

# COVER SHEET

SEC Registration Number

VULCAN INDUSTRIAL & MINING  
CORPORATION  
(Company's Full Name)

7 / F QUAD ALPHA CENTRUM,  
125 PIONEER ST MANDALUYON CITY  
(Business Address: No., Street City / Town / Province)

Iris Carpio-Duque  
Contact Person

631-8078  
Company Telephone Number

## SEC FORM 20-IS (PRELIMINARY)

1 2 3 1  
Month Day  
Fiscal Year

FORM TYPE

0 5  
Month Day  
Annual Meeting

Secondary License Type, If Applicable

Dept Requiring this Doc

Amended Articles Number / Section

Total No. of Stockholders

Total Amount of Borrowings  
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

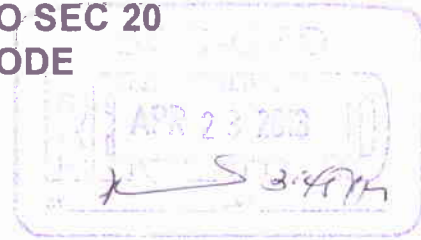
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**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 20-IS**

**INFORMATION STATEMENT PURSUANT TO SEC 20  
OF THE SECURITIES REGULATION CODE**



1. Check the appropriate box:

<b>X</b>

Preliminary Information Statement

Definitive Information Statement

2. Name of Registrant as specified in its charter:  
**VULCAN INDUSTRIAL & MINING CORPORATION**
3. Province, country or other jurisdiction or organization:  
**Philippines**
4. SEC Identification Number - **7443**
5. BIR Tax Identification Number - **041-000-062-736**
6. Address of Principal Office Postal Code  
**Quad Alpha Centrum Building 1550**  
**125 Pioneer Street, Mandaluyong City**
7. Registrant's telephone number, including area code:  
**(632) 6313880; 6318078**
8. Date, time and place of the meeting of security holders:  
**29 May 2013, 2:00 PM, The Legend Villas, Pioneer Street, Mandaluyong City**
9. Approximate date on which the Information Statement is first to be sent or given to security holders:  
**May 03, 2012**
10. Name of Person Filing the Statement/Solicitor:  
  
**Vulcan Industrial and Mining Corporation**  
**Address: Quad Alpha Centrum Building**  
**125 Pioneer Street, Mandaluyong City, 1550**  
**Tel. Nos. : (632) 6313880; 6318078**
11. Securities registered pursuant to Section 8 and 12 of the Code on Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):
- | Title of Class | Number of Shares of Common Stock |
|----------------|----------------------------------|
|                | Outstanding                      |
| Common         | 600,000,000                      |

12. Are any or all of registrant's securities listed in a Stock Exchange:  
Yes, Philippine Stock Exchange, Common  
No, \_\_\_\_\_

If Yes, disclose the name of such Stock Exchange and the class of Securities listed therein:

**VULCAN INDUSTRIAL & MINING CORPORATION**  
Quad Alpha Centrum Building  
125 Pioneer Street, Mandaluyong City, 1550 Philippines  
Tel. Nos. (632) 631-3880; 6318078

**INFORMATION STATEMENT**

**A. GENERAL INFORMATION**

**Item 1. Date, time and place of meeting of Stockholders**

- a) The 2013 Annual Meeting of Stockholders (the "Meeting") of Vulcan Industrial & Mining Corporation (the "Company") will be held on May 29, 2013, 2:00 PM at The Legend Villas, Pioneer Street, Mandaluyong City, Philippines. The complete mailing address of the Company is Quad Alpha Centrum Building, 125 Pioneer Street, Mandaluyong City 1550, Philippines.
- b) This Information Statement and the accompanying Proxy Form will be first sent to stockholders at least fifteen (15) working days prior to the date of the meeting in accordance with existing rules and the company's By-Laws, or on or before May 09, 2013.

**Item 2. Dissenter's Right of Appraisal**

A stockholder has the right to dissent and demand payment of the fair market value of his shares in case: (i) any amendment to the Company's Article of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preference over the outstanding shares, or of extending or shortening the term of corporate existence; (ii) of any sale, lease, mortgage or disposition of all or substantially all of the corporate property or assets; and (iii) of merger or consolidation.

At any time after this Information Statement has been sent out, any stockholder who voted against the proposed action above and wishes to exercise his right of appraisal must make a written demand, within thirty (30) days after the date of the Meeting or when the vote was taken, for the payment of the fair market value of his shares. Upon payment, he must surrender his stock certificates. No payment shall be made to any stockholder unless the Company has unrestricted retained earnings in its books to cover such payment.

**Item 3. Interest or Opposition of Certain Persons in Matters to be Acted Upon**

- a) At any time since the beginning of the last fiscal year, NO director, officer, nominee for election as director, or associate of such director, officer or nominee has any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the Meeting, other than election to office, except

that Mr. Alfredo C. Ramos and Mrs. Presentacion S. Ramos are directors and stockholders of National Book Store, Inc. and Mr. Adrian S. Ramos is their son.

- b) As of the date this Information Statement is given to stockholders of record, NO director of the company has informed the Company in writing that he intends to oppose any action to be taken by the Company at the Meeting.

## **B. CONTROL AND COMPENSATION INFORMATION**

### **Item 4. Voting Securities and Principal Holders Thereof The Company's capital stock is composed of Common shares only.**

- a) Record date. The Record Date with respect to this solicitation is January 31, 2013. Only stockholders of record as at the close of business on January 31, 2013 are entitled to notice of, and vote at, the Meeting.
- b) Outstanding Shares. As of Record Date, the Company's outstanding capital stock is 599,271,739 common shares with each share entitled to one (1) vote.
- c) Cumulative Voting. A stockholder entitled to vote at the Meeting shall have the right to vote in person or by proxy the number of shares registered in his name in the stock transfer book of the Company for as many persons as there are directors to be elected. Each stockholder shall have the right to cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same cumulative voting principle among as many nominees as he shall see fit, provided, that the number of votes cast by a stockholder shall not exceed the number of his shares multiplied by the number of directors to be elected.
- d) Stock Ownership of Certain Record and Beneficial Owners. The following persons are known to the Company to be directly or indirectly the owner of more than 5% of the Company's voting securities as of January 31, 2013.

Class	Name and Address of record owner	Relationship to Issuer	Name of Beneficial Owner	Citizenship	No. of Shares	% of Ownership
Common	PCD Nominee Corporation Makati Stock Exchange Bldg., Ayala Ave., Makati City	Stockholder	Various Clients	Filipino	539,006,839	89.943 %

Among the participants under PCD, an account who owns more than 5% of the voting stock are as follows:

Title of Class	Name & Address Of Record Owner & Relationship to Issuer	Name of Beneficial Owner And Relationship to Record owner	Citizenship	No of Shares	% Hold
Common	PCD Nominees Corp. Makati Stock Exchange Bldg., Ayala Avenue Makati City/Stockholder	Alakor Sec. Corp. Client/participant	Filipino	156,792,703	26.164%

- e) Voting Trust Holders of 5% or More. To the extent known to the Company, there is NO PERSON holding more than 5% of the Company's voting stock under a voting trust or similar agreement.
- f) Stock Ownership of Management. The Company's directors (D), Chief Executive Officer (CEO), other officers (O) and nominees (N) own the following number of shares as of January 31, 2013:

Class	Name of Beneficial Owner	Amount/Nature of Beneficial Ownership		Citizenship	Percentage of Ownership
		Direct	Indirect		
Common	Alfredo C. Ramos (CEO/D/N)	5,450	8,667,630	Filipino	1.447 %
Common	Presentacion S. Ramos (D/N)	34,029	859,956	Filipino	0.149 %
Common	Adrian S. Ramos (D/N)	500	20,000	Filipino	0.003 %
Common	Christopher M. Gotanco (D/O/N)	0	834,000	Filipino	0.139 %
Common	Francisco A. Navarro (D/N)	201,000	0	Filipino	0.034 %
Common	Roberto V. San Jose (D/N)	1	0	Filipino	0.000 %
Common	Ana Ma. Margarita A. Katigbak (D/N)	1	0	Filipino	0.000 %
Common	Iris Marie U. Carpio-Duque (D/O/N)	1	64,000	Filipino	0.000 %
Common	Adrian S. Arias (D/N)	1	64,000	Filipino	0.000 %
Common	Renato C. Valencia (D/N)	0	100	Filipino	0.000 %
Common	Carmelito R. Zapanta (D/N)	0	20,000	Filipino	0.003 %
Common	Romeo B. Molano (O)	693	0	Filipino	0.015 %
Common	Francisca D. Ricarte (O)	25,563	0	Filipino	0.004 %

As of record date of January 31, 2013, the aggregate number of shares owned by Company's directors Chief Executive Officer, other officers and nominees is 10,796,925 shares or approximately 1.80% of the Company's outstanding capital stock. Except for the shares appearing on record in the names of the directors and officers above, the Company is NOT aware of any shares which said person may have the right to acquire beneficial ownership of.

## Item 5. Directors and Executive Officers

Directors elected in the Annual Stockholders' Meeting have a term of office of one (1) year and serve as such until their successors are elected in the next succeeding Annual Stockholders' Meeting, provided, that a director elected to fill a vacancy in the Board shall only serve the unexpired term of his predecessor.

All directors of the Company were elected in the 2012 Annual Stockholders' Meeting held on 31 July 2012. However, Patrick V. Caoile, Augusto B. Sunico, Alfredo V. Calub and Romeo B. Molano resigned on October 22, 2012. Consequently, Roberto V. San Jose, Adrian S. Arias, Ana Ma. Margarita A. Katigbak and Iris Marie U. Carpio-Duque were elected on the same date to fill the vacancies in the Board.

The name, ages, citizenship, positions and periods of service of directors, executive officers and persons nominated to become such, and their business experience in the past five (5) years, are as follows:

**Alfredo C. Ramos**, 69, *Filipino*, has been the Chairman of the Board of the Company since 1992, and President since 1988. For the past five (5) years, he has served as a director and/or executive officer of, and maintained business interests in companies involved in the printing, publication, sale and distribution of books, magazines and other printed media, transportation, financial services, oil and gas exploration, mining, property development, shopping center, department store, gaming and retail, among others.

**Christopher M. Gotanco**, 63, *Filipino*, was appointed Vice-Chairman, Chief Operating Officer and Chief Corporate Information Officer of the Company on October 22, 2012. He has been a director of the Company since 1989. For the past five (5) years, he has served as a director and/or executive officer of companies involved in natural resources, transportation, mining, oil and gas exploration, retail, and financial services, among others.

**Adrian S. Ramos**, 34, *Filipino*, has been a director of the Company since 2006 and he was appointed Treasurer on October 22, 2012. For the past five (5) years, he has served as a director and/or executive officer of companies engaged in printing, publication, sale and distribution of books, magazines and other printed media, investment holdings, mining, financial services, securities and water infrastructure.

**Francisco A. Navarro**, 70, *Filipino*, has been a director of the Company since 1989. For the past five (5) years, he has headed the exploration and development groups of various companies involved in oil and gas exploration and investment holdings.

**Presentacion S. Ramos**, 71, *Filipino*, has been a director of the Company since 1993. For the past five (5) years, she has served as a director and/or executive officer of, and maintained business interests in companies involved in the printing, publication, sale and distribution of books, magazines and other printed media, department store, stock brokerage, oil and gas exploration, and mining, among others.



**Adrian S. Arias**, 50, *Filipino*, was elected a director of the Company on October 22, 2012. For the past (5) years, he has served as a director and/or officer of companies engaged in investment banking, financial services, holding, and oil and gas exploration, among others. He is a member of the Integrated Bar of the Philippines.

**Roberto V. San Jose**, 71, *Filipino*, was elected director and Corporate Secretary of the Company on October 22, 2012. For the past five (5) years, he has served as director and/or corporate secretary of various client corporations involved in transportation, financial services, infrastructure, mining, property development, holdings, communication, entertainment, and foundation, among others. He is a member of the Integrated Bar of the Philippines and a Partner at Castillo Laman Tan Pantaleon & San Jose Law Offices.

**Ana Ma. Margarita A. Katigbak**, 44, *Filipino*, was elected director and Assistant Corporate Secretary of the Company on October 22, 2012. For the past five (5) years, she has served as director and/or corporate secretary and/or assistant corporate secretary in various client corporations involved in holdings, mining, energy, and real estate, among others. She is a member of the Integrated Bar of the Philippines and a Partner at the Castillo Laman Tan Pantaleon & San Jose Law Offices.

**Iris Marie U. Carpio-Duque**, 34, *Filipino*, was elected director, Compliance Officer and Deputy Corporate Information Officer of the Company on October 22, 2012, and as Assistant Corporate Secretary on December 17, 2012. For the past five (5) years, she has served as officer and/or corporate secretary and/or assistant corporate secretary of companies involved in mining, investment holding, securities brokering, and real estate. She is a member of the Integrated Bar of the Philippines.

**Renato C. Valencia**, 70, *Filipino*, has been an independent director of the Company since 2009. For the past (5) years, he has served as director and/or executive officer in companies engaged in banking, investment holdings, education and technology, realty and insurance. He is a former administrator of the Social Security System.

**Carmelito R. Zapanta**, 67, *Filipino*, has been an independent director of the Company since 2008. For the past (5) years, he has done consultancy work for mining, petroleum, and real estate development companies, and was previously connected with various stock brokerage companies. He graduated from the University of the Philippines with a degree in business.

**Independent Directors.** Pursuant to Securities Regulations Code (SRC) Sec. 38 and Rule 38.1, the Company is required to have at least two (2) independent directors. The Company's incumbent independent directors are Mr. Carmelito R. Zapanta and Mr. Renato C. Valencia.

In line with the guidelines set in SEC Rule 38 and the Nominations Committee approved by the Board of Directors, the Nomination Committee receives the names



of nominees and screens them based on the policies and parameters for screening nominees for independent directorship. The final list of candidates, with the information required under Part IV (A) and (C) of Annex "C" of SRC Rule 12, is herewith attached:

Mr. Alfredo C. Ramos nominated Renato C. Valencia and Carmelito Zapanta as independent directors for the ensuing fiscal year 2013. Mr. Alfredo C. Ramos is not related to either or both Mr. Renato C. Valencia and Carmelito Zapanta.

The Company's Nomination Committee is headed by Mr. Christopher M. Gotanco, Chairman, and the members are Mr. Renato Valencia and Mr. Adrian Ramos.

Messrs. Zapanta and Valencia possess the qualifications and none of the disqualifications of an independent director.

#### **Directors with other directorship(s) held in reporting companies**

ALFREDO C. RAMOS	Anglo Phil. Holdings Corp. Atlas Consolidated Mining & Dev. Corp. Shang Properties, Inc. Phil. Seven Corporation United Paragon Mining Corporation The Philodrill Corporation
CHRISTOPHER M. GONTANCO	Anglo Philippine Holdings Corporation The Philodrill Corporation United Paragon Mining Corporation Penta Capital Investment Corporation
ADRIAN S. RAMOS	Anglo Philippine Holdings Corporation United Paragon Mining Corporation The Philodrill Corporation Alakor Securities Corporation Atlas Consolidated Mining & Dev. Corp.
FRANCISCO A. NAVARRO	Anglo Philippine Holdings Corporation The Philodrill Corporation
PRESENTACION S. RAMOS	Anglo Philippine Holdings Corporation The Philodrill Corporation Alakor Securities Corporation
ROBERTO V. SAN JOSE	Mabuhay Holdings Corporation Anglo Philippine Holdings Corporation ISM Communications Corporation
ANA MA. MARGARITA A. KATIGBAK	Mabuhay Holdings Corporation
RENATO C. VALENCIA	Metropolitan Bank & Trust Co. Roxas Holdings, Inc. Anglo Philippine Holdings Corporation
ADRIAN S. ARIAS	N O N E
IRIS MARIE U. CARPIO-DUQUE	N O N E
CARMELITO R. ZAPANTA	N O N E

**Significant Employees.** Other than its executive officers, the Company has not engaged the services of any person who is expected to make significant contributions to the business of the Company. The Company is not dependent on the services of certain key personnel and there are no arrangements to ensure that these persons will remain with the Company and not compete upon termination.

**Family Relationship.** Mr. Alfredo C. Ramos, Chairman of the Board and President, is the husband of Mrs. Presentacion S. Ramos, Director. Mr. Adrian S. Ramos, Director and Treasurer, is the son of Mr. Alfredo C. Ramos and Mrs. Presentacion S. Ramos.

**Involvement in Certain Legal Proceedings.** For the past five (5) years up to the date this Information Statement is sent to Stockholders, the Company is NOT aware of:

- 1) Any bankruptcy petition filed by or against any business of which any director, nominee for election as director, executive officer, underwriter or control person of the Company was as general partner or executive officer either at the time of the bankruptcy or within two years prior to that time.
- 2) Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses involving any director, nominee for election as director, executive officer, underwriter or control person of the Company.
- 3) Of any director, nominee for election as director, executive officer, underwriter or control person of the Company being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and,
- 4) Of any director, nominee for election as director, executive officer, underwriter or control person of the Company being found by a domestic or foreign court of competent jurisdiction (in a civil action). The commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated securities or commodities law or regulation and the judgment has not been reversed, suspended or vacated.

**Related Party Transactions.** In the ordinary and regular course of business, the Company had transactions with related parties (i.e. companies with shareholders common with the company) which principally consist of advances to related parties and loans/advances FROM related parties, the identities of these related parties, including the amounts and details of the transactions are disclosed in Note No. 16 of the Company's 2012 Audited Financial Statement, a copy of which is included in this Information Statement,

- a) Business purpose of the arrangement. The business purpose of related party transaction is to address immediate working capital requirements of related parties (in the case of advances TO related parties) or of the Company (in the case of loans/advances FROM related parties).
- b) Identification of the related parties' transaction business with registrant and nature of the relationship. See Note No. 16 of the Company's 2012 Audited Financial Statements.
- c) How transaction prices were determined by parties. All transactions with related parties are based on prevailing market/commercial rates at the time of the transaction
- d) If disclosures represent that transactions have been evaluated for fairness, a description of how the evaluation was made. There are NO disclosures representing that the transactions with related parties have been evaluated for fairness in as much as the bases of all transactions with related parties were the prevailing market/commercial rates at the time of the transaction or a valuation study, conducted by a third party consultant, over which neither the company nor the related parties have any control or influence whatsoever.
- e) Any on-going contractual or other commitments as a result of the arrangement. NONE, other than the repayment of money lent or advanced.
- f) There are NO transactions with parties that fall outside the definition of "related parties" under SFAS/IAS No. 24. Neither were there any transactions with persons with whom the Company or its related parties have a relationship that enabled the parties to negotiate terms of material transaction that may not be available from other, more clearly independent parties on an arms' length basis.

NO person holds more than 50% of the Company's voting stock and the Company is the parent Company.

- a) ***Resignation or Declination to Stand for Re-Election.*** Patrick V. Caoile, Augusto B. Sunico, Alfredo V. Calub and Romeo B. Molano who were directors elected in the 2012 Annual Stockholders' Meeting resigned on October 22, 2012.

#### **Item 6. Compensation of Directors and Executive Officers**

The aggregate compensation paid to the Company's Chief Executive Officer and a highly compensated Executive Officer named below as a group for the two (2) most recently completed fiscal year (2012 and 2011) and the ensuing fiscal year (2013) are:

Chief Executive Officer and highly compensated executive officers	Year	Salary	Other Annual Bonus Compensation
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Alfredo C. Ramos Chairman of the Board.  
President and Principal  
Executive Officer  
\*Patrick V. Caoile Executive Vice President  
General Manager  
\*Augusto B. Sunico VP & Treasurer  
Romeo B. Molano VP – Operations  
Francisca D. Ricarte VP – Finance

	2011	1,640,000	-0-	-0-
	2012	1,430,000	-0-	-0-
	2013(est.)	2,000,000	-0-	-0-
All officers and directors as	2011	1,640,000	-0-	-0-
a group unnamed	2012	1,430,000	-0-	-0-
	2013(est.)	2,000,000	-0-	-0-

*\*Resigned on October 22, 2012*

For the year 2012 and 2011, there were NO bonuses and other compensation paid to directors and executive officers, except the 13<sup>th</sup> month pay which has been included in the amounts due.

For the most recently completed fiscal year and the ensuing fiscal year, directors received and will receive as per diem of P5,000.00 per meeting to defray their expenses in attending board meetings. There are no other arrangements for compensation of directors, as such, during the last fiscal year and for the ensuing fiscal year.

The Company maintains standard employment contract with Mr. Alfredo C. Ramos which provide for their respective compensation and benefits, including entitlement to health benefits, representation expenses and transportation expenses. There are NO warrants or options outstanding in favor of directors and officers.

#### **Item 7. Independent Public Accountants**

The accounting firm of Sycip Gorres Velayo & Company (SGV) with address at 6760 Ayala Avenue, Makati City was appointed external Auditors of the Company in the 2012 Annual Stockholders' Meeting. The fees of the external auditor in the past two (2) years are as follows:

Year	Audit & Audit Related Fees	Tax Fees	Other Fees
2012	P300,000	- 0 -	- 0 -
2011	370,000	- 0 -	- 0 -

For the past two (2) years, the Company has not engaged the services of SGV except for the audit and review of the annual financial statements in connection with statutory and regulatory filings for the years 2011 and 2012. The amounts under the caption "Audit and Audit Related Fees", for the years 2011 and 2012 pertain to these services. The audit committee has an existing policy prohibiting the Company from engaging the external auditors to provide services that may adversely impact its independence, including those expressly prohibited by regulations of the Securities & Exchange Commission (SEC).

In compliance with SRC Rule 68(3)(b)(iv), the accounting firm of SGV sees to it that the certifying partner assigned to our Company is being rotated as required. Mr. Allvin T. Pinpin was certifying partner in 2009 and 2010. He was replaced by Ms. Eleanor C. Layug for the fiscal year 2010 and 2011. Thereafter, Ms. Veronica R. Pore was certifying partner for the fiscal year 2011 and 2012.

There have been NO changes in and disagreements with accountants on any matter of accounting principles or practices, financial statement disclosures or auditing scope or procedure.

NO independent accountant engaged by the Company as principal accountant or an independent accountant on whom the principal accountant expressed reliance in its report regarding a significant subsidiary, has resigned, or has declined to stand for re-election after completion of the current audit, or was dismissed.

The auditor's representatives are expected to be present at the Meeting and they will have the opportunity to make a statement and respond to appropriate questions.

The Company's Audit Committee is headed by Mr. Carmelito R. Zapanta, as Chairman, and the members are Mr. Renato C. Valencia, Mr. Francisco A. Navarro and Mr. Adrian S. Ramos. The audit committee reviews and recommends to the Board and the Stockholders the appointment of the external auditor and the fixing of the audit fees for the Company. For fiscal year 2013, SGV is recommended to stockholders for appointment as independent external auditor of the Company.

#### **Item 8. Compensation Plans**

NO action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed, except for the compensation and benefits under existing labor laws and company policy that may be due to employees on the ground of their separation from employment as a consequence of the Company's reorganization.

#### **Item 9-10. Not Applicable**

#### **Item 11. Financial and other Information**

The information required under Item 11(a) of SEC Form 20-IS are contained in the Company's 2012 annual report on SEC Form 17-A and 2012 Audited Financial Statements accompanying this Information Statement.

**Item 12-13. Not Applicable**

**Item 14. Restatement of Accounts**

As stated in Note No. 2 of the Company's 2012 Audited Financial Statements, a copy of which is attached to this Information Statement, the Company applied Philippine Financial Reporting Standards (PFRS) in preparing its financial statements with January 1, 2004 as the date of transition. The adoption of PFRS resulted in certain changes to the Company's previous accounting policies.

NO action is to be taken with respect to the restatement of any asset, capital or surplus account of the Company.

**C. OTHER MATTERS**

**Item 15. Action With Respect to Reports**

The following will be submitted to the stockholders for approval/ratification at the meeting:

a) Minutes of the previous Annual Stockholders Meeting

In the stockholders' meeting on July 31, 2012, where 68.47% were personally present or were represented by their duly authorized proxies, the stockholders approved the 2011 Annual Report and 2011 Financial Statements. Furthermore, the stockholders approved the Minutes of the previous stockholders' meeting, ratified the corporate acts of Management and the Board of Directors, the year just closed, elected the new members of its Board of Directors for the coming year, and appointed the Company's external auditors. This constitutes the ratification of the accuracy and faithfulness of the Minutes to the events that transpired in the 2012 Annual Stockholders' Meeting, and does not constitute a second approval of the matters taken up therat, which have already been approved.

b) Management Report for the year ended 31 December 2012 (a copy containing the information required by SRC Rule 20A is enclosed). Approval of the management Company's performance during the previous year as contained therein

c) Increase in authorized capital stock from Php600,000,000.00 to Php4,000,000,000.00

d) Subscription by National Book Store, Inc. and/or its designees to the increase in authorized capital stock at Php1.00 per share, through:

- i. Conversion into equity of its advances amounting to Php363,944.338 as of December 31, 2012, as audited; and
- ii. Cash subscription of up to Php3,036,055,622.00

e) Waiver of public/rights offer relative to the increase in authorized capital stock via additional subscription of National Book Store, Inc. and/or its designees



- f) Change in primary purpose from mining to retail, and relegation of mining and oil exploration as secondary purposes
- g) Additional secondary purposes to include, among other things: wholesale, publishing, printing, manufacturing, distribution, contracting, and all other activities necessary for or incidental thereto
- h) Transfer of mining- and oil-related assets
- i) Change in corporate name from Vulcan Industrial & Mining Corporation to National Book Store Retail Corporation, or such other name acceptable to the SEC as may be determined by the Board of Directors
- j) Delegation to the Board of Directors of the authority to amend the By-laws
- k) Acts and Resolutions of the Board of Directors and Management, from the date following the last Annual Stockholders' Meeting (July 31, 2012) to the present (May 29, 2013) including but not limited to the following:
  - SEC 17-C Results of the 2012 Annual Stockholders' Meeting and Organizational Meeting (July 31, 2012).
  - SEC 17-C Results of the Special Meeting of the Board of Directors (October 22, 2012)
  - SEC 17-C Clarification of Manila Standard Today (Internet Edition) News Article (October 24, 2012)
  - SEC 17-C Compliance with SEC Memorandum Circular No. 4, Series of 2012, Re: Guidelines for the Assessment of the Performance of Audit Committees of Companies Listed on the Exchange (November 16, 2012)
  - SEC 17-C Clarification of *philSTAR.com* News Article (November 19, 2012)
  - SEC 17-C Approval and/or Ratification of the Term Sheet dated December 14, 2012 covering the Acquisition by Anglo Philippine Holdings Corporation of Vulcan Materials Corporation, Sale of Treasury Shares and Reorganization of Board Committees (December 17, 2012)
  - SEC 17-C Setting the date of the 2013 Annual Stockholders' Meeting and the record date thereof and distribution of materials in CD format, and appointment of additional Assistant Corporate Secretary (January 15, 2013)
  - SEC 17-C Sale of Treasury Shares (January 23, 2013)
  - SEC 17-C Sale of Treasury Shares (January 29, 2013)
  - SEC 17-C Sale of Treasury Shares (February 05, 2013)
- l) Election of Directors for 2013.



- m) Appointment of SGV as the Company's external auditor for 2013.

**Item 16. Matters Not Required to be Submitted**

Proofs of transmittal to stockholders of the required Notice for the Meeting and of the presence of a quorum at the Meeting form part of the Agenda for the Meeting but will not be submitted for approval by the stockholders.

**Item 17. Amendment of Articles of Incorporation and By-Laws**

The approval by the stockholders of the increase in capital stock, change in primary and secondary purposes, and change in name would lead to an amendment to the Company's articles of incorporation and by-laws, in order to be carried out.

**Item 18. Other Proposed Action**

NO ACTION on any matter, other than those stated in the Agenda for the Meeting, is proposed to be taken, except matters of incidence that may properly come at the Meeting.

**Item 19. Voting Procedures**

- a) In the election of directors, the eleven (11) nominees with the greatest number of votes will be elected directors.
- b) If the number of nominees for election as directors does not exceed the number of directors to be elected, the Secretary of the Meeting shall be instructed to cast all votes represented at the Meeting equally in favor of all such nominees. However, if the number of nominees for election as directors exceeds the number of directors to be elected, voting shall be done by ballot, cumulative voting will be followed, and counting of votes shall be done by two (2) election inspectors appointed by the stockholders present or represented by proxy at the meeting.

In accordance with SRC Sec. 38 and SRC Rule 38, only nominees whose names appear in the Final List of Candidates for Independent Directors shall be eligible for election as Independent Directors. No other nomination shall be entertained after the Final List of Candidates shall have been prepared and no further nomination shall be entertained or allowed on the floor during the actual Annual Stockholders' Meeting.

Mr. Renato C. Valencia and Carmelito R. Zapanta are nominated for election as independent directors of the company for fiscal year 2013.

- c) For corporate matters that will be submitted for approval and for such other matters as may properly come at the Meeting, a vote of majority of the shares present or represented by proxy at the Meeting is necessary for their approval, voting shall be done viva voce, or by the raising of hands and the votes for or against the matter submitted shall be tallied by the Secretary.

If the stockholder makes no choice in any or all of the matters submitted for his vote or approval as stated in the Proxy Form, discretionary authority to vote any and all the shares of the stockholders, cumulatively or otherwise, in favor of the proxy named and appointed by the stockholders in the Proxy Form is solicited.

**D. SOLICITATION INFORMATION**

- a) **Solicitor.** The enclosed proxy is solicited in behalf of Vulcan Industrial and Mining Corporation for use in voting to the 2013 Annual Stockholders Meeting to be held on the date and time and place stated above and in the Notice accompanying this Information Statement and at any postponement or adjournment thereof.
- b) **Instruction.** Proxies, in the accompanying Proxy Form, must be properly signed, executed, dated and returned by the Stockholder on or before May 20, 2013. Validation of proxies will be held at the Company's principal office on May 23, 2013 at 3:00 PM. For corporate shareholders, the proxy form must be accompanied by a corresponding secretary's certificate confirming the authority of the person executing the proxy.

Validated proxies will be voted at the Meeting in accordance with the authority and/or instructions of the stockholder expressed. Proxies which are not properly signed and dated, or which are received late, or which do not have an accompanying secretary's certificate (for corporate shareholders) shall not be voted at the Meeting.

Subject to a stockholder's right to revoke his own proxy as stated in Paragraph C below, a proxy given by a stockholder shall be voted by the Chairman of the Board, Mr. Alfredo C. Ramos or the Chairman of the Meeting, with full power of substitution and delegation, in accordance with authorization specifically granted by the stockholder.

If no specific authority and/or instruction is made in the Proxy form, the shares of the stockholder will be voted FOR ALL the nominees directors named in the Proxy Form and FOR THE APPROVAL of the matters stated in the Proxy Form and all other matters for which stockholders' approval may be sought in the Meeting and at the postponement or adjournments thereof.

The matters to be taken up in the Meeting of Stockholders and the names of nominee directors are all specified in the Proxy Form accompanying this Information Statement with boxes opposite them where the stockholder or his designated proxy can indicate his preferred choice or vote.

- c) **Revocability of Proxy.** A stockholder giving a proxy has the power to revoke it at any time before the right granted under and by virtue of such proxy is exercised either: a) by submitting a sworn statement revoking such proxy on or before May 20, 2013, or b) by appearing at the Meeting in person and expressing his intention to vote in person.
- d) **Person Who Will Make the Solicitation.** The enclosed proxy is solicited in behalf of the Company for use in voting at the 2013 Annual Stockholders' Meeting to be

held on the date and time and place stated above and in the Notice accompanying this Information Statement and at any postponements or adjournments thereof.

There are NO other participants in the solicitation of proxies through his Information Statement, other than the Company.

Solicitation of proxies will be made mainly through the mail. Incidental solicitation in person or through telephone reminding stockholders to attend the Meeting may be made by the directors, officers and employees of the Company, for which no contract or arrangement are or will be made and no compensation will be paid for such incidental solicitation.

The Company will bear the cost of preparing, collating and delivering to stockholders this Information Statement, the Proxy Form and the accompanying materials. The Company estimated proxy solicitation expenditures to amount to about P75,000.00.

### **SIGNATURE PAGE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true and correct. This report is signed in the City of Mandaluyong City on April 23, 2013.

By:

  
**IRIS MARIE U. CARPIO-DUQUE**  
Assistant Corporate Secretary

### **MATERIALS ACCOMPANYING THIS INFORMATION STATEMENT**

1. Management Report on SEC Form 17-A;
2. Final List of Candidates for Independent Directors;
3. Audited Financial Statements for 2012;
4. Unaudited Financial Statements for the interim period ended March 31, 2013;
5. Proxy Form

*The Company undertakes to provide, without charges, upon written request of stockholders, a copy of the Company's Annual Report on SEC Form 17-A, such request should be addressed to the Corporate Secretary, Vulcan Industrial & Mining Corporation, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City 1550, Philippines.*

## VULCAN INDUSTRIAL AND MINING CORPORATION

Quad Alpha Centrum  
125 Pioneer Street, Mandaluyong City  
Tel. Nos. (632) 6313880; 6318078

### MANAGEMENT REPORT ACCOMPANYING INFORMATION STATEMENT PURSUANT TO SRC RULE 20(4)

#### I. Audited Financial Statements

The audited financial statements of Vulcan Industrial and Mining Corporation and Subsidiary (the "Company") for the fiscal year ended December 31, 2012 is attached hereto.

#### II. Disagreement with Accountants on Accounting and Financial Disclosure. NONE

#### III. Management's Discussion and Analysis or Plan of Operations

##### a) Full fiscal year

##### 1) Financial Condition, Changes in Financial Condition and Results of Operations

Financial Highlights for the year 2012, 2011 and 2010 are presented below:  
(in thousands of Pesos)

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Dividend Income	268	7,222	8,526
Interest Income & Other Income	96,303	84,935	901
Net Income (Loss)	58,812	10,159	(5,989)
Attributable to:			
Equity holders of the parent	58,812	10,159	(5,989)
Total Assets	984,157	1,151,819	1,169,959
Net Worth	589,040	631,075	672,520
Issued & Subscribed Capital	592,272	592,272	592,272

The Company posted a net income of P58.81 in 2012 compared to net income of P10.16 in 2011 and net loss of P5.99 in 2010.

Gross revenues in 2012 amounts to P96.58 million compared to P92.157 million in 2011 while the gross revenues for 2010 amounted to P9.427 million.

Total cost and expenses in 2012 had an aggregate amount of P13.613 million against P77.933 million in 2011 as against P10.715 million in 2010.

Total assets were ₱ 984.166 million in 2012, 1.46% lower than the ₱ 1.151 billion in 2011.

- a) Cash and cash equivalents decreased by P 0.531 million due to payment of various operating costs during the period.
- b) Receivables decreased by P 15.43 million due to the assignment of Vulcan Materials Corporation (VMC) to another corporation
- c) Inventories increased by P7.66 million due to the assignment of VMC to another corporation.
- d) Available-for-sale financial assets decreased by P 140.69 million due to the sale of The Philodrill shares and United Paragon Mining Corporation shares during the period.
- e) Property and equipment decreased by P 42.08 million due to depreciation during the period and assignment of VMC to another corporation.
- f) Deferred exploration cost and other charges increased by P 39.94 million due to increase in expenses for the various projects of the Company.

Total Assets decreased to P1.15 billion in 2011 from P1.17 billion in 2010.

- a) Cash and cash equivalents decreased by P 3.23 million due to the increase in operating costs during the period.
- b) Receivables increased by P 1.33 million due to increase in trade receivables because of the share of Angat Rockbase in the development cost and increase in advances/payment to various suppliers/contractors.
- c) Inventories increased by P1.13 million due to the increase in stock pile of finished goods.
- d) Available-for-sale financial assets decreased by P 202.86 million due to the sale of The Philodrill shares and Anglo Phil. Holdings shares during the period.
- e) Property and equipment decreased by P 2.43 million due to depletion and depreciation during the period.
- f) Deferred exploration cost and other charges increased by P 187.34 million due to increase in expenses for the various projects of the Company.

Total liabilities decreased to P395.122 million in 2012 from P520.74 million in 2011.

- a) Bank loans decreased by P9.38 million due to assignment of VMC to another corporation.
- b) Trade and other payables decreased by P45.89 million due to assignment of VMC to another corporation.
- c) Payables to related parties decrease by P63.66 million due to payments for the period.
- d) Retirement benefits liability decreased by P2.29 million due to the additional accrual of retirement benefits of employees for the year.

Total liabilities increased to P520.74 million in 2011 from P498.43 million in 2010.

- a) Trade and other payables increased by P9.85 million due to accrual of interest on MBTC loan for the year and unpaid accounts with various suppliers.
- b) Payables to related parties increase by P65.35 million due to accrual of interest on advances for the period.
- c) Retirement benefits liability increased by P2.26 million due to the additional accrual of retirement benefits of employees for the year.

### ***Marian Project***

The Marian Copper and Gold Project covers adjoining areas of Barangay Buaya, Municipality of Diadi, Province of Nueva Vizcaya and Barangay San Luis, Caquilingan, Anonang, Dallao, Villa Meimban, Quimaldero, Municipality of Cordon, Province of Isabela. The area encompasses 6,325 hectares denominated by APSA No. 000021-11.

VIMC started a scoping study of the Marian gold tailings to assess the economic potentials of erecting new Gold CIP processing facility on a stand-alone basis.

### ***Negros Copper Projects***

The Negros Manlupo Copper Project in Barangay Damutan, Hinoba-an, Negros Occidental has an area of 477 hectares covered by MPSA No. 092-97-VI granted on November 20, 1997. The Negros Luz Copper Project located in Barangay Manlucahoc, Sipalay City, Negros Occidental has an area of 806.57 hectares and is covered by MPSA No. 113-98-VI granted on May 6, 1998.

The Company has drilled holes to the presence of Cu ore at greater depth. One (1) hole will be driven beside and deepen through F-13 to assure the expected extension of the presently delineated ore body.

### ***Malimono Gold Project***

The Malimono Gold Project is located in Barangays Masgad, Cansayong, Bunyasan, Hanagdon, Cawayan, Tinago, San Isidro, Binocaran and Cagtnina-e, Municipality of Malimono. It has an area of 358.68 hectares. EP owner is Ninety Niners Development Corporation with which VIMC signed a Memorandum of Agreement on March 08, 2008. An initial program of 24 cased DDHS had been started. This program is divided into twelve (12) holes onshore for equipment testing on adaptability, flexibility and integrity of samples taken down to bedrock; another set staggered offshore probe holes programmed down to bedrock.

### ***Pinut-an Gold Project***

The Pinut-an Gold Project is located in the Municipalities of San Ricardo and Pintuyan, Panaon Island, Leyte del Sur. It is covered by an Exploration Permit, EP-2005-00004 granted on March 2005 and renewed on November 11, 2010 with an area of 1,645.98 hectares; and Exploration Permit Application No. EXPA-004-VII with a total area of 1,969 hectares.

The type of mineralization in the area is epithermal gold mineralization in typical quartz vein developed in a system of quartz-stock confined to the eastern side of Panaon Island. The occurrence of gold mineralization is recognized in five (5) localities within the EP area: Pinut-an Main Vein System, Pinut-an South Vein System, Caingin Point Vein System, Esperanza Prospect and Bituon Prospect.

### ***Davao Gold Project***

The Davao Gold Project is located in Barangays Tubli, Limor, Tubaon and Libuacm, Municipalities of arragona and Manay, Province of Davao Oriental. It has an area of 270



The Davao Gold Project is located in Barangays Tubli, Limor, Tubaon and Libuacm, Municipalities of arragona and Manay, Province of Davao Oriental. It has an area of 270 hectares and is covered by an APSA-0000194-XI filed on September 02, 1977 and is pending with MGB RO No. XI, Davao City.

Mineralization in the area appears to be associated with the emplacement of a diorite intrusive along fault splays of the Minadanao extension of the Philippine fault zone. The deeply incised valleys within the area serve as a window of the underlying medium grained diorite. Exposed along Malalag, Magdugon and Mabalante Creeks in the western section is a medium grained diorite intrusive. The western section of the property in turn is underlain by andesite.

## 2) Year end Results

For the year ended 2012, the Company posted a net income of P58.81 million compared to net income of P10.16 million in 2011.

## 3) Future Prospects

- 3.1 Hinobaan Copper Project
- 3.2 Marian Gold Project
- 3.3 Panaon Gold Project
- 3.4 Davao Gold Project

## 4) Key Variable and Other Qualitative and Quantitative Factors

The top five (5) key performance indicators of the Company and its subsidiary are as follows:

	<u>Dec. 31, 2012</u>	<u>Dec. 31, 2011</u>
Current Ratio	0.06 : 1	0.06 : 1
<u>Current Assets</u>	<u>24,002,213</u>	<u>32,563,208</u>
Current Liabilities	387,845,665	507,111,989
Debt to Equity Ratio	0.67 : 1	0.83 : 1
<u>Total Liabilities</u>	<u>395,116,449</u>	<u>520,744,720</u>
Stockholders Equity	589,040,214	631,074,618
Equity to Debt Ratio	1.49 : 1	1.21 : 1
<u>Stockholders Equity</u>	<u>589,040,214</u>	<u>631,074,618</u>
Total Liabilities	394,916,449	520,744,720
Book Value per share	P0.99	P1.07
<u>Stockholders Equity</u>	<u>589,040,214</u>	<u>631,074,618</u>
Total # of shares	592,271,739	592,271,739
Earnings (Loss) per share	P0.099	P0.017
<u>Net Income (Loss)</u>	<u>58,812,091</u>	<u>10,159,089</u>
Total # of shares	592,271,739	592,271,739



investments in the balance sheet consists of shares of stocks which are listed with the Philippine Stock Exchange and which could be sold to meet the Company's obligations as might be called for by future circumstances.

- i) Trends, events or uncertainties that have or are reasonably likely to have a material impact on the Company's short-term or long-term liquidity - The information required is contained in Note 2(b) of the Company's 2012 Financial Risk Management Objectives and Policies.
- i) There are NO events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- ii) 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.
- iii) There are NO material commitments for capital expenditures.
- iv) There are NO trends, events or uncertainties that have had or reasonably expected to have a material impact on the revenue or income from continuing operations of the Company.
- v) There are NO significant elements of income or loss that did not arise from continuing operations.
- vi) There have no material changes from period to period in one or more line items of the Company's financial statements, EXCEPT those discussed below:
  - a) Total assets were ₱ 984.16 billion in 2012, 14.94% lower than the ₱ 1.15 billion in 2011.
    - Cash and cash equivalents decreased by P 0.53 million due to payment of various operating expenses during the period.
    - Receivables decreased by P 15.43 million due to the assignment of Vulcan Materials Corporation to another corporation.
    - Due from related parties increased by 21.48 million due the assignment of VMC to another corporation.
    - Inventories decreased by P7.66 million due to the assignment of Vulcan Materials Corporation to another corporation.
    - Available-for-Sale financial assets decreased by P140.69 million due to the sale of The Philodrill shares and United Paragon Mining Corporation shares during the period.
    - Property and Equipment decreased by P42.08 million due to the assignment of VMC to another corporation, disposal and depreciation during the period.
    - Other current assets decreased by P6.42 million due the assignment of VMC to another corporation.
    - Deferred exploration cost and other charges increased by P39.94 million due to increase in expenses for the various projects of the Company.

- b) Total liabilities decreased to P 395.12 million in 2012 from P 520.74 million in 2011.
    - Trade and other payables decreased by P 45.89 million due to the assignment of VMC to another corporation.
    - Bank loans decreased by P 9.38 million due to the assignment of VMC to another corporation.
    - Payables to related parties decreased by P 63.66 million due to payments for the period.
    - Retirement benefits liability decreased by P 2.29 million due to the assignment of VMC to another corporation though there is an additional accrual of retirement benefits of employees for the year.
  - c) Stockholders' equity decreased by P42.03 million due to the decrease in valuation gain on AFS financial assets and net income during the period.
  - d) Gross revenue in 2012 totaled P96.58 million compared to P92.15 million in 2011 mainly due to gain in sale of available-for-sale financial assets (AFS).
  - e) Total cost and expenses in 2012 decreased to P13.6 million against P14.86 million in 2011.
- vii) There have been NO seasonal aspects that had material effect on the financial condition or results of operations of the Company.
- a) The Company expects to be able to satisfy its working capital requirements for the next twelve (12) months. In fact, the Company is implementing a major capital restructuring program through an increase in capital stock. It also sold all its treasury shares in the first quarter of 2013. Should the Company's cash position be not sufficient to meet current requirements, the Company may consider:
    - a.1) Collecting a portion of its Accounts Receivables; or
    - a.2) Selling a portion of its existing investments; or
    - a.3) Generating cash from loans and advances
  - b) The Company is now considering offer of foreign/local investors to undertake exploration/development work in the Company's projects in exchange for equity in projects that they will be involved in.
  - c) The Company does not expect to make any purchase or sale of any plant and significant equipment within the next twelve (12) months.
  - d) The Company expects to have a significant change in the number of employees for the next twelve (12) months due to the ongoing reorganization.
  - e) Cost and Effects of Compliance with Environmental Laws.

The Company has an outstanding strict policy of adherence to the environmental laws according the Environmental Clearance Certificate (ECC) granted by the Department of Environmental Protection and Enforcement Program (AEPEP).

The Company is committed to spend for environmental protection related activities; community developments assistance; research and development; monitoring and maintenance; and tree planting/reforestation under the approved AEPEP.

Compliance with all government and non-government requirements has made the Company a recognized entity in the aggregate industry.

No bankruptcy, receivership or similar proceeding has been filed by or against the Company during the last three (3) years.

No material reclassification merger, consolidation, or purchase/sale of a significant amount of assets not in ordinary course of business has been undertaken by the Company during the last three (3) years.

- b) Interim Period – First Quarter 2013 Report will be provided during the meeting.

### **Employees**

The Company had eight (8) employees as of December 31, 2012. Said employees are not subject to Collective Bargaining Agreement. For the past three (3) years, there had not been any strike threat. All regular officers and employees are entitled to supplemental benefits as provided under the applicable labor laws and existing Company's schedule of benefits (e.i. leaves, medical, retirement, life/hospitalization insurances and others). The Company will continue to provide such benefits within the ensuing twelve (12) months.

## **IV. Brief Description of the General Nature and Scope of Business of the Company**

The Company was incorporated on January 13, 1953. The Company's corporate life was extended for another 50 years on January 13, 2003 or until January 12, 2053. The Company and its subsidiary are engaged in mining and mineral explorations.

Its wholly owned subsidiary, Vulcan Materials Corporation (VMC), registered on September 12, 1991 is engaged in rock aggregate quarrying, crushing and marketing. On December 18, 2012, it sold its shares in VMC to Anglo Philippine Holdings Corporation, a related party.

The registered business address of the Company is Quad Alpha Centrum Building, 125 Pioneer Street, Mandaluyong City.

## V. Market Price & Dividend

The Company's common shares are traded in the Philippine Stock Exchange, Inc. The quarterly high and low sales priced for the years 2012 and 2011 were as follows:

	High	Low
2013		
First Quarter	1.76	1.40
2012		
First Quarter	1.22	0.90
Second Quarter	1.13	0.90
Third Quarter	1.10	0.90
Fourth Quarter	2.20	0.90
2011		
First Quarter	0.90	0.68
Second Quarter	0.80	0.68
Third Quarter	1.15	0.70
Fourth Quarter	1.10	0.80

As of March 31, 2013 of this Information Statement, the market price of the Company's share is P1.54/ share.

### Holdings

The number of shareholders of record as of March 31, 2013 was one thousand nine hundred sixty four (1,964).

The Top 20 Stockholders as of March 31, 2013 are:

	NAME	NO. OF SHARES	% to TOTAL
1.	PCD Nominee Corporation*	539,006,839	89.834
2.	Eugene Sy	3,000,000	0.500
3.	BPI FAO IBOD	2,988,555	0.498
4.	Emmanuel Acuna	2,800,000	0.466
5.	Lucio W. Yan and/or Clara Yan	2,500,000	0.417
6.	Ernesto Chua Chiacco	2,330,000	0.388
7.	William T. Enrile	2,000,000	0.333
8.	Wise Securities Phils., Inc.	1,690,000	0.282
9.	Campos, Lanuza & Co., Inc.	1,501,269	0.250
10.	G&L Securities Co., Inc.	910,000	0.152
11.	E. Chua Chiacco Securities, Inc.	782,000	0.130
12.	L.M. Garcia & Associates, Inc.	623,724	0.104
13.	VIMC Special Account	576,500	0.096

14. Alberto Mendoza and/or Jeanie C. Mendoza	564,950	0.094
15. Filomena R. Carlos	537,672	0.090
16. Lucio W. Yan	524,904	0.087
17. Larrgo Securities Co., Inc.	511,121	0.085
18. Philippine Communication Satellite Corp.	509,685	0.085
19. Winston Dychengbeng	500,000	0.083
20. L.M. Garcia Sec. Corp.	500,000	0.083

*\*Shares of stocks registered under the name of Alakor Corporation, National BookStore, Inc. and Alakor Securites Corporation (Trading Participants) based on previous years' practice always appoint Alfredo C. Ramos as proxy for these companies.*

*No unregistered securities were sold during the past three (3) years. All of the Company's issued and outstanding shares of stocks are duly registered in accordance with the provisions of the Securities Regulation Code.*

### **Dividends**

No dividends were declared during the last two (2) fiscal years 2012 and 2011. The Company's ability to declare dividends on common equity is restricted by the availability of sufficient retained earnings.

### **Recent Sales of Unregistered Securities**

NO unregistered securities were sold during the past three (3) years. All of the Company's issued and outstanding shares of stocks are duly registered in accordance with the provisions of the Securities Regulation Code.

- a) Securities sold - not applicable; NO securities were sold
- b) Underwrites and Other Purchases – not applicable; No. securities were sold.
- c) Consideration – not applicable, No securities were sold.
- d) Exemption from Registration Claimed – not applicable; No securities sold.

## **VI. Corporate Governance**

- a) The Company uses the evaluation system established by the SEC in its Memorandum Circular No. 5, series of 2003 and by PSE Memo No. 2013-0013 and Memo CN 2013-0007, including the accompanying Corporate Governance Self-Rating Form (CG-SRF) and Corporate Governance Guildelines Disclosure Survey to measure or determine the level of compliance of the Board of Directors and top-level management with the Company's Corporate Governance manual.

- b) The Company undertakes a self-evaluation process every semester and any deviation from the Company's Corporate Governance Manual is reported to the Management and the Board together with the proposed measures to achieve compliance.
- c) Except as indicated below, the Company is currently in full compliance with the leading practices on good corporate governance embodied in the CG-SRF and Corporate Governance Guidelines Disclosure Survey:
  - 1) As the Company is undergoing reorganization and is in a transition phase, the Company is in the process of drafting and designing the following, among others:
    - a. Code of Conduct for the Board, CEO and staff, as well as existing policies and procedures that can identify and resolve potential conflicts of interest.
    - b. Formal development program for its Board of Directors;
    - c. Establishment of an internal audit group;
    - d. Enterprise Risk Management activities;
    - e. Appointment of a Risk Management Officer;
    - f. Incentive Mechanism for its employees;
  - 2) The Company's employees and officers undergo professional development programs subject to meeting the criteria set by the Company. Succession plan for senior management is determined by the Board as the need arises.
- d) The Company shall adopt such improvement measures on its corporate governance as they may be necessary from time to time.

*The Company undertakes to provide, without charges, upon the written request of a stockholder, a copy of its Annual Report on SEC Form 17-A. Such request should be addressed to the Corporate Secretary. Vulcan Industrial and Mining Corporation, 9<sup>th</sup> Floor, Quad Alpha Centrum, 125 Pioneer Street Mandaluyong City 1550, Philippines.*

*The Company likewise undertakes to distribute copies of the Company's First Quarter Report in SEC Form 17-Q, to the Stockholders at the 2013 Annual Stockholders' Meeting.*

**Final List of Candidates  
For Election As Independent Directors**

**A. Candidate for Election as Independent Directors**

Name	Age	Current Position	Period of Service	
			From	To
Renato C. Valencia	69	Independent Director	2009	Present
Carmelito Zapanta	66	Independent Director	2008	Present

Mr. Valencia and Mr. Zapanta have always possessed the qualifications and none of the disqualifications of an independent director.

Directors elected in the Annual meeting of Stockholders have a term of office of one (1) year and serve as such until their successors are elected and qualified in the next succeeding Annual Meeting of Stockholders, provided that a director who was elected to fill in a vacancy arising in the Board shall only serve the unexpired term of his predecessors.

**B. Business Experience During the Past Five (5) years of Candidate for Independent Director.**

**Renato C. Valencia**, 70, *Filipino*, has been an independent director of the Company since 2009. For the past (5) years, he has served as director and/or executive officer in companies engaged in banking, investment holdings, education and technology, realty and insurance. He is a former administrator of the Social Security System.

**Carmelito R. Zapanta**, 67, *Filipino*, has been an independent director of the Company since 2008. For the past (5) years, he has done consultancy work for mining, petroleum, and real estate development companies, and was previously connected with various stock brokerage companies. He graduated from the University of the Philippines with a degree in business.

*Candidate for Independent Director with Directorship in Reporting Companies*

Renato C. Valencia	Metropolitan Bank & Trust Co. Roxas Holdings, Inc. Triple Top AIM, Inc. Anglo Philippine Holdings Corporation
Carmelito Zapanta	NONE

**C. Family Relationship**

The candidate for election as independent director of the Company is NOT related by consanguinity or affinity with any other member of the Company's Board of Directors.

**Involvement in Certain Legal Proceeding**

The Company is not aware of: (1) any bankruptcy petition filed by or against any business of which an independent director, person nominated to become and independent director of the



Company was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior that time; (2) any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses of any independent director, person nominated to become an independent director; (3) any other, judgment or decree, not subsequently reversed, suspended or vacated, or any court or competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement in any type of business, securities, commodities or banking activities an independent director, person nominated to become an independent director or the Company; and, (4) judgment against an independent director, person nominated to become an independent director found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine Securities and exchange Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

There had been NO transaction during the last two years, nor is any transaction presently proposed, to which the Company was or is to be a party in which any independent director of the Company, or nominee for election as an independent director, or any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any of the foregoing persons had or is to have a direct or indirect material interest. In the ordinary and regular course of business, the Company had or may have transactions with other companies in which some of the foregoing persons may have an interest.

#### **Security Ownership of Candidates for Independent Directors**

The candidates for independent director own the following number of voting shares as of March 31, 2013.

Type	Name of Beneficial Owner	Amount/Nature Of Beneficial Ownership		Citizenship	Percent of Ownership
		Direct	Indirect		
Common	Renato C. Valencia	0	100	Filipino	0.000%
Common	Carmelito Zapanta		20,000	Filipino	0.003%

#### **Voting Trust Holders of 5% or more**

The candidate for election as independent director does not hold more than 5% of any class of the Company's securities under voting trust or similar agreement.

#### **Changes in Control**

The election of independent director will not result in a change in control of the Company.

All the Company's independent directors were elected in the 2012 Annual Stockholders' Meeting held on July 31, 2012 and have since served in such capacity.

**VULCAN INDUSTRIAL & MINING CORPORATION**  
7<sup>TH</sup> Floor Quad Apha Centrum, 125 Pioneer, Mandaluyong City  
Tel (632) 631-8078: Fax (632) 631-3880

**NOTICE OF ANNUAL STOCKHOLDERS' MEETING**

TO ALL VIMC STOCKHOLDERS:

The Annual Stockholders' Meeting of Vulcan Industrial & Mining Corporation will be held on Wednesday, May 29, 2013, at 2:00 o'clock in the afternoon at The Legend Villas, Pioneer Street, Mandaluyong City, with the following agenda:

1. Call to Order
2. Proof of Notice and Certification of Quorum
3. Approval of the Previous Minutes of the Annual Stockholders' Meeting
4. Approval of Management Report and Audited Financial Statement for 2012
5. Approval of the increase in authorized capital stock from PhP600,000,000.00 to PhP4,000,000,000.00
6. Approval of subscription by National Book Store, Inc. and/or its designees to the increase in authorized capital stock at PhP1.00 per share, through:
  - a. Conversion into equity of its advances amounting to PhP363,944,338.00 as of December 31, 2012, as audited; and
  - b. Cash subscription of up to PhP3,036,055,662.00
7. Approval of the waiver of public/rights offer relative to the increase in authorized capital stock via additional subscription of National Book Store, Inc. and/or its designees
8. Approval of the change in primary purpose from mining to retail, and relegation of mining and oil exploration as secondary purposes
9. Approval of the following additional secondary purposes to include, among other things: wholesale, publishing, printing, manufacturing, distribution, contracting, and all other activities necessary for or incidental thereto
10. Approval of the transfer of mining- and oil-related assets
11. Approval of the change in corporate name from Vulcan Industrial & Mining Corporation to National Book Store Retail Corporation, or such other name acceptable to the SEC as may be determined by the Board of Directors
12. Approval to delegate to the Board of Directors the authority to amend the By-laws
13. Approval of Acts/Resolutions of the Board of Directors and Management from July 31, 2012 to May 29, 2013
14. Election of Board of Directors
15. Appointment of SGV & Co. as Independent External Auditor
16. Other Matters
17. Adjournment

For purposes of the meeting, stockholders of record as of January 31, 2013 are entitled to Notice of the meeting and to vote thereat. Registration for the said meeting begins at 1:30 p.m. For convenience in registering your attendance, please have available some form of identification, such as a driver's license, voter's ID, TIN card, SSS card or passport.

If you will not be able to attend the meeting but would like to be represented thereat, you may submit your proxy form, duly signed and accomplished, to the Office of the Assistant Corporate Secretary at [7<sup>th</sup> Floor Quad Apha Centrum, 125 Pioneer Street, Mandaluyong City], on or before May 20, 2013. Beneficial owners whose shares are lodged with PDTC or registered under the name of a broker, bank or other fiduciary allowed by law must, in addition to the required I.D., present a notarized certification from the owner of record (i.e. the broker, bank or other fiduciary) that he is the beneficial owner, indicating thereon the number of shares. Corporate shareholders shall likewise be required to present a notarized secretary's certificate attesting to the authority of its representative to attend and vote at the stockholders' meeting.

Validation of proxies will take place on May 23, 2013 at the office of the Company's stock transfer agent.

Mandaluyong City, Philippines, April 23, 2013.



**IRIS MARIE U. CARPIO-DUQUE**  
Assistant Corporate Secretary

# PROXY

Solicited in Behalf of Vulcan Industrial & Mining Corporation

The undersigned hereby appoints the Chairman, **MR. ALFREDO C. RAMOS** or the Chairman of the Meeting, with full power of substitution and delegation, as proxy to vote all the shares of the undersigned at the 2013 Annual Stockholders' Meeting of Vulcan Industrial & Mining Corporation to be held on **29 May 2013**, 2:00 p.m. at the Legend Villas Hotel, Pioneer Street, Mandaluyong City.

The proxy shall vote subject to the instructions indicated below and the proxy is authorized to vote in his discretion on other business as may properly come at the Meeting and any postponements or adjournment thereof. Where no specific authority is clearly indicated below, the proxy shall vote and shall be deemed authorized to vote **FOR THE APPROVAL** of all the corporate matters listed below, and **FOR ALL** the nominated directors named below.

## Corporate Matters

	FOR	AGAINST	ABSTAIN
Approval of the <u>previous</u> minutes of Annual Stockholders' Meeting			
Approval of the 2012 Annual Report			
Approval of the increase in authorized capital stock (ACS) from PhP600.0 million to PhP4.0 billion			
Approval of subscription by National Book Store, Inc. and/or its designees to the increase in authorized capital stock at PhP1.00 per share, through:			
1. Conversion into equity of its advances amounting to PhP363,944,338 as of December 31, 2012, as audited; and			
2. Cash subscription of up to PhP3,036,055,662.			
Approval of the waiver of public/rights offer relative to the increase in authorized capital stock via additional subscription of National Book Store, Inc. and/or its designees			
Approval of the change in primary purpose from mining to retail, and relegation of mining and oil exploration as secondary purposes			
Approval of the following additional secondary purposes to include, among other things: wholesale, publishing, printing, manufacturing, distribution, contracting and all other activities necessary for or incidental thereto			
Approval of the transfer of mining- and oil-related assets			
Approval of the change in corporate name from Vulcan Industrial & Mining Corporation to National Book Store Retail Corporation, or such other name acceptable to the SEC and as may be determined by the Board of Directors			
Approval to <u>delegate</u> to the Board of Directors the authority to amend the By-laws			
Approval of Acts/Resolutions of the Board of Directors & Management (from July 31, 2012 to May 29, 2013)			
Appointment of SGV & Co. as Independent External Auditor			

## Election of Directors:

☐

FOR ALL THE FOLLOWING:

☐

WITHHOLD AUTHORITY FOR THE FOLLOWING:

(To withhold authority to vote for any individual nominee, write down the name(s) of the nominee(s) on the space provided below.)

Alfredo C. Ramos	
Presentacion S. Ramos	
Adrian S. Ramos	
Christopher M. Gotanco	
Francisco A. Navarro	
Roberto V. San Jose	
Ana Maria Margarita A. Katigbak	
Adrian S. Arias	
Iris Marie U. Carpio-Duque	
Renato C. Valencia*	
Carmelito R. Zapanta*	

\*Independent Director

Signature Over Printed Name

Date

For corporate shareholders, the proxy form must be accompanied by a corresponding secretary's certificate confirming appointment of the proxy and the authority of the person signing the proxy.

(Reverse for Instructions)

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **CARMELITO R. ZAPANTA**, Filipino, of legal age and resident of No. 11-A Kaliraya, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of Vulcan Industrial & Mining Corporation.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position / Relationship	Period of Service
MRL Holdings, Inc.	Chairman	1975 to present
MJM Realty Corp.	Chairman	1976 to present


3. I possess all the qualification and none of the disqualifications to serve as an Independent Director of Vulcan Industrial & Mining Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulation.
4. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.
5. I shall inform the Corporate Secretary of Vulcan Industrial & Mining Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

DONE this \_\_\_\_ day of 22 APR 2013 2013 at QUEZON CITY City.

  
**CARMELITO R. ZAPANTA**  
Affiant

SUBSCRIBED AND SWORN to before me this 22 APR 2013 2013 at QUEZON CITY affiant personally appeared before me and exhibited to me his Community Tax Certificate No. PR# EB6792676 issued at DEA NCR EAST on Nov. 20, 2012

Doc. No. 224  
Page No. 45  
Book No. 104  
Series of 2013.

  
**ATTY. TOMAS F. DULAY JR.**  
NOTARY PUBLIC  
Until Dec. 31, 2015  
ADM. MATTER# MP-12-000000  
PTR# 70144-1 - 1000000000  
RPL# 10144-1 - 1000000000  
TIN# 10144-1 - 1000000000  
MCL# 10144-1 - 1000000000  
#92 Legaspi St., P.O. Box 1000

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **RENATO C. VALENCIA**, Filipino, of legal age and resident of 331 M. Cristina St., Ayala, Alabang, Muntinlupa City after having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of Vulcan Industrial & Mining Corporation.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position / Relationship	Period of Service
----------------------	-------------------------	-------------------

( see attached )

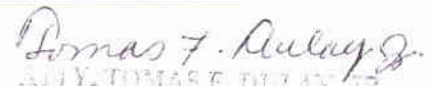
3. I possess all the qualification and non of the disqualifications to serve as an Independent Director of Vulcan Industrial & Mining Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulation.
4. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.
5. I shall inform the Corporate Secretary of Vulcan Industrial & Mining Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

DONE this \_\_\_\_ day of 2 APR 2013 2013 at QUEZON CITY City.

  
**RENATO C. VALENCIA**  
Affiant

SUBSCRIBED AND SWORN to before me this \_\_\_\_ day of 22 APR 2013 2013 at  
affiant personally appeared before me and exhibited to me his Passport, DL  
No. N11-65-008423 issued at \_\_\_\_\_ on Expiry 03-19-2015.

Doc. No. 225  
Page No. 45  
Book No. 104  
Series of 2013.

  
**ADY. Y. TOMAS F. DULAY, JR.**  
NOTARY PUBLIC  
Until Dec. 31, 2018  
ADM. MATRICES NO. 101, 2013-2014  
PTRS 2013-14-101-107/18 (100)  
JUL 10 10 10 10 10 10  
TIN 0000000000  
NCLB 10000000  
#01 Legaspi St., Proj. 4, C.C.



**CURRICULUM VITAE  
RENATO C. VALENCIA**

**Professional Background (Present Positions)**

November 1, 2011 to date 2005 to April, 2009	President & CEO Director <b>Roxas Holdings, Inc.</b>
November 1, 2011 to date	Director <b>Roxas and Company, Inc.</b>
October 21, 1998 to date	Director <b>Metropolitan Bank and Trust Company</b>
Feb. 14, 2012 to date	Director <b>GT Capital Holdings, Inc.</b>
November 2009 to date	Director <b>Vulcan Industrial &amp; Mining Corporation</b>
Sept. 2, 2005 to date 2003 to Sept. 2, 2005	Chairman Director <b>i-People, Inc.</b>
March 19, 2007 to date	Director <b>Anglo Philippine Holdings Corporation</b>
Nov. 13, 2012 to date Jan. 17, 2005 to Nov. 13, 2012	Director Board Adviser <b>Philippine Veterans Bank</b>
Mar. 18, 2005 to date	Director <b>House of Investments, Inc.</b>
Mar. 17, 2005 to date	Director <b>Malayan Insurance Company, Inc.</b>





## VULCAN INDUSTRIAL & MINING CORPORATION

7<sup>th</sup> Floor Quad Alpha Centrum Bldg.,  
125 Pioneer St., Mandaluyong City  
Tel. No. 631-8078; Fax No. 631-3880


### STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Vulcan Industrial & Mining Corporation is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 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 the [consolidated] 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.

SyCipGorresVelayo & Co., the independent auditors, appointed by the stockholders for the period December 31, 2012 and 2011, 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 its opinion on the fairness of presentation upon completion of such examination.

  
**ALFREDO C. RAMOS** 4/8  
Chairman & President

  
**ADRIAN S. RAMOS**  
Treasurer

  
**CHRISTOPHER M. GOTANCO**  
Vice – Chairman / COO

## **ACKNOWLEDGMENT**

Republic of the Philippines )  
Mandaluyong City )S.S.


**BEFORE ME**, a Notary Public, for and in Mandaluyong City, on 18 APR 2013  
personally appeared the following:

Name	Passport No.	Place/Date Issued
Alfredo C. Ramos	EB4871488	DFA Manila/ 5 March 2012
Christopher M. Gotanco	XX3090780	DFA Manila/25 February 2009
Adrian S. Ramos	EB3171638	DFA, Manila/ July 26, 2011

all known to me and to me known to be same persons who executed the foregoing Articles of Incorporation and they acknowledged to me that the same is their free and voluntary act and deed.

**IN TESTIMONY WHEREOF**, I have hereunto set my hand and affixed my notarial seal on the date and at the place first above written.

Doc. No.: 196  
Page No.: 41  
Book No.: I  
Series of 2013.

  
 ATTY. IRIS MARIE U. CARRIO  
 NOTARY PUBLIC - CITY OF MANDALUYONG  
 APPT. NO. Q374-12 UNTIL DECEMBER 31, 2013  
 QUAD ALPHA CORRAL, 125 PIONEER ST.  
 MANDALUYONG CITY 1550  
 PTR NO. 1680801/MANDALUYONG CITY/2-12-13  
 IBP NO. 924501/01-10-13/QC CHAPTER  
 ROLL NO. 51028 (2005)

Schedule IV  
Vulcan Industrial & Mining Corporation  
And Subsidiary  
Map of the Relationship of the Companies within the Group  
Pursuant to SRC Rule 68 as Amended  
December 31, 2012



## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Vulcan Industrial & Mining Corporation and Subsidiary  
7<sup>th</sup> Floor, Quad Alpha Centrum,  
125 Pioneer St. Mandaluyong

We have audited the accompanying consolidated financial statements of Vulcan Industrial & Mining Corporation and its subsidiary, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2012, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditors' Responsibility

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

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

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



***Opinion***

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Vulcan Industrial & Mining Corporation and its subsidiary as at December 31, 2012 and 2011, and their financial performance and cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

***Emphasis of Matter***

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which indicates that the Group has a deficit of ₱35.3 million and ₱94.1 million as at December 31, 2012 and 2011, respectively. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. We also draw attention to Note 1 which indicates that the ability of the Group to realize its deferred exploration costs depends on the success of their exploration activities and future development work in proving the viability of their mining properties that can produce minerals in commercial quantities, and the discovery of oil and gas that can be produced in commercial quantities, which cannot be determined at this stage.

SYCIP GORRES VELAYO & CO.

*Maria Veronica Andresa R. Pore*

Maria Veronica Andresa R. Pore

Partner

CPA Certificate No. 90349

SEC Accreditation No. 0662-AR-1 (Group A),

March 3, 2011, valid until March 2, 2014

Tax Identification No. 164-533-282

BIR Accreditation No. 08-001998-71-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 3670011, January 2, 2013, Makati City

April 16, 2013



**VULCAN INDUSTRIAL & MINING CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2012	2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	₱748,345	₱1,280,097
Receivables - net (Note 5)	1,513,008	16,945,957
Inventories (Note 6)	—	7,660,464
Due from related parties (Note 16)	21,732,860	246,902
Other current assets - net (Note 7)	8,000	6,429,788
<b>Total Current Assets</b>	<b>24,002,213</b>	<b>32,563,208</b>
<b>Noncurrent Assets</b>		
Available-for-sale (AFS) investments - net (Note 8)	14,015,297	154,706,291
Property and equipment (Note 9)	135,522	42,220,409
Deferred exploration costs - net (Note 10)	946,003,631	906,059,458
Advances against royalties (Note 11)	—	15,121,885
Other noncurrent assets	—	1,148,087
<b>Total Noncurrent Assets</b>	<b>960,154,450</b>	<b>1,119,256,130</b>
<b>TOTAL ASSETS</b>	<b>₱984,156,663</b>	<b>₱1,151,819,338</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Note 13)	₱15,769,728	₱61,862,530
Due to related parties (Note 16)	365,546,079	429,005,599
Subscriptions payable (Note 8)	6,529,858	6,529,858
Bank loans (Note 12)	—	9,380,975
Income tax payable	—	333,027
<b>Total Current Liabilities</b>	<b>387,845,665</b>	<b>507,111,989</b>
<b>Noncurrent Liabilities</b>		
Deferred revenues (Note 14)	—	4,062,047
Retirement benefit obligation (Note 19 )	7,270,784	9,570,684
<b>Total Noncurrent Liabilities</b>	<b>7,270,784</b>	<b>13,632,731</b>
<b>Total Liabilities</b>	<b>395,116,449</b>	<b>520,744,720</b>
<b>Equity</b>		
Capital stock (Note 15)	600,000,000	600,000,000
Additional paid-in capital	531,737	27,504,207
Net unrealized valuation gain on AFS investments (Note 8)	29,673,093	103,547,118
Deficit (Note 1)	(35,327,218)	(94,139,309)
	594,877,612	636,912,016
Treasury stock - at cost (Note 15)	(5,837,398)	(5,837,398)
<b>Total Equity</b>	<b>589,040,214</b>	<b>631,074,618</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱984,156,663</b>	<b>₱1,151,819,338</b>

*See accompanying Notes to Consolidated Financial Statements.*





**VULCAN INDUSTRIAL & MINING CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	For The Years Ended December 31		
	2012	2011 (As restated; Note 4)	2010 (As restated; Note 4)
<b>REVENUES</b>			
Dividend income (Note 8)	₱267,188	₱7,221,945	₱8,526,398
Interest income	—	—	136
	<b>267,188</b>	<b>7,221,945</b>	<b>8,526,534</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES (Note 17)</b>	<b>13,603,698</b>	<b>14,858,972</b>	<b>6,817,548</b>
<b>OTHER INCOME (CHARGES) - net</b>			
Gain on sale of AFS investments (Note 8)	82,816,820	82,904,952	—
Gain on sale of a subsidiary (Note 4)	12,507,230	—	—
Gain on sale of property and equipment	997,000	—	—
Gain on reversal of a liability (Note 16)	—	2,030,282	—
Loss on assignment of interest (Note 10)	—	(62,720,351)	—
Impairment loss on AFS investments (Note 8)	—	—	(3,123,527)
Others - net	(8,807)	(313,501)	127,324
	<b>96,312,243</b>	<b>21,901,382</b>	<b>(2,996,203)</b>
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX</b>	<b>82,975,733</b>	<b>14,264,355</b>	<b>(1,287,217)</b>
<b>PROVISION FOR CURRENT INCOME TAX (Note 20)</b>	<b>—</b>	<b>40,606</b>	<b>—</b>
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS AFTER TAX</b>	<b>82,975,733</b>	<b>14,223,749</b>	<b>(1,287,217)</b>
<b>LOSS FROM DISCONTINUED OPERATIONS AFTER TAX (Note 4)</b>	<b>(24,163,642)</b>	<b>(4,064,661)</b>	<b>(4,701,979)</b>
<b>NET INCOME (LOSS)</b>	<b>58,812,091</b>	<b>10,159,088</b>	<b>(5,989,196)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Net unrealized gain (loss) on AFS investments (Note 8)	(73,874,025)	(51,604,043)	40,235,079
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>(₱15,061,934)</b>	<b>(₱41,444,955)</b>	<b>₱34,245,883</b>
<b>BASIC AND DILUTED EARNINGS (LOSSES) PER SHARE (Note 21)</b>	<b>₱0.0993</b>	<b>₱0.0172</b>	<b>(₱0.0101)</b>
Continuing operations	0.1401	0.0240	(0.0022)
Discontinued operations	(0.0408)	(0.0068)	(0.0079)

*See accompanying Notes to Consolidated Financial Statements.*



**VULCAN INDUSTRIAL & MINING CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 and 2010**

	Capital Stock (Note 15)	Additional Paid-in Capital	Net Unrealized Valuation Gain (Loss) on AFS Financial Assets (Note 8)	Deficit (Note 1)	Treasury Stock (Note 15)	Total
Balances at January 1, 2010	₱600,000,000	₱27,504,207	₱114,916,082	(₱98,309,201)	(₱5,837,398)	₱638,273,690
Net loss	—	—	—	(5,989,196)	—	(5,989,196)
Other comprehensive income	—	—	40,235,079	—	—	40,235,079
Total comprehensive loss	—	—	40,235,079	(5,989,196)	—	34,245,883
Balances at December 31, 2010	600,000,000	27,504,207	155,151,161	(104,298,397)	(5,837,398)	672,519,573
Net income	—	—	—	10,159,088	—	10,159,088
Other comprehensive loss	—	—	(51,604,043)	—	—	(51,604,043)
Total comprehensive loss	—	—	(51,604,043)	10,159,088	—	(41,444,955)
Balances at December 31, 2011	600,000,000	27,504,207	103,547,118	(94,139,309)	(5,837,398)	631,074,618
Net income	—	—	—	58,812,091	—	58,812,091
Other comprehensive loss	—	—	(73,874,025)	—	—	(73,874,025)
Total comprehensive loss	—	—	(73,874,025)	58,812,091	—	(15,061,934)
Deconsolidation of discontinued operations (Note 4)	—	(26,972,470)	—	—	—	(26,972,470)
Balances at December 31, 2012	₱600,000,000	₱531,737	₱29,673,093	(₱35,327,218)	(₱5,837,398)	₱589,040,214

*See accompanying Notes to Consolidated Financial Statements.*



**VULCAN INDUSTRIAL & MINING CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For The Years Ended December 31		
	2012	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) from continuing operations before income tax	₱82,975,733	₱14,264,355	(₱1,287,217)
Loss from discontinued operations before income tax (Note 4)	(23,790,035)	(3,526,103)	(4,182,131)
	59,185,698	10,738,252	(5,469,348)
Adjustments for:			
Provision for impairment losses (Notes 4 and 17)	12,714,812	646,808	—
Write-off of input value-added tax (VAT; Notes 4 and 17)	4,252,004	—	—
Depletion, depreciation and amortization (Notes 4 and 9)	3,876,681	3,967,041	3,318,905
Interest expense (Notes 4 and 12)	882,584	1,590,601	2,492,715
Accretion expense on decommissioning liability (Note 4)	403,274	—	—
Gain on sale of AFS investments (Note 8)	(82,816,820)	(82,904,952)	—
Gain on assignment of interest in a subsidiary (Note 4)	(12,507,230)	—	—
Loss (gain) on sale of property and equipment	(997,000)	—	67,166
Unrealized foreign exchange loss (gain)	(558,000)	468,526	(512,289)
Dividend income (Note 8)	(267,188)	(7,221,945)	(8,526,398)
Interest income (Note 4)	(79,302)	(51,569)	(74,133)
Loss on assignment of interest (Note 10)	—	62,720,351	—
Gain on reversal of a liability (Note 16)	—	(2,030,282)	—
Impairment losses on AFS investments (Note 8)	—	—	3,123,527
Reversal of allowance for impairment losses	—	—	(28,568)
Operating losses before working capital changes	(15,910,487)	(12,077,169)	(5,608,423)
Decrease (increase) in:			
Receivables	5,077,325	(1,862,990)	(1,300,656)
Inventories	(781,984)	(1,137,406)	125,669
Other current assets	381,278	(1,149,746)	(4,508,144)
Increase (decrease) in:			
Trade and other payables	(2,476,380)	9,381,945	22,044,641
Deferred revenues	1,370,869	—	—
Retirement benefit obligation	3,082,160	2,264,551	593,300
Net cash generated from (used in) operations	(9,257,219)	(4,580,815)	11,346,387
Interest received	79,302	51,569	74,133
Interest paid	(882,584)	(1,590,601)	(1,722,208)
Income taxes paid	(621,701)	(355,168)	(611,269)
Net cash from (used in) operating activities	(10,682,202)	(6,475,015)	9,087,043

(Forward)



	For The Years Ended December 31		
	2012	2011	2010
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of AFS investments (Notes 8 and 23)	₱9,421,514	₱234,156,503	₱-
Proceeds from sale of property and equipment	1,000,000	-	-
Dividends received	389,087	7,092,225	7,062,624
Increase in deferred exploration costs	(68,261,672)	(260,059,124)	(52,989,121)
Acquisitions of property and equipment	(3,944,711)	(1,540,428)	(7,936,385)
Cash disposed of - discontinued operations	(278,416)	-	-
Increase in other noncurrent assets	(49,774)	(5,003)	-
Proceeds from assignment of interest	-	10,000,000	-
Decrease in subscriptions payable	-	-	(806,300)
Net cash used in investing activities	(61,723,972)	(10,355,827)	(54,669,182)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Changes in accounts with related parties (Notes 16 and 23)	78,137,866	67,384,412	44,039,119
Payment of bank loans	(6,263,444)	(54,375,666)	(1,692,714)
Net cash from financing activities	71,874,422	13,008,746	42,346,405
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	-	-	3,186
<b>NET DECREASE IN CASH</b>	(531,752)	(3,822,096)	(3,232,548)
<b>CASH AT BEGINNING OF YEAR</b>	1,280,097	5,102,193	8,334,741
<b>CASH AT END OF YEAR (Note 4)</b>	₱748,345	₱1,280,097	₱5,102,193

See accompanying Notes to Consolidated Financial Statements.



# **VULCAN INDUSTRIAL & MINING CORPORATION AND SUBSIDIARY**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **1. Corporate Information and Status of Operations**

#### Corporate Information

Vulcan Industrial & Mining Corporation (the Parent Company) and its wholly owned subsidiary, Vulcan Materials Corporation (VMC; the Subsidiary; collectively referred to as “the Group”) were incorporated in the Philippines. The Parent Company was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on January 13, 1953 under the name “Vulcan Manufacturing Corporation” and was listed in the Philippine Stock Exchange (PSE) on August 31, 1970. On June 15, 1977, the Parent Company amended its articles of incorporation and changed its name to “Vulcan Industrial & Mining Corporation”. The Parent Company’s corporate life was extended for another 50 years on January 13, 2003.

The Parent Company is involved in finding, developing and producing oil and gas reserves and other mineral properties. The Parent Company is a participant in several Service Contracts (SCs), Mineral Production Sharing Agreements (MPSAs) and Geophysical Survey and Exploration Contracts (GSECs) entered with the Philippine Government, through the Department of Energy (DOE). VMC was registered with the Philippine SEC on September 12, 1991 and is involved in mining exploration and sale of aggregates.

The registered business address of the Parent Company is Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City while the registered business address of VMC is Sitio Tabak, San Rafael, Rodriguez, Rizal.

#### Status of Operations

The Group has a number of mineral properties that are in various stages of exploration and has participation in several petroleum projects in the Philippines. The ability of Group to realize its deferred exploration costs (see Note 10) depends on the success of its exploration activities and future development work in proving the viability of its mining properties that can produce minerals in commercial quantities and the discovery of oil and gas that can be produced in commercial quantities, which cannot be determined at this stage.

As of December 31, 2012 and 2011, the Group has incurred cumulative losses from operations resulting in a deficit amounting to ₱35.3 million and ₱94.1 million, respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern. However, Management is confident that with the renewed interest in mining and oil and gas industry and the continuing financial support of related parties, the going concern issue will be resolved favorably. As such, the financial statements are presented on a going concern basis.

On January 18, 2013, the Board of Directors (BOD) approved the retirement of all its employees under its former policies as a result of the Group’s change of management.

The consolidated financial statements as of and for the years ended December 31, 2012 and 2011 were authorized for issue by the BOD on April 16, 2013.



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## 2. Summary of Significant Accounting Policies

### Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis and are presented in Philippine peso (₱), which is the Group's functional currency.

### Statement of Compliance

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

### Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its Subsidiary.

A subsidiary is fully consolidated from the date of acquisition, being the date on which control is transferred to the Parent Company and continues to be consolidated until the date that such control ceases. When the Parent Company loses its control of the Subsidiary, the consolidated financial statements include the results for the part of the reporting year during which the Parent Company has control.

The financial statements of the Subsidiary are prepared for the same reporting year as the Parent Company. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intercompany balances and transactions, including intercompany profits and losses, are eliminated.

### Discontinued Operations

Discontinued operations represent component of the Group that has either been disposed of or is classified as held for sale. Income and expenses of discontinued operations are presented as a single amount in the consolidated statement of comprehensive income, separate from the continuing operations, comprising the total of the income after tax and after tax gain or loss recognized in the measurement of the fair values less costs to sell or on the disposal of the assets or disposal group constituting the discontinued operation.

### Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS. The adoption of the following PFRS did not have any significant impact on the Group's consolidated financial statements.

#### Amendments to Philippine Accounting Standards (PAS) 12, *Income Taxes - Deferred Tax:*

##### *Recovery of Underlying Assets*

This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a "sale" basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ("use" basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset.





*Amendments to PFRS 7, Financial Instruments: Disclosures - Transfers of Financial Assets*

The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets.

Financial Instruments

Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments. The Group determines the classification of its financial instruments on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

All regular way purchases and sales of financial assets are recognized on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs. Financial assets under PAS 39, *Financial Instruments Recognition and Measurement*, are classified as either financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments or AFS investments.

The Group's financial assets are of the nature of loans and receivables and AFS investments. As of December 31, 2012 and 2011, the Group has no outstanding financial assets at FVPL and HTM investments. Also under PAS 39, financial liabilities are classified as financial liabilities at FVPL or other financial liabilities. The Group's financial liabilities are of the nature of other financial liabilities. As of December 31, 2012 and 2011, the Group has no outstanding financial liabilities at FVPL.

*Loans and Receivables*

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS investments or financial assets at FVPL. This accounting policy applies primarily to the consolidated statement of financial position captions "Cash", "Receivables", and "Due from related parties".

Loans and receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization, if any, is included in "Interest income" account in the consolidated statement of comprehensive income. The losses arising from impairment of loans and receivables are recognized in the consolidated statement of comprehensive income. The level of allowance for impairment losses is evaluated by management on the basis of factors that affect the collectibility of accounts. Loans and receivables are classified as current assets when these are expected to be realized within twelve months after the reporting date or within the normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.



### *AFS Investments*

AFS investments are nonderivative financial assets that are either designated as AFS or are not classified as at FVPL, HTM investments or loans and receivables after initial recognition. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. After initial measurement, AFS investments are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS investments are reported as “Net unrealized valuation gain on AFS investments” in the equity section of the consolidated statement of financial position and as part of other comprehensive income in the consolidated statement of comprehensive income. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. These financial assets are classified as noncurrent assets unless there is intention to dispose such assets within twelve months from the reporting date.

The fair value of instruments that are actively traded in organized financial markets is determined by reference to quoted market prices at the close of the business at reporting date. For financial instruments where there is no active market, fair value is determined using market acceptable valuation techniques such as discounted cash flow analysis and option pricing models.

AFS investments whose fair values cannot be reliably established are carried at cost. This normally applies to equity investments that are unquoted and whose cash flows cannot be forecasted reasonably.

When the AFS financial investment is disposed of, the cumulative gains or losses previously recognized in equity is recognized as part of net income (loss) in the consolidated statement of comprehensive income. This accounting policy applies primarily to the Group’s “AFS investments”. This includes the Group’s proprietary membership shares and investments in shares of stock listed in the PSE.

### *Other Financial Liabilities*

Issued financial instruments or their components, which are not designated at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial liabilities that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

This accounting policy applies primarily to the Group’s “Bank loans, “Trade and other payables”, “Due to related parties” and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable). Other financial liabilities are classified as current liabilities when these are expected to be settled within twelve months from the reporting date or the Group does not have an unconditional right to defer settlement for at least twelve months from the reporting date. Otherwise, these are classified as noncurrent liabilities.



#### 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:

1. there is a currently enforceable legal right to offset the recognized amounts; and
2. there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

#### Impairment of Financial Assets

##### *Financial Assets Carried at Amortized Cost*

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on financial assets carried at amortized cost (e.g., receivables) 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 asset's original effective rate. Objective evidences of impairment may include indications that the debtor 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. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. In case the receivable has proven to have no realistic prospect of future recovery, any allowance provided for such receivable is written off against the carrying value of the impaired receivable. The amount of the loss shall be recognized in the consolidated statement of comprehensive income.

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 it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial asset with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

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 by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the parent company statement of comprehensive income to the extent that the carrying value of the asset at the reversal date does not exceed its amortized cost that would have been determined had no impairment loss been recognized in the prior years. If a write-off is later recovered, the recovery is recognized in the consolidated statement of comprehensive income.

##### *AFS Investments*

The Group assesses at each reporting date whether there is objective evidence that an AFS investment is impaired. In the case of an AFS investment, this would include a significant or prolonged decline in the fair value of the investment below its cost.

If an AFS investment is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in net income, is transferred from other comprehensive income to expense in the consolidated statement of comprehensive



income. Reversals in respect to equity instruments classified as AFS are recognized as part of other comprehensive income in the consolidated statement of comprehensive income.

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 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 for a similar financial asset.

#### Derecognition of Financial Instruments

##### *Financial Assets*

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

1. the rights to receive cash flows from the asset have expired;
2. 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
3. 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 the risks and rewards of the asset but has transferred the 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.

##### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or 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 comprehensive income.

#### Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- |                                    |   |   |
|------------------------------------|---|---|
| Finished goods and work in process | - | determined using the moving average method; cost includes direct labor and a proportion of manufacturing overhead based on actual production but excluding borrowing cost |
| Spare parts and other supplies     | - | purchase cost on a moving average basis   |

NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. In the case of spare parts and other





supplies, NRV is the value of inventories when sold at their condition at the end of the reporting period. In determining NRV, the Group considers any adjustment for obsolescence.

#### Other Current Assets

Other current assets consist of advances to suppliers, supplies inventories and input VAT.

#### *Advances to Suppliers*

Advances to suppliers represent payments made in relation to the operational agreements entered into by the Group. These are carried at cost and will generally be applied as services are provided.

#### *Input VAT*

Input VAT represents tax imposed to the Group by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations. Input VAT is recognized as part of current assets and will be used to offset the Group's current output VAT liabilities.

#### *Prepaid expenses*

Prepaid expenses are carried at cost and are amortized on a straight-line basis over the term of the prepayment.

#### Property and Equipment

Property and equipment, except for land, is stated at cost less accumulated depletion, depreciation and amortization and any impairment in value. Land is stated at cost less any impairment in value. The initial cost of property and equipment consists of its purchase price, including import duties, nonrefundable taxes, and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets (except for quarry development costs). Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The estimated useful lives of property and equipment are as follows:

	Number of Years
Machinery and equipment	10-15
Transportation equipment	3-5
Furniture, fixtures and office equipment	2-5

Quarry development costs are amortized on a unit of production (UOP) basis over the economically recoverable reserves of the quarry concerned. The unit of account for aggregates is cubic meter in loose volume (LCM).

The estimated fair value attributable to the mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of the acquisition is amortized on a UOP basis whereby the denominator is the proven and probable reserves and the portion of resources expected to be extracted economically. The estimated fair value of the mineral resources that are not considered to be probable of economic extraction at the time of the acquisition is not subject to amortization, until the resource becomes probable of economic



extraction in the future and is recognized in “Deferred exploration costs” account in the consolidated statement of financial position.

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

When property and equipment are retired or otherwise disposed of, their cost, accumulated depletion, depreciation and amortization and any allowance for impairment in value are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of comprehensive income.

Fully depreciated property and equipment are retained in the accounts until these are no longer in use.

#### Deferred Exploration Costs

Deferred exploration costs include costs incurred after the Group has obtained legal rights to explore in a specific area, including the determination of the technical feasibility and commercial viability of extracting mineral resources. Deferred exploration costs include, among others, acquisition of rights to explore, topographical and geophysical studies, exploratory drilling, trenching, sampling and activities in relation to evaluating the technical feasibility and commercial viability of extracting mineral resources. All exploration costs and related expenses are carried as deferred exploration costs, net of impairment losses, if any.

If and when recoverable reserves are determined to be present in commercially producible quantities, the deferred exploration expenditures and subsequent mine development costs shall be capitalized as part of property and equipment and amortized using the unit of production method based on estimated recoverable reserves upon the start of commercial operations; otherwise, these costs shall be written off.

#### Advances Against Royalties

Advances against royalties represent cash advances made to owners of investment properties in areas where the Group’s exploration activities are held. These advances are deductible from future royalty obligations of the Group and will be due and demandable for refund in case exploration activities in the related area are unsuccessful.

If and when recoverable reserves are determined to be present in commercially producible quantities, the deferred exploration expenditures and subsequent mine development costs shall be capitalized as part of property and equipment and amortized using the unit of production method based on estimated recoverable reserves upon the start of commercial operations; otherwise, these costs shall be written off.

#### Impairment of Nonfinancial Assets

*Advances to Suppliers, Input VAT, Advances against Royalties, Property and Equipment, Other Noncurrent Assets and Deferred Exploration Costs*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the asset or cash-generating units are written down to its recoverable amount. The estimated recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its





disposal at the end of its useful life. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statement of comprehensive income.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statement of comprehensive income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for that asset in prior years.

A valuation allowance is provided for unrecoverable deferred exploration costs based on the Group's assessment of the future prospects of the exploration project.

#### Subscriptions Payable

Subscriptions payable pertains to subscription of shares of stock relating to AFS investments which remains outstanding as of the end of the reporting period.

#### Provisions

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 made 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.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursement.

#### Income Taxes

##### *Current income tax*

Current income tax 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 have been enacted or substantively enacted as of the reporting date.

##### *Deferred income tax*

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

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused net operating loss carryover (NOLCO) and unused tax credits from excess minimum corporate income tax (MCIT) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carryforward of NOLCO and unused tax credits from excess MCIT can be utilized in the future.



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 assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period 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.

#### Capital Stock and Additional Paid-in Capital

The Group has issued capital stock that is classified as equity. Incremental costs directly attributable to the issue of new capital stock, if any, are shown in equity as a deduction, net of tax, from the proceeds. Additional paid-in capital represents the excess of the stockholders' total contribution over the par value of shares.

#### Treasury Stock

Own equity instruments which are reacquired are deducted from equity and accounted for at cost. No gain or loss is recognized in net income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

#### Deficit

Deficit includes accumulated profits and losses attributable to the Group's equity holders.

Dividends, if any, are recognized as a liability and deducted from equity when they are declared.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Deficit may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

The following specific recognition criteria must also be met before revenue is recognized:

##### *Dividend income*

Dividend income is recognized when the right to receive the payment is established which is usually at the date of declaration.

##### *Interest income*

Interest income is recognized as the interest accrues, taking into account the effective interest yield on the asset.

##### *Other Income*

Other income is recognized when earned.

#### Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are generally recognized when the services are used or the expenses arise.



#### *General and Administrative Expenses*

General and administrative expenses are incurred in the direction and general administration of day-to-day operations of the Group. General and administrative expenses are generally recognized when the services are used or the expenses arise.

#### Deferred Revenues

Deferred revenues are initially recognized at the fair value of the consideration received for the performance of services still to be rendered and therefore, deferred. These are recognized as revenues in the consolidated statement of comprehensive income once the services have been rendered.

#### Retirement Benefits

The Group has a defined retirement benefit plan which requires contributions to be made to separately administered fund. The cost of providing benefits under the defined retirement benefit plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plan at the end of the previous reporting year exceeded 10% of the defined benefit obligation. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan. The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately. The defined retirement benefit obligation is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized reduced by past service cost not yet recognized.

#### Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### Foreign Currency Transactions

Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated using the closing exchange rate at the reporting date. Foreign exchange differences between the rates at transaction date and settlement date or reporting date are recognized in the consolidated statement of comprehensive income. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates at the dates of the initial transactions.

#### Operating Leases

Operating leases represent those leases under which substantially all risks and rewards of ownership of the leased assets remain with the lessors. Lease payments received or paid under operating lease are recognized as an income or expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

#### Basic/Diluted Earnings (Losses) Per Share

Basic earnings (losses) per share (EPS) is computed by dividing net income attributable to equity holders of the Group for the year by the weighted average number of common stocks outstanding during the year after giving retroactive effect to stock dividends declared and stock rights



exercised during the year, if any. The Group currently does not have potential dilutive common stock.

#### Segment Reporting

An operating segment is a component of an entity that: (a) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available. The Group has two reportable segments and are presented in Note 24 to the consolidated financial statements.

#### Contingencies

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

#### Events After the Reporting Date

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

#### New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2012

The Group will adopt the revised PAS 19, *Employee Benefits*, in 2013. Revisions to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk.

The Group reviewed its existing retirement benefits and determined that the amended standard has no significant impact on its accounting for retirement benefits as a result of the retirement of all its employees effective January 18, 2013 (see Note 1).

Moreover, the Group will adopt the standards and interpretations enumerated below when these become effective. The Group does not expect the adoption of these new and amended PFRS, Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) and improvements to PFRS to have significant impact on its consolidated financial statements.

#### *Effective in 2013*

##### *Amendment to PAS 1, Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*

The amendments to PAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or "recycled") to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance.



*Amendment to PAS 27, Separate Financial Statements*

As a consequence 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 separate financial statements.

*Amendment to PAS 28, Investments in Associates and Joint Ventures*

As a consequence of the new PFRS 11, *Joint Arrangements*, and PFRS 12, 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.

*Amendment to PFRS 1, First-time Adoption of PFRS - Government Loans*

Amendment to PFRS 1 requires a first-time adopter to measure government loans existing at the date of transition to PFRS with below market interest rates at fair value, with the benefit accounted for as government grant.

*Amendment to PFRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*

The amendments require entities to disclose information that will enable users to evaluate the effect or potential effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set-off in accordance with PAS 32 and 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:

1. The gross amounts of those recognized financial assets and recognized financial liabilities;
2. 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;
3. The net amounts presented in the statement of financial position;
4. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (2) 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
5. The net amount after deducting the amounts in (4) from the amounts in (3) above.

*PFRS 10, Consolidated Financial Statements*

PFRS 10 replaces the portion of PAS 27 that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgement 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.

*PFRS 11, Joint Arrangements*

PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. It removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.





*PFRS 12, Disclosure of Interests in Other Entities*

PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

*PFRS 13, Fair Value Measurement*

PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. It does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted.

*Philippine Interpretation IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine*

This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset.

*Improvements to PFRS*

The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
- PFRS 1, *First-time Adoption of PFRS - Repeated Application of PFRS 1*
- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*
- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*
- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*
- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*

*Effective in 2014*

*Amendments to PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*

These amendments to PAS 32 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.

*Effective in 2015*

*PFRS 9, Financial Instruments*

PFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing 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. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

#### *Deferred Effectivity*

##### *Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate*

This interpretation, effective for annual periods beginning on or after January 1, 2015, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires the revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on the 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 Philippine SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

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### **3. Significant Accounting Judgments and Estimates**

The consolidated financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. The judgments and estimates used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgments and estimates 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

##### *Determining Functional Currency*

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be the Philippine peso. It is the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity.

##### *Operating Lease Commitments - The Group as a Lessee*

The Group has entered into commercial property leases on its head-office building. The Group has determined that all the significant risks and rewards of ownership of the property remain with the lessor. Accordingly, the lease is accounted for as an operating lease.



## Estimates

### *Estimating Impairment of Loans and Receivables*

The Group assesses at each reporting date whether there is any objective evidence that loans and receivables are impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on age and status of the receivable, as well as on historical loss experience. Allowance for impairment losses on loans and receivables is provided when management believes that the balance cannot be collected or realized after exhausting all efforts and courses of action.

Provision for impairment losses on receivables amounted to ₱0.1 million, ₱0.6 million and ₱0.5 million in 2012, 2011 and 2010, respectively. Allowance for impairment losses on receivables amounted to ₱3.9 million and ₱16.1 million as of December 31, 2012 and 2011, respectively. The aggregate carrying values of cash, receivables and due from related parties amounted to ₱24.0 million and ₱18.5 million as of December 31, 2012 and 2011, respectively (see Notes 5 and 16).

### *Estimating NRV of Inventories*

The Group estimates the allowance for inventory based on the age of blue rocks and physical deterioration of spare parts. Provisions are made for inventories that are no longer used in the production process. The amounts and timing of recorded expenses for any period would differ if different judgments or different estimates are made. An increase in allowance for inventory obsolescence would increase recorded general and administrative expenses and decrease current assets.

Provision for inventory losses amounted to ₱4.6 million in 2012. No provision for inventory losses was recognized in 2011, and 2010. Allowance for inventory losses amounted to ₱0.6 million as of December 31, 2011. There were no inventories as of December 31, 2012. Inventories, at lower of cost and NRV, amounted to ₱7.7 million as of December 31, 2011 (see Notes 4 and 6).

### *Estimating Impairment of AFS Investments*

The Group treats AFS investments as impaired where there has been a significant or prolonged decline in the 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 20% or more and “prolonged” when greater than six months. In addition, the Group evaluates other factors, including normal volatility in share prices for quoted equities and the future cash flows and the discount factors for unquoted equities.

If an AFS investment is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in net income, is transferred from other comprehensive income to expense in the consolidated statement of comprehensive income. Reversals in respect to equity instruments classified as AFS are recognized as part of other comprehensive income in the consolidated statement of comprehensive income.

Impairment loss recognized amounted to ₱3.1 million in 2010. No impairment loss was recognized in 2012 and 2011. Allowance for impairment losses amounted to ₱34.4 million as of 2012 and 2011. AFS investments are carried at ₱14.0 million and ₱154.7 million as of December 31, 2012 and 2011, respectively (see Note 8).



*Estimating Impairment of Nonfinancial Assets (Excluding Deferred Exploration Costs)*

The Company assesses impairment on nonfinancial assets (excluding deferred exploration costs) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of assets in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. For impairment loss on specific assets, the recoverable amount represents the fair value less costs to sell.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the financial statements.

Provision for impairment losses on advances to suppliers amounted to ₱0.5 million in 2012 (see Note 7). No provision for impairment losses on advances to suppliers were recognized in 2011 and 2010. Allowance for impairment losses on advances to suppliers amounted to ₱0.7 million and ₱0.2 million as of December 31, 2012 and 2011, respectively. The aggregate carrying values of advances to suppliers, input VAT, advances against royalties, property and equipment and other noncurrent assets amounted to ₱0.1 million and ₱64.7 million as of December 31, 2012 and 2011, respectively (see Notes 7 and 9).

*Estimating Useful Lives of Property and Equipment*

The Group estimates the useful lives of property and equipment, except for quarry development costs, based on the period over which assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. The aggregate net book values of property and equipment, excluding quarry development costs, amounted to ₱0.1 million and ₱4.8 million as of December 31, 2012 and 2011, respectively (see Note 10).



#### *Estimating Recoverability of Deferred Exploration Costs*

The Group assesses impairment on deferred exploration cost when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

Facts and circumstances that would require an impairment assessment as set forth in PFRS 6, *Exploration for and Evaluation of Mineral Reserves*, are as follows:

- The period for which the Group has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The Group reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. Until the Group has sufficient data to determine technical feasibility and commercial viability, deferred exploration costs need not be assessed for probable losses. No impairment loss was recognized in 2012, 2011 and 2010. Allowance for impairment loss on deferred exploration costs amounted to ₱4.2 million as of December 31, 2012 and 2011. Deferred exploration costs as of December 31, 2012 and 2011 amounted to ₱946.0 million and ₱906.1 million, respectively (see Note 10).

#### *Estimating Aggregate Reserves*

VMC assesses its estimate of aggregate reserves on an annual basis. VMC's estimated reserves are based on the estimates of external geologists. Annually, an inventory of the remaining reserves is derived by subtracting the annual production, which is reported to the Mines and Geo-Sciences Bureau. The estimated mineral reserves were 7,533,595 LCM and 7,815,027 LCM as of December 31, 2012 and 2011, respectively. The net book value of quarry development costs presented under "Property and equipment" amounted to ₱37.4 million as of December 31, 2011. Quarry development costs with a net book value of ₱53.0 million were deconsolidated as of December 19, 2012 (see Notes 4 and 9).

#### *Estimating Realizability of Deferred Income Tax Assets*

The Group reviews the carrying amounts of deferred income tax assets at each reporting date and reduces the amounts 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 assets to be utilized in the future.

No deferred income tax assets were recognized for deductible temporary differences, carryforward of unused NOLCO and unused tax credits from excess MCIT amounting to ₱138.3 million and ₱154.1 million as of December 31, 2012 and 2011, respectively (see Note 20).

#### *Estimating Retirement Benefits*

The determination of the Group's retirement benefit obligation and cost for retirement and other employee benefits is dependent on the selection made by management of certain assumptions used by actuaries in calculating such amounts.





Retirement benefit expense amounted to ₱3.3 million, ₱2.3 million and ₱2.2 million in 2012, 2011 and 2010, respectively. Retirement benefit expenses attributable to discontinued operations amounted to ₱1.3 million, ₱1.5 million and ₱1.3 million in 2012, 2011 and 2010, respectively. Retirement benefit obligation amounted to ₱7.3 million and ₱9.6 million as of December 31, 2012 and 2011, respectively (see Note 19).

#### 4. Discontinued Operations

On December 18, 2012, the Parent Company assigned its 100% interest in VMC to Anglo Philippine Holdings Corporation (APHC), for a consideration of ₱1.2 million.

On the basis of the foregoing, the results of the operations of VMC until the date of disposal have been presented in the consolidated statements of comprehensive income as "Income from discontinued operations after tax". The consolidated statements of comprehensive income in December 31, 2011 and 2010 are re-presented so that the disclosures relate to the all operations that have been discontinued by the end of the reporting period for the latest period presented. All assets and liabilities of VMC, previously part of the consolidation, are derecognized at their carrying amounts on December 19, 2012.

The net assets of VMC as of December 18, 2012 were derecognized upon its full assignment to APHC and resulted to a gain on sale recognized in the consolidated statement of comprehensive income amounting to ₱12.5 million.

The results of operations of VMC are as follows:

	2012	2011	2010
Sales	₱66,210,473	₱107,849,114	₱126,450,201
Costs of sales	53,940,603	84,832,504	104,158,427
Gross profit	12,269,870	23,016,610	22,291,774
General and administrative expenses	(21,004,259)	(12,887,081)	(16,358,511)
Selling expenses	(17,707,447)	(16,298,119)	(11,776,829)
Interest expense	(882,584)	(1,277,100)	(1,722,208)
Other income - net	3,534,385	3,919,587	3,383,643
Loss from discontinued operations before income tax	23,790,035	3,526,103	4,182,131
Provision for current income tax	373,607	538,558	519,848
Loss from discontinued operations before income tax	₱24,163,642	₱4,064,661	₱4,701,979

The net cash flows attributable to VMC are as follows:

	2012	2011
Cash flows from (used in)		
Operating activities	₱7,988,668	₱5,659,995
Investing activities	(2,163,275)	(4,906,857)
Financing activities	(6,263,444)	(4,375,666)
Net decrease in cash	(₱438,051)	(₱3,622,528)



## 5. Receivables

	2012	2011
Trade:		
Unimpaired	₱—	₱13,660,098
Impaired	—	11,743,047
Others:		
Unimpaired	1,513,008	3,285,859
Impaired	3,948,300	4,366,203
	<b>5,461,308</b>	33,055,207
Less allowance for impairment losses	<b>3,948,300</b>	16,109,250
	<b>₱1,513,008</b>	₱16,945,957

Trade receivables are noninterest-bearing and generally have a 30-day term. Other receivables consist of dividends receivable, advances to officers and employees, Social Security System loans, maternity and sickness benefits of officers and employees, among others.

Movements in the allowance for impairment losses on receivables are as follows:

	2012	2011
Balances at beginning of the year	₱16,109,250	₱15,462,442
Provision (see Note 17)	100,000	646,808
Deconsolidation of discontinued operation (see Note 4)	(12,260,950)	—
Balances at end of the year	<b>₱3,948,300</b>	₱16,109,250

On December 18, 2012, following the divestment of the Parent Company's interest in VMC, the carrying amounts of receivables of VMC were deconsolidated (see Note 4).

## 6. Inventories

Inventories as of December 31, 2011 are carried at its NRV. Inventories consist of finished goods, spare parts and other supplies (net of allowance for inventory obsolescence of ₱0.6 million) and work in process amounting to ₱2.2 million, ₱4.1 million and ₱1.4 million, respectively, as of December 31, 2011.

Movements in the allowance for inventory obsolescence are as follows:

	2012	2011
Balances at beginning of year	₱630,607	₱630,607
Provision (see Note 4)	4,590,131	—
Deconsolidation of discontinued operation (see Note 4)	(5,220,738)	—
Balances at end of year	<b>₱—</b>	₱630,607

Inventories charged to production amounted to ₱53.9 million, ₱84.8 million and ₱104.3 million in 2012, 2011 and 2010, respectively.

On December 18, 2012, following the divestment of the Parent Company's interest in VMC, the inventories of VMC were deconsolidated (see Note 4).



## 7. Other Current Assets

	2012	2011
Advances to suppliers	<b>₱745,829</b>	₱1,910,176
Input VAT	—	4,574,380
Prepaid expenses	—	184,061
	<b>745,829</b>	6,668,617
Less allowance for impairment losses	<b>737,829</b>	238,829
	<b>₱8,000</b>	₱6,429,788

Provision for impairment losses on advances to suppliers amounted to ₱0.5 million in 2012 (see Note 17). Allowance for impairment losses on advances to suppliers amounted to ₱0.7 million and ₱0.2 million as of December 31, 2012 and 2011, respectively. In 2012, the Parent Company wrote-off input VAT amounting to ₱2.8 million (see Note 17).

On December 18, 2012, following the divestment of the Parent Company's interest in VMC, the other current assets of VMC were deconsolidated (see Note 4).

## 8. AFS Investments

	2012	2011
Investments in quoted shares of stock of:		
The Philodrill Corporation (Philodrill)	<b>₱9,049,177</b>	₱5,740,464
United Paragon Mining Corporation (UPMC)	—	143,243,333
Other quoted equity investments	<b>4,891,835</b>	5,648,209
	<b>13,941,012</b>	154,632,006
Investments in unquoted shares of stock of:		
Sipalay Mining, net of allowance for impairment losses amounting to ₱3.1 million as of December 31, 2012 and 2011	—	—
Other unquoted equity investments, net of allowance for impairment losses amounting to ₱31.3 million as of December 31, 2012 and 2011	<b>74,285</b>	74,285
	<b>74,285</b>	74,285
	<b>₱14,015,297</b>	₱154,706,291

The changes in fair value of AFS investments are recognized in "Net unrealized valuation gain on AFS investments", a separate component of equity in the consolidated statement of financial position.

Movements in the unrealized valuation gains on AFS investments are as follows:

	2012	2011
Balances at beginning of year	<b>₱103,547,118</b>	₱155,151,161
Changes:		
Increase in fair value of AFS investments during the year	<b>3,188,139</b>	38,370,880
Realized valuation gain transferred to profit/loss	<b>(77,062,164)</b>	(89,974,923)
Balances at end of year	<b>₱29,673,093</b>	₱103,547,118





Quoted shares consist of equity securities that are traded at the PSE. The fair values of these listed shares are based on their bid market price as of the last trading day of the year (see Note 22).

Unquoted equity securities include unlisted shares of stock in various mining companies which are carried at cost less allowance for impairment losses. The fair value of these AFS investments cannot be reliably determined as these investments have no available bid price.

In 2012, the Parent Company sold 6.4 billion and 28.9 million shares of UPMC and Philodrill under "Other quoted equity investments", respectively, with acquisition cost of ₱63.9 million and ₱0.3 million, respectively, for total consideration of ₱147.0 million, resulting to gain on sale amounting to ₱82.8 million.

In 2011, the Parent Company sold 16.2 billion and 10.3 million shares of Philodrill and APHC, respectively, with original acquisition cost of ₱142.1 million and ₱9.2 million, respectively, for total consideration of ₱234.2 million, resulting to gain on sale amounting to ₱82.9 million.

The Parent Company received cash dividends from Philodrill amounting to ₱0.3 million, ₱6.7 million and ₱6.8 million in 2012, 2011 and 2010 respectively, while dividends received from APHC amounted to ₱0.5 million and ₱0.3 million in 2011 and 2010, respectively. In 2010, dividend income from Philodrill, amounting to ₱1.4 million, were applied to the outstanding liability to Philodrill.

Outstanding subscriptions payable relates to the acquisition of Philippine Realty Corporation shares included under "Other quoted equity investments" amounting to ₱6.5 million as of December 31, 2012 and 2011.

## 9. Property and Equipment

### 2012

	Land	Quarry Development Costs	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Office Equipment	Total
<b>Cost:</b>						
Balances at end of year	₱133,714	₱77,956,308	₱55,072,757	₱2,016,072	₱1,916,458	₱137,095,309
Additions	—	17,374,539	30,804	51,240	11,321	17,467,904
Disposals	(3,000)	—	—	—	—	(3,000)
Discontinued operations (see Note 4)	—	(95,330,847)	(55,103,561)	(2,067,312)	(1,483,347)	(153,985,067)
<b>Balances at end of year</b>	<b>130,714</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>444,432</b>	<b>575,146</b>
<b>Accumulated depletion, depreciation and amortization</b>						
Balances at beginning of year	—	40,535,617	51,836,799	1,155,386	1,347,098	94,874,900
Depletion, depreciation and amortization (see Notes 4 and 17)	—	1,840,600	1,338,068	402,034	295,979	3,876,681
Discontinued operations (see Note 4)	—	(42,376,217)	(53,174,867)	(1,557,420)	(1,203,453)	(98,311,957)
<b>Balances at end of year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>439,624</b>	<b>439,624</b>
<b>Net Book Values</b>	<b>₱130,714</b>	<b>₱—</b>	<b>₱—</b>	<b>₱—</b>	<b>₱4,808</b>	<b>₱135,522</b>



2011

	Land	Quarry Development Costs	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Office Equipment	Total
Cost:						
Balances at beginning of year	₱133,714	₱77,956,308	₱53,604,506	₱2,016,072	₱1,844,281	₱135,554,881
Additions	–	–	1,468,251	–	72,177	1,540,428
Balances at end of year	133,714	77,956,308	55,072,757	2,016,072	1,916,458	137,095,309
Accumulated depletion, depreciation and amortization						
Balances at beginning of year	–	38,397,803	50,751,649	759,047	999,360	90,907,859
Depletion, depreciation and amortization for the year (see Notes 4 and 17)	–	2,137,814	1,085,150	396,339	347,738	3,967,041
Balances at end of year	–	40,535,617	51,836,799	1,155,386	1,347,098	94,874,900
Net Book Values	₱133,714	₱37,420,691	₱3,235,958	₱860,686	₱569,360	₱42,220,409

In 2012, the Parent Company sold a parcel of land for a gain of ₱1.0 million.

#### 10. Deferred Exploration Costs

Deferred exploration costs attributable to the Parent Company are as follows:

	2012	2011
Petroleum projects	<b>₱872,146,374</b>	₱803,574,405
Mineral exploration projects	<b>78,048,939</b>	106,676,735
	<b>950,195,313</b>	910,251,140
Less allowance for impairment losses	<b>4,191,682</b>	4,191,682
	<b>₱946,003,631</b>	₱906,059,458

#### Deferred Exploration Costs Attributable to Parent Company

##### *Petroleum Exploration Projects*

The Parent Company is a participant in several SCs and GSECs entered into with the Philippine Government, through the DOE, to conduct exploration, exploitation and development activities in the contract areas designated in the SCs and GSECs. These SCs and GSECs provide for certain minimum work expenditure obligations and the drilling of a specified number of wells and are covered by operating agreements which set forth the participating interests, rights and obligations of the contractors.

##### a. SC 6 BLOCK A (SC 6A)

SC 6A (Octon) is a significant petroleum exploration project of the Parent Company. In August 2005, Philodrill reported in its Exploration Operation Review for 2005 that Vitol Services Limited (Vitol) expressed their interest to farm-in into the Octon Block. Together with Cape Energy and Team Oil, Vitol are developing the nearby Galoc field and they deemed it prudent to integrate the development of the Octon Field with Galoc.

In October 2006, Vitol reported the completion of their geophysical and geological studies including, among others, the full 3D seismic data interpretation of the Octon structure, static and dynamic reservoir modeling, advanced core studies, and well and facilities for the Octon Field based on a single directional well. The Vitol reservoir models point to a proven area, the North Octon, and an area of additional potential (South Octon). Based on the results of the core studies, the Octon-3 area could also have an upside potential. All the areas examined are also believed to contain significant volumes of gas. From their studies and models, Vitol had



identified different commercial options for the Octon Field, all of which involve a joint Octon-Galoc development.

In November 2006, Vitol submitted a revised farm-in proposal expressing their desire to continue to optimize Octon development options, and in tandem, to re-focus on exploration of other areas outside of the Octon area and come up with a drilling prospect within a year's time. As of 2006, the Octon consortium was still evaluating the merits of the revised Vitol farm-in proposal.

In March 2007, the farm-in agreement was signed by all the partners of the consortium and subsequently submitted the same to DOE for approval. Furthermore, during the second quarter of 2007, the consortium drafted a new Joint Operating Agreement (JOA) which will replace the old SC6A JOA and a side agreement or Carried Interest Agreement. In September 2007, the DOE approved the farm-in proposal from Vitol.

In a meeting held in Singapore last November 2007 to update the consortium on the ongoing geophysical and geological studies, Vitol focused on two main areas, the Barselisa and the Octon area. In the north, Barselisa was the only prospect (Barselisa Prospect) that they felt warranted further additional work. The shallow prospects on the Malajon-Saddle Rock trend were downgraded because of trapping and seal risks.

In the southern Octon area, Vitol identified a series of small culminations in the vicinity of Octon which could add value in case of a development. The prospectivity of the southern closure of the Octon structure was also upgraded by the seismic evaluation. A potential for a stratigraphic play pinching out against Gintu High was also identified.

Vitol has asked Philodrill to retrieve the original processed 3D data from Western Geco in order to facilitate the upgrading of the two areas prior to the end of the evaluation period in March 2008.

Upon receipt of the full seismic data set from Geco-Prakla, Vitol Galoc Production Corporation Investments (Vitol GPC) embarked on an in-depth evaluation of the Octon-Galoc area and the northern sector of the block, particularly the Barselisa Prospect. These evaluation studies comprise the activity for Study Phase 3 of the Farm-in Agreement. Study Phase 1 generally was database generation while Study Phase 2 involved seismic evaluation and generation/validation of prospects and leads. Vitol GPC completed its 3-phase review in September 2008. They concluded that there is limited potential in the block outside of Octon North while the other identified major areas are considered high risk. Computed reserves figure for Octon makes it a marginal but developable field. As such, Vitol GPC's envisaged future programs for Octon are geared towards development of the field being tied back to the Galoc Field.

In October 2008, Vitol GPC issued the Project Execution Plan for Octon development and together with its work program and budget. Part of the plan is Vitol GPC's commitment to carry out a significant work program for 2010/2010 consisting of pre-sanction activities, which are basically planning strategies leading to full development of the Octon Field in conjunction with the anticipated Phase 2 of Galoc Development.

Long before the expiration of the initial 25-year term of SC 6A, as well as SC 6B, on February 28, 2009, Philodrill formally submitted the extension request to the DOE. On June 2009, the DOE approved the extension of the production term of SC 6A and SC 6 for fifteen (15) years in a series of three 5 year terms, subject to compliance with certain



conditions such as yearly submission of work program and budget and payment of technical assistance and training fund. The term extension is deemed from March 1, 2009.

b. Other Petroleum Projects

In 2005, the Parent Company made a provision for probable losses on the deferred exploration and development costs related to GSEC 75 amounting to ₱4.2 million. The Parent Company has not permanently abandoned the other petroleum projects, nor has it withdrawn from the consortiums relating to the contracted areas for these GSECs. Definite plans for further exploration and development are currently being undertaken.

On May 23, 2011, the Parent Company assigned its undivided participating interests in Octon and SC 6 BLOCK A projects with total carrying amount of ₱72.7 million for the following considerations:

- a. ₱10.0 million upon the execution of the deed of assignment; and
- b. In the event of commercial discovery be declared in either or both of the foregoing service contract areas, one-time payment of \$0.5 million per contract area payable within sixty (60) days from the date of the declaration of commercial discovery.

The assignment resulted to a loss amounting to ₱62.7 million due to the derecognition of the carrying amount of the participating interests as the Parent Company irrevocably transferred to Philodrill, the assignee, all its interests and obligations in the service contracts in 2011. With regards to the future payment of \$0.5 million, the Parent Company shall recognize this only when the commercial discovery occurred or when it become virtually probable that a commercial discovery will come to existence and that the payment shall be received by the Parent Company.

*Mineral Projects*

The Parent Company also has a number of mineral properties that are in various stages of exploration.

a. Marian Project

The Marian Copper and Gold Project covers adjoining areas of Barangay Buaya, Municipality of Diadi, Province of Nueva Viscaya and Barangays San Luis, Caquilingan, Anonang, Dallao, Villa Meimban, Quimaldero, Municipality of Cordon, Province of Isabela. The area encompasses 6,325 hectares denominated in APSA No. 000021-II.

The Parent Company signed a Memorandum of Agreement with Minercon International Inc. on August, 2008 for gold characterization test on the compounded mill tailings of Marian Gold Mine from its previous 250 TPD Gold Cyanidation Plant. Collected tailings materials was tested by Bruce Method and the procedure identified which of the gold is free, exposed but attached, locked in carbonates, locked in sulfides and other oxides and locked up in insolubles.

b. Isabela Dimakawal Copper-Gold Project

The project is located in the Municipality of Dinapigue, Isabela Province. It has an area of 2,389.50 hectares and is covered by EP-II-00012.



The project has mineralization (pyrite-chalcopyrite-sphalerite disseminations and clusters associated with white to gray quartz) occurring as breccias matrix on highly silicified to chloritized fine basalt volcanic.

c. Negros Copper Projects

The Negros Manlupo Copper Project in Barangay Damutan, Hinoba-an, Negros Occidental has an area of 477 hectares covered by MPSA No. 092-97-VI granted on November 20, 1997. The Negros Luz Copper Project located in Barangay Manlucahoc, Sipalay City, Negros Occidental has an area of 806.57 hectares and is covered by MPSA No. 113-98-VI granted on May 6, 1998.

Six drill holes were planned at the Manlupo Copper Project to delineate and increase the quantity and quality of mineral resources but the program was temporarily suspended due to the peace and order situation in the area.

Meanwhile, in Luz Copper Project additional four (4) drill holes are being planned to confirm the presence of copper ore at greater depth. One (1) hole will be driven beside and deepen through F-13 to assure the expected extension of the presently delineated orebody.

d. Malimono Gold Project

The Malimono Gold Project is located in Barangays Masgad, Cansayong, Bunyasan, Hanagdon, Cayawan, Tinago, San Isidro, Binocaran and Cagtina-e, Municipality of Malimono. It has an area of 358.68 hectares. The EP owner is Ninety Niners Development Corporation with which VMC signed a Memorandum of Agreement on March 8, 2008.

An initial program of 24 cased DDHs has been started. This program is divided into 12 holes onshore for equipment testing on adaptability, flexibility and integrity of samples taken down to bedrock; another set staggered offshore probe holes programmed down to bedrock.

e. Leyte Pinut-an Gold Project

The Leyte Pinut-an Gold Project is located in the Municipalities of San Ricardo and Pintuyan, Panaon Island, Southern Leyte. It is covered by EP-2005-00004 granted on March 9, 2005 and renewed on November 11, 2010 with an area of 1,645.98 hectares; and EXPA-004-VIII with a total area of 1,969 hectares.

The type of mineralization in the area is epithermal gold mineralization in typical quartz vein developed in a system of quartz-stock work confined to the eastern side of Panaon Island. The occurrence of gold mineralization is recognized in five localities within the area: Pinut-an Main Vein System, Pinut-an South Vein System, Caingin Point Vein System, Esperanza Prospect and Bituon Prospect.

f. Davao Gold Project

The Davao Gold Project is located in Barangays Tubli, Limot, Tubaon and Libuac, Municipalities of Tarragona and Manay, Davao Oriental. It is covered by APSA 000194-XI with an area of 270 hectares. Mineralization in the area appears to be associated with the emplacement of a diorite intrusive along fault plays of the Mindanao extension on the Philippine fault zone.





g. Zambales Gabbro Project

The Zambales Gabbro Project is located in Barangay Cawag, Municipality of Subic, Zambales which is covered by APSA No. 000035 III and filed on May 4, 1992. An initial study based on surface and drill core data showed at least four (4) types of gabbro varieties suitable for dimension stones delineated in three prospective quarry sites and they are black fine gabbro, green fine gabbro, green medium gabbro and green coarse gabbro.

h. Palawan Granite Project

The Palawan Granite Project is located in the Municipalities of San Vicente and Taytay, Palawan. It has an area of 1,995 hectares and is covered by EPA-IVB-25B filed on November 7, 2007. The project contains granite mineral resource deposit that can be a source of dimension stones for the construction industry.

Certain loans were specifically obtained to finance the exploration activities of the Parent Company. Capitalized interest on loans from related parties amounted to about ₱68.6 million and ₱205.2 million in 2012 and 2011, respectively (see Note 16).

Deferred Exploration Costs Attributable to VMC

a. Comet Nickel-Chromite Project

VMC and Comet signed a Memorandum of Agreement (MOA) on December 4, 2007, to process, occupy, use and control explore, develop, conduct mining, mine process and market any product from the MPSA 003-90-X area which was registered with the DENR-Region VI at Surigao City on January 22, 2008.

In a report dated November 19, 2009, the Mines and Geosciences Bureau (MGB) reported that Comet rescinded the operating agreement with VMC. On December 1, 2009 and January 27, 2010, the VMC responded to MGB requesting to make the necessary corrections to the November 19, 2009 report as VMC had duly registered the operating agreement with the regional office and has, in good faith, exerted sufficient efforts, expended the necessary funds and conducted pertinent work on areas within the designated area. On March 25, 2010, MGB responded to Comet's concern, regarding the application for renewal of the MPSA in subject, stating that the same was already approved through the letter dated November 20, 2009. However, Comet responded through the letter to MGB on April 7, 2010 objecting to the further evaluation and eventual approval of the MPSA. Management believes that the future outcome is favorable to VMC.

As of March 15, 2013, Management has an outstanding offer from a potential buyer for the operating right in the Dinagat Project.

b. Bataan Aggregates Project

The Bataan Aggregates Project is located in Barangay Nagbalayong, Municipality of Morong, Bataan. The Aggregates Project Sharing Agreement No. 000328-III was filed on January 8, 2001 with an area of 138.0397 hectares while the ISAG Permit No. III-02-08 with an area of 12.8 hectares was granted on December 17, 2008.





c. Batangas Aggregates Project

The Batangas Aggregates Project is located in Barangay San Miguel, Batangas City, Batangas. It is covered by MPSA No. 091-97-IV granted on November 20, 1997 with an area of 332.3980 hectares.

The recovery of these deferred exploration costs incurred in connection with the Group's participation in the acquisition and exploration of petroleum concessions and mineral exploration activities depends upon the discovery of oil and gas that can be produced in commercial quantities from the respective petroleum concessions or the success of exploration activities and future development of the corresponding mining properties.

On December 18, 2012, following the divestment of the Parent Company's interest in VMC, the deferred exploration costs of VMC were deconsolidated (see Note 4).

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**11. Advances Against Royalties**

Advances against royalties consist of VMC's advances made to Comet Mining Exploration (Comet), Vinc Vita Mining Corporation (VVMC; with full valuation allowance) and Asencio Pinzon Aggregates Corporation (APAC) amounting to ₱11.5 million, ₱2.9 million and ₱0.8 million, respectively as of December 31, 2011.

Advances against royalties include deposits made to Comet and APAC, owner of the mining rights on Loreto, Dinagat and Rodriguez, Rizal, respectively. VMC conducts exploration activities on those locations.

On December 18, 2012, following the divestment of the Parent Company's interest in VMC, the advances against royalties of VMC were deconsolidated (see Note 4).

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**12. Bank Loans**

VMC obtained from Metropolitan Bank and Trust Company (MBTC) a loan which bears interest at 12.00% per annum maturing on June 2013. This loan is secured by a pledge agreement and a continuing surety agreement executed by VMC and a stockholder and assignment of substantially all of the assets of VMC. As of December 31, 2011, the outstanding balance of the loan amounted to ₱9.1 million.

Furthermore, VMC utilized the auto loan facility with PS Bank which bears interest of 11.45% per annum and is payable until October 18, 2012. As of December 31, 2011, the outstanding balance of the auto loan amounted to ₱0.3 million.

Total principal payments amounted to ₱6.3 million and ₱4.4 million in 2012 and 2011, respectively. Interest expense on bank loans amounted to ₱0.9 million and ₱1.3 million in 2012 and 2011, respectively. Outstanding balance amounted to ₱9.4 million as of December 31, 2011.

On December 18, 2012, following the divestment of the Parent Company's interest in VMC, the bank loans of VMC were deconsolidated (see Note 4).



### 13. Trade and Other Payables

	2012	2011
Trade	₱—	₱29,945,372
Accrued expenses	8,559,856	7,151,510
Statutory liabilities	3,295,085	9,039,402
Deposits from customers	—	10,603,318
Royalties	—	1,208,141
Others	3,914,787	3,914,787
	<b>₱15,769,728</b>	<b>₱61,862,530</b>

Trade payables are noninterest-bearing and are generally on a 30-day term.

Accrued expenses pertain to accruals made for expenses incurred for salaries, rentals, production and other operating expenses.

Refundable deposits from customers include a deposit made by Laura Trading (HK) Limited Company amounting to \$0.2 million as agreed in the exclusive marketing agreement for the future extracted mines related to VMC's Comet Project.

Nontrade payables consist of various liabilities arising from trust fund and insurance, among others.

VMC has a contract with APAC, the holder of the MPSA No. 070-97-IV issued by the Philippine Government on July 29, 1997. Under the contract, APAC granted the VMC the right to conduct mining operations in the mine site in exchange for royalty payments, based on the percentage of net sales generated by the VMC. Royalties incurred by the VMC amounted to ₱4.0 million and ₱5.5 million and ₱6.5 million in 2012, 2011 and 2010, respectively (see Note 4).

Others pertain to withholding taxes payable and amounts due to social security system, among others.

On December 18, 2012, following the divestment of the Parent Company's interest in VMC, the trade and other payables of VMC were deconsolidated (see Note 4).

### 14. Deferred Revenues

On August 8, 2008, VMC and Angat Rockbase Concrete Aggregates, Inc. (ARCAI) entered into a MOA wherein VMC warrants the delivery of approximately 2,000 - 2,200 LCM per day of blasted materials to ARCAI at the agreed price equivalent to Group's prevailing material cost plus ₱20 per LCM.

ARCAI also agreed to pay ₱20.0 million as contribution to the costs incurred by VMC and to develop the quarry and cost to prepare the area to be designated for use by ARCAI. The amount is payable as follows:

- ₱5.0 million front end signing of contract; and
- ₱15.0 million to be build-in the cost of raw materials and amortized over three years at the committed volume of 600,000 LCM per annum or ₱8.33 per LCM.



On July 24, 2012, the former management of VMC and ARCAI signed a MOA extending the term of the original agreement by another 5 years from the original expiration date. For and in consideration of the renewal, ARCAI agreed to pay VMC ₱1.5 million upon signing to pay for the historical development cost on the last year of the extended agreement. However, the new management is currently negotiating for the amendment of the contract.

As of December 31, 2012 and 2011, VMC has already delivered a total of 384,150 LCM and 295,474 LCM, respectively of blasted materials to ARCAI. Deferred revenues amounted to ₱4.1 million as of December 31, 2011.

On December 18, 2012, following the divestment of the Parent Company's interest in VMC, the deferred revenues, all pertaining to VMC, were deconsolidated (see Note 4).

## 15. Capital Stock

Details of the Parent Company's capital stock as of December 31, 2012 and 2011 are as follows:

Common Stock	Number of shares	Amount
Authorized and issued - ₱1 par value	600,000,000	₱600,000,000
Treasury stocks	7,728,261	5,837,398
Outstanding	592,271,739	594,162,602

The Parent Company's most recent registration of its capital stock with the PSE was on June 16, 1995. The total number of investors/subscribers are 1,973 and 2,010 as of December 31, 2012 and 2011 respectively.

## 16. Related Party Disclosures

Details of due from/to related parties, which are to be settled in cash, are as follows:

Due from related parties		Transactions During the Years		Outstanding Balance	Terms	Conditions
Related party under common control:						
VMC*	(a)	2012 2011	₱1,010,053 ₱—	₱20,507,768 ₱—	Due and demandable; noninterest-bearing	Unsecured; Unimpaired
APHC		2012 2011	685,919 —	685,919 —	Due and demandable; noninterest-bearing	Unsecured; Unimpaired
UPMC		2012 2011	292,271 259,725	539,173 246,902	Due and demandable; noninterest-bearing	Unsecured; Unimpaired
Total		2012 2011	₱1,988,243 ₱259,725	₱21,732,860 ₱246,902		

\*VMC is a subsidiary up to December 17, 2012.



Due to related parties			Transactions	Outstanding	Terms	Conditions
			During the Years	Balance		
<b>Related party under common control:</b>						
Alakor	(b)	2012	<b>₱39,271,023</b>	<b>₱138,222,852</b>	Due and demandable; interest-bearing	Unsecured
		2011	₱18,446,361	₱124,848,124		
National Bookstore, Inc.	(b)	2012	<b>161,330,987</b>	<b>225,721,486</b>	Due and demandable; interest-bearing	Unsecured
		2011	22,696,954	302,555,734		
Palawan Granite Corporation (PGC)		2012	—	<b>709,242</b>	Due and demandable; noninterest-bearing	Unsecured
		2011	—	709,242		
San Jose (SJ)		2012	—	<b>892,499</b>	Due and demandable; noninterest-bearing	Unsecured
		2011	—	892,499		
<b>Total</b>		2012	<b>₱200,602,010</b>	<b>₱365,546,079</b>		
		2011	₱41,143,315	₱429,005,599		

- a. On December 18, 2012, the Parent Company assigned its 100% interest in VMC to APHC for a total consideration of ₱1.2 million, resulting to a gain on sale amounting to ₱12.5 million recognized in the consolidated statement of comprehensive income (see Note 4).
- b. In 2011, the Group issued promissory notes to Alakor and NBS amounting to ₱116.4 million and ₱264.8 million, respectively, for the outstanding balance of the advances. The promissory notes executed are subject to 24% interest in 2012 and 2011.

Interest expense related to loans from related parties capitalized as part of deferred exploration costs amounted to ₱68.6 million and ₱205.2 million in 2012 and 2011, respectively. These promissory notes were specifically obtained to finance the exploration activities of the Group.

- c. Compensation of key management personnel of the Group represents short-term employee benefits and retirement benefits amounted to ₱1.2 million, ₱2.8 million and ₱3.3 million in 2012, 2011 and 2010, respectively.



## 17. General and Administrative Expenses

	2012	2011 (As restated; Note 4)	2010 (As restated; Note 4)
Personnel costs (see Note 18)	<b>₱4,672,156</b>	₱3,012,324	₱3,010,924
Write-off of input VAT (see Note 7)	<b>2,801,973</b>	—	—
Outside services	<b>1,505,470</b>	6,470,296	646,884
Communication, light and water	<b>1,336,693</b>	1,821,070	303,295
Entertainment, amusement and recreation	<b>889,907</b>	932,459	739,074
Transportation and travel	<b>702,347</b>	970,532	705,050
Provision for impairment losses (see Notes 5 and 7)	<b>599,000</b>	—	—
Meetings and conferences	<b>250,000</b>	303,170	74,684
Insurance	<b>236,680</b>	311,097	261,973
Office supplies	<b>153,490</b>	214,309	77,442
Repairs and maintenance	<b>63,929</b>	121,916	252,221
Taxes and licenses	<b>23,194</b>	20,399	33,049
Depreciation and amortization (see Note 9)	<b>13,295</b>	12,271	15,056
Fuel and oil lubricants	—	54,196	6,390
Others	<b>355,564</b>	614,933	691,506
	<b>₱13,603,698</b>	₱14,858,972	₱6,817,548

## 18. Personnel Costs

	2012	2011 (As restated; Note 4)	2010 (As restated; Note 4)
Salaries, wages and other benefits	<b>₱2,673,737</b>	₱2,228,524	₱2,140,324
Retirement benefits cost (see Note 19)	<b>1,998,419</b>	783,800	870,600
	<b>₱4,672,156</b>	₱3,012,324	₱3,010,924

## 19. Retirement Benefits

On January 18, 2013, the BOD approved the approved the retirement of all its employees under its former policies as a result of the Group's change of management (see Note 1).

Prior to the payment of retirement benefits, the Group has an unfunded defined benefit retirement plan covering all its regular full-time employees. The benefits are computed equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year.



The components of retirement benefit expense in the consolidated statements of comprehensive income are as follows:

	2012	2011 (As restated; Note 4)	2010 (As restated; Note 4)
Current service cost	<b>₱1,217,328</b>	₱254,800	₱249,800
Interest cost	<b>370,931</b>	341,700	459,700
Amortization of actuarial losses	<b>410,160</b>	187,300	161,100
	<b>₱1,998,419</b>	<b>₱783,800</b>	<b>₱870,600</b>

Retirement benefit expenses attributable to discontinued operations amounted to ₱1.3 million, ₱1.5 million and ₱1.3 million in 2012, 2011 and 2010, respectively (see Note 4).

Retirement benefit obligation recognized in the consolidated statements of financial position are as follows:

	2012	2011
Present value of defined benefit obligation	<b>₱7,270,784</b>	₱17,906,160
Unrecognized actuarial loss	—	(8,335,476)
	<b>₱7,270,784</b>	<b>₱9,570,684</b>

Changes in the present value of the defined benefits obligation are as follows:

	2012	2011
Balances at beginning of year	<b>₱17,906,145</b>	₱13,460,784
Current service cost	<b>1,458,684</b>	840,200
Interest cost	<b>999,752</b>	973,861
Actuarial losses due to:		
Change in assumptions	<b>(7,533,707)</b>	1,965,500
Experience adjustments	—	665,800
Retirement benefits paid	<b>(178,030)</b>	—
Discontinued operations (see Note 4)	<b>(5,382,060)</b>	—
Balances at end of year	<b>₱7,270,784</b>	<b>₱17,906,145</b>

The principal assumptions used to determine retirement benefits cost of the Group are as follows:

	2012	2011
Discount rate	<b>4.69% - 6.29%</b>	4.69% - 6.29%
Salary increase rate	<b>5.00% - 10.00%</b>	5.00% - 10.00%

Amounts for the current and previous periods are as follows:

	2012	2011	2010	2009	2008
Present value of defined benefit obligation	<b>₱7,270,784</b>	₱17,906,160	₱13,460,799	₱11,723,612	₱9,490,000
Change in assumptions	<b>(7,533,707)</b>	1,965,500	1,478,400	1,584,100	748,000
Experience adjustments on plan obligation	—	665,800	47,500	(954,000)	4,837,370





## 20. Income Taxes

The Group has no provision for current income tax in 2012 because of its gross and net taxable loss positions. The provision for current income tax in 2011 represents MCIT.

In 2011, VMC recognized deferred income tax assets and liabilities amounting to ₱1.2 million.

The Group did not recognize deferred income tax assets arising from the following as the Group assessed that it is not probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized in the future:

	2012	2011
NOLCO	<b>₱87,684,595</b>	₱90,700,148
Allowance for impairment losses on:		
AFS investments	<b>34,404,673</b>	34,404,673
Deferred exploration costs	<b>4,191,682</b>	4,191,682
Receivables	<b>3,948,300</b>	12,047,203
Other current assets	<b>737,829</b>	238,829
Retirement benefit obligation	<b>7,270,784</b>	9,570,684
MCIT	<b>40,606</b>	1,818,687
Allowance on inventory obsolescence	—	630,607
Unrealized foreign exchange loss	—	468,526
	<b>₱138,278,469</b>	₱154,071,039

As of December 31, 2012, the Parent Company's NOLCO and excess MCIT that can be claimed as deduction from future taxable income and income tax liabilities, respectively, are as follows:

Year Incurred	Year of Expiration	NOLCO	MCIT
2012	2015	₱7,323,205	₱—
2011	2014	74,472,360	40,606
2010	2013	5,889,030	—
		<b>₱87,684,595</b>	<b>₱40,606</b>

Movements of NOLCO are as follows:

	2012	2011
Balances at beginning of year	<b>₱90,700,148</b>	₱23,336,281
Additions	<b>15,337,589</b>	75,462,802
Expirations	<b>(6,371,166)</b>	(8,098,935)
Deconsolidation of discontinued operations (see Note 4)	<b>(11,981,976)</b>	—
Balances at end of year	<b>₱87,684,595</b>	₱90,700,148



Movements of MCIT are as follows:

	2012	2011
Balances at beginning of year	<b>₱1,818,687</b>	₱1,955,473
Additions	<b>373,607</b>	579,164
Expirations	<b>(738,174)</b>	(715,950)
Deconsolidation of discontinued operations (see Note 4)	<b>(1,413,514)</b>	—
Balances at end of year	<b>₱40,606</b>	₱1,818,687

The reconciliation of income tax computed at statutory tax rates to the provision for income tax for the years ended December 31, 2012, 2011 and 2010 follows:

	2012	2011	2010
Income tax at statutory tax rates			
Continuing operations	<b>(₱382,673)</b>	₱4,279,307	(₱386,162)
Discontinued operations	<b>(7,137,011)</b>	(1,057,831)	(1,254,640)
	<b>(7,519,684)</b>	3,221,476	(1,640,802)
Additions to (reductions in) income taxes resulting from:			
Change in unrecognized deferred income tax asset	<b>31,336,879</b>	23,993,590	4,497,638
Nondeductible expenses	<b>1,552,387</b>	286,120	230,896
Gain on sale of AFS investments subject to final tax	<b>(24,845,046)</b>	(24,871,486)	—
Gain on sale of property and equipment	<b>(299,100)</b>	—	—
Dividend income exempted from tax	<b>(80,156)</b>	(2,166,584)	(2,557,919)
Interest income subjected to final tax	<b>(23,791)</b>	(15,471)	(9,291)
Others	<b>252,118</b>	131,519	(674)
Provision for income tax	<b>₱373,607</b>	₱579,164	₱519,848

Income tax expense:

	2012	2011	2010
Continuing operations	<b>₱—</b>	₱40,606	₱—
Discontinued operations (see Note 4)	<b>373,607</b>	538,558	519,848
	<b>₱373,607</b>	₱579,164	₱519,848



## 21. Basic/Diluted Earnings (Losses) Per Share

Basic/diluted earnings (losses) per share were computed as follows:

	2012	2011	2010
Net income (loss)	<b>₱58,812,091</b>	10,159,088	(₱5,989,196)
Continuing operations	<b>82,975,733</b>	14,223,749	(1,287,217)
Discontinued operations	<b>(24,163,642)</b>	(4,064,661)	(4,701,979)
Divided by weighted average number of shares during the year (see Note 15)	<b>592,271,739</b>	592,271,739	592,271,739
Basic and diluted earnings (losses) per share	<b>₱0.0993</b>	₱0.0172	(₱0.0101)
Continuing operations	<b>0.1401</b>	0.0240	(0.0022)
Discontinued operations	<b>(0.0408)</b>	(0.0068)	(0.0079)
Number of shares issued		600,000,000	
Less weighted average number of treasury shares		(7,728,261)	
Weighted average number of shares issued and outstanding		592,271,739	

As at December 31, 2012, 2011 and 2010, the Group has no potential dilutive shares.

## 22. Financial Instruments and Financial Risk Management

The Group's financial instruments consist of cash and due from/to related parties. The main purpose of the financial instruments is to fund the Group's operations. The Group has various other financial instruments such as receivables and trade and other payables which arise directly from its operations.

The BOD has the overall risk management approach and for the approval of risk strategies and principles of the Group. It also has the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum for discussion of the Group's approach to risk issues in order to make relevant decisions.

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

### *Liquidity Risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's objectives to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking adverse effect to the Group's credit standing.

The Group manages liquidity risk by maintaining a balance between continuity of funding and flexibility. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows.



The financial assets held by the Group for liquidity purposes consist of cash, receivables and due from related parties. All of the Group's financial liabilities are due and demandable.

#### Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables and due from related parties. The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. The Group's maximum exposure to credit risk is the carrying amount of its financial assets.

The tables below summarize the aging analysis of the Group's financial assets:

2012

	Neither past due nor impaired	Past due but not impaired					Past due and impaired	Total*
		<30 days	30-60 days	61-90 days	91-120 days	Over 120 days		
Cash in banks	₱703,345	₱-	₱-	₱-	₱-	₱-	₱-	₱703,345
Receivables	-	3,253	717	40,918	-	1,468,120	3,948,300	5,461,308
Due from related parties	-	-	-	-	-	21,732,860	-	21,732,860
AFS investments								
Quoted equity securities	13,941,012	-	-	-	-	-	-	13,941,012
Unquoted equity securities	74,285	-	-	-	-	-	34,404,673	34,478,958
<b>Total</b>	<b>₱14,718,642</b>	<b>₱3,253</b>	<b>₱717</b>	<b>₱40,918</b>	<b>₱-</b>	<b>₱23,200,980</b>	<b>₱38,352,973</b>	<b>₱76,317,483</b>

\* Financial assets relating to VMC were deconsolidated as of December 19, 2012.

2011

	Neither past due nor impaired	Past due but not impaired					Past due and impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	Over 120 days		
Cash in banks	₱1,105,097	₱-	₱-	₱-	₱-	₱-	₱-	₱1,105,097
Receivables	-	1,868,213	2,908,069	1,150,145	420,628	10,598,902	16,109,250	33,055,207
Due from related parties	-	-	-	-	-	246,902	-	246,902
AFS investments								
Quoted equity securities	154,632,006	-	-	-	-	-	-	154,632,006
Unquoted equity securities	74,285	-	-	-	-	-	34,404,673	34,478,958
<b>Total</b>	<b>₱155,811,388</b>	<b>₱1,868,213</b>	<b>₱2,908,069</b>	<b>₱1,150,145</b>	<b>₱420,628</b>	<b>₱10,845,804</b>	<b>₱50,513,923</b>	<b>₱223,518,170</b>

#### Foreign currency risk

The Group is not exposed to any significant foreign currency risk given that there are no material monetary assets or liabilities of the Group that are not denominated in its functional currency. The Group's exposure to foreign currency risk pertains only to VMC's \$200,000 refundable deposit from a customer equivalent to ₱8,210,000 as of December 31, 2011. As such, the Group's foreign



currency risk is minimal. On December 18, 2012, following the divestment of the Parent Company's interest in VMC, the foreign currency-denominated deposits were deconsolidated.

#### *Interest Rate Risk*

The Group's exposure to market risk for changes in interest rates arises primarily from its bank loans. The bank loans bears fixed interest rates. Moreover, management believes that cash generated from operating and investing activities are sufficient to pay for its obligations as these falls due.

#### *Equity Price Risk*

Equity price risk is a risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The equity price risk exposure arises from the Group's quoted AFS investments.

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

The effect on equity (as a result of a change in fair value of equity instruments held as AFS investments) due to reasonably possible change in equity indices, with all other variables held constant, are as follows:

	Change in equity price	
	+10%	-10%
Increase (decrease) on other comprehensive income :		
<b>2012</b>	<b>₱1,394,101</b>	<b>(₱1,394,101)</b>
2011	15,196,917	(15,196,917)

The impact on the Group's equity already excludes the impact on transactions affecting the net income in the consolidated statement of comprehensive income.

#### Fair Values of Financial Instruments

##### *Cash, Receivables, Due from/to Related Parties and Trade and Other Payables*

The carrying amounts of cash, receivables, due from/to related parties and trade and other payables approximate their fair values due to the short-term maturity of these financial instruments.

##### *AFS Investments*

AFS investments which are actively traded are measured at fair values with reference to their quoted market price in an active market. AFS investments that are unlisted are carried at cost less allowance for impairment losses since the fair value of these investments cannot be reliably determined as these have no available bid price.

#### Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active market for identical assets and liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.



As of December 31, 2012 and 2011, the Group has quoted AFS investments measured at fair value under level 1 of fair value hierarchy. There were no other financial instruments measured at fair value. In 2012 and 2011, there were no transfers between levels in the fair value hierarchy.

#### Capital Management

The Group considers the equity presented in the consolidated statement of financial position as its core capital. The primary objective of the Group's capital management is to ensure that the Group has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may obtain additional advances from stockholders or look for strategic and financial investors to invest in its ongoing projects either on a joint venture, farm-in or participation arrangement.

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### 23. Note to Consolidated Statement of Cash Flows

Noncash investing activity in 2012 pertains to the sale of AFS investments on account with related parties amounting to ₱137.5 million.

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### 24. Segment Information

The Group has two main business segments - mining and oil and gas operations.

Management monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with the total comprehensive income in the consolidated financial statements.

The Group's assets are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

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

#### 2012

	Mining	Oil and Gas	Consolidated Total
Net income	₱58,812,091	₱—	₱58,812,091
Assets and Liabilities:			
Segment assets	₱97,994,992	₱872,146,374	₱970,141,366
Investments	—	14,015,297	14,015,297
Total assets	₱206,133,630	₱886,161,671	₱984,156,663
Total liabilities	₱147,170,436	₱355,098,732	₱395,116,449

#### Other Segment Information:

Addition to property and equipment	₱3,944,711	₱—	₱3,944,711
Additions to deferred exploration costs	1,520,914	68,571,968	70,092,882





2011

	Mining	Oil and Gas	Eliminations	Consolidated Total
Revenue				
Sales to external customers	P107,849,114	P—	P—	P107,849,114
Results				
Income before tax, interest expense and interest income	P12,277,284	P—	P—	P12,277,284
Net interest expense	(1,526,140)	—	—	(1,526,140)
Income before income tax	10,751,144	—	—	10,751,144
Income tax expense	(592,056)	—	—	(592,056)
Net income	P10,159,088	P—	P—	P10,159,088
Assets and Liabilities:				
Segment assets	P203,941,142	P826,024,669	(P32,852,764)	P997,113,047
Investments	73,365,388	154,706,291	(73,365,388)	154,706,291
Total assets	P277,306,530	P980,730,960	(P106,218,152)	P1,151,819,338
Total liabilities	P89,351,323	P431,393,397	P—	P520,744,720
Other Segment Information:				
Addition to property and equipment	P1,540,428	P—	P—	P1,540,428
Additions to deferred exploration costs	1,831,149	258,227,975	—	260,059,124

2010

	Mining	Oil and Gas	Eliminations	Total
Revenue				
Sales to external customers	P126,450,201	P—	P—	P126,450,201
Results				
Loss before tax, interest expense and interest income	(P3,069,265)	P—	P—	(P3,069,265)
Net interest expense	(2,418,582)	—	—	(2,418,582)
Loss before income tax	(5,487,847)	—	—	(5,487,847)
Income tax expense	(501,349)	—	—	(501,349)
Net loss	(P5,989,196)	P—	P—	(P5,989,196)
Assets and Liabilities				
Segment assets	P41,947,008	P795,933,564	(P21,975,989)	P815,904,583
Investments	72,930,001	357,561,885	(72,930,001)	357,561,885
Total assets	P114,877,009	P1,153,495,449	(P94,905,990)	P1,173,466,468
Total liabilities	P85,462,786	P449,262,511	(P33,778,401)	P500,946,896
Other Segment Information:				
Addition to property and equipment	P7,933,304	P3,081	P—	P7,936,385
Additions to deferred exploration costs	6,756,508	46,232,613	—	52,989,121





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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  
Vulcan Industrial & Mining Corporation and Subsidiary  
7<sup>th</sup> Floor, Quad Alpha Centrum,  
125 Pioneer St. Mandaluyong

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Vulcan Industrial & Mining Corporation and Subsidiary as at December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012, included in this Form 17-A, and have issued our report thereon dated April 16, 2013. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, as Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

*Maria Veronica Andresa R. Pore*

Maria Veronica Andresa R. Pore  
Partner

CPA Certificate No. 90349

SEC Accreditation No. 0662-AR-1 (Group A),  
March 3, 2011, valid until March 2, 2014

Tax Identification No. 164-533-282

BIR Accreditation No. 08-001998-71-2012,  
April 11, 2012, valid until April 10, 2015

PTR No. 3670011, January 2, 2013, Makati City

April 16, 2013



**VULCAN INDUSTRIAL & MINING CORPORATION AND SUBSIDIARY  
INDEX TO FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE**

**SUPPLEMENTARY SCHEDULES**

- A Schedule of financial assets
- B Schedule of amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties)
- C Amounts receivable from related parties which are eliminated during the consolidation of financial statements
- D Schedule of intangible assets - other assets
- E Schedule of long-term debt
- F Schedule of indebtedness to related parties
- G Schedule of guarantees of securities of other issuers
- H Schedule of capital stock
- I Amounts payable to related parties which are eliminated during consolidated financial statements
- J Schedule of reconciliation of retained earnings available for dividend declaration as of December 31, 2012
- K Schedule of map of the relationships of the companies within the Group
- L Tabular schedule of effective standards and interpretations under the PFRS as of December 31, 2012

**SCHEDULE A**  
**VULCAN INDUSTRIAL & MINING CORPORATION AND SUBSIDIARY**  
**FINANCIAL ASSETS**  
**PURSUANT TO SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2012**

Name of issuing entity and association of each issue	Number of shares or principal amounts of bonds and notes	Amount shown in the balance sheet	Income received and accrued
<b>Loans and Receivables</b>			
Cash	N/A	₱748,345	₱—
Receivables	N/A	1,513,008	—
<b>AFS Investments</b>			
Quoted equity shares	243,263,716	₱13,941,012	₱267,188
Unquoted equity shares	1,577,500	74,285	—

**SCHEDULE B**  
**VULCAN INDUSTRIAL & MINING CORPORATION AND SUBSIDIARY**  
**AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS,**  
**EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS**  
**(OTHER THAN RELATED PARTIES)**  
**PURSUANT TO SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2012**

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

**SCHEDULE C**  
**VULCAN INDUSTRIAL & MINING CORPORATION AND SUBSIDIARY**  
**AMOUNTS RECEIVABLE FROM RELATED PARTIES**  
**WHICH ARE ELIMINATED DURING THE**  
**CONSOLIDATION OF FINANCIAL STATEMENTS**  
**PURSUANT TO SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2012**

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected/ Settlements	Amounts Written off	Current	Not Current	Balance at end period
Vulcan Material Corporation (A wholly-owned subsidiary up to December 17, 2012)	₱19,497,715	₱1,010,052	₱—	₱—	₱20,507,767	₱—	₱20,507,767



**SCHEDULE D**  
**VULCAN INDUSTRIAL & MINING CORPORATION AND SUBSIDIARY**  
**INTANGIBLE ASSETS - OTHER ASSETS**  
**PURSUANT TO SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2012**

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
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*—Not applicable—*

**SCHEDULE E**  
**VULCAN INDUSTRIAL & MINING CORPORATION AND SUBSIDIARY**  
**LONG-TERM DEBT**  
**PURSUANT TO SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2012**

Title of Issue and type of obligation	Amount authorized by: Indenture	Amount shown under the caption "Current Portion of long-term borrowings" in related balance sheet	Amount shown under the caption "Long-term borrowings- net of current portion" in related balance sheet
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*—Not applicable—*

**SCHEDULE F**  
**VULCAN INDUSTRIAL & MINING CORPORATION AND SUBSIDIARY**  
**INDEBTEDNESS TO RELATED PARTIES**  
**(LONG-TERM LOANS FROM RELATED COMPANIES)**  
**PURSUANT TO SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2012**

Name of Related Party	Balance at beginning of period	Balance at end of period
<i>-Not applicable-</i>		

**SCHEDULE G**  
**VULCAN INDUSTRIAL & MINING CORPORATION AND SUBSIDIARY**  
**GUARANTEES OF SECURITIES OF OTHER ISSUERS**  
**PURSUANT TO SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2012**

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owed by person for which statement is filed	Nature of guarantee
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*—Not applicable—*

**SCHEDULE H**  
**VULCAN INDUSTRIAL & MINING CORPORATION AND SUBSIDIARY**  
**CAPITAL STOCK**  
**PURSUANT TO SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2012**

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for option, warrants, conversions and other rights	No of shares held by		
				Affiliates	Directors and Officers	Others
Common	600,000,000	592,271,739	—	140,080,470	8,968,425	443,222,844

**SCHEDULE I**  
**VULCAN INDUSTRIAL & MINING CORPORATION AND SUBSIDIARY**  
**AMOUNTS PAYABLE TO RELATED PARTIES**  
**WHICH ARE ELIMINATED DURING THE**  
**CONSOLIDATION OF FINANCIAL STATEMENTS**  
**PURSUANT TO SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2012**

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



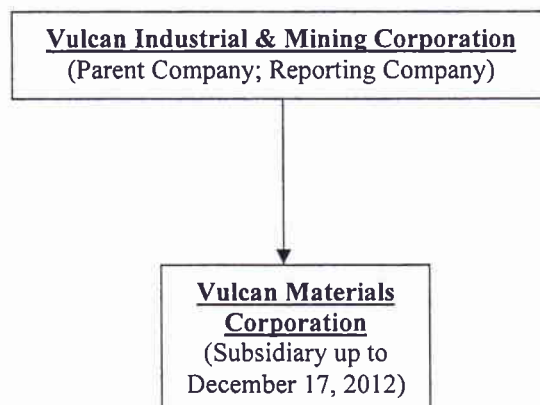
**SCHEDULE J**  
**RECONCILIATION OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**As of December 31, 2012**

**VULCAN INDUSTRIAL & MINING CORPORATION AND SUBSIDIARY**  
**7<sup>th</sup> Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City**

<b><u>Retained earnings as of January 1, 2012, as adjusted to available for dividend distribution</u></b>		<b>(P94,139,309)</b>
<b><u>Add: Net income actually earned/realized during the period</u></b>		
Net income during the period closed to retained earnings	P58,812,091	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture		
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)		
Unrealized actuarial gain		
Fair value adjustment (mark-to-market gains)		
Fair value adjustment of investment property resulting to gain		
Adjustment due to deviation from PFRS/GAAP - gain		
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS		
Subtotal		
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)		
Adjustment due to deviation from PFRS/GAAP - loss		
Loss on fair value adjustment of investment property (after tax)		
Subtotal		
<b>Net income actually earned during the period</b>		<b>58,812,091</b>
Add (Less):		
Dividend declarations during the period		
Appropriations of retained earnings		
Reversals of appropriations		
Effects of prior period adjustments		
Treasury stock	<u>(P5,837,398)</u>	
Subtotal		<u>(5,837,398)</u>
<b>TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND*</b>		<b>-</b>

*\*The amount is zero since the reconciliation results to a deficit of P41,164,616 as at December 31, 2012.*

**SCHEDULE K**  
**VULCAN INDUSTRIAL & MINING CORPORATION AND SUBSIDIARY**  
**MAP OF THE RELATIONSHIPS OF THE**  
**COMPANIES WITHIN THE GROUP**  
**PURSUANT TO SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2012**



**SCHEDULE L**  
**VULCAN INDUSTRIAL & MINING CORPORATION AND SUBSIDIARY**  
**TABULAR SCHEDULE OF EFFECTIVE STANDARDS**  
**AND INTERPRETATIONS UNDER THE PFRS**  
**PURSUANT TO SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2012**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>				✓
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	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			✓
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
<b>PFRS 3 (Revised)</b>	Business Combinations			✓
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

(Forward)

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations	✓		
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources	✓		
<b>PFRS 7</b>	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	Not early adopted		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
<b>PFRS 8</b>	Operating Segments	✓		
<b>PFRS 9</b>	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
<b>PFRS 10</b>	Consolidated Financial Statements	Not early adopted		
<b>PFRS 11</b>	Joint Arrangements	Not early adopted		
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	Not early adopted		
<b>PFRS 13</b>	Fair Value Measurement	Not early adopted		
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	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	Not early adopted		
<b>PAS 2</b>	Inventories	✓		

(Forward)

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2012		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 7</b>	Statement of Cash Flows	✓		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Balance Sheet Date	✓		
<b>PAS 11</b>	Construction Contracts			✓
<b>PAS 12</b>	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
<b>PAS 16</b>	Property, Plant and Equipment	✓		
<b>PAS 17</b>	Leases	✓		
<b>PAS 18</b>	Revenue	✓		
<b>PAS 19</b>	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
<b>PAS 19 (Amended)</b>	Employee Benefits	Not early adopted		
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
<b>PAS 23 (Revised)</b>	Borrowing Costs	✓		
<b>PAS 24 (Revised)</b>	Related Party Disclosures	✓		
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans			✓
<b>PAS 27 (Amended)</b>	Separate Financial Statements	Not early adopted		
<b>PAS 28</b>	Investments in Associates			✓
<b>PAS 28 (Amended)</b>	Investments in Associates and Joint Ventures	Not early adopted		
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓
<b>PAS 31</b>	Interests in Joint Ventures			✓

(Forward)

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 32</b>	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	Not early adopted		
<b>PAS 33</b>	Earnings per Share	✓		
<b>PAS 34</b>	Interim Financial Reporting			✓
<b>PAS 36</b>	Impairment of Assets	✓		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets			✓
<b>PAS 39</b>	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			✓
<b>PAS 40</b>	Investment Property			✓
<b>PAS 41</b>	Agriculture			✓

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease			✓
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
<b>IFRIC 6</b>	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
<b>IFRIC 8</b>	Scope of PFRS 2			✓
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
<b>IFRIC 10</b>	Interim Financial Reporting and Impairment			✓
<b>IFRIC 11</b>	PFRS 2- Group and Treasury Share Transactions			✓
<b>IFRIC 12</b>	Service Concession Arrangements			✓
<b>IFRIC 13</b>	Customer Loyalty Programmes			✓
<b>IFRIC 14</b>	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			✓
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			✓
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners			✓
<b>IFRIC 18</b>	Transfers of Assets from Customers			✓
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments			✓
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine	Not early adopted		

(Forward)

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Effective as of December 31, 2012</b>				
<b>SIC-7</b>	Introduction of the Euro			✓
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			✓
<b>SIC-12</b>	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			
<b>SIC-13</b>	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
<b>SIC-15</b>	Operating Leases - Incentives			✓
<b>SIC-21</b>	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
<b>SIC-29</b>	Service Concession Arrangements: Disclosures.			✓
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services			✓
<b>SIC-32</b>	Intangible Assets - Web Site Costs			✓

Note: Standards and interpretations tagged as "Not Applicable" are those standards which were adopted and have no significant covered transaction as of and for the years ended December 31, 2012 and 2011.