



108132014002054



## SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

### Barcode Page

The following document has been received:

**Receiving Officer/Encoder** : Julius N. Salustiano  
**Receiving Branch** : SEC Head Office  
**Receipt Date and Time** : August 13, 2014 03:08:58 PM  
**Received From** : Head Office

**Company Representative**

---

**Doc Source**

---

**Company Information**

---

**SEC Registration No.** 0000025844  
**Company Name** ABRA MINING & INDL. CORP.  
**Industry Classification**  
**Company Type** Stock Corporation

**Document Information**

---

**Document ID** 108132014002054  
**Document Type** 17-Q (FORM 11-Q: QUARTERLY REPORT/FS)  
**Document Code** 17-Q  
**Period Covered** June 30, 2014  
**No. of Days Late** 0  
**Department** CFD  
**Remarks**

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended June 30, 2014  
2. Commission Identification number 25844 3. BIR Tax Identification No 000-375-930

ABRA MINING & INDUSTRIAL CORPORATION

4. Exact name of issuer as specified in its charter

Quezon City, Philippines

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code:  (SEC Use Only)

Suite 3, 3<sup>rd</sup> Flr., Jafer Bldg., 118 West Avenue, Quezon City

1104

7. Address of issuer's principal office Postal Code

(632) 925-16-05 up to 10

8. Issuer's telephone number, including area code

not applicable

9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

<i>Title of Each Class</i>	<i>Number of shares of common stock outstanding and amount of debt outstanding</i>
<b>Capital Stock – common</b>	<b>182,946,882,574</b>

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

Yes  No

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

**Philippine Stock Exchange**

**common shares**

12. Indicate by check mark whether the registrant:

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

Yes  No

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

Yes [ ] No [x]

13. Aggregate market value of the voting stock held by non-affiliates: not applicable

## PART I--FINANCIAL INFORMATION

### Item 1. Financial Statements.

A copy of the comparative financial statements as of and for the quarters ended June 30, 2014 and 2013 is submitted as part of this report. The financial statements were prepared in accordance with the accounting standards generally accepted in the Philippines. The accounting policies and methods of computations followed in the interim financial statements are the same methods used in the audited financial statements for the year ended December 31, 2013.

### Item 2. Management's Discussion and Results of Operations.

#### RESULTS/STATUS OF OPERATIONS

AMIC has not started normal and commercial extraction of mine products. Registrant has no income from operations as there were no commercial operations yet as of the end of the year. The company records administrative costs as expenses and all other disbursements are capitalized as unamortized exploration and development costs.

The Company has not yet been successful in establishing profitable operations. For the six-months under review, the Company incurred total net loss of P2,084,300.

#### FINANCIAL CONDITION

Comparative financial condition as of June 30, 2014 & 2013 and December 31, 2013 are presented below:

	<b>June 30, 2014</b>	June 30, 2013	December 31, 2013
Total Current Assets	<b>8,279,425</b>	7,795,360	8,010,140
Total Non-Current Assets	<b>1,617,717,247</b>	1,566,779,913	1,610,139,430
<b>Total Assets</b>	<b>1,625,996,672</b>	<b>1,574,575,273</b>	<b>1,618,149,570</b>
Current Liabilities	<b>6,107,000</b>	6,831,198	7,620,653
Non-Current Liabilities	<b>34,998,490</b>	105,014,615	23,689,632
<b>Total Liabilities</b>	<b>41,105,490</b>	<b>111,845,813</b>	<b>31,310,285</b>

#### June 30, 2014 vs. June 30, 2013

Cash increase by 113% from Php268,550 as of June 30, 2013 to Php573,237 as of the end of June 30, 2014.

Property, plant and equipment increase by 5% from Php788,525,561 to Php 831,120,950 as of the end of June 30, 2014.

Current liabilities increase by 6% or Php484,065.

Total costs and operating expenses amounts to Php1.9M, 13% lesser or Php293,542 compared with Php2.2M posted in 2013 of the same period.

**June 30, 2014 vs. December 31, 2013**

Comparative data shows that cash balances increases by 42% or Php169,254 from Php403,983 to Php573,237 as of the end of the quarter under review.

Total costs and operating expenses is Php3.6 Million as of December 31, 2013 to Php1.9 Million.

Registrant has no income from operations as there were no commercial operations yet as of the end of the year. The company records administrative costs as expenses and all other disbursements are capitalized as unamortized exploration and development costs.

**Causes for any material change/s (5%) from period to period which shall include vertical and horizontal analyses of any material item.**

**June 30, 2014 vs. March 31, 2014-Quarter Ended**

Travel and Representation decreased by 57% amounting to Php42,045 due to lesser activities involving due diligence in the mine site.

85% decrease in taxes and licenses due to the payment of the arrears in taxes during the prior quarter.

33% decrease in Communication due to cost cutting implemented by the Company.

**June 30, 2014 vs. June 30, 2013-6 months ended**

51 % decrease in Travel and Representation amounting to Php110,695 due to lesser activities involving due diligence in the mine site.

42% decrease in taxes and licenses due to the payment of the arrears in taxes during the prior quarter.

34% increase Repairs and maintenance amounting to Php58,418 due to the rehabilitation of civil works.

19% decrease in Communication due to the cost cutting being implemented by the Company.

14% decrease in Employees benefits due to the decrease in the number of employees.

Comparative Financial Ratios as of June 31, 2014 pursuant to SRC Rule 68, as amended with comparative annual figures for 2013

Ratios	June 2014 Unaudited	June 30, 2013 Unaudited	December 31, 2013 Audited
Profitability ratio			
Solvency and Liquidity Ratio			
Current ratio	<b>1.43:1</b>	<b>1.14:1</b>	1.80149:1
Debt to Equity Ratio	<b>0.03:1</b>	<b>0.07:1</b>	0.03751:1
Quick Ratio	<b>0.09:1</b>	<b>0.04:1</b>	0.05:1
Financial Leverage Ratio			
Asset to Equity Ratio	<b>1.02:1</b>	<b>1.076:1</b>	1.03751:1
Debt to Asset Ratio	<b>0.03:1</b>	<b>0.07</b>	0.019:1
Interest Rate Coverage Ratio	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

The key performance indicators are as follows:

a) Working Capital (Current Assets less Current Liabilities)

	June 30, 2014	June 30, 2013	December 31, 2013
Current Assets	<b>8,729,425</b>	<b>7,795,360</b>	8,010,140
Current Liabilities	<b>6,107,000</b>	<b>6,831,198</b>	7,620,653
Working Capital	<b>2,622,425</b>	<b>964,162</b>	389,487

The data shows the availability of resources to satisfy the immediate and current financial transactions of the company.

b) Current Ratio (Current assets over current liabilities)

	June 30, 2014	June 30, 2013	December 31, 2013
Current Assets	<b>8,729,425</b>	7,795,360	8,010,140
Current Liabilities	<b>6,107,000</b>	6,831,198	7,620,653
Current Ratio	<b>1.43:1</b>	1.14:1	1.05:1

This ratio measures the ability of the company to meet its current obligation and is reflected by the proportion of current assets to current liabilities. As shown above, the company can still meet its obligation.

c) Quick Ratio (Quick asset over current liabilities)

	June 30, 2014	June 30, 2013	December 31, 2013
Quick Assets	<b>573,237</b>	<b>268,550</b>	403,983
Current Liabilities	<b>6,107,000</b>	<b>6,831,198</b>	7,620,653
Quick Ratio	<b>0.09</b>	0.04	0.05

d) Debt to assets ratio (Total liabilities over total assets)

	<b>June 30, 2014</b>	June 30, 2013	December 31, 2013
Total Liabilities	<b>41,105,490</b>	<b>111,845,813</b>	31,310,285
Total Assets	<b>1,625,996,672</b>	<b>1,574,575,273</b>	1,618,149,570
Debt to Asset Ratio	<b>0.03:1</b>	<b>0.07:1</b>	0.019:1

The ratio shows the contributions of borrowings to total resources of the corporation.

e) Debt to Equity Ratio (Total liabilities over Total Equity)

	<b>June 30, 2014</b>	June 30, 2013	December 31, 2013
Total Liabilities	<b>41,105,490</b>	111,845,813	31,310,285
Total Equity	<b>1,584,891,182</b>	1,462,729,460	1,586,839,285
Debt to Equity Ratio	<b>0.026</b>	0.08	0.019

### **INCOME STATEMENT**

For the past several years, the company has not derived any income from operations as there were no commercial operations yet. The company records administrative costs as expenses and all other disbursements are capitalized as unamortized exploration and development costs.

### **Known Trends, Events or Uncertainties**

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

There are no known significant trends, demands, commitments or uncertainties that will result in or that are reasonably likely to result in the company's liquidity increasing or decreasing in a material way. There are not material commitments for capital expenditures not reflected in the company's financial statements. There is likewise no significant seasonality or cyclicity in its business operation that would have a material effect on the company's financial condition or results of operations. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationship of the company with unconsolidated entities or other persons.

### **Financial Risk Disclosure**

1. A description of the financial instruments of the company and the classification and measurements applied for each. If material in amount, provide detailed explanation on complex securities particularly on derivatives and their impact on the financial condition of the company; NOT APPLICABLE
2. The amount and description of the company's investments in foreign securities; NOT APPLICABLE
3. The significant judgments made in classifying a particular financial instrument in the fair value hierarchy; NOT APPLICABLE
4. An explanation of how risk is incorporated and considered in the valuation of assets or liabilities; NOT APPLICABLE

5. A comparison of the fair values as of date of the recent interim financial report and as of date of the preceding interim period and the amount of gain/loss recognized for each of the said periods: NOT APPLICABLE; and
6. The criteria used to determine whether the market for a financial instrument is active or inactive, as defined under PAS 39 Financial instruments – NOT APPLICABLE

### **Financial Risk Management Objectives and Policies**

Company's principal financial instruments comprise mainly of cash and advances from affiliates. The main purpose of these financial assets is to finance company's operations. The company has other financial liability such as accrued expenses and other payables, which arise directly from its operations.

Company's risk management policy is addressed as follows:

#### **Liquidity risk**

Liquidity risks or funding risks is the risks that company will encounter in raising funds to meet commitments associated with financial liabilities and to finance capital expenditures. Liquidity risks may result from difficulty 1or inability to generate cash inflows as anticipated. The company manages liquidity by regularly monitoring and evaluating its projected and actual cash flows.

#### **Credit risk**

Company's credit risk relates to "cash in bank" account of company. The exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of this financial asset as stated in the following table. Given that AMIC has no outstanding receivables, it is not exposed to large concentrations of credit risk.

	<b>June 30, 2014</b>	June 30, 2013	December 31, 2013
Cash in bank	571,737	268,550	403,983

Cash in bank is considered as high grade as this pertains to demand deposits in a reputable bank.

The company continuously reviews credit policies and processes and implement various credit actions depending on assessed risks to minimize credit exposure.

#### **Interest Rate Risk**

Not applicable as the Company has no interest-bearing payables.

#### **Foreign Currency Rate Risk**

Not applicable.

**PART II – OTHER INFORMATION**


None.

**SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**Issuer: Abra Mining & Industrial Corporation**

**Signature and Title:**

  
**JEREMIAS B. BELOY**  
President/CEO

  
**AMELIA G. BELOY**  
Treasurer

**August 12, 2014**



---



---

**STATEMENTS OF FINANCIAL POSITION**

---

	<b>Unaudited June 30, 2014</b>	% to Assets	Unaudited March 31, 2014	Change Peso	%
<b><u>ASSETS</u></b>					
<b>Current Assets</b>					
Cash	573,237	1.04%	575,220	(1,983)	-0.3%
Supplies Inventory	7,706,188	0.47%	7,895,620	(189,432)	-2.4%
<b>Total Current Assets</b>	<b>8,279,425</b>	<b>0.51%</b>	<b>8,470,840</b>	<b>(191,415)</b>	<b>2.3%</b>
<b>Non-current Assets</b>					
Property, plant and equipment, net	831,120,950	51.11%	830,254,500	866,450	0.1%
Deferred Exploration Costs	786,596,297	48.38%	783,665,840	2,930,457	0.4%
<b>Total Non-Current Assets</b>	<b>1,617,717,247</b>	<b>99.49%</b>	<b>1,613,920,340</b>	<b>3,796,907</b>	<b>0.2%</b>
<b>Total Assets</b>	<b>1,625,996,672</b>	<b>100%</b>	<b>1,622,391,180</b>	<b>3,605,492</b>	<b>0.2%</b>
<b><u>LIABILITIES AND EQUITY</u></b>					
<b>Current Liabilities</b>					
Accrued expenses and other payables	6,107,000	0.38%	7,892,000	(1,785,000)	-22.6%
<b>Non-Current Liabilities</b>					
Advances from an affiliated company	31,689,540	2%	25,489,540	6,200,000	24.3%
Accrued retirement benefits	3,308,950	0.20%	3,254,100	54,850	1.7%
<b>Total Non-Current Liabilities</b>	<b>34,998,490</b>	<b>2.15%</b>	<b>28,743,640</b>	<b>6,254,850</b>	<b>21.8%</b>
<b>Total Liabilities</b>	<b>41,105,490</b>	<b>2.53%</b>	<b>36,635,640</b>	<b>4,469,850</b>	<b>12.2%</b>
<b>Equity</b>					
Capital Stock					
Issued and Outstanding	829,468,825	51.01%	829,468,825	-	0%
Subscribed and paid-up	805,357,000	49.53%	805,357,000	-	0%
Deficit	(49,934,643)	-3.07%	(49,070,285)	(864,358)	1.8%
<b>Total Equity</b>	<b>1,584,891,182</b>	<b>97.47%</b>	<b>1,585,755,540</b>	<b>(864,358)</b>	<b>-0.1%</b>
<b>Total Liabilities and Equity</b>	<b>1,625,996,672</b>	<b>100%</b>	<b>1,622,391,180</b>	<b>3,605,492</b>	<b>0.2%</b>

---

**ABRA MINING AND INDUSTRIAL CORPORATION**

---

**STATEMENTS OF FINANCIAL POSITION**

	<b>Unaudited June 30, 2014</b>	<b>% to Assets</b>	<b>Unaudited June 30, 2013</b>	<b>Change Peso</b>	<b>%</b>
<b><u>ASSETS</u></b>					
<b>Current Assets</b>					
Cash	573,237	0.04%	268,550	304,687	113%
Supplies Inventory	7,706,188	0.47%	7,526,810	179,378	2%
<b>Total Current Assets</b>	<b>8,279,425</b>	<b>0.51%</b>	<b>7,795,360</b>	<b>484,065</b>	<b>6%</b>
<b>Non-current Assets</b>					
Property, plant and equipment, net	831,120,950	51.11%	788,525,561	42,595,389	5%
Deferred Exploration Costs	786,596,297		778,254,352	8,341,945	1%
<b>Total Non-Current Assets</b>	<b>1,617,717,247</b>		<b>1,566,779,913</b>	<b>50,937,334</b>	<b>3%</b>
<b>Total Assets</b>	<b>1,625,996,672</b>		<b>1,574,575,273</b>	<b>51,421,399</b>	<b>3%</b>
<b><u>LIABILITIES AND EQUITY</u></b>					
<b>Current Liabilities</b>					
Accrued expenses and other payables	6,107,000		6,831,198	(724,198)	-11%
<b>Non-Current Liabilities</b>					
Advances from an affiliated company	31,689,540		102,132,021	(70,442,481)	-69%
Accrued retirement benefits	3,308,950		2,882,594	426,356	
<b>Total Non-Current Liabilities</b>	<b>34,998,490</b>		<b>105,014,615</b>	<b>(70,016,125)</b>	<b>-67%</b>
<b>Total Liabilities</b>	<b>41,105,490</b>		<b>111,845,813</b>	<b>(70,740,323)</b>	<b>-63%</b>
<b>Equity</b>					
Capital Stock					
Issued and Outstanding	829,468,825		829,468,825	-	0%
Subscribed and paid-up	805,357,000		679,725,000	125,632,000	18%
Deficit	(49,934,643)		(46,464,365)	(3,470,278)	7%
<b>Total Equity</b>	<b>1,584,891,182</b>		<b>1,462,729,460</b>	<b>122,161,722</b>	<b>8%</b>
<b>Total Liabilities and Equity</b>	<b>1,625,996,672</b>		<b>1,574,575,273</b>	<b>51,421,399</b>	<b>3%</b>

**ABRA MINING AND INDUSTRIAL CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**

	<b>Unaudited June 30, 2014</b>	% to Assets	Audited December 31 2013	Change Peso	%
<b><u>ASSETS</u></b>					
<b>Current Assets</b>					
Cash	573,237	0.04%	403,983	169,254	42%
Supplies Inventory	7,706,188	0.47%	7,606,157	100,031	1%
<b>Total Current Assets</b>	<b>8,279,425</b>	<b>0.51%</b>	<b>8,010,140</b>	<b>269,285</b>	<b>3%</b>
<b>Non-current Assets</b>					
Property, plant and equipment, net	831,120,950	51.11%	828,154,200	2,966,750	0%
Deferred Exploration Costs	786,596,297	48.38%	781,985,230	4,611,067	1%
<b>Total Non-Current Assets</b>	<b>1,617,717,247</b>	<b>99.49%</b>	<b>1,610,139,430</b>	<b>7,577,817</b>	<b>0%</b>
<b>Total Assets</b>	<b>1,625,996,672</b>	<b>100%</b>	<b>1,618,149,570</b>	<b>7,847,102</b>	<b>0%</b>
<b><u>LIABILITIES AND EQUITY</u></b>					
<b>Current Liabilities</b>					
Accrued expenses and other payables	6,107,000	0.38%	7,620,653	(1,513,653)	-20%
<b>Non-Current Liabilities</b>					
Advances from an affiliated company	31,689,540	2.00%	20,759,517	10,930,023	53%
Accrued retirement benefits	3,308,950	0.20%	2,930,115	378,835	13%
<b>Total Non-Current Liabilities</b>	<b>34,998,490</b>	<b>2.15%</b>	<b>23,689,632</b>	<b>11,308,858</b>	<b>48%</b>
<b>Total Liabilities</b>	<b>41,105,490</b>	<b>2.53%</b>	<b>31,310,285</b>	<b>9,795,205</b>	<b>31%</b>
<b>Equity</b>					
Capital Stock					
Issued and Outstanding	829,468,825	51.01%	829,468,825	-	0%
Subscribed and paid-up	805,357,000	49.53%	805,357,000	-	0%
Deficit	(49,934,643)	-3.07%	(47,986,540)	(1,948,103)	4%
<b>Total Equity</b>	<b>1,584,891,182</b>	<b>97.47%</b>	<b>1,586,839,285</b>	<b>(1,948,103)</b>	<b>0%</b>
<b>Total Liabilities and Equity</b>	<b>1,625,996,672</b>	<b>100%</b>	<b>1,618,149,570</b>	<b>7,847,102</b>	<b>4%</b>

**ABRA MINING AND INDUSTRIAL CORPORATION**  
**COMPREHENSIVE INCOME**

2<sup>nd</sup> quarter 2014

<b>Quarter Ended</b>				
	<b>Unaudited June 30, 2014</b>	<b>Unaudited June 30, 2013</b>	<b>Change</b>	
			Peso	%
<b>Revenue</b>	-	-	-	0%
Employee Benefits	380,220	424,649	(44,429)	-11%
Depreciation and amortization	59,000	59,000	-	0%
Travel and representation	31,250	8,296	22,954	73%
Office expense	54,085	53,416	669	1%
Communication	58,650	87,591	(28,941)	-33%
Repairs and maintenance	152,253	148,735	3,518	0%
Rent	97,335	93,555	3,780	0%
Taxes and licenses	22,450	82,594	(60,144)	-85%
Miscellaneous	9,115	27,914	(18,799)	-2%
<b>Total Expenses</b>	<b>864,358</b>	<b>985,750</b>	<b>(121,392)</b>	
<b>Net Loss</b>	<b>(864,358)</b>	<b>(1,083,745)</b>		

---

**ABRA MINING AND INDUSTRIAL CORPORATION**

---

**COMPREHENSIVE INCOME  
SIX MONTHS ENDED**

	<b>Unaudited June 30, 2014</b>	Unaudited June 30, 2013	Change Peso	%
<b>Revenue</b>	-	-	-	0%
Employee Benefits	778,329	866,992	(88,663)	-11%
Depreciation and amortization	118,000	118,000	-	0%
Travel and representation	104,545	68,960	35,585	34%
Office expense	109,058	109,058	10,752	11%
Communication	146,241	178,831	(35,590)	-22%
Repairs and maintenance	306,391	291,750	14,641	5%
Rent	194,670	187,110	7,560	4%
Taxes and licenses	172,408	226,784	(54,376)	-32%
Miscellaneous	18,461	36,815	(18,354)	-99%
<b>Total Expenses</b>	<b>1,948,103</b>	<b>2,084,300</b>	<b>(136,197)</b>	<b>-7%</b>
<b>Net Loss</b>	<b>(1,948,103)</b>	<b>(2,084,300)</b>	<b>(136,197)</b>	<b>-7%</b>

**ABRA MINING AND INDUSTRIAL CORPORATION**  
**STATEMENTS OF CASH FLOWS**

QUARTER ENDED	Unaudited June 30, 2014	Unaudited June 2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Total Losses	(864,358)	(1,985,750)
Adjustment for:		
Depreciation and amortization	5,594,528	6,600,859
Net Cash before working capital changes	4,730,170	4,615,109
(Increase)/Decrease in:		
Supplies Inventory	189,432	471,891
Increase/(Decrease) in:		
Accrued expenses and other payables	(1,785,000)	1,929,477
Accrued retirement benefits	(584,850)	67,500
Net Cash provided (used in)		
By operating activities	3,189,452	7,083,977
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in Property, Plant and Equipment	(866,450)	(17,347,000)
Increased in Deferred exploration costs	(8,531,316)	(10,049,978)
Net Cash used in Investing Activities	(9,397,766)	(27,396,978)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from advances from an affiliate	6,200,000	20,000,000
Payment of advances from affiliate	-	-
Proceeds from collections of subscription receivables	-	-
Net Cash provided in Financing Activities	6,200,000	20,000,000
Net increase/(decrease) in Cash	(8,314)	(313,001)
Cash, Beginning	581,551	581,551
Cash, Ending	<b>573,237</b>	<b>268,550</b>

**ABRA MINING AND INDUSTRIAL CORPORATION**

---

**STATEMENTS OF CASH FLOWS**

---

Six Months Ended	Unaudited June 30, 2014	Unaudited June 30, 2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Total Losses	(3,470,278)	(3,650,972)
Adjustment for:		
Depreciation and amortization	14,310,353	11,429,216
Net Cash before working capital changes	10,840,075	7,778,244
(Increase)/Decrease in:		
Supplies Inventory	(179,378)	(628,802)
Increase/(Decrease) in:		
Accrued expenses and other payables	724,198	1,920,875
Accrued retirement benefits	(426,356)	(60,587)
Net Cash provided (used in)		
By operating activities	10,958,539	9,009,730
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in Property, Plant and Equipment	(42,595,389)	(89,152,445)
Increased in Deferred exploration costs	(23,491,737)	(68,187,119)
Net Cash used in Investing Activities	(66,087,126)	(157,339,564)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from advances from an affiliate	(70,442,481)	70,400,000
Payment of advances from affiliate	-	-
Proceeds from collections of subscription receivables	125,632,000	77,900,000
Net Cash provided in Financing Activities	55,189,519	148,300,000
Net increase/(decrease) in Cash	60,932	(29,834)
Cash, Beginning	512,305	542,139
Cash, Ending	<b>573,237</b>	<b>512,305</b>

---

**ABRA MINING AND INDUSTRIAL CORPORATION**

**STATEMENTS OF CHANGES IN EQUITY**

---

	<b>Unaudited June 30, 2014</b>	Unaudited June 30, 2013
<b>Capital Stock</b>	1,585,755,540	1,464,813,760
Collection of Subscription Receivable	-	-
Balance, December 31	1,585,755,540	1,464,813,760
Net Operating loss for the period	(864,358)	(2,084,300)
Balance, end of the period	(864,358)	(2,084,300)
<b>Total Equity</b>	<b>1,584,891,182</b>	<b>1,462,729,460</b>

---

**ABRA MINING & INDUSTRIAL CORPORATION**

---



## NOTES TO FINANCIAL STATEMENTS

As of June 30, 2014

### 1. Corporate information

Abra Mining and Industrial Corporation (AMIC or the Company) is licensed to engage in the exploration, development, exploitation, process, manufacture, extract, mill and sale of cement and metal concentrate, marble, building materials and other minerals such as copper, gold, silver, iron, lead, etc. processing and manufacture of non-metals for industrial and commercial purposes at wholesale only.

AMIC was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on September 28, 1964. AMIC listed its shares of stock in the Philippine Stock Exchange (PSE) on December 24, 1969.

AMIC's registered office is located at Lipcann, Bangued, Province of Abra, while, business office is located at Suite 3, 3<sup>rd</sup> Floor, Jafer Center Building, 118 West Avenue, Quezon City.

### 2. Status of operations and Management plans

#### **Status of operations**

AMIC has not started normal commercial extraction of mine products. As shown in the accompanying financial statements, AMIC has incurred cumulative losses of ₱44,380,065 in 2012, ₱40,073,020 in 2011 and ₱36,099,301 in 2010. This condition indicates the existence of an uncertainty which may cast significant doubt about AMIC's ability to continue as a going concern. The accompanying financial statements were prepared on a going concern basis as the Company addressed the capital deficiency in its Management Plan.

The realization of AMIC's mine projects is dependent upon future events including its successful mining operations. The eventual outcome of these matters cannot be determined at this time.

#### **Management plans**

The continuity of the 2012 Management Plan involves implementation of the previously laid out structural stages of a five-tiered long-term Management Program. Presently the mining industry are experiencing unprecedented robust position but it is not spared from the undesirable consequences of cyclical economic downturns, calamities, financial collapses and the more serious and longer lasting repercussions of such debacles like other industries such as funding and financing dearth that depends on the future of our country's mining projects.

The five-year management program was conceived with the launch of the Abra River Alluvial Project to complement the very foundation of the Company's long term Management Program starting with the Abra River Magnetite & Gold Operation. This project has been envisioned to last a good number of years chiefly because the deposit are replenished every flood season and the requisite demand for steel and iron derivatives in nation building. The mineral tenement has been ascertained whilst still in the exploration stages, to contain commercial quantity of black material Magnetite Iron Sand. The magnetite sand industry during the late 70's and early 80's have a booming market. Fast forward to the present scenario, the world Iron supply is now fast dwindling as iron-producing countries like India and Brazil pass laws limiting or banning export to conserve and supply their domestic blast furnaces requirements. The implications of such policies translate to a steadily rising iron prices over the metal chart horizon. The Company's Magnetite Operation, with an initial assessment runs between 30-50MTPD over a unilateral production shift is modest enough considering intermittent operations and as research runs occupy the daily priorities in recovering the finer gold values. Paramount efforts are being undertaken to maximize the alluvial mineral resource to recover not only Magnetite Iron Sand but also the more valuable trace values. Recovery of fine gold is quite a tricky business as it could just as easily appear and vanish in the operational line in a blink of an eye. So topmost in this management plan is to fully implement a more productive magnetite iron sand recovery with utmost attention to improving recovery of the finer gold particles interlocked within it. With the Magnetite iron sand stockpile fast rising and turning into a warehousing

problem, efforts are now shifting from production tune-ups to product marketing to international buyers such as China, Korea and Japan.

Subsequently, at the turn of the five-tiered management plan is our Capcapo Copper-Gold Property MOA, which was transformed into a JVA in last quarter of 2011 with our Canadian Strategic Partner Olympus Pacific Minerals, Inc. now “BESRA GOLD, INC.” (TSX: “BEZ”; ASX: BEZ; OTCOX: BSRAF). A total of 15 drill holes have been drilled to substantially validate the Company’s Capcapo MPSA project. The project documents are all in order from the MPSA to the NCIP approval, with no less than the Chairman of the National Commission of Indigenous People (NCIP) affixing his signature. Notwithstanding the Company’s signed papers categorically stating there are no Indigenous People (IP) in the tenement area, our partner’s effort to appease and maintain diplomatic relations with this small community decided to temporarily halt further drillings in the area and conducted the requisite Community Relation Program in lieu of Prior and Informed Consent (FPIC). A bureaucratic requisite in the mining law where IP occupied areas are present. It is a tedious process whereby the proponent calls on the concerned community to explain their benefits and mining agenda and with the wishful prayer of getting their “yes” vote to proceed with the mining activities which are now in the final stages. This act of riposte will hopefully educate the community about the benefits of mining development in their underprivileged region while at the same time cleaning up misconceptions and smear campaigns that opposing minority group is feeding them while we maintain vital presence in the area. Parleyed in the wrong hands of money making, well connected, politically motivated and extremely rightists groups, these dubious provisions in the mining law are spiteful dais and extremely toxic pulpits to the jumpstarting mining industry. It basically stalls mine projects for years by lending the decision making process of multi-million dollar countryside investments in the hands of the uneducated few and the easily coerced cultural minorities. This law provision has deviously delayed mining projects and the industry’s otherwise incessant growth decades backward. Additional information and drilling results about the Capcapo Project are available via Besra Gold, Inc. website at [www.besra.com](http://www.besra.com).

At the middle of the five-fold management plan is the setting up of the Kiln for the Baticang-Bucay Lime Plant Operation in our Limestone Deposit for the production of Lime, Ground Calcium Carbonate (GCC) and thereafter Precipitated Calcium Carbonate (PCC). This project has been studied & researched meticulously during the seven year period that the Company patiently waited for its ECC permit approval. Likewise, targeted market areas have been studied and pinpointed with the sales figures rising as mining and agricultural activities likewise increases. It is pertinent to note here that the Market study was undertaken when both business sectors were at its lowest, and even then, the sales figures were very encouraging and with very promising future. This project was largely isolated from the rest of the projects as the subsequent project that will provide the Company with high return at the least capital cost and notably with the plant construction and commissioning much faster than the hard rock projects. The project has already been designed and plant construction will commence once the Alluvial Project has been standardized. This lime project becomes an integral part of the Patok reopening in that it will also supply the lime requirements of the Patok plant. In the meantime, the Baticang plant can supply the lime requirements of the surrounding areas being the only producer in Northern Luzon, where all the other mines in the Baguio Mining District can procure their supplies.

Fourth in line with the five-tiered management plan is the re-opening of the Patok Gold Operation. This Patok Gold Project was the main Company operation back in the late 70’s and early 80’s when it was sidetracked due primarily to the unsettling oil embargo problem of the 80’s when at one point in our history fuel was being rationed. The Patok property is targeted to be likely at the fourth or even at the second level of our management program pending hefty capital infusion and budget availability. The Patok project enjoys a relatively easier and faster development in that an ores of high grade has already been blocked and readily accessible by reopening the previous tunnel. Another windfall factor is that it qualifies for the government program for “Certificate of Non-Coverage”. This program entitles old mines to immediately restart operation by allowing them to run while their ECC papers are being processed. Time is the prime consideration here in that it takes quite a long time for the ECC papers’ approval, seven years to be exact as in the Company’s Alluvial Project. The Patok property is just a few aerial kilometers southwest of the Capcapo Project of our Canadian partner BESRA.

Completing the final level of the five-tiered management program is the expansion and refinement of the Alluvial Operation from its present linear processing system to a non-linear modular processing system for continuous operation. Thereafter when capital is in surplus, the Company plans to employ an even more efficient and productive operating system of continuous dredging operation. Right now part of the program is to integrate a multi-processing recovery system of operation. The updated design based on the latest R&D results incorporates the three line gravity concentrating system of recovery for the precious metal.

The first line will consist of rotating tubular trommel grizzly (RTTG) as primary de-rocker in-line with Three (3) unit of 42" x 42" Pan American Placer Jig, in series with two (2) units 28" wide vibrating sluice boxes. The RTTG Machine is mainly a gravel and sand washing machine, consisting of a bin/grizzly, an 18" belt conveyor, two (2) units of water-sprayed trommels and an apron feeder for feeding to the jig. For handling and material flow, the backhoe will feed the bin while its grizzly will reject 2" and above oversize materials.

The second line will require the resumption of the magnetite sand in the Alluvial Plant. However, the plant will undergo major revisions underneath the three (3) magnetic separators, including the additions of Five (5) more magnetic separators. As usual, the magnetic separators will produce rough magnetite sand and its tailings pump-fed into the IHC Jig to recover the precious metals along with the magnetite sand.

For the third line gravity concentration, the process will use Centrifugal Force Technology. Five (5) centrifugal machines using this technology will be used for feeds derived from the tails of the magnetic separators. The tailings feed, however, will have to be screened to minus 14 mesh as required by the machine. The tailings of the concentrators will be discharged onto the third line of sluice boxes, thence into the tailings pond.

We reiterate the Company's incessant pursuit of Strategic and Financial Allies is paramount in the AMIC Management Plan and the zenith of its Mission-Vision. Abra Mining's Board and management's search blueprint envision a multi-partner approach strategy for the vast and diverse AMIC projects in its effort to hurdle a more risk-averse solution for greater stability rather than with a unilateral partner for the numerous projects that the Company has in its mine property resource bank. As metal prices persist to hurdle higher and higher price fluctuations, topping its priority list is the Company's search for a financial provider or investor with the financial muscle to jumpstart our previous Patok Gold Operation to the next stage of the commercial production. At the same time another investor that are able to provide the funding requirement of the Company for all the other projects in its portfolio, more specifically the massive expansion of the Alluvial Dredging Operation. The Company seeks to achieve this goal faster by engaging the services of investment houses and investment managers who can arrange meetings and hopefully close deals with foreign funders that fit into the Company's mission-vision and management plan. Their engagement can also help the Company tap their services when the planned Primary and Secondary Offerings are undertaken, including to say the least road show presentations and even private placements by foreign investors.

### **3. Summary of significant accounting policies**

#### **Statement of compliance with financial reporting standards**

The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), Interpretation of the Philippine Interpretations Committee (PIC), Standing Interpretation Committee (SIC), and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Standards Council (FRSC) from the pronouncement issued by the International Accounting Standards Board and adopted by the SEC.

#### **Basis of preparation of financial statements**

The accompanying financial statements have been prepared on the historical costs basis. The preparation of the financial statements in accordance with PFRS requires the use of critical accounting estimates. It also requires management to exercise judgment in applying AMIC's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed in Note 7.

#### **Functional and presentation currency**

These financial statements are presented in Philippine Peso, AMIC's functional currency, and all values represent absolute amounts except when otherwise indicated.

### **Changes in accounting policies and disclosures**

#### *New and amended standards and interpretations as at January 1, 2012*

The accounting policies adopted are consistent with those of the previous financial years except for the following new PFRSs, PAS and Philippine Interpretations and Improvements to PFRSs that are effective for the reporting period beginning on or after January 1, 2012:

- **PAS 12 (Amendment), 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.

The adoption of this amendment had no impact on the financial position, performance or disclosures of AMIC since the Company has no investment property as of the reporting period.

- **PFRS 7, Financial Instruments: Disclosures- Enhanced Derecognition Disclosure Requirements.** This is an amendment that requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the entity's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011.

The adoption of this standard had no impact to AMIC's financial statements since the Company does not have any assets with these characteristics.

- **PFRS I, Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment).** The standard provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after July 1, 2011. The amendment had no impact to AMIC.

#### *New and amended standards and interpretations subsequent to December 31, 2012*

The Company will adopt the following standards and interpretations when these become effective. However, AMIC does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations International Financial Reporting Interpretation Committee (IFRIC) to have significant impact on the Company's financial statements.

#### Effective in 2013:

- **PAS 1, Presentation of Financial Statements (Amendments) -Presentation of Items of Other Comprehensive Income.** The amendments are effective for annual periods beginning on or after July 1, 2012. The amendments change the grouping of items presented in other comprehensive income. Items that would be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendments do not change the nature of the items that are currently recognized in other comprehensive income, nor do they impact the determination of whether items of other

comprehensive income are classified through profit or loss in the future periods. The amendments will be applied retrospectively.

- PAS 19, Employee Benefits (Revised). Amendments 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 amendment becomes effective for annual periods beginning on or after January 1, 2013. AMIC expects that this amendment will not have any significant impact to the Company.
- PAS 27 (Revised), Separate Financial Statements and PAS 28 (Revised), Investments in Associates and Joint Ventures (effective from January 1, 2013). These are consequential revisions in connection with the new standards on consolidation PFRS 10, Consolidated Financial Statements and PFRS 11, Joint Arrangements and PFRS 12, Disclosure of Interests in Other Entities, which have recently been released. Previously, PAS 27 is entitled “Consolidated and Separate Financial Statements” while PAS 28 was entitled “Investments in Associates”.

The effect of the adoption of these revised standards would be related to the effect of the adoption of PFRS 10, 11 and 12 which are already being reviewed by AMIC in preparation for its adoption of the said standards on its required applicable period.

- PAS 28, Investments in Associates and Joint Ventures (Amendments). The amendment becomes effective for annual periods beginning on or after January 1, 2013. 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.
- PFRS 7, Financial Instruments: Disclosures - Offsetting of Financial Assets and Financial Liabilities. The amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
  - a. The gross amounts of those recognized financial assets and recognized financial liabilities;
  - b. The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  - c. The net amounts presented in the statement of financial position;
  - d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including: i) amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and ii) amounts related to financial collateral (including cash collateral); and The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. The amendment affects disclosures only and has no impact on AMIC's financial position or performance.

- PFRS 10, Consolidated Financial Statements (effective from January 1, 2013). PFRS 10 is intended to address concerns, particularly the concern that consolidated financial statements sometimes failed to convey full exposure to risks from special structures used by certain entities, especially banks, in managing securitizations and other arrangements, in consolidated financial statements with a new, principle-based, definition of control that will be applied to all types of investee (including special purpose entities and more conventional voting interest entities). PFRS 10 also aims to promote clarity with new or amended guidance in areas such as:
  - a. control as the result of a dominant minority shareholding (de facto control);
  - b. the role of potential voting rights such as options and convertible bonds; and
  - c. distinguishing control in an agency relationship.

AMIC is currently reviewing the impact, if any, of this standard in the period of its initial application.

- PFRS 11, Joint Arrangements (effective from January 1, 2013). PFRS 11 supersedes PAS 31, Interests in Joint Ventures, and it aims to enhance the accounting for, and the quality of information being reported about joint arrangements. The option of using proportionate consolidation for joint ventures that was previously included in PAS 31 has been eliminated (equity accounting is now required for all joint ventures). Many arrangements described in PAS 31 as jointly controlled entities will now be referred to as joint ventures. PFRS 11 removes PAS 31's current terminology of "jointly controlled operations" and "jointly controlled assets." Most of such arrangements fall into the newly defined category of "joint operation".

AMIC is still reviewing the impact of the standard in the period of its initial application.

- PFRS 12, Disclosure of Interests in Other Entities (effective from January 1, 2013). PFRS 12 combines the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities within a comprehensive disclosure standard. It aims to provide more transparency on "borderline" consolidation decisions and enhance disclosures about unconsolidated structured entities in which an investor or sponsor has involvement.

AMIC is currently reviewing the impact of this standard in the period of its initial application.

- PFRS 13, Fair Value Measurement. This standard is effective for annual periods beginning on or after January 1, 2013. PFRS 13 does not affect when fair value is used, but rather describes how to measure fair value where fair value is required or permitted by PFRS. Under PFRS 13, fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". Fair value as used in PFRS 2, Share-based Payments, and PAS 17, Leases is excluded from the scope of PFRS 13. The standard also provides clarification on a number of areas. New disclosures related to fair value measurements are also required to help users understand the valuation techniques and inputs used to develop fair value measurement and the effect of fair value measurements on profit or loss. PFRS 13 is applied prospectively. Early application is permitted and must be disclosed.
- Philippine Interpretation IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine. This interpretation becomes effective for annual periods beginning on or after January 1, 2013 and 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.

Effective in 2014:

- PAS 32, Financial Instruments: Presentation - Offsetting of Financial Assets and Financial Liabilities. The 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. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective in 2015:

- PFRS 9, Financial Instruments: Classification and Measurement. This standard is effective for annual periods beginning on or after January 1, 2015. It introduces new requirements on the classification and measurement of financial assets. It uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in PAS 39, Financial Instruments: Recognition and Measurement. The approach in the new standard is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in PAS 39.

#### *Improvements to PFRS*

The omnibus amendment to PFRS issued in 2009, 2010 and 2011, 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. Earlier application is permitted.

- PFRS 1, First-time Adoption of PFRS - Borrowing Costs. The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, Borrowing Costs.
- PAS 1, Presentation of Financial Statements - Clarification of the Requirements for Comparative Information. The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on AMIC's financial position or performance.
- PAS 16, Property, Plant and Equipment - Classification of Servicing Equipment. The amendment clarifies that spare parts, standby equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory, if otherwise. The amendment will not have any significant impact on AMIC's financial position or performance.
- PAS 32, Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments. The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, Income Taxes. AMIC expects that this amendment will not have any impact on its financial position or performance.

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

#### 4. Significant accounting policies

##### **Financial instruments**

###### *Initial Recognition and Measurement*

Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. AMIC determines the classification of its financial assets and liabilities at initial recognition. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date. 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 assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. Financial assets under PAS 39 are classified as either financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments or AFS investments. AMIC's financial assets are in the nature of loans and receivables classified under the caption 'cash'. Also under PAS 39, financial liabilities are classified as either at FVPL, loans and borrowings, or as derivatives. AMIC's financial liabilities are in the nature of advances and borrowings. As at December 31, 2012 and 2011, AMIC does not have financial instruments at FVPL and HTM investments.

###### *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading designated as AFS investments or designated at FVPL. This accounting policy relates to the statement of financial position captions 'cash' that comprises cash held in banks. Loans and receivables are classified as current when these are expected to be realized within one (1) year after the end of each reporting period or within AMIC's normal operating cycle, whichever is longer. All others are classified as non-current.

After initial measurement, receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment losses. Amortized costs is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR.

###### *Loans and Borrowings*

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the EIR method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization shall be included in finance costs in the statements of comprehensive income.

This accounting policy applies primarily to AMIC's accrued expenses and other payables, advances from an affiliated company and accrued retirement benefits of which all meet the above definition.



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

### **Offsetting of instruments**

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

### **Impairment of financial assets**

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

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

AMIC first assesses individually whether its objective evidence of impairment, such as aging of assets and/or status of debtors, 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 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 assets' carrying amount and the present value of estimated future cash flows discounted at the asset's original EIR. Time value is generally not considered when the effect of discounting is not material.

The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in the statement of comprehensive income. Receivables together with the associated allowance are written-off when there is no realistic prospect of future recovery. If a future write-off is later recovered, the recovery is recognized in the statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AMIC, as of the reporting period, does not have any financial asset that are considered to be impaired.

#### *AFS Investments Carried at Fair Value*

For AFS investments, the Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity investments classified as AFS investments, this would include a significant or prolonged decline in the fair value of the investments below its cost. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of comprehensive income is removed from 'other comprehensive income' and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income. Increases in fair value after impairment are recognized directly in 'other comprehensive income'.

AMIC, as of the reporting period, does not have any AFS investments carried at fair value.

### **Derecognition of financial instruments**

#### *Financial Asset*

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

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash 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 risk and rewards of the asset but has transferred the control of the asset.

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

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

#### *Financial liability*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

### **Fair value of financial instruments**

Financial instruments recognized at fair value are determined and disclosed using the following levels of hierarchy:

- Level 1 - Quoted prices in active markets for identical asset or liability;
- Level 2 - Those involving inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

- Level 3 - Those with inputs for asset or liability that are not based on observable market data (unobservable inputs).

When fair values of listed equity and debt securities as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations without any deduction for transaction costs, the instruments are included within level of the hierarchy. For all other financial instruments, fair value is determined using valuation technique. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models and other relevant valuation model. For these financial instruments, inputs into models are market observable and are therefore included within level 2. Instruments included in level 3 include those for which there is currently no active market.

### **Cash**

Cash includes cash on hand and with banks.

### **Supplies inventory**

Supplies inventories are stated at the lower of cost and net realizable value (NRV). Cost is determined using the first-in, first-out (FIFO) method. NRV is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. In circumstances where NRV will be lower than its cost, inventories are written-down to net realizable value, on an item by item or individual basis, in view that assets shall not be carried in excess of amounts expected to be realized from their sale or use.

### **Property, plant and equipment**

This is comprised mainly of buildings, equipments and machineries. Property, plant and equipment are carried at cost, net of accumulated depreciation and any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and nonrefundable purchase taxes and all directly attributable cost necessary to bring an asset to its working condition and location for its intended use.

When a mine construction project moves into production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs which qualify for capitalization relating to mine site additions or improvements, underground mine development or mineable reserve development.

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 additional costs of property and equipment. Major maintenance and major overhaul costs that are capitalized as part of property and equipment are depreciated on a straight-line basis over the shorter of their estimated useful lives, typically the period until the next major maintenance or inspection or the estimated useful life of the related property and equipment.

Depletion of mine and mining properties is computed based on mineral extraction over the estimated volume of proved and probable mineral reserves as estimated by the Group's geologist and certified by an independent geologist. This has yet to be objectively determined by AMIC as of the reporting period.

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

---

Building	35 years
Office equipment	5 years
Machinery and equipment	5 – 20 years

---

Construction in-progress represents work under construction and is stated at cost. Construction in-progress is not depreciated until such time that the relevant assets are completed and available for use. As of the reporting period, AMIC has no construction-in-progress.

*Derecognition of property, plant and equipment*

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of assets (calculated as the difference between the net disposal proceeding and the carrying amount of the item) is included in the statements of comprehensive income in the year the item is derecognized.

*Impairment of property, plant and equipment*

The assets' residual values, if any, and useful lives and methods of depletion and depreciation are reviewed and adjusted, if appropriate, at the reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

**Deferred exploration costs**

*Measurement at recognition*

Pre-license costs are expensed in the period in which they are incurred. Once the legal right to explore has been acquired, exploration and evaluation expenditure is deferred as asset when future economic benefit is more likely than not be realized. These costs include materials and fuels used, surveying costs, drilling costs and the depreciation on the equipment and machineries being used. AMIC capitalizes any further evaluation costs incurred to exploration and evaluation assets up to the point when a commercial reserve is established.

In evaluating if expenditures meet the criteria to be capitalized, several different sources of information are utilized. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Once commercial reserves are established, exploration and evaluation assets are tested for impairment and transferred to mine and mining properties. No amortization is charged during the exploration and evaluation phase. If the area is found to contain no commercial reserves, the accumulated costs are expensed.

*Measurement after recognition*

After initial recognition, AMIC applies the cost model to the exploration and evaluation assets. These expenditures, amounting to ₱769,515,903 in 2012 and ₱716,289,908 in 2011, that occur are classified accordingly as tangible assets

Once commercial reserves are established, exploration and evaluation assets are tested for impairment and transferred to mine and mining properties. No amortization is charged during the exploration and evaluation phase. However, prior to reclassification, fulfillment of exploration and evaluation expenditure is assessed for impairment. If the area is found to contain no commercial reserves, the accumulated costs are expensed.

*Impairment of deferred exploration costs*

A valuation allowance is provided for unrecoverable deferred exploration costs based on AMIC's assessment of the future prospects of the exploration project. Full provision is made for the impairment unless it is probable that such costs are expected to be recouped through successful exploration and development of the area of interest, or alternatively, by its sale. If the project does not prove to be viable, all recoverable cost associated with the project and the related impairment provisions are written-off. When a project is abandoned, the related deferred exploration costs are written-off.

## **Capital stock**

*Capital stock* classified as common shares of the entity is determined using the par value of shares that have been issued.

## **Deficit**

This represents accumulate losses incurred by the Company. This may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

## **Loss per share**

Basic loss per share is computed by dividing net loss for the year attributable to ordinary equity holders (Common shares) of the Company by the weighted average number of ordinary shares outstanding at the end of the reporting period.

## **Financial risk management**

### **Financial risk factors**

AMIC's principal financial instruments comprise mainly of Cash and Advances from affiliates. The main purpose of these financial assets is to finance AMIC's operations. AMIC has other financial liability such as Accrued expenses and other payables, which arise directly from its operations.

The main risk arising from AMIC's financial assets are liquidity risk and credit risk. AMIC has no significant financial instruments that are exposed to interest rate risk and foreign currency rate risk as of December 31, 2012 and 2011.

Since AMIC is exposed to a variety of risks such as liquidity risk and credit risk, the Board of Directors makes it point to have an adequate risk management guiding the principles which will institutionalize a focused approach in addressing its exposure to different business risk.

AMIC's risk management policy is addressed as follows:

### **Liquidity risk**

Liquidity risks or funding risks is the risks that AMIC will encounter in raising funds to meet commitments associated with financial liabilities and to finance capital expenditures. Liquidity risks may result from difficulty in collections or inability to generate cash inflows as anticipated. AMIC manages liquidity by regularly monitoring and evaluating its projected and actual cash flows.

### **Credit risk**

AMIC's credit risk relates to "cash in bank" account of AMIC. The exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of this financial asset as stated in the following table. Given that AMIC has no outstanding receivables, it is not exposed to large concentrations of credit risk.

## **Cash**

Cash consists of:

	<b>2014</b>	2013
On hand	<b>1,300</b>	1,300
In bank	<b>571,937</b>	267,250
Total	<b>573,237</b>	268,550

Cash in bank represents a current account which does not earn interest and used for AMIC's regular disbursements.