation to entering into commodity derivatives in order to manage its financial performance.

Financial Risks
The main risks arising from the Group's financial instruments are credit and concentration risks, liquidity risk and market risk. The market risk exposure of the Group can be further classified to foreign currency risk, interest rate risk, equity price risk and commodity price risk. The BOD reviews and approves the policies for managing these risks and they are summarized as follows:

Credit and Concentration Risks
Credit risk is the risk where the Group could incur a loss if its counterparties fail to discharge their contractual obligations. To avoid such losses, the Group's primary credit risk management strategy is to trade only with recognized, creditworthy third parties. At present, 60% of the Parent Company's annual mineral products sales are committed to Pan Pacific with whom the Parent Company has a long-term sales agreement. This agreement is effective until the end of the Padcal Mine life currently declared at 2020. The balance of the Parent Company's annual mineral products sales is with Louis Dreyfuss Commodities Metals Suisse SA (LD Metals) which is covered by a long-term sales agreement up to January 31, 2013 and several short-term agreements for 25,000 DMT representing the 40% excess production from June 2013 to May 2014..

Credit risk may also arise from the Group's other financial assets, which comprise of cash and cash equivalents. The Group's exposure to credit risk could arise from default of the counterparty, having a maximum exposure equal to the carrying amount of these instruments.

The table below summarizes the Group's exposure to credit risk for the components of the consolidated statements of financial position as of December 31, 2013, 2012 and 2011:

	2013	2012
Cash and cash equivalents:		
Cash with banks	**₱703,854**	₱552,030
Short-term deposits	**3,373,042**	1,113,481
Accounts receivable:		
Trade	**100,485**	132,876
Accrued interest	**3,591**	19,287
Others	**191,375**	55,586
Gross maximum credit risk exposure	**₱4,372,347**	₱1,873,260

The following tables show the credit quality of the Group's financial assets by class as at December 31, 2013 and 2012 based on the Group's credit evaluation process:

	December 31, 2013			
	Neither Past Due nor Impaired		**Past Due and Individually**	
	High-Grade	**Standard**	**Impaired**	**Total**
Cash and cash equivalents:				
Cash with banks	**₱703,854**	**₱–**	**₱–**	**₱703,854**
Short-term deposits	**3,373,042**	**–**	**–**	**3,373,042**
Accounts receivable:				
Trade	**100,485**	**–**	**423**	**100,908**
Accrued interest	**3,591**	**–**	**–**	**3,591**
Others	**191,375**	**–**	**2,770**	**194,145**
Total	**₱4,372,347**	**₱–**	**₱3,193**	**₱4,375,540**

	December 31, 2012			
	Neither Past Due nor Impaired		Past Due and Individually	
	High-Grade	Standard	Impaired	Total
Cash and cash equivalents:				
Cash with banks	₱552,030	₱–	₱–	₱552,030
Short-term deposits	1,113,481	–	–	1,113,481
Accounts receivable:				
Trade	132,876	–	689	133,565
Accrued interest	19,287	–	–	19,287
Others	55,586	–	1,708	57,294
Total	₱1,873,260	₱–	₱2,397	₱1,875,657

Credit quality of cash and cash equivalents and accounts receivable are based on the nature of the counterparty and the Group's evaluation process.

High-grade credit quality financial assets pertain to financial assets with insignificant risk of default based on historical experience.

The Group has no past due but not impaired financial assets as at December 31, 2013 and 2012.

Liquidity Risk

Liquidity risk is the risk where the Group becomes unable to meet its obligations when they fall due under normal and stress circumstances. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group addresses liquidity concerns primarily through cash flows from operations and short-term borrowings, if necessary.

The tables below summarize the maturity profile of the Group's financial assets that can be used by the Group to manage its liquidity risk and the maturity profile of the Group's financial liabilities, based on contracted undiscounted repayment obligations (including interest) as at December 31, 2013 and 2012, respectively:

	December 31, 2013			
	On Demand	**Within 1 Year**	**More than 1 Year**	**Total**
Loans and receivables:				
Cash and cash equivalents	**₱4,080,512**	**₱–**	**₱–**	**₱4,080,512**
Accounts receivable:				
Trade	**–**	**100,485**	**–**	**100,485**
Others	**–**	**191,375**	**–**	**191,375**
AFS financial assets:				
Quoted equity investments	**902,686**	**–**	**–**	**902,686**
Unquoted equity investments	**72,694**	**–**	**–**	**72,694**
Total undiscounted financial assets	**₱5,055,892**	**₱291,860**	**₱–**	**₱5,347,752**

	December 31, 2012			
	On Demand	Within 1 Year	More than 1 Year	Total
Loans payable - current:				
Principal	₱–	₱6,176,369	₱–	₱6,176,369
Interest	–	352,018	–	352,018
Loans payable – noncurrent:				
Principal	–	–	55,014	55,014
Interest	–	–	3,455	3,455
Accounts payable and accrued liabilities	–	2,092,093	–	2,092,093
Dividends payable	460,650	–	–	460,650
Subscriptions payable	21,995	–	–	21,995
Total undiscounted financial liabilities	₱482,645	₱8,620,480	₱58,469	₱9,161,594

	December 31, 2012			
	On Demand	Within 1 Year	More than 1 Year	Total
Loans and receivables:				
Cash and cash equivalents	₱1,669,542	₱–	₱–	₱1,669,542
Accounts receivable:				
Trade	–	132,876	–	132,876
Others	–	74,873	–	74,873
AFS financial assets:				
Quoted equity investments	2,686,427	–	–	2,686,427
Unquoted equity investments	1,304,334	–	–	1,304,334
Total undiscounted financial assets	₱5,660,303	₱207,749	₱–	₱5,868,052
Short-term loans:				
Principal	₱–	₱1,450,000	₱–	₱1,450,000
Interest	–	71,742	–	71,742
Accounts payable and accrued liabilities	–	995,568	–	995,568
Dividends payable	483,257	–	–	483,257
Subscriptions payable	21,995	–	–	21,995
Total undiscounted financial liabilities	₱505,252	₱2,517,310	₱–	₱3,022,562

Market Risks

Foreign Currency Risk
Foreign currency risk is the risk where the value of the Group's financial instruments diminishes due to unfavorable changes in foreign exchange rates. The Parent Company's transactional currency exposures arise from sales in currencies other than its functional currency. All of the Parent Company's sales are denominated in US dollar. Also, the Parent Company is exposed to foreign exchange risk arising from its US dollar-denominated cash and cash equivalents, and trade receivables. For the years ended December 31, 2013, 2012 and 2011, the Group recognized net foreign exchange losses of ₱173,972, ₱164,716 and ₱14,681, respectively, arising from the translation of these foreign currency-denominated financial instruments.

As the need arises, the Group enters into structured currency derivatives to cushion the effect of foreign currency fluctuations.

The following tables summarize the impact on income before income tax of reasonably possible changes in the exchange rates of US dollar against the Peso. The reasonable movement in exchange rates was determined using 1-year historical data.

Year Ended December 31, 2013	
US$ Appreciate (Depreciate)	**Effect on Income before Income Tax**
9%	**(₱212,367)**
(9%)	**212,367**

Year Ended December 31, 2012	
US$ Appreciate (Depreciate)	Effect on Income before Income Tax
6%	₱56,888
(6%)	(56,888)

There were no outstanding dollar derivatives as of December 31, 2013 and 2012.

As of December 31, 2011, there were outstanding dollar derivatives designated as cash flow hedges wherein fair value changes are reported under equity. The following table summarizes the impact on equity of reasonably possible changes in the exchange rates of US dollar against the Peso.

Year Ended December 31, 2011	
US$ Appreciate (Depreciate)	Effect on Equity
6%	(₱214,619)
(6%)	177,757

Interest Rate Risk
Interest rate risk arises from the possibility that changes in interest rates would unfavorably affect future cash flows from financial instruments. The Group's exposure to the risk in changes in market interest rates relates primarily to BEMC's short-term loans in 2012 which was transferred to PMC in 2013 and other bank loans availed of the Parent Company.

The Group relies on budgeting and forecasting techniques to address cash flow concerns. The Group also keeps its interest rate risk at a minimum by not borrowing when cash is available or by prepaying, to the extent possible, interest-bearing debt using operating cash flows.

The following table illustrates the sensitivity to reasonably possible change in interest rates, with all other variables held constant, of the Group's 2013, 2012 and 2011 income before income tax. The change in market interest rates is based on the annualized volatility of the 6-month benchmark rate:

Year Ended December 31, 2013

Change in Market Rate of Interest	**Effect on Income before Income Tax**
Decrease by 1.0%	**₱26,798**
Decrease by 0.5%	**13,399**
Increase by 1.0%	**(26,798)**
Increase by 0.5%	**(13,399)**

Year Ended December 31, 2012

Change in Market Rate of Interest	Effect on Income before Income Tax
Decrease by 1.0%	₱3,500
Decrease by 0.5%	1,750
Increase by 1.0%	(3,500)
Increase by 0.5%	(1,750)

Year Ended December 31, 2011

Change in Market Rate of Interest	Effect on Income before Income Tax
Decrease by 1.0%	₱3,500
Decrease by 0.5%	1,750
Increase by 1.0%	(3,500)
Increase by 0.5%	(1,750)

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

Equity Price Risk
Equity price risk is the risk where the fair values of investments in quoted equity securities could increase or decrease as a result of changes in the levels of equity indices and in the value of individual stocks. Management monitors the movement of the share prices pertaining to the Group's investments. The Group is exposed to equity securities price risk because of investments held by the Parent Company and PPC, which are classified in the consolidated statements of financial position as AFS financial assets (see Note 11). As of December 31, 2013 and 2012, investments in quoted shares totaling ₱902,686 and ₱2,686,427 represent 2.26% and 9.18% of the total assets of the Group, respectively. Reasonable possible changes were based on an evaluation of data statistics using 1-year historical stock price data.

The effect on equity, as a result of a possible change in the fair value of the Group's quoted equity instruments held as AFS financial assets as at December 31, 2013 and 2012 that could be brought by changes in equity indices with all other variables held constant are as follows:

December 31, 2013

Currency	**Change in Quoted Prices of Investments Carried at Fair Value**	**Effect on Equity**
Australian dollar (AU$)	**Increase by 25%**	**₱1,937**
	Decrease by 49%	**(3,797)**
Peso	**Increase by 67%**	**219,406**
	Increase by 34%	**438,811**
	Decrease by 67%	**(219,406)**
	Decrease by 34%	**(438,811)**

December 31, 2012

Currency	Change in Quoted Prices of Investments Carried at Fair Value	Effect on Equity
Australian dollar (AU$)	Increase by 25%	₱1,828
	Decrease by 49%	(3,582)
Peso	Increase by 22%	523,404
	Increase by 44%	1,046,808
	Decrease by 22%	(523,404)
	Decrease by 44%	(1,046,808)

Commodity Price Risk

The Parent Company's mine products revenues are valued based on international commodity quotations (i.e., primarily on the LME and London Bullion Metal Association quotes) over which the Parent Company has no significant influence or control. This exposes the Group's results of operations to commodity price volatilities that may significantly impact its cash inflows. The Parent Company enters into derivative transactions as a means to mitigate the risk of fluctuations in the market prices of its mine products.

The following table shows the effect on income before income tax should the change in the prices of copper and gold occur based on the inventory of the Company as at December 31, 2013. The change in metal prices is based on 1-year historical price movements.

December 31, 2013

Change in Metal Prices	Effect on Income before Income Tax
Gold:	
Increase by 22%	₱177,183
Decrease by 22%	(177,183)
Copper:	
Increase by 30%	136,305
Decrease by 30%	(136,305)

There were no outstanding gold and copper derivatives as at December 31, 2013 and 2012.

Derivative Financial Instruments
There were no outstanding derivative financial instruments as at December 31, 2013 and 2012.

Unwinding of Derivative Contracts
In August 2012, the Parent Company pre-terminated all outstanding derivative financial instruments prompted by the suspension of Padcal operations which could no longer deliver the underlying production supposed to be covered by the hedged volumes for the rest of the year. Fair value gains amounting to ₱307,928 were realized in the consolidated statements of income.

Gold Derivatives
During 2012, the Parent Company has entered into gold forward and collar contracts to hedge the Parent Company's position to possibly decreasing gold prices. These contracts have a total notional amount of 35,200 ounces and were designated as cash flow hedges.

There were no outstanding gold derivatives as at December 31, 2013 and 2012.

Copper Derivatives
During 2012, the Parent Company entered into copper forward contracts to hedge against volatile copper prices. These contracts have a total notional amount of 10,110 dry metric tons (DMT) consisting of 5,120 DMT, which were designated as cash flow hedges and 4,990 DMT, which were not designated as cash flow hedges.

There were no outstanding copper derivatives as of December 31, 2013 and 2012.

Dollar Forwards and Collars
During 2012, the Parent Company entered into dollar collar contracts at an average put strike of ₱42.83 and average call strike of ₱44.63. These contracts have a total notional amount of US$72 million and were designated as cash flow hedges.

There were no outstanding dollar forwards and collars as at December 31, 2013 and 2012.

Embedded Derivatives
As at December 31, 2013, 2012 and 2011, the Parent Company had embedded derivatives, which is represented by price exposure relative to its provisionally priced commodity sales contracts (see Note 30). Mark-to-market gains and losses from open or provisionally priced sales are recognized through adjustments to revenue in the consolidated statements of income and to trade receivables in the consolidated statements of financial position. The Parent Company determines mark-to-market prices using the forward price for quotational periods after statements of financial position date stipulated in the contract. The effect of these fair value adjustments arising from embedded derivatives amounted to a loss of ₱65,037 as at December 31, 2013 and ₱469 as at December 31, 2012, respectively, which were included under revenue and adjusted against receivables.

Fair Value Changes on Derivatives
Fair value changes of derivatives that are not designated as accounting hedges flow directly to the consolidated statements of income, while those which are designated as accounting hedges go to equity. Realized gains and losses on settlement are adjusted to the related revenue accounts.

The details of the net changes in the fair values of all derivative instruments as at December 31, 2013 and 2012 are as follows:

	2013	2012
January 1	**₱–**	₱857,431
Premiums paid	**–**	–
Net changes in fair values of derivatives:		
Designated as accounting hedges	**–**	(280,584)
Not designated as accounting hedges	**–**	115,826
	–	692,673
Fair value of settled instruments	**–**	(692,673)
December 31	**₱–**	₱–

In 2012, fair value of settled instruments includes fair value gains from derivatives designated as accounting hedges, copper derivatives not designated as accounting hedge, and unwound deals amounting to ₱384,745, ₱20,740, and ₱287,188, respectively.

Hedge Effectiveness of Cash Flow Hedges
Below is a rollforward of the Parent Company's cumulative translation adjustments (CTA) on cash flow hedges for the years ended December 31, 2013 and 2012:

	2013	2012
January 1	**₱–**	₱499,496
Changes in fair value of cash flow hedges	**–**	(280,584)
Transferred to consolidated statements of income	**–**	(432,982)
Tax effects of items taken directly to or transferred from equity	**–**	214,070
December 31	**₱–**	₱–

21. Capital Management

The Group maintains a capital base to cover risks inherent in the business. The primary objective of the Group's capital management is to optimize the use and earnings potential of the Group's resources, ensuring that the Group complies with externally imposed capital requirements, if any, and considering changes in economic conditions and the risk characteristics of the Group's activities. No significant changes have been made in the objectives, policies and processes of the Group from the previous years.

The following table summarizes the total capital considered by the Group:

	2013	2012
Capital stock	**₱4,936,996**	₱4,933,027
Additional paid-in capital	**1,058,497**	963,867
Retained earnings:		
Unappropriated	**4,128,826**	13,578,086
Appropriated	**10,000,000**	–
	₱20,124,319	₱19,474,980

22. Foreign Currency-Denominated Monetary Assets and Liabilities

The Group's foreign currency-denominated monetary assets and liabilities as at December 31, 2013 and 2012 follow:

	2013		2012	
	US$	**Peso Equivalent**	US$	Peso Equivalent
Assets				
Cash and cash equivalents	**$90,577**	**₱4,021,166**	$20,450	₱839,473
Trade receivables	**–**	**–**	2,647	108,659
	90,577	**4,021,166**	23,097	948,132
Liabilities				
Accounts payable	**11,251**	**499,488**	–	–
Bank loan	**52,477**	**2,329,716**	–	–
Related party loans	**80,000**	**3,551,600**	–	–
	143,728	**6,380,804**	–	–
Net Assets (Liabilities)	**($53,151)**	**(₱2,359,638)**	$23,097	₱948,132

The exchange rates of the Peso to US dollar were ₱44.40 to US$1 as at December 31, 2013 and ₱41.05 to US$1 as at December 31, 2012.

23. Related Party Transactions

Companies within the Group in the regular conduct of business, enters into transactions with related parties which consists of advances, loans, reimbursement of expenses, regular banking transactions, leases and management and administrative service agreements.

Intercompany transactions are eliminated in the consolidated financial statements. The Group's significant related party transactions, which are under terms that are no less favorable than those arranged with third parties, are as follows:

	Year	**Amount / Volume**	**Outstanding Balance**	**Terms**	**Conditions**
Loans from: increase (decrease)					
Kirtman Limited	**2013**	**₱–**	**₱–**	Payable in 364 days	Unsecured,
(Peso)	2012	₱1,100,000	₱1,100,000	at interest rate of 5%	no impairment
Kirtman Limited	**2013**	**US$15,000**	**US$15,000**	Payable in 364 days	Unsecured,
(Dollar)	2012	US$–	US$–	at interest rate of 5%	no impairment
Maxella Limited	**2013**	**US$15,000**	**US$15,000**	Payable in 364 days	Unsecured,
	2012	US$–	US$–	at interest rate of 5%	no impairment
Asia Pacific	**2013**	**US$50,000**	**US$50,000**	Payable in 364 days	Unsecured,
	2012	US$–	US$–	at interest rate of 5%	no impairment

a. Related party transactions involving loans from subsidiaries of FPC are disclosed under Note 13.

Compensations of Key Management Personnel
Compensations of the members of key management personnel follow:

	2013	2012	2011
Short-term employee benefits	**₱100,521**	₱151,299	₱108,119
Pension costs	**7,719**	4,316	3,383
Share-based payments	**–**	–	396
	₱108,240	₱155,615	₱111,898

24. **Income Taxes**

a. The components of the Group's net deferred income tax assets (liabilities) are as follows:

	2013	2012 (As restated)
Deferred income tax assets on:		
Provision for losses and others	**₱182,848**	₱421,176
Unrealized foreign exchange losses - net	**145,758**	59,300
Unamortized past service costs	**68,175**	76,315
Accumulated accretion of interest on provision for mine rehabilitation costs	**5,959**	5,418
Retirement liability	**1,793**	13,490
Allowances for:		
Unrecoverable deferred mine and oil exploration costs	**24,159**	14,286
Disallowable claims receivable	**24,095**	24,095
Materials and supplies obsolescence	**23,497**	42,301
Probable losses on other noncurrent assets	**–**	14,231
Doubtful accounts	**–**	410
Total deferred income tax assets	**476,284**	681,907
Deferred income tax liabilities on:		
Difference in fair value and carrying value of the net assets of subsidiary acquired	**(2,614,940)**	(1,665,513)
Accelerated depreciation	**(1,346,174)**	(1,227,020)
Mine inventory at year-end	**(195,662)**	–
Gain on dilution on interest	**(126,615)**	–
Net retirement plan assets	**(89,311)**	–
Unrealized foreign exchange gain	**(8,141)**	(14,566)
Unrealized gain on AFS financial assets	**–**	(101,937)
Total deferred income tax liabilities	**(4,380,843)**	(3,009,036)
Net deferred income tax liabilities	**(₱3,904,560)**	(₱2,327,129)

b. A reconciliation of the Group's provision for income tax computed at the statutory income tax rates based on income before income tax to the provision for income tax is as follows:

	2013	2012	2011
Provision for income tax computed at the statutory income tax rates	**₱322,516**	₱71,025	₱2,436,021
Additions to (reductions in) income tax resulting from:			
Unrecognized DTA, NOLCO and excess MCIT	**406,144**	161,647	(181,753)
Nondeductible expenses and non-taxable income - net	**35,906**	309,992	6,942
Stock-based compensation expense	**₱25,240**	₱6,384	₱14,990
Dividend income	**–**	(1,777)	(1,769)
Interest income already subjected to final tax	**(7,818)**	(17,460)	(25,805)
Effect of difference in tax rates and others - net	**(19,331)**	17,778	78,982
Provision for income tax	**₱762,657**	₱547,589	₱2,327,608

c. Deferred income tax assets amounting to ₱3,403,608 and ₱2,051,549 as at December 31, 2013 and 2012, respectively, were not recognized because the Group believes that it is not probable that future taxable income will be available to allow all or part of the benefit of the deferred income tax assets to be utilized.

d. As at December 31, 2013, significant respective NOLCO and MCIT of the Parent Company's subsidiaries for which no deferred income taxes were recognized are as follows:

PPC and subsidiaries:
As at December 31, 2013, the PPC and subsidiaries' NOLCO that can be claimed as deduction from future taxable income and excess MCIT that can be deducted against income tax due are as follows:

Year Incurred	Available Until	NOLCO	Excess MCIT
2011	2014	₱105,222	₱2
2012	2015	76,440	292
2013	2016	109,821	1,022
		₱291,483	₱1,316

The following are the movements of the PPC and subsidiaries' NOLCO and excess MCIT for the years ended December 31, 2013 and 2012:

	NOLCO		Excess MCIT	
	2013	2012	**2013**	2012
Beginning balance	**₱264,422**	₱207,999	**₱533**	₱241
Additions	**109,821**	76,440	**1,022**	292
Applications	**(14,781)**	–	**–**	–
Expirations	**(67,979)**	(20,017)	**(239)**	–
Ending balance	**₱291,483**	₱264,422	**₱1,316**	₱533

SMMCI
As at December 31, 2013, SMMCI's NOLCO and excess MCIT that can be claimed as deduction from future taxable income are as follows:

Year Incurred	Available Until	NOLCO	Excess MCIT
2011	2014	₱19,668	₱–
2012	2015	33,388	3
2013	2016	24,187	–
		₱77,243	₱3

The following are the movements of the Company's NOLCO and excess MCIT for the years ended December 31:

	NOLCO		Excess MCIT	
	2013	2012	**2013**	2012
At January 1	**₱53,927**	₱21,607	**₱3**	₱–
Additions	**24,187**	33,388	**–**	3
Expirations	**(871)**	(1,068)	**–**	–
At December 31	**₱77,243**	₱53,927	**₱3**	₱3

PGPI
As at December 31, 2013, PGPI's NOLCO and excess MCIT that can be claimed as deduction from future taxable income are as follows:

Year Incurred	Available Until	NOLCO	Excess MCIT
2011	2014	₱36,494	₱6
2012	2015	35,339	24
2013	2016	92,882	22
		₱164,715	₱52

The following are the movements in NOLCO and excess MCIT for the years ended December 31:

	NOLCO		Excess MCIT	
	2013	2012	**2013**	2012
Beginning balance	**₱153,470**	₱178,252	**₱30**	₱6
Additions	**92,882**	35,339	**22**	24
Expirations	**(81,637)**	(60,121)	**–**	–
Ending balance	**₱164,715**	₱153,470	**₱52**	₱30

25. **Equity**

Capital Stock
The details of the Parent Company's capital stock follow:

	Number of Shares	
	2013	2012
Authorized common stock - ₱1 par value	**8,000,000,000**	8,000,000,000
Issued, outstanding and fully paid:		
January 1	**4,933,026,818**	4,929,750,743
Issuance during the year	**3,969,250**	3,276,075
December 31	**4,936,996,068**	4,933,026,818

Below is a summary of the capital stock movement of the Parent Company:

Year	Date of Approval	Change in Number of Authorized Capital Stock	New Subscriptions/ Issuances***
1956	November 26, 1956	60,000,000	20,590,250
1957			30,539,750
1958			107,035
1959			1,442,500
1960	September 12, 1960	30,000,000	10,997,397
1961			1,238,500
1962			9,737,294
1963	December 16, 1993	90,000,000*	103,258,378
1964	March 6, 1964	220,000,000	65,339,520
1965			61,546,755
1966			60,959,182
1969	September 22, 1969	600,000,000	182,878,280
1970			274,317,420
1971	August 20, 1971	1,000,000,000	411,476,131
1973		4,000,000,000****	2,623,160,332
1974			1,543,035,476
1978			540,062,420
1981	August 4, 1981	5,000,000,000	1,485,171,655
1983			742,006,977
1985			815,707,473
1986			3,923,841,215
1987	August 14, 1987	9,000,000,000	3,867,787,326
1989	July 11, 1989	20,000,000,000	5,028,123,524
1990	June 27, 1990	(38,000,000,000)**	(20,549,744,536)
1991			375,852,233
1992			162,869,258
1993			179,156,183
1995			403,849
1997			985,928,483
1999	May 23, 1997	3,000,000,000	–
2007			10,781,250

(Forward)

Year	Date of Approval	Change in Number of Authorized Capital Stock	New Subscriptions/ Issuances***
2008			912,279,662
2009	May 22, 2009	3,000,000,000	1,019,753,789
2010			21,525,999
2011			7,619,783
2012			3,276,075
2013			3,969,250
		8,000,000,000	**4,936,996,068**

*This is the result of the change of par value from ₱0.10 to ₱0.05.
**This is the result of the change in par value from ₱0.05 to ₱1.00.
***Information on issue/offer price on public offering not available or information not applicable since the shares were not issued in relation to a public offering.
****Information on date of approval not available.

As at December 31, 2013 and 2012, the Parent Company's total stockholders is 44,533 and 44,742, respectively.

Retained Earnings
Retained earnings consist of the following:

	2013	2012 (As restated)
Retained earnings:		
Unappropriated	**₱4,000,400**	₱13,658,468
Appropriated	**10,000,000**	–
Cumulative actuarial gains (losses)	**128,426**	(80,382)
Ending balance	**₱14,128,826**	₱13,578,086

On February 23 and July 27, 2011, the Parent Company's BOD authorized the declaration of cash dividends amounting to ₱787,844 and ₱690,001 (or ₱0.16 and ₱0.14 per share, respectively), in favor of all stockholders of record as at March 10 and August 10, 2011, respectively.

On May 16, 2011, the Parent Company's BOD authorized the declaration of property dividends composed of shares of stock of PPC at the ratio of one share for every 8 shares of the Parent Company and cash in the amount of ₱0.052 per share (or ₱256,156) to all stockholders of record of the Parent Company as at June 8, 2011. US based shareholders received, in lieu of PPC shares, cash in the amount of ₱0.96 (or ₱16,430) per PPC share. It was approved by SEC on August 25, 2011. The declaration of property dividends was accounted for as equity transaction which resulted to reduction of ownership interest by the Parent Company and increase in NCI amounting to ₱650,856.

On February 29, 2012, the BOD of the Parent Company approved the declaration of cash dividends amounting to a ₱2,071,217 to all stockholders of record as at March 15, 2012 (total of ₱0.42 per share) comprising of ₱0.14 per share regular dividend and ₱0.28 per share special dividend for a full year payout at 50%.

On July 25, 2012, the BOD of the Parent Company approved the declaration of cash dividends amounting to ₱542,625 to all stockholders of record as at August 8, 2012 at ₱0.11 per share.

On December 13, 2013, the Parent Company's BOD approved the appropriation of ₱10,000,000 of the unappropriated retained earnings for purposes of mine development and construction of the Silangan Project from 2016 to 2018.

On February 26, 2014, the BOD of the Parent Company approved the declaration of cash dividend of ₱0.05 per share regular dividend to all stockholders at record date of March 12, 2014.

The Parent Company's retained earnings available for dividend distribution amounted to ₱2,758,063 and ₱13,278,847 as at December 31, 2013 and 2012, respectively.

NCI

NCI consist of the following:

	Percentage of Ownership		**Amount**	
	2013	2012	**2013**	2012
NCI on net assets of:				
PPC	**35.2%**	35.2%	**₱609,915**	₱587,773
BEMC	**35.2%**	35.2%	**(256,318)**	(207,652)
FEC	**66.8%**	66.8%	**114,407**	119,087
FEP and its subsidiaries	**68.4%**	66.3%	**(104,876)**	(98,792)
PPP and its subsidiaries	**67.4%**	–	**3,743,683**	–
LMC	**0.7%**	0.7%	**(177)**	(160)
			₱4,106,634	400,256

Transactions with NCI are disclosed in Note 2.

Financial information of subsidiaries that have material non-controlling interests are provided below:

Income (loss) allocated to material NCI:

	2013	2012
PPP and its subsidiaries	**₱1,335,395**	₱–
PPC	**7,293**	(32,237)

Other comprehensive income (loss) allocated to material NCI:

	2013	2012
PPP and its subsidiaries	**₱88,613**	₱–
PPC	**10,734**	(13,218)

The summarized financial information of these subsidiaries are provided below:

Statements of comprehensive income as of December 31, 2013:

	PPP	PPC
Revenue	₱3,465	₱–
Cost of sales	(2,494)	–
General and administrative expenses	(143,061)	(28,322)
Other income (charges)	2,122,886	41,181
Interest expense	–	–
Income (loss) before tax	1,980,796	12,859
Provision for (benefit from) income tax	–	7,854
Net income	1,980,796	20,713
Other comprehensive income (loss)	(1,686)	30,485
Total comprehensive income	₱1,979,110	₱51,198
Attributable to non-controlling interests	₱1,334,259	₱18,027

Statements of comprehensive income as of December 31, 2012:

	PPP	PPC
Revenue	₱–	₱–
Cost of sales	–	–
General and administrative expenses	–	(27,014)
Other charges	–	609
Interest expense	–	–
Loss before tax	–	(26,405)
Provision for income tax	–	(65,152)
Net loss	–	(91,557)
Other comprehensive loss	–	(37,541)
Total comprehensive loss	₱–	(₱129,098)
Attributable to non-controlling interests	₱–	(₱45,455)

Statements of financial position as at December 31, 2013:

	PPP	PPC
Current assets	₱2,581,170	₱20,460
Noncurrent assets	790,023	4,328,903
Current liabilities	(54,327)	(2,590,288)
Noncurrent liabilities	(15,623)	(113,555)
Total equity	₱3,301,243	₱1,645,520
Attributable to:		
Equity holders of the Parent Company	₱1,075,640	₱1,066,132
Non-controlling interests	2,225,603	579,388

Statements of financial position as at December 31, 2012:

	PPP	PPC
Current assets	₱–	₱8,433
Noncurrent assets	–	2,307,044
Current liabilities	–	(623,556)
Noncurrent liabilities	–	(97,599)
Total equity	₱–	₱1,594,322
Attributable to:		
Equity holders of the Parent Company	₱–	₱1,032,961
Non-controlling interests	–	561,361

Statements of cash flows as of December 31, 2013:

Activities	PPP	PPC
Operating	(₱194,886)	(₱694,294)
Investing	1,824,363	(1,265,347)
Financing	332,985	1,967,948
Effect of exchange rate changes on cash	–	21
Net increase (decrease) in cash and cash equivalents	₱1,962,462	₱8,328

Statements of cash flows as of December 31, 2012:

Activities	PPP	PPC
Operating	₱–	(₱28,634)
Investing	–	1,833
Financing	–	14,565
	–	(132)
Net increase (decrease) in cash and cash equivalents	₱–	(₱12,368)

26. Share-based Payments

<u>2006 Parent Company Stock Option Plan (SOP)</u>
On June 23, 2006, the Parent Company's stockholders approved and ratified the stock option plan of the Parent Company as approved by the Parent Company's BOD on March 31, 2006. Among the salient terms and features of the stock option plan are as follows:

i) Participants: directors, officers, managers and key consultants of the Company and its significantly-owned subsidiaries;
ii) Number of shares: up to 3% of the Company's issued and outstanding shares;
iii) Term: Five years from adoption date;
iv) Exercise price: Average stock price during the last 20 trading days prior to the date of grant multiplied by a factor of 0.8, but in no case below par value; and
v) Vesting period: Up to 16.67% in six months from grant date; up to 33.33% in 1 year from grant date; up to 50% in 1.5 years from grant date; up to 66.67% in 2 years from grant date; up to 83.35% in 2.5 years from grant date; and up to 100% in 3 years from grant date.

On March 8, 2007, the stock option plan was approved by the Philippine SEC.

A total of two confirmed new grants for 15,000,000 shares were awarded on June 24 and December 7, 2009.

For the year ended December 31, 2010, three confirmed new grants were endorsed. A total of 9,950,000 shares were awarded on May 25, September 28 and November 23, 2010.

On January 5, 2011, a new stock option grant was given following the terms of the approved plan. A total of 6,000,000 options were awarded vesting every 6 months up to January 5, 2014.The Company uses the Customized Binomial Lattice Model to compute for the fair value of the options together with the following assumptions:

	January 5, 2011
Spot price per share	₱15.40
Time to maturity	5 years
Volatility*	54.57%
Dividend yield	1.93%
Suboptimal exercise behavior multiple	1.5
Forfeiture rate	2%

	2010		
	May 25	September 28	November 23
Spot price per share	₱11.00	₱14.88	₱14.00
Time to maturity	5 years	5 years	5 years
Volatility*	54.57%	55.09%	54.98%
Dividend yield	2.69%	2.00%	2.12%
Suboptimal exercise behavior multiple	1.5	1.5	1.5
Forfeiture rate	2%	2%	2%

**Volatility is calculated using historical stock prices and their corresponding logarithmic returns.*

The following table shows the movements in 2013 and 2012 of the 2006 Parent Company SOP:

	Number of Options		Weighted Average Exercise Price	
	2013	2012	**2013**	2012
January 1	**12,970,650**	19,251,075	**₱8.99**	₱6.32
Exercised	**(3,969,250)**	(3,276,075)	**3.64**	6.71
Forfeited	**–**	(3,004,350)	**–**	11.26
December 31	**9,001,400**	12,970,650	**₱11.35**	₱8.99

The number of unexercised vested stock options as at December 31, 2013 and 2012 are 7,981,400 and 8,287,400, respectively.

2011 Parent Company SOP

On April 27, 2011, the BOD approved the 2011 SOP of the Company, which was concurrently approved by the shareholders on June 29, 2011. Among the salient terms and features of the stock option plan are as follows:

i) Option Grant Date is the date on which option is awarded under the Parent Company 2011 SOP, provided such award is subsequently accepted by eligible participant.
ii) The vesting percentage and vesting schedule of the options granted under the 2011 Parent Company SOP shall be determined by the Compensation Committee of the Board.
iii) 246,334,118 shares representing 5% of the Parent Company's outstanding capital stock shall be initially reserve for exercise of options to be granted.

iv) The exercise price for the options granted under the 2011 Parent Company SOP shall be determined by the Compensation Committee of the Board but shall not be lower than the highest of: (i) the closing price of the shares on PSE on the Option Grant Date, (ii) the average closing price of the shares on the PSE for the 5 business days on which dealings in the shares are made immediately preceding the Option Grant Date; and (iii) the par value of shares.
v) Any amendments to the 2011 Parent Company SOP shall be deemed adopted and made effective upon approval by shareholders owning at least two-thirds of the outstanding capital stock of the Parent Company and, to the extent legally necessary, by the SEC.

On March 5, 2013, the Parent Company received the SEC resolution approving the 2011 SOP.

The Parent Company granted 40,410,000 options under the 2011 SOP.

The Parent Company uses the Customized Binomial Lattice Model to compute for the fair value of the options together with the following assumptions:

Spot price per share	₱17.50
Exercise price per share	₱24.05
Time to maturity	7 years
Risk-free rate	3.3435%
Volatility*	49.8731%
Dividend yield	1.0031%

**Volatility is calculated using historical stock prices and their corresponding logarithmic returns.*

The following table shows the movements in 2013 of the 2011 Parent Company SOP of PMC:

	Number of Options	Weighted Average Exercise Price
	2013	2013
January 1	40,410,000	₱24.05
Forfeited	(10,500,000)	24.05
December 31	29,910,000	₱24.05

The number of unexercised vested stock options as at December 31, 2013 amounted to 14,955,000.

The total share-based compensation expense for the 2006 and 2011 SOP in 2013 and 2012 amounted to ₱84,132 and ₱21,280, respectively. The corresponding share-based option reserve included under Additional Paid-in Capital as at December 31, 2013 and 2012 amounted to ₱216,875 and ₱195,595, respectively.

<u>FEP Stock Option Plan</u>
On August 1, 2005, FEP implemented a Share Option Plan (the Plan) with three sub-plans (the sub-plan). Under the terms of the Plan, FEP can issue up to 16% of its issued stocks.

The following share options outstanding in respect of FEP's ordinary shares with their corresponding weighted average exercise prices for the year ended December 31, 2013, 2012 and 2011 are as follows:

	Number of Options		Weighted Average Exercise Price	
	2013	2012	**2013**	2012
January 1	–	2,195,000	₱–	£0.31 ($0.50)
Exercised	–	(2,185,000)	–	–
Cancelled	–	(10,000)	–	–
December 31	–	–	₱–	£0.31 ($0.50)

The options in issue represent 41% of the total permissible options per terms of the Plan and are exercisable at a price lower that its market value.

The fair values of awards granted under the Plan has been calculated using the Black Scholes model that takes into account factors specific to share incentive plans such as the vesting periods of the Plan, the expected dividend yield on FEP's shares and expected early exercise of share options.

Grant Date	August 1, 2005	December 6, 2006	December 19, 2010
Share price at grant date	£1.12 ($2.19)	£0.73 ($1.39)	£0.25 ($0.38)
Exercise price	£1.12 ($2.19)	£0.73 ($1.39)	£0.31 ($0.46)
Fair value of options	£0.35 ($0.51)	£0.31 ($0.45)	£0.13 ($0.20)
Volatility*	25%	40%	40%
Option life	10 years	5 years	10 years
Risk-free investment risk	4.5%	5%	4%

** Volatility has been based on the annualized volatility of the FEP's shares since its flotation on the AIM market.*

27. Basic/Diluted Earnings Per Share

Basic earnings per share are computed as follows:

	2013	2012	2011
Net income attributable to equity holders of the Parent Company	**₱341,932**	₱208,733	₱5,763,795
Divided by weighted average number of common shares outstanding during year	**4,933,657,951**	4,932,216,253	4,926,583,729
Basic earnings per share	**₱0.069**	₱0.042	₱1.170

Diluted earnings per share amounts are calculated as follows:

	2013	2012	2011
Net income attributable to equity holders of the Parent Company	**₱341,932**	₱208,733	₱5,763,795
Divided by weighted average number of common shares adjusted for the effect of exercise of stock options	**4,933,657,951**	4,938,632,314	4,932,287,397
Diluted earnings per share	**₱0.069**	₱0.042	₱1.169

Weighted average number of common shares for basic earnings per share	**4,933,657,951**	4,932,216,253	4,926,583,729
Effect of exercise of stock options	–	6,416,061	5,703,668
Weighted average number of common shares adjusted for the effect of exercise of stock options	**4,933,657,951**	4,938,632,314	4,932,287,397

The Parent Company considered the effect of its potentially dilutive stock options outstanding as at December 31, 2013 and 2012 (see Note 26). The assumed exercise of these stock options would have resulted in additional 6,416,061 and 5,703,668 common shares in 2012 and 2011, respectively. The stock options outstanding as at December 31, 2013 are anti-dilutive.

28. Farm-in Agreement with Manila Mining Corporation (MMC)

On May 11, 2011, the Parent Company entered into a farm-in agreement with MMC and to acquire up to 60% of the outstanding capital stock of Kalayaan Copper Gold Resources, Inc. (Kalayaan), a wholly owned subsidiary of MMC. The Parent Company purchased from MMC 125,000 shares of Kalayaan representing 5% of the outstanding capital stock for US$25,000 or ₱1,071,521. Further, the Parent Company will subscribe to additional 3,437,500 shares of Kalayaan, representing 55% of outstanding capital stock, subject to the condition that the Parent Company will fulfill the subscription services within the earlier of 3 years following the execution of the agreement or expiry of the term of the exploration permit.

Upon acquisition of 5% stake over Kalayaan, MMC, under the Operating Agreement, grants the Parent Company exclusive, irrevocable and unconditional rights:

a. To conduct exploration and pre-development;
b. To perform all activities necessary to complete a final feasibility study for the project; and,
c. To possess and/or exercise all of Kalayaan's surface rights, to exercise, utilize and enjoy all the rights, benefits, privileges, and perform all the obligations of Kalayaan under and in relation to the exploration permit and the mineral rights, provided that Kalayaan shall remain liable for all accrued obligations under the exploration permit as at the date of the agreement.

The transaction was recorded by allocating the US$25,000 to Investment in AFS pertaining to the 5% interest in Kalayaan and to the exploration rights acquired. The acquisition cost is then allocated by valuing the investment in AFS at ₱100 and the deferred exploration cost at ₱1,071,421.

As at December 31, 2013, the Company is undergoing discussions with MMC to revise, and consequently, extend the term of the farm-in agreement on the Kalayaan Project.

29. **Joint Ventures with Anglo**

In order to accelerate exploration, the Parent Company and PGPI entered into separate joint ventures with Anglo covering the Parent Company's Baguio District and PGPI's Surigao del Norte mineral tenements, respectively. Shareholders agreements were executed on September 2, 1999, pursuant to which Anglo is to fund all exploration costs up to feasibility studies, if warranted, in return for equity in the tenements. Minimum annual expenditures totaling US$8,000 for the Baguio District and US$2,200 for the Surigao del Norte tenements over a five-year period are required for the respective joint ventures to continue, failing of which would revert the tenements at no cost to the Parent Company or to PGPI.

The exploration work of Anglo led to the discovery of the Boyongan copper-gold deposit in August 2000. In 2001, Anglo exceeded the US$2,200 threshold of expenditures and earned a 40% equity interest in the Surigao del Norte tenements, now referred to as the Silangan Project. If the project is carried through to the completion of a bankable feasibility study at Anglo's cost, Anglo would be entitled to additional 30% equity interest in the project, which will bring its equity interest to 70%, and to manage mine development and operations. Anglo would provide full guarantees for non-recourse project financing while PGPI would need to raise its pro-rata share of the equity.

On April 10, 2000 and December 29, 1999, final government approval of the Parent Company and PGPI's respective mining tenements in the form of MPSA were granted. For the Surigao del Norte joint venture, SMECI (60% owned by PGPI and 40% owned by Anglo) and SMMCI (then wholly-owned by SMECI) were organized in 1999 and 2000, respectively. In 2000, the Parent Company and PGPI transferred their respective rights and interest in the MPSAs to SMMCI. All costs incurred by the Parent Company and PGPI arising from their acquisition of ownership interests in SMECI, respectively, were reimbursed by Anglo. SMECI started to be consolidated in 2009.

In December 2001, Anglo purchased from PGPI an effective 10% equity interest in SMMCI for US$20,000, plus additional payments of up to US$5,000 should there be an increase in metal content of the deposit or from any subsequent discovery within the surrounding tenements on the basis of feasibility studies. Benefits from subsequent discovery of minerals by SMMCI that will increase the value of its shares will inure to Anglo. Conversely, the risk of decrease in the value of SMMCI shares will be suffered by Anglo.

Anglo completed its pre-feasibility study of the Boyongan deposit in December 2007 which concluded that a mining operation based on the currently defined resources, proposed mining and processing methods, assumed long-term copper and gold prices, and estimated capital and operating costs would not provide an acceptable rate of the return on the project investment. The Parent Company, however, had differing points of view from Anglo on a number of assumptions and conclusions made in the feasibility study. The Parent Company thus asserted its position that given the results of the study, as provided for under the terms of the joint venture agreements, Anglo should return the Boyongan property to the Parent Company, which Anglo contested.

Anglo claimed that other mineralized centers have been discovered in the vicinity, currently then the subject of intensive exploration and delineation drilling program which Anglo wanted to continue throughout 2008. Anglo also reported that there was geologic evidence for two additional porphyry copper-gold targets within two kilometers of Boyongan which Anglo planned to test. These recent discoveries and their impact were not included in the Boyongan pre-feasibility study.

On September 25, 2008, the BOD approved the Parent Company to pursue the acquisition of the 50% equity interest over the Silangan Project through SMECI and SMMCI from Anglo. The acquisition, which was consummated on February 6, 2009, was executed through a share and asset purchase agreement for a total consideration of US$55,000 (or ₱2,619,375) broken down as follows: US$24,695 (or ₱1,176,114) for the shares, US$43 (or ₱2,020) for the project properties, US$27,053 (or ₱1,288,416) for the receivables and US$3,209 (or ₱152,825) for the payment of loans of Anglo to the joint venture companies. This acquisition effectively gave the Parent Company, together with PGPI, which currently owns the other 50% interest, control over the property.

On December 7, 2011, the Parent Company entered into an agreement with Anglo and Anglo American Exploration (Philippines), Inc. (AAEPI) where the Parent Company agreed to buy and Anglo agreed to sell all Anglo's rights, interests and obligations in MECI for US$25. In addition, AAEPI agreed with the Parent Company that all of its rights interests and title in and to its receivable to MECI will be assigned to the Parent Company for a consideration amounting to US$175. The purchase of share and assignment of receivable will become effective and legally enforceable only upon fulfillment of the closing obligations. As at December 31, 2013, the closing obligations are not yet fulfilled.

30. Long-term Gold and Copper Concentrates Sales Agreement

On March 11, 2004, the Parent Company entered into a Long-term Gold and Copper Concentrates Sales Agreement (Sales Agreement) with Pan Pacific covering the copper concentrates produced at the Padcal Mine (Concentrates) pursuant to which the Parent Company shall sell its concentrate production to Pan Pacific in diminishing proportion from 75% of the Padcal Mine's total concentrate production for contract year 2004 to as follows:

a. Contract Year 2011 (starting on April 1, 2011 and ending on March 31, 2012), approximately 40,000 DMT or 60% of the total Concentrates production during each Contract Year, for which the treatment and refining charges for copper shall be negotiated by the parties in good faith during the Contract Year 2011.

b. Contract Year 2012 (starting April 1, 2012 and ending on March 31, 2013), approximately 40,000 DMT or 60% of the total Concentrates production during each Contract Year, for which the treatment and refining charges for copper shall be negotiated by the parties in good faith during the Contract Year 2012.

c. Contract Year 2013 (starting April 1, 2013 and ending on March 31, 2014), approximately 60% of the total Concentrates production during each Contract Year, for which the the treatment and refining charges for copper shall be negotiated by the parties in good faith during the Contract Year 2013.

The Sales Agreement shall be effective until the date of the closure of the Padcal Mine, unless terminated earlier in accordance with the terms. Further, if the Parent Company or its affiliate, as defined in the Sales Agreement, develops other mines which produce sulfide floatation copper concentrates, then the Parent Company or its affiliates shall discuss the sale of such copper concentrates with Pan Pacific before offering to sell to others.

31. Other Matters

a. The Group is currently involved in certain legal, contractual and regulatory matters that require the recognition of provisions for related probable claims against the Group. Management and the Group's legal counsel reassess their estimates on an annual basis to consider new relevant information. The disclosure of additional details beyond the present disclosures may seriously prejudice the Group's position and negotiation strategies with respect to these matters. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only a general description is provided.

b. On February 8, 2013, the Company entered into a Settlement, Release and Policy Buy Back Agreement with Chartis Philippines Insurance, Inc. (Chartis) for the compromise settlement of the Company's insurance claim under its Pollution Legal Liability Select Policy covering the Padcal Mine. The claims pertain to the discharge of tailings from TSF NO. 3 of the mine in 2012. Under the terms of the agreement, Chartis shall pay the Company within 15 days the amount of US$25,000 (or ₱1,017,125) in full settlement of the claims. The Company received the full settlement from Chartis on February 12, 2013. The consideration received was recorded under "Insurance proceeds" account under "Other income (charges)" in the parent company statements of income. Of the insurance proceeds, 60% was reflected under core net income as this amount represented claims against business interruption and part of normal operations while the remaining 40% was considered non-recurring representing claims against pollution.

c. On February 18, 2013, the Parent Company paid the ₱1,034,358 tailings fee to the MGB in connection to the discharge of tailings from TSF No. 3 which the Parent Company accrued as at December 31, 2012.

d. On May 10, 2011, FEP and BEC signed a settlement agreement in relation to disputes relating to BEC's share in the historical cost recoveries arising from certain service contracts in the NW Palawan area pursuant to the SPA executed by FEP and BEC on April 3, 2006. If the terms and conditions of the settlement agreement are met, FEP will make a cash payment to BEC of US$650 (₱28,204), and cause the conveyance of (a) 50% of FEPCO participating interests in certain service contracts; and (b) 50% of the related recoverable costs, subject to the approval of DOE. The settlement agreement will become executory upon the satisfaction of certain conditions present, such as the approval by the consortium participants and the DOE, and the final consent award from the Arbitration Tribunal.

e. In June 2012, a compromise agreement was entered into between FEP and BEC which finalized the terms of payment and total consideration for the purchase amounting to US$12,000. As at December 31, 2013 and 2012, FEP made payments to BEC amounting to ₱41,050 and ₱451,550, respectively, which fully extinguished the liability.

32. **Notes to Consolidated Statements of Cash Flows**

The principal non-cash investing activities of the Group are as follows:

a. In 2013 and 2012, total depreciation expense that was capitalized as part of deferred mine exploration costs by PMC, SMMCI and PGPI amounted to ₱67,967 and ₱166,984, respectively.

b. In 2012, FEP transferred the balance of deferred oil exploration costs relating to Libertad block amounting to ₱50,212 to property, plant and equipment upon start of commercial production of Libertad gas fields.

33. **Events After the End of Reporting Period**

Assignment of BEMC Coal Operating Contract
On January 6, 2014, BEMC has finalized the agreements for the assignment of COC 130 to Grace Coal Mining and Development, Inc.

Local Business Tax Issue
On February 5, 2014, the Parent Company received a letter from certain municipalities in Benguet province containing a copy of joint municipal resolution on the manner of sharing in the alleged business tax impositions and assessment assessed against the Parent Company. The management believes that the issues will be resolved in favor of the Parent Company.

Dividend declaration
On February 26, 2014, the BOD of the Parent Company approved the dividend declaration of ₱0.05 per share payable on March 24, 2014.

SyCip Gorres Velayo & Co.
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Philippines

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

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

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Philex Mining Corporation
Philex Building
27 Brixton corner Fairlane Streets
Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Philex Mining Corporation and its Subsidiaries as at December 31, 2013 and 2012, and for each of the three years in the period ended December 31, 2013 included in their form 17-A and have issued our report thereon dated February 26, 2014. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jose Pepito E. Zabat

Jose Pepito E. Zabat III
Partner
CPA Certificate No. 85501
SEC Accreditation No. 0328-AR-2 (Group A),
March 1, 2012, valid until March 1, 2015
Tax Identification No. 102-100-830
BIR Accreditation No. 08-001998-60-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225235, January 2, 2014, Makati City

February 26, 2014

PHILEX MINING CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2013

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

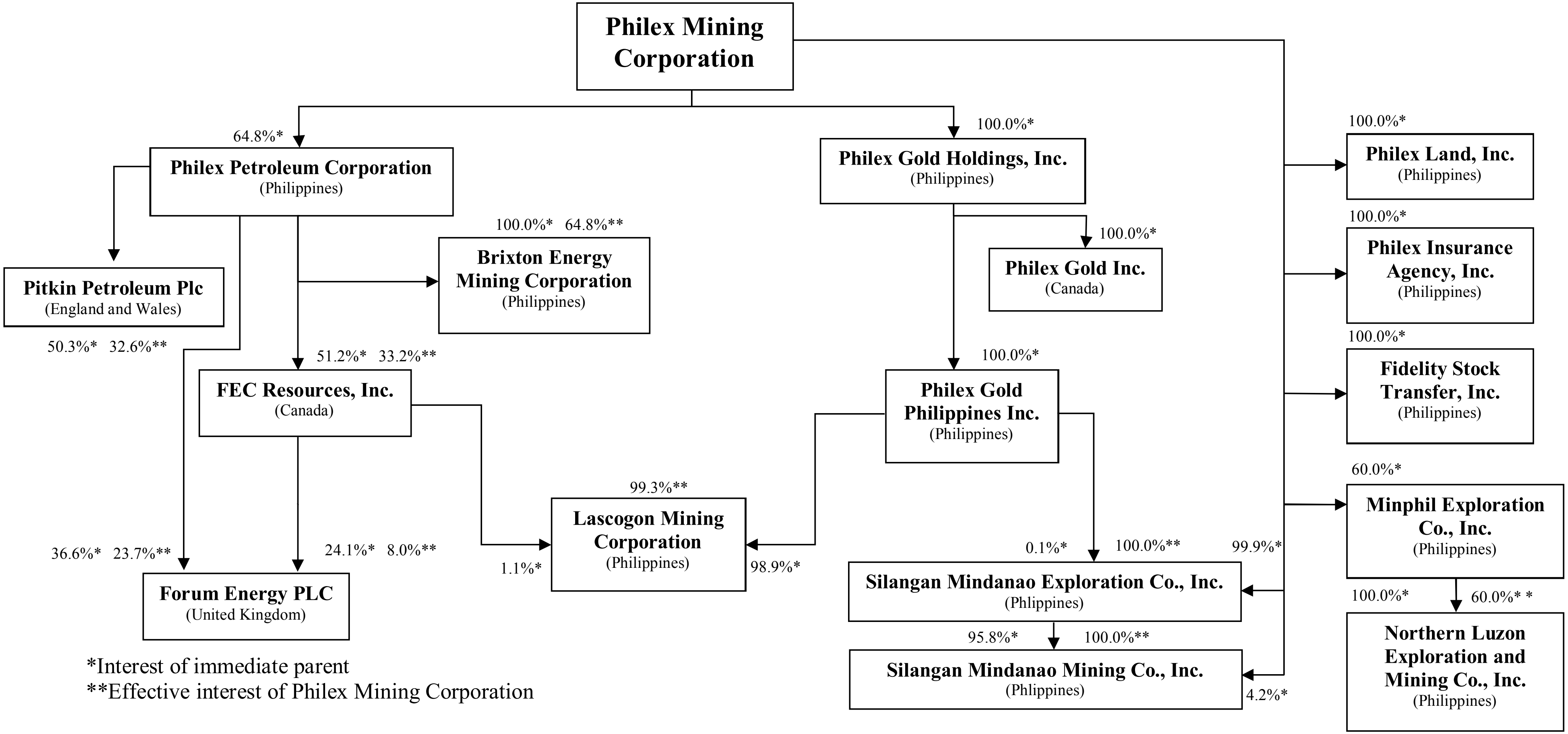
PHILEX MINING CORPORATION
Philex Building, 27 Brixton corner Fairlane Streets, Pasig City
(Amounts in Thousands)

Unappropriated retained earnings as at December 31, 2012		**₱14,507,429**
Effect of adoption of revised PAS 19: ***Employee Benefits***		**(45,399)**
Unappropriated retained earnings as at December 31, 2012, as restated		**14,462,030**
Adjustments: (see adjustments in previous year's reconciliation**)**		**(1,183,183)**
Unappropriated retained earnings as at December 31, 2012, as adjusted		**13,278,847**
Net loss during the year closed to retained earnings	**(291,660)**	
Less: Non-actual/unrealized income net of tax		
Unrealized foreign exchange gains - net (except those attributable to cash and cash equivalents)	6,796	
Recognized deferred tax asset that increased the net income	(178,037)	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	400,365	
Subtotal	**229,124**	
Net loss actually incurred during the year		**(520,784)**
Less:		
Appropriations of retained earnings during the year		**(10,000,000)**
Unappropriated retained earnings as at December 31, 2013 , as adjusted		**₱2,758,063**

<u>SCHEDULE II</u>
PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

	2013	2012	2011
Current/Liquidity ratios			
Current ratio	**0.86**	0.94	3.23
Quick ratio	**0.45**	0.41	2.15
Solvency ratios and debt to equity ratio			
Debt-to-equity ratio	**0.54**	0.33	0.20
Solvency ratio	**0.12**	0.07	1.20
Financial leverage ratios			
Asset-to-equity ratio	**1.54**	1.33	1.20
Interest rate coverage ratio	**3.58**	6.34	225.55
Profitability ratios			
Return on assets	**0.90%**	-1.01%	19.96%
Return on equity	**1.30%**	-1.27%	24.29%
Net profit margin	**3.19%**	-3.57%	37.80%

SCHEDULE III
PHILEX MINING CORPORATION AND SUBSIDIARIES
CHART SHOWING OWNERSHIP AND RELATIONSHIP BETWEEN THE PARENT COMPANY AND ITS SUBSIDIARIES
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013



*Interest of immediate parent

**Effective interest of Philex Mining Corporation

SCHEDULE IV
PHILEX MINING CORPORATION AND SUBSIDIARIES
TABULAR SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*			✓
	Amendments to PFRS 1: *Additional Exemptions for First-time Adopters*			✓
	Amendment to PFRS 1: *Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters*			✓
	Amendments to PFRS 1: *Severe Hyperinflation and Removal of Fixed Date for First-time Adopters*			✓
	Amendments to PFRS 1: *Government Loans*			✓
PFRS 2	*Share-based Payment*	✓		
	Amendments to PFRS 2: *Vesting Conditions and Cancellations*	✓		
	Amendments to PFRS 2: *Group Cash-settled Share-based Payment Transactions*			✓
PFRS 3 (Revised)	*Business Combinations*	✓		
PFRS 4	*Insurance Contracts*			✓
	Amendments to PAS 39 and PFRS 4: *Financial Guarantee Contracts*			✓
PFRS 5	*Non-current Assets Held for Sale and Discontinued Operations*			✓
PFRS 6	*Exploration for and Evaluation of Mineral Resources*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
PFRS 7	*Financial Instruments: Disclosures*	✓		
	Amendments to PFRS 7: *Transition*	✓		
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets*	✓		
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets - Effective Date and Transition*	✓		
	Amendments to PFRS 7: *Improving Disclosures about Financial Instruments*	✓		
	Amendments to PFRS 7: *Disclosures - Transfers of Financial Assets*	✓		
	Amendments to PFRS 7: *Disclosures - Offsetting Financial Assets and Financial Liabilities*			✓
	Amendments to PFRS 7: *Mandatory Effective Date of PFRS 9 and Transition Disclosures*	Not early adopted		
PFRS 8	*Operating Segments*	✓		
PFRS 9	*Financial Instruments*	✓		
	Amendments to PFRS 9: *Mandatory Effective Date of PFRS 9 and Transition Disclosures*	✓		
PFRS 10	*Consolidated Financial Statements*	✓		
PFRS 11	*Joint Arrangements*	✓		
PFRS 12	*Disclosure of Interests in Other Entities*	✓		
PFRS 13	*Fair Value Measurement*	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	*Presentation of Financial Statements*	✓		
	Amendment to PAS 1: *Capital Disclosures*	✓		
	Amendments to PAS 32 and PAS 1: *Puttable Financial Instruments and Obligations Arising on Liquidation*			✓
	Amendments to PAS 1: *Presentation of Items of Other Comprehensive Income*	✓		
PAS 2	*Inventories*	✓		
PAS 7	*Statement of Cash Flows*	✓		
PAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*	✓		
PAS 10	*Events after the Balance Sheet Date*	✓		
PAS 11	*Construction Contracts*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
PAS 12	*Income Taxes*	✓		
	Amendment to PAS 12 - *Deferred Tax: Recovery of Underlying Assets*	✓		
PAS 16	*Property, Plant and Equipment*	✓		
PAS 17	*Leases*	✓		
PAS 18	*Revenue*	✓		
PAS 19 (Amended)	*Employee Benefits*	✓		
	Amendments to PAS 19: *Actuarial Gains and Losses, Group Plans and Disclosures*	✓		
PAS 20	*Accounting for Government Grants and Disclosure of Government Assistance*			✓
PAS 21	*The Effects of Changes in Foreign Exchange Rates*	✓		
	Amendment: *Net Investment in a Foreign Operation*	✓		
PAS 23 (Revised)	*Borrowing Costs*	✓		
PAS 24 (Revised)	*Related Party Disclosures*	✓		
PAS 26	*Accounting and Reporting by Retirement Benefit Plans*			✓
PAS 27 (Amended)	*Separate Financial Statements*	✓		
PAS 28 (Amended)	*Investments in Associates and Joint Ventures*	✓		
PAS 29	*Financial Reporting in Hyperinflationary Economies*			✓
PAS 31	*Interests in Joint Ventures*	✓		
PAS 32	*Financial Instruments: Disclosure and Presentation*	✓		
	Amendments to PAS 32 and PAS 1: *Puttable Financial Instruments and Obligations Arising on Liquidation*			✓
	Amendment to PAS 32: *Classification of Rights Issues*	✓		
	Amendments to PAS 32: *Offsetting Financial Assets and Financial Liabilities*	✓		
PAS 33	*Earnings per Share*	✓		
PAS 34	*Interim Financial Reporting*	✓		
PAS 36	*Impairment of Assets*	✓		
PAS 37	*Provisions, Contingent Liabilities and Contingent Assets*	✓		
PAS 38	*Intangible Assets*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: *Recognition and Measurement*	✓		
	Amendments to PAS 39: *Transition and Initial Recognition of Financial Assets and Financial Liabilities*			✓
	Amendments to PAS 39: *Cash Flow Hedge Accounting of Forecast Intragroup Transactions*			✓
	Amendments to PAS 39: *The Fair Value Option*			✓
	Amendments to PAS 39 and PFRS 4: *Financial Guarantee Contracts*			✓
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets*			✓
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets - Effective Date and Transition*			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: *Embedded Derivatives*	✓		
	Amendment to PAS 39: *Eligible Hedged Items*	✓		
PAS 40	*Investment Property*			✓
PAS 41	*Agriculture*			✓
Philippine Interpretations				
IFRIC 1	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*	✓		
IFRIC 2	*Members' Share in Co-operative Entities and Similar Instruments*			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*	✓		
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 9	*Reassessment of Embedded Derivatives*	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: *Embedded Derivatives*	✓		
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 12	*Service Concession Arrangements*			✓
IFRIC 13	*Customer Loyalty Programmes*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
IFRIC 14	*The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	✓		
	Amendments to Philippine Interpretations IFRIC- 14, *Prepayments of a Minimum Funding Requirement*	✓		
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*			✓
IFRIC 17	*Distributions of Non-cash Assets to Owners*	✓		
IFRIC 18	*Transfers of Assets from Customers*			✓
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*			✓
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*			✓
SIC-7	*Introduction of the Euro*			✓
SIC-10	*Government Assistance - No Specific Relation to Operating Activities*			✓
SIC-12	*Consolidation - Special Purpose Entities*			✓
	Amendment to SIC - 12: *Scope of SIC 12*			✓
SIC-13	*Jointly Controlled Entities - Non-Monetary Contributions by Venturers*			✓
SIC-15	*Operating Leases - Incentives*			✓
SIC-25	*Income Taxes - Changes in the Tax Status of an Entity or its Shareholders*			✓
SIC-27	*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	✓		
SIC-29	*Service Concession Arrangements: Disclosures.*			✓
SIC-31	*Revenue - Barter Transactions Involving Advertising Services*			✓
SIC-32	*Intangible Assets - Web Site Costs*			✓

SCHEDULE V
PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE A
FINANCIAL ASSETS
(Amounts in Thousands, Except Number of Shares)

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued
Investments in quoted shares:			
Lepanto Consolidated Mining Corporation	2,169,703,990	₱672,608	₱–
Indophil Resources NL	29,240,806	190,375	–
Philippine Realty & Holdings Corporation	68,865,002	29,956	–
Others	277,500,000	9,747	–
		902,686	
Investments in unquoted shares:			
Pacific Global One Aviation	–	37,500	–
Philippine Associated Smelting and Refining Corporation	14,047,247	14,055	–
Others	2,872	21,139	–
		72,694	
		₱975,380	₱–

Quoted AFS financial assets are valued based on PSE and ASX (Australian stock exchange) quotation as at December 31, 2013. AFS financial assets in quoted shares of stock are carried at fair value with cumulative changes in fair values presented as a separate account in equity. Meanwhile, AFS financial assets in unquoted shares of stock are carried at cost because fair value bases (i.e., quoted market prices) are neither readily available nor is there an alternative basis of deriving a reliable valuation at the end of the reporting period.

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE B
AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
December 31, 2013

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period

NOT APPLICABLE

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE C
AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION
December 31, 2013
(Amounts in Thousands)

Name and Designation of Debtor	Balance at beginning of period	Additions	Amounts collected	Amounts Written off	Current	Not Current	Balance at end of period
Subsidiaries							
Advances:							
Silangan Mindanao Exploration Co., Inc.	₱4,014,716	₱–	(₱1,873,644)	₱–	₱2,141,072	₱–	₱2,141,072
Philex Gold Philippines, Inc.	1,596,119	–	(303,949)	–	1,292,170	–	1,292,170
Silangan Mindanao Mining Co., Inc.	1,183,604	4,231,394	–	–	5,414,998	–	5,414,998
Philex Petroleum Corporation (PPC)	620,977	1,957,981	–	–	2,578,958	–	2,578,958
Brixton Energy and Mining Corporation (BEMC)	399,971	399,719	–	(799,690)	–	–	–
Philex Gold, Inc.	24,119	–	(4,720)	–	19,399	–	19,399
Philex Gold Holdings, Inc. (PGHI)	666,790	250,638	–	–	917,428	–	917,428
Lascogon Mining Corporation	–	138,098	–	–	138,098	–	138,098
Philippines Gold Mining Corporation BV	3,806	–	(3,806)	–	–	–	–
Others	3,697	–	(2,865)	–	832	–	832
	8,513,799	6,977,830	(2,188,984)	(799,690)–	12,502,955	–	12,502,955
Loans to:							
Forum Philippines Holdings Ltd. (FPHL)	616,750	–	(616,750)	–	–	–	–
	₱9,130,549	₱6,977,830	(₱2,805,734)	(₱799,690)	₱12,502,955	₱–	₱12,502,955

i) Advances of the Parent Company to BEMC were fully provided with allowance for impairment losses following the suspension of operation in 2013.
ii) Loans to FPHL were assigned by the Parent Company to PPC for total consideration of ₱655,200, as additional advances to PPC.
iii) Advances to PGHI are net of allowance for impairment losses amounting to ₱984,725 recognized in prior years.

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE D
INTANGIBLE ASSETS - OTHER ASSETS
December 31, 2013
(Amounts in Thousands)

Description	Beginning balance	Additions at Cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
i) Intangible Assets						
Goodwill	₱258,593	₱949,427	₱–	₱–	₱–	₱1,208,020
ii) Other Assets						
Deferred mine exploration costs	14,726,242	3,633,212	–	–	–	18,359,454
Allowance for impairment	(1,048,811)	–	(239,312)	–	–	(1,288,123)
	13,677,431	3,633,212	(239,312)	–	–	17,071,331
Deferred oil exploration costs	1,301,536	4,119,921	–	–	–	5,421,457
Allowance for unrecoverable costs	(442,974)	–	–	–	–	(442,974)
	858,562	4,119,921	–	–	–	4,978,483
Others	142,970	234,402	–	–	–	377,372
Allowance for write down	(47,435)	–	–	47,435	–	0–
	95,535	234,402	–	47,435	–	377,372
	₱14,890,121	₱8,936,962	(₱239,312)	₱47,435	₱–	₱23,635,206

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE E
LONG TERM DEBT
December 31, 2013

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt"	Amount shown caption "Long-term Debt"

NOT APPLICABLE

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE F
INDEBTEDNESS TO RELATED PARTIES (LONG - TERM LOANS FROM RELATED COMPANIES)
December 31, 2013

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

NOT APPLICABLE

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE G
GUARANTEES OF SECURITIES OF OTHER ISSUERS
December 31, 2013

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

NOT APPLICABLE

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE H
CAPITAL STOCK
December 31, 2013

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding and shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common	8,000,000,000	4,936,996,008	–	–	11,382,759	–