ALCORN GOLD RESOURCES CORPORATION
2nd Floor, Tabacalera Building 2, 900 D. Romualdez Sr. St., Paco, Manila 1007 Philippines
Tel No.: (632) 524-9236; (632) 524-9238 Fax No: (632) 524-7452
Website Address: www.alcorngold.com E-Mail: investors@alcorngold.com

April 15, 2013

PHILIPPINE STOCK EXCHANGE
Disclosure Department
3/F Tower One, PSE Plaza
Ayala Ave., Makati City

Attention : **MS. JANET A. ENCARNACION**
Head

Re : **SEC 17-A (2012-ANNUAL REPORT)**

Gentlemen:

We are pleased to submit Alcorn Gold Resources Corporation's SEC Form 17A-Annual Report for the year 2012 together with the Independent Auditor's Report and Audited Financial Statements.

Please disseminate the above information to your members and investing public.

Thank you.

ATTY. JOSE S. SANTOS, JR.
Corporate Secretary
Corporate Information Officer

COVER SHEET

1 4 7 6 6 9

A L C O R N G O L D R E S O U R C E S

C O R P O R A T I O N

(Company's Full Name)

2nd Floor Tabacalera Bldg. #2

900 D. Romualdez Sr. St. Paco

Manila

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

ATTY. JOSE S. SANTOS, JR.

Contact Person

(632) 5249236/38

Company Telephone Number

1 2 3 1

Month Day

SEC FORM 17-A

2012- ANNUAL REPORT

FORM TYPE

Month Day

Secondary License Type, If Applicable

Dep't Requiring this Doc

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

-0-

Domestic

-0-

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

ALCORN GOLD RESOURCES CORPORATION
2/F Tabacalera Building II, 900 D. Romualdez Sr. Street, Paco, Manila, Philippines
Tel. No. (63 2) 524 9236 Fax No. (63 2) 524-7452 E-mail: investors@alcorngold.com

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SECRETARY'S CERTIFICATION

I, **JOSE S. SANTOS, JR.**, Filipino, of legal age, married and with office address at Tabacalera Building, 900 D. Romualdez Sr. St., Paco, Manila, after having been sworn in accordance with law, hereby certify as follows:

1. That I am the Corporate Secretary of ALCORN GOLD RESOURCES CORPORATION (AGRC), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines under SEC Certificate of Registration No. 147669 with principal office address at 2nd Floor, Tabacalera Building #2, 900 Romualdez Sr. St., Paco, Manila;

2. That the information contained in the hard copy of General Form for Financial Statements (GFFS) and SEC Form 17-A for the year 2012 and that contained in the CD are one and the same;

3. That I am executing this certification to attest to the truth of the foregoing.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the corporation this ____ day of APR 15 2013, 2013 at Manila, Metro Manila.

JOSE S. SANTOS, JR.
Corporate Secretary

SUBSCRIBED AND SWORN to before me this ___ day of APR 15 2013 2013 at Manila, affiant exhibiting to me his Community Tax Certificate No. 08910677 issued at Manila on January 3, 2013.

Notary Public

Doc. No. : 74
Page No. : 72
Book No. : 71
Series of 2013.

ATTY. ... MIRALLES
NOTARY PUBLIC MANILA
MY COMMISSION EXPIRED ON 12-31-2013
3RD CF CODINO BLDG.
A.J. VILLEGAS ST. 1000 ERMITA MANILA
IBP NO. 86203-10-6-11 - MANILA - 2012
PTR NO. 1907717 - 1/3/13
ROLL NO. 32502
MCLE III 0020916 - 8-9-2011
COMMISSION NO. 012-011

ALCORN GOLD RESOURCES CORPORATION
2/F Tabacalera Building II, 900 D. Romualdez Sr. Street, Paco, Manila, Philippines
Tel. No. (63 2) 524 9236 Fax No. (63 2) 524-7452 E-mail: investor@alcorngold.com

SEC
HRAD
APR 15 2013
12
BY:
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

TREASURER'S CERTIFICATION

I, **MARYKNOLL B. ZAMORA,** Filipino, of legal age and with office address at Tabacalera Building, 900 D. Romualdez Sr. St., Paco, Manila, after having been sworn in accordance with law, hereby certify as follows:

1. That I am the Treasurer of ALCORN GOLD RESOURCES CORPORATION (AGRC), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines under SEC Certificate of Registration No. 147669 with principal office address at 2nd Floor, Tabacalera Building #2, 900 Romualdez Sr. St., Paco, Manila;

2. That the General Form for Financial Statements (GFFS) CD contains the basic material data in the hard copy of the audited Financial Statements;

3. That I am executing this certification to attest to the truth of the foregoing.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the corporation this APR 15 2013 day of ____, 2013 at Manila, Metro Manila.

Maryknoll B. Zamora
MARYKNOLL B. ZAMORA
Treasurer

SUBSCRIBED AND SWORN to before me this APR 15 2013 day of ____ 2013 at Manila, affiant exhibiting to me his Community Tax Certificate No. 01361221 issued at Manila on January 4, 2013.

Notary Public

ATTY. FRANCISCO DELA CRUZ MIRALLES
NOTARY PUBLIC MANILA
MY COMMISSION EXPIRED ON 12-31-2013
35D G/F ODDINO BLDG.
E.J. VILLEGAS ST. 1000 ERMITA MANILA
IBP NO. 86803-10-6-11 - MANILA - 2012
PTR NO. 1407717 - 1/3/13
ROLL NO. 32502
MCLE III 00009 16 - 8-9-2011
COMMISSION NO. 012-011

Doc. No. : 381
Page No. : 77
Book No. : 77
Series of 2013.

SEC Number : 147669
File Number : ______

ALCORN GOLD RESOURCES CORPORATION
(Company's Full Name)

000-432-378-000
(Tax Identification Number)

2nd Floor Tabacalera Building #2,
900 D. Romualdez Sr., Street, Paco, Manila
(Company's Address)

(632) 524-9236 or 38
(Telephone Number)

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

SEC Form 17- A
2012 Annual Report
(Form Type)

December 31, 2012
(Period Ended Date)

None
(Secondary License Type & File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended: **December 31, 2012**
2. SEC Identification Number: **147669**
3. BIR Tax Identification No.: **000-432-378-000**
4. Exact name of issuer as specified in its charter: **ALCORN GOLD RESOURCES CORPORATION**
5. Province, Country or other jurisdiction of incorporation or organization: **Philippines**
6. Industry Classification Code: (SEC Use Only)
7. Address of principal office: 2^{nd} **Floor Tabacalera Building** #2 **900 D. Romualdez, Sr. Street Paco, Manila**
   Postal Code: **1007**
8. Issuer's telephone number, including area code: **(632) 524-9236**
9. Former name, former address, and former fiscal year, if changed since last report: **None**
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Class	Number of Shares of Common Stock Outstanding with P0.01 par value (Listed & Not Listed)
Common	127,500,000,000

AGRC has no other outstanding debt as of December 31, 2012.

11. Are any or all of these securities listed on a Stock Exchange:
    Yes [✓] No [ ]

    The Common shares are listed in the Philippine Stock Exchange since September 26, 1988.
12. Check whether the issuer:
    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the issuer was required to file such reports);
    Yes [✓] No [ ]
    (b) has been subject to such filing requirements for the past ninety (90) days:
    Yes [✓] No [ ]
13. State the aggregate market value of the voting stock held by non-affiliates of the issuer:

Particulars	Class	No. of Shares Outstanding	Market Price per Share*	Market Value
Non - affiliates	Common	127,498,805,943	0.159	20,272,310,145

* As of Mar. 31, 2013

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.
    Yes [ ] No [ ]
    Not Applicable

15. DOCUMENTS INCORPORATED BY REFERENCE

If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

a) Any annual report to security holders;
2011 Annual Report submitted to the SEC on May 14, 2012

b) Any proxy or information statement filed pursuant to SRC Rule 20 and 17.1(b);
Definitive Information Statement submitted to the SEC on August 8, 2012
Definitive Information Statement for special stockholders' meeting submitted to the SEC on November 16, 2012

c) Any prospectus filed pursuant to SRC Rule 8.1-1.
None

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

Alcorn Gold Resources Corporation (the "Company") was incorporated on January 19, 1988 as Alcorn Petroleum and Mineral Resources Corporation, to primarily engage in the exploration, development and production of oil, gas and metallic and non-metallic reserves. The Company's common shares were listed at the Philippine Stock Exchange on September 26, 1988 under its trading symbol "APM".

On October 8, 1999, the Company's shareholders approved an amendment in its primary purpose from an oil and mineral exploration company to a holding company which shall pursue investments not only in the oil and mineral exploration and production sectors but in other business sectors such as energy, utilities and other industries that will fit the Company's objectives. The amendment in the Company's primary purpose and change in corporate name were approved by the Securities and Exchange Commission on January 13, 2000.

For year 2012, the Company has no material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business. The Company is not involved in any bankruptcy, receivership or any similar proceedings.

The Company has eleven (11) regular employees as of December 31, 2012 (11 employees as of Dec. 31, 2011) consisting of 6 in managerial and supervisory level and 5 rank and file.

AGRC has no Collective Bargaining Agreement (CBA) with any of its employees. The Company's employees are not in strike, nor have been in strike for the past years since its inception. The Company's employees are not also threatening to strike.

Business of Issuer

AGRC, as a holding company, may engage in any business that may add to its shareholders' worth. It is currently conducting studies in various industries that have high potential return. Studies have been made on areas of interest to the Company particularly in energy and mineral projects.

As of December 2012, the Company holds interests in the following projects:

Project	Location	AGRC Participating Interest	Operator
Oil/Petroleum			
Service Contract No. 14 (B1)	North Matinloc	13.551%	The Philodrill Corp.
Service Contract No. 14 (C2)	West Linapacan Block, Offshore Northwest Palawan	1.531%	Pitkin Petroleum PLC
Service Contract No. 14 (D)	Retained Area Block	5.835%	The Philodrill Corp.
Service Contract No. 6-A	Octon	1.570%	Pitkin Petroleum PLC
Service Contract No. 6-B	Bonita	2.109%	The Philodrill Corp.
Service Contract No. 51	East Visayan Basin	9.320%	Otto Energy Investment Ltd.

Mineral / Filing Date			
MPSA No. 066-97-VIII / June 2, 1997	Isabel-Merida, Leyte	100%	AGRC
EP No. 009-2010-V / Dec. 19, 2006	Copper Gold / Oas, Albay	100%	AGRC
EP No. 07-2010-VI / Nov. 7, 2006	Copper / Concepcion, Iloilo	100%	AGRC
MPSA Applic. No. 039-XIII / Dec. 9, 1997	Gold / Anoling, Agusan del sur	3%	PHILSAGA
EXPA No. 080 August 1, 2006	Gold / Itogon, Benguet	100%	AGRC
EXPA No. 175-IVB May 2, 2007	Nickel / Aborlan Palawan	100%	AGRC

The Company participates as a major or minor partner in several consortia exploring for oil in various petroleum concession areas. The concession areas are found in offshore and onshore areas of Palawan, the Visayas region, and the Island of Mindanao. The principle terms for the concession areas are reviewed annually by the Department of Energy (DOE) and the Department of Environment and Natural Resources (DENR). The concession rights are awarded when the Company commits to work programs for the exploration and development of the area.

Exploration and development programs are conducted using contractors on a turnkey basis. These contractors bring in their own equipment and supplies. If any commercial oil or gas is discovered in its other concession areas, the company will accomplish development and production by farming-out interest in the project to other exploration companies or commercial producers.

Oil produced is a highly sought commodity and the Operator of the production fields has not had any problems seeking buyers of production volumes. The oil produced from Palawan oilfields were sold to Philippine oil refineries or exported.

1. Service Contract No. 14 (B1) – North Matinloc

The Matinloc oil field is located in Block B1 under Service Contract No. 14 located approximately 60 kilometers offshore from Palawan Island. SC No. 14 is divided into four (4) blocks composed of Nido (Block A), North Matinloc (Block B1), West Linapacan (Block C) and the retention area (Block D).

The Company has a participating interest equivalent to 13.551% in the North Matinloc block. The other members of the consortium are: Oriental Petroleum and Minerals Corp. (27.772%), The Philodrill Corp. (33.111%); Forum Energy Phils. Corp. (19.463%); and Trans-Asia Oil and Energy Development Corp. (6.103%).

This block is currently being operated by The Philodrill Corporation by virtue of a Joint Operating Agreement ("JOA") executed on December 17, 1975.

The North Matinloc Block is currently producing in a cyclical manner where oil is lifted into small tankers and transported to oil refineries. For year 2012, the North Matinloc oil field produced a total of 10,517 barrels of oil (16,107 barrels of oil in 2011). Average production in the North Matinloc is waning at a little over one barrel of oil per hour or a shade over 24 barrels of oil per day.

2. Service Contract No. 14(C2) – West Linapacan Block, Offshore Northwest Palawan

The West Linapacan oil field is located in Block C under Service Contract No. 14 with a total area of approximately 850 hectares with estimated reserves of 12 million to 21 million barrels of oil[1].

The Company has a participating interest equivalent to 1.531% in the West Linapacan block. The other members of the consortium are: Pitkin Petroleum Limited (58.29%); Nido Petroleum Pty. Ltd. (22.28%); Oriental Petroleum & Minerals Corporation (7.57%); The Philodrill Corporation (7.02%), Forum Energy Philippines Corporation (2.28%); and PetroEnergy Resources Corporation (1.03%). This block is currently being operated by the US-based Pitkin Petroleum Limited ("Pitkin").

Pitkin Petroleum has assigned half of its participating interest to Resource Management Assocites (RMA) tohether with the operatorship of the project in 2010 and now RMA has taken over the block. Already RMA has pursued the review of the vintage 3D seismic data covering the block and has reported new volumes of original oil in place during the most recent TCM/OCM.

3. Service Contract No. 14 (D) – Retained Area

The Company has a participating interest equivalent to 5.835% in the retained area under SC No. 14. The other members of the consortium are: Philodrill Corp. (33.75%); Nido Petroleum Philippines Pty Ltd. (31.42%); Oriental Petroleum and Minerals Corp. (20.83%); and Forum Energy Philippines Corp. (8.17%).

No activity has been conducted within this block which covers the unexplored and undeveloped area within SC No. 14. This area is retained for future exploration and development.

4. Service Contract No. 6A – Octon Block and North Block, Offshore Northwest Palawan

The concession area for SC No. 6A is located in offshore Northwest Palawan and covers the Octon block in the south and the Malajon block in the north. The DOE, on June 18, 2009, granted an extension of the term of the service contract for another 15 years or until June 2024, subject to certain terms and conditions.

After Vitol GPC Investments, S.A. ("Vitol") walked out of the block, Pitkin Petroleum Limited took over the operatorship, reuniting the Octon and North Block and earning 70% of the participating interest on Octon Block. Pitkin Petroleum is currently doing a due diligence study on the contract area, which include the review of the vintage 3D seismic data. Pitkin has also submitted a budget for the acquisition of new seismic data.

The Company has a participating interest equivalent to .501% in the Octon block and 1.57% in the North block as of December 31, 2012 (1.57% both blocks as of December 31, 2010). The other members of the consortium are: Anglo-Philippine Holdings Corporation, Forum Energy Phils. Corporation, PetroEnergy Resources Corporation, Philex Mining Corporation, The Philodrill Corporation, Trans-Asia Oil & Development Corporation and Vulcan Industrial & Mining Corporation.

5. Service Contract No. 6(B) – Bonita Block, Offshore Northwest Palawan

The Bonita field is located in offshore Northwest Palawan and is currently being operated by The Philodrill Corporation.

The Company has a participating interest equivalent to 2.1093% as of December 2012 (7.031% in December 2010) in this project. The other members of the consortium are: Basic Consolidated Inc., Phoenix Gas and Oil Exploration Inc., Oriental Petroleum & Minerals Corporation, Nido Petroleum Philippines Pty Ltd. and The Philodrill Corporation.

[1] Netherland, Sewell and Associates, Inc. (NSAI) report dated December 28, 2009

6. Service Contract No. 51 - East Visayan Basin

The contract area for SC No. 51 covers an onshore-offshore block over northwest Leyte and a deepwater block in the Cebu Strait with an aggregate area of 444,000 hectares.

The Company has a participating interest in this project equivalent to 9.32%. The other members of the consortium are: NorAsian Energy Limited; (now Otto Energy Investment) PetroEnergy Resources Corporation; and Trans-Asia Oil & Energy Development Corporation. The project is being operated by NorAsian Energy Limited.

Otto Energy has completed the acquisition of the 2D onshore seismic data and has comleted the seismic interpretation. Onshore Drilling of Duhat-2 Well is expected in July 2013.

Mineral Projects

Aside from its interests in oil exploration projects, the Company also holds mineral assets in the form of interests in either a Mineral Production Sharing Agreement ("MPSA") or Exploration Permit ("EP"). As of December 2012, the Company has interest in the following mineral projects:

Mineral / Filing Date			
MPSA No. 066-97-VIII / June 2, 1997	Isabel-Merida, Leyte	100%	AGRC
EP No. 009-2010-V / Dec. 19, 2006	Copper Gold / Oas, Albay	100%	AGRC
EP No. 07-2010-VI / Nov. 7, 2006	Copper / Concepcion, Iloilo	100%	AGRC
MPSA Applic. No. 039-XIII / Dec. 9, 1997	Gold / Anoling, Agusan del sur	3%	Bemster Mining Corp./ Phsamed
EXPA No. 080 August 1, 2006	Gold / Itogon, Benguet	100%	AGRC
EXPA No. 175-IVB May 2, 2007	Nickel / Aborlan Palawan	100%	AGRC

Lime Area – Leyte

The Company is the holder of Mineral Production Sharing Agreement (MPSA) for limestone area project located in Leyte. The contract area covers an aggregate of 1,784 more or less hectares located in the municipalities of Merida and Isabel in Leyte. The company received the approval for the second extension of the MPSA Exploration period last September 9, 2011. The approved two-year exploration and environmental work programs shall end with the Declaration Mining Project Feasibility in September 2013 or earlier.

Gold Project – Agusan del Sur

The Company has filed with DENR-MGB Caraga Region Offuce a MPSA on December 1997 covering an area of 405 hectares located in Rosario, Agusan del Sur. The said MPSA application is under Operating Agreement with PHSAMED Mining Corporation dated November 14, 2005 and was endorsed to MGB Central Office on September 2009 for further evaluation and approval.

Under the Operating Agreement with PHSAMED, AGRC has a three per cent (3%) interest in an MPSA application for a gold project in Agusan del Sur. PHSAMED Mining Corporation ("Philsaga") is the operator of the Agusan gold project.

Gold and Copper Project

The Company also holds two (2) approved Exploration Permits ("EP") for gold and copper properties located in Albay and Iloilo.

The Exploration Permit (EP) over Albay was issued by DENR Regional Office last May 5, 2010. It covers area of 5,977 more or less hectares located in Municipalities of Oas and Pio Duran.

On the other hand, the Exploration Permit (EP) over Iloilo was issued by DENR Regional Office last June 22, 2010. It covers area of 700 more or less hectares located in Municipality of Concepcion.

The EP covering Albay project is under Mines Operating Agreement with Bentley Fairview Resources Corp. While EP in Iloilo is Option Agreement with Thunder Bay Minerals Corp.

The EP application covering the area in Itogon, Benguet is still under appeal at the MGB-Central office in Quezon City

Nickel Project

The EP application covering the Aborlan nickel prospects in Palawan is still under appeal at the MGB-Central office in Quezon City.

Extent to which the registrant's operations depend, or are expected to depend, on the foregoing and what steps are undertaken to secure these rights.

The company's operations are not wholly dependent on its natural resources projects because most of them are still in the exploration stage. Only when commercial reserves have been delineated through extensive exploration work programs and the economic feasibility of extracting the resource has been defined and assured will the company's operations be dependent. Moreover, considering the minimal interest the Company has on various oil areas, it continues to look for other industries it may engaged into.

One reason why the company is not wholly dependent on its natural resources projects is due to the inherent risks of the industry.

I. Risks Related To the Company's Business

A. General

The business of oil exploration and production involves a certain degree of risk. A significant amount of expenditure is required in order to establish the extent of oil reserves through seismic and other surveys and drilling; and there is no certainty that oil reserves will be found.

Notwithstanding the experience, knowledge and careful evaluation a contractor brings to an exploration project, there is still no assurance that recoverable resources will be identified. Even if resources are identified, technical difficulties, unexpected geological conditions, lack of funding or change in government policies are some of the factors which may preclude the company from successfully exploiting the resource.

Exploration activities may be delayed or hampered or cancelled because of factors such as adverse weather conditions, unexpected geological formation pressures, oceanographic conditions and others, which are beyond the control of the Company.

If oil is encountered during drilling activities, there is still no guarantee that the well will produce commercially viable quantities. The completion of a well does not assure profit or the recovery of drilling and other operating costs.

The above risks are inherent to the business. As they are mostly beyond the control of the Company, the measures being undertaken is to participate only in a well-studied mining/drilling operation in small or acceptable percentage of participation and usually in a no-cash out or carried free basis.

Some of the risks and hazards could result in damage to, or destruction of, properties or exploration and production facilities, may cause exploration or production to be reduced or cease at these properties or exploration and production facilities entirely, may result in personal injury or death, environmental damage, business interruption and possible legal liability. These risks and occurrences could result in losses for the Company which could have a material adverse effect on the Company's business, financial condition and results of operations. To mitigate this risk, the facilities installed in the drilling and production areas, such as the mooring system, are designed to withstand natural calamities such as typhoons. Furthermore, these facilities are covered by insurance.

B. Change in Regulations

Oil exploration projects are under the supervision of the Philippine government's Department of Energy. Changes in policies or regulations or the legislative and fiscal framework governing these activities may have a material impact on the exploration and development activities of the companies in these sectors. Also, changes in regulations may affect the Company's operations and may increase its cost of doing business. Upon the lapse of approvals from regulatory authorities, there is no guarantee that these will be renewed or renewed under terms acceptable to the Company. The Company then ensures that the approvals and permits are valid by monitoring very well its validity period, compliance with the governmental regulations, constant communication with the authorities and updating itself with the new laws and regulations.

C. Environmental Risks

The business of oil exploration and development carry environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions as well as existing Philippine laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil operations.

A company's compliance with such legislation, including health and safety laws, can involve significant costs and expenses and any breach in these laws may result in the imposition of fines and penalties, the amounts of which could be material.

There can be no assurance that environmental laws will not result in an increase in exploration and development costs or the curtailment of operations which could adversely affect the results of operations and financial condition as well as its prospects.

D. Compliance with Contract Requirements and Work Programs

The service contracts are subject to numerous terms and conditions and renewal terms which may include increased expenditure and work commitments, all of which have to be met in order to keep these permits valid. The DOE monitors these projects to ensure that the operators are in compliance with the required work obligations for each contract year of a project to secure continuing government authorization to undertake the project. The imposition of new conditions or the inability to meet those conditions may result in a suspension or cancellation of the contract which could adversely affect the operations, financial position and/or performance of the Company.

The Company and the consortium continuously liaise with the DOE to ensure that contract terms, conditions and other requirements are met. As of the date of this Prospectus, the service contracts in which the Company holds participating interests in, are valid and subsisting.

Please refer to the section on "Information with Respect to the Company" for more details on these service contracts.

E. Joint Venture and Other Contractual Arrangements

The Company is, and may become, a party to joint ventures, farm-in contracts and other arrangements with respect to its projects. The Company then becomes reliant upon these third parties or joint venture participants in its compliance with their work program obligations. An operator of a joint venture may be unable to implement necessary work programs within the time required which could have a material adverse impact on the Company.

F. Volatility of oil prices

The fluctuations in oil and gas prices have a direct impact on the Company's prospective financial condition and profitability. The Company's revenues are based on international commodity quotations (i.e. primarily on the Dubai oil prices) over which the Company has no significant influence or control. This exposes the Company's operating results to commodity price volatilities that may significantly impact its cash inflows.

To improve the odds of success, companies have developed a number of risk mitigation strategies. There are two stages in the process of Risk Management, Risk Assessment and Risk Control. Risk Assessment can take place at any time during the project, though the sooner the better. However, Risk Control cannot be effective without a previous Risk Assessment

Costs and effects of compliance with environmental laws

AGRC fully complies with the rules set forth by the Environmental Management Bureau on its natural resource projects. Before any exploration is implemented, a study of the effects of the procedures is conducted. Once a natural resource projects transitions from its exploration phase to that of its development stage, an Environmental Impact Assessment (EIA) and Environmental Compliance Certificate (ECC) are applied for. The short term and long term environmental effects of any development stage are assessed on the basis of social acceptability and economic costs. These two conditions are prerequisite for the final approval for the development of the project.

Other factors pertaining to the description of the business of Alcorn Gold Resources Corporation as required by Part 1, Paragraph A of Annex C. SRC Rule 12 have not been discussed on as these are either not applicable to the company or require no answer.

Item 2. Properties

AGRC does not own any real property. However, the company has participating interests in various petroleum and mineral properties in Philippines.

AGRC has the following of petroleum and mineral properties as of December 2012:

Project	Location	AGRC Participating Interest	Operator	Validity Period
Service Contract No. 6-B	Bonita	2.1093%	The Philodrill Corp.	15 years up to June 16, 2024
Service Contract No. 51	East Visayan Basin	9.320%	Otto Energy Investment Ltd.	Up to March 11, 2012
Mineral / Filing Date				
MPSA No. 066-97-VIII / June 2, 1997	Isabel-Merida, Leyte	100%	AGRC	25 years up to 2022
EP No. 009-2010-V / Dec. 19, 2006	Copper Gold / Oas, Albay	100%	AGRC	May 5, 2010 to May 5, 2012 subject to renewal
EP No. 07-2010-VI / Nov. 7, 2006	Copper / Concepcion, Iloilo	100%	AGRC	up to June 2016 subj. to renewal every 2 years
MPSA Applic. No. 039-XIII / Dec. 9, 1997	Gold / Anoling, Agusan del sur	3%	Bemster Mining Corp / Phsamed	MPSA Applic under review
EXPA No. 080 August 1, 2006	Gold / Itogon, Benguet	100%	AGRC	EP application under appeal
EXPA No. 175-IVB May 2, 2007	Nickel / Aborlan Palawan	100%	AGRC	EP application under appeal

All petroleum concessions expire when the contractor voluntarily withdraws from the concession or upon failure of the contractor to implement a meaningful and significant work program designed to upgrade the contract area and to bring about full development and production. Royalty agreements and revenue sharing with the government and other partners take effect only if full petroleum production has been attained. Hence, the expiration of contract areas or petroleum concessions is dependent on the contractors' ability to implement exploration and development programs.

A. Oil Exploration

1. Service Contract No. 14 (B1) – North Matinloc

Service Contract No. 14 is located in 350 meters depth of water, approximately 60 kilometers offshore from Palawan Island. SC No. 14 is divided into four blocks (A, B, C & D).

The SC No. 14 contract area has been the main oil producing area in the Philippines. The first oilfield, North Matinloc (Block B1) was discovered in 1979. Next discovered was Galoc Field (Block C1) in 1981 then followed by the biggest oil field discovery of West Linapacan (Block C2) in 1990.

The Matinloc oil field is located in Block B1 under Service Contract No. 14 located approximately 60 kilometers offshore from Palawan Island. SC No. 14 is divided into four (4) blocks composed of Nido (Block A), North Matinloc (Block B1), West Linapacan (Block C) and the retention area (Block D).

The Company has a participating interest equivalent to 13.551% in the North Matinloc block. The other members of the consortium are: Oriental Petroleum and Minerals Corp. (27.772%), The Philodrill Corp. (33.111%); Forum Energy Phils. Corp. (19.463%); and Trans-Asia Oil and

Energy Development Corp. (6.103%).

This block is currently being operated by The Philodrill Corporation by virtue of a Joint Operating Agreement ("JOA") executed on December 17, 1975.

The North Matinloc Block is currently producing in a cyclical manner where oil is lifted into small tankers and transported to oil refineries. North Matinloc-2 produced a total of 10,517 bbls of oil during the whole year of 2012 (16,107 barrels of oil in 2011).

Cyclic production at the Matinloc Field continued for 2012. A total of 10,517 barrels of oil were lifted from the North Matinloc-2 well for the entire year. Average production rate for the year was 29.21 bopd. Average price per barrel of oil lifted and delivered to Shell is $99.44. Despite cyclic production, oil production was still disrupted by two typhoons that passed over the offshore NW Palawan area during the tail end part of 2012.

2. Service Contract No. 14 (C2) – West Linapacan, Offshore Northwest Palawan

The West Linapacan oil field is located in Block C under Service Contract No. 14 and covers a total area of approximately 850 hectares.

The West Linapacan "A" Field was discovered in 1990 by Alcorn Production Phils. Inc. with the well testing at over 6,400 barrels of oil per day ("BOPD") from an Oligocene-Early Miocene limestone reservoir. The field was further developed based on coarse 2D seismic grid control and wells were completed with sub-sea wellheads connected to a floating production, storage and offloading vessel ("FPSO"). The field was producing at a rate of 17,000 BOPD until it was saddled with severe water incursion during the second year of operations.

In 1993, to further evaluate the contract area and resolve water intrusion problems, the consortium engaged US-based consulting firm Rega, Inc. which reported, among others, that:

(a) Despite water intrusion, the oil in place at the West Linapacan oilfield is calculated at 145 million reservoir barrels;
(b) That the probable cause of water intrusion is coning;
(c) To rectify coning, the wells should be produced at a reduced rate; and
The two (2) wells called WL A-2 and A-3 are highly fractured areas of the reservoir and should be relocated to a less fractured zone.

Due to low oil prices at that time, the consortium did not undertake the necessary work programs and solutions to address the problem of water intrusion. In January 1996, the consortium decided to suspend operations in West Linapacan. The field had, by then, produced approximately 8.5 million barrels of oil at the time of suspension.

A separate structure, West Linapacan "B" field, located 7.5 kilometers from "A" field structure, was drilled in March 1993 with well testing at a rate of 2,860 BOPD.

The Company has a participating interest equivalent to 1.531% in the West Linapacan block. The other members of the consortium are: : Pitkin Petroleum Limited (58.29%); Nido Petroleum Pty. Ltd. (22.28%); Oriental Petroleum & Minerals Corporation (7.57%); The Philodrill Corporation (7.02%), Forum Energy Philippines Corporation (2.28%); and PetroEnergy Resources Corporation (1.03%).

On September 12, 2008, the DOE approved the assignment of the consortium members' interest to Pitkin Petroleum Limited (Pitkin), under a Deed of Assignment and Assumption of Interest where Pitkin earned 58.29% interest from consortium partners except Nido Petroleum. In consideration for the assignment of said interests to Pitkin, Pitkin shall conduct a three-phased work program on the West Linapacan block.

Under the agreement, in the first phase of the work program, Pitkin shall conduct and bear the costs of geological, geophysical and engineering studies to determine the viability of re-developing West Linapacan field "A", the development of field "B" or any other structure which may be delineated by the studies. In the event that positive results are obtained, Pitkin has the option to commit to the second phase of the work program which involves the drilling of one (1) well. In the event that the drilling of the first well yields positive results, Pitkin has the option to proceed to the third phase of the work program. The third phase shall involve the development of one (1) field well up to the first oil. Subsequent programs after the third phase will be funded by all parties based on their remaining interests in the project.

To date, Pitkin has undertaken three (3) major studies through contracted third party service companies. These studies include: (1) a 3D seismic reprocessing, inversion and fracture identification study for structural and reservoir characterization; (2) a seismic sequence stratigraphic study that would augment and address reservoir characterization which shall identify the optimum location for the horizontal well; and (3) a conceptual engineering study to evaluate appropriate, cost efficient development scenarios and their attendant costs resulting in a recommended field development design.

In December 2011, Pitkin Petroleum transferred the operatorship of West Linapacan to RMA (HK) as the effect farm out of the former's 29.145% interest to the latter.

Project Operator, Resource Management Associates (RMA) presented to the partners its project updates during the TCM/OCM held on June 19, 2012. They presented the initial results of the 3D review and initial interpretations.

In the second TCM/OCM last November 26, 2012, a very optimistic technical presentation was made by RMA, highlighting the "discovery" of additional oil initially in place determined and computed by the nearly-completed reservoir simulation study.

Complimentary reservoir study on West Linapacan B has been conducted. However, since this is not included in the committed work program in the FIA, all JV partners may have to share on the cost of the study.

With this new OIIP discoveries, a new reserve certification is proposed and to be conducted by an independent reserve certification company. The reservoir simulation on WEST LINAPACAN A will be completed in January 2013 and the drilling is expected to be completed by the first half of 2014.

West Linapacan Reserves

Based on studies conducted by Rega, Inc. in February 1994, West Linapacan had estimated original oil in place of 116 million stock tank barrels (mmstb) of oil. The West Linapacan field deep water fractured carbonate reservoir was discovered by Alcorn (Production) Phils., Inc. and produced approximately 8.3 million barrels of oil from 1992 to 1995.

Based on recent studies conducted by Netherland, Sewell and Associates, Inc. in December 2009, estimated remaining reserves in the West Linapacan field is over 12 to 21 million barrels of oil.

The results of the reservoir simulation test as presented by Pitkin during the last quarter of 2011 were inconclusive. The results disclosed that the severe lack of hard data the proved to be the deterrent factor in predicting the reservoir behavior accurately and further study is recommended. The budget for which and year 2012 was presented for approvals in the TCM/OCM meeting of November 10, 2012 and was subsequently approved. It was the consensus of all consortium partners that the rest of the committed work program shall be contingent on the result of the more comprehensive reservoir simulation test.

The IEC and Social Acceptability Activities for the drilling project was approved to proceed as planned and budgeted. The 2012 Work commitments include drilling of 2 production wells (back to back). AGRC is carried free up to the first oil. Cost of two well is about 100 million but may reach up 120 million inclusive of completion. Drilling is programmed to commence by 2012 but contingent on the results of the more comprehensive reservoir simulation study.

3. Service Contract No. 14 (D) – Retained Area

The Company has a participating interest equivalent to 5.835% in the retained area under SC No. 14. The other members of the consortium are: Philodrill Corp. (33.75%); Nido Petroleum Philippines Pty Ltd. (31.42%); Oriental Petroleum and Minerals Corp. (20.83%); and Forum Energy Philippines Corp. (8.17%).

No activity has been conducted within this block which covers the unexplored and undeveloped area within SC No. 14. This area is retained for future exploration and development.

4. Service Contract 6(A) – Octon and North Block, Offshore Northwest Palawan

The SC No. 6(A) field is located in offshore Northwest Palawan covering 165,000 hectares of relatively shallow waters where a string of wells have found non-commercial oil accumulations in varied reservoir horizons. Based on studies conducted by Rega, Inc. in February 1994, the Octon and North fields have estimated recoverable oil reserves of 18 million barrels of oil.

In June 2009, the DOE granted a final extension of 15 years to the service contract. The 15-year extension shall be for a series of three 5-year terms, subject to compliance with certain conditions such as a yearly submission of work program and budget and payment of technical assistance and training fund to the DOE. The term extension is reckoned from March 1, 2009.

The DOE has approved the transfer of Filipino consortium's 70% undivided interest to Pitkin Petroleum in its letter of December 8, 2011. In DOE has also approved the appointment of Pitkin as the Operator in accordance with the Deed of Assignment and Assumption.

The work commitments approved by the DOE for 2012 include the seismic acquisition, processing and interpretation of 500 square kilometers of 3D data area in Octon. AGRC for its part will be carried free up to the drilling of the two exploration wells on the block.

The Company has a participating interest equivalent to 0.501% in the Octon block and 1.57% in the North block. The other members of the consortium are: Anglo-Philippine Holdings Corporation, Forum Energy Phils. Corporation, PetroEnergy Resources Corporation, Philex Mining Corporation, Pitkin Petroleum, The Philodrill Corporation, Trans-Asia Oil & Development Corporation and Vulcan Industrial & Mining Corporation.

5. Service Contract 6 (B) – Bonita, Offshore Northwest Palawan

The Bonita field under SC No. 6 (B) is located offshore northwest Palawan, adjacent to the Matinloc field of SC No. 14, with an area of 53,293 hectares.

On June 17, 2009, the DOE approved the extension of the service contract for another 15 years or up to February 2024.

Peak Oil and Gas Philippines Ltd, Blade Petroleum Philippines Ltd, and Venture Oil Philippines Inc signed a Farm-in agreement with SC-6B joint venture partners, except Nido Petroleum, to acquire 70% of the consortium's' aggregate participating interests. After executing the Deed of Assignment and Assumption of Interest last July, 2011.

As of December 2012, the Company has a participating interest equivalent to 2.109% (7.031% in 2010) in this project. The other members of the consortium are: Basic Consolidated Inc., Blade Petroleum, Peak Oil and Gas Phils, Phoenix Gas and Oil Exploration Inc., Oriental Petroleum & Minerals Corporation, Nido Petroleum Philippines Pty Ltd., The Philodrill Corporation and Venture Oil Phils.

Department of Energy (DOE) has approved the amendments to the Farm-in Agreement (FIA) between the Filipino farmors and the Operator Group of Peak Oil and Gas Philippines Ltd, Blade Petroleum Philippines Ltd, and Venture Oil Philippines Inc.

The Operator proposed to conduct a simultaneous study of Bonita with Cadlao. The 200K dollars approved budget will be shared halfway. However, the operator group composed of continued with its failure to submit the financial documents required by the DOE which would prove that they have the financial capability to implement the work programs.

During the last quarter of 2012, Philodrill, as previous operator of Bonita, served notice to the Blade, Peak and Venture that the farmors are canceling the farm-in agreement. The Filipino partners are now in discussion as to the work program that they will conduct in Bonita.

6. *Service Contract 51 - East Visayan Basin*

The contract area is located in the central part of the Philippine Archipelago. The contract area is defined by two (2) disjointed blocks, namely: an onshore-offshore block over Northwest Leyte and a largely deepwater block in Cebu Strait, between the islands of Cebu and Bohol with an aggregate area of 444,000 hectares.

Otto Energy has executed a farm-out of its SC-51 participating interest to Swan Oil and Gas. The agreement has been approved by the SC51 Joint Venture Partners and the DOE last July. In the Consortium meeting of October 27, 2011, NorAsia informed the partners that DOE has accepted DUHAT-1 as compliance of its 3rd Sub-Phase work program. DOE has also approved the100 kilometers of 2D seismic data acquisition in on-shore Leyte as its commitment for the 4th Sub-Phase work program rather than drill another well onshore.

Otto has elected to discontinue is participation in the South block, and with the drilling of Argao prospect. Otto will give to SWAN all of its 80% participating interest and its operatorship in the Southern block. Otto will still retain a 40% working interest in the Northern block and the remaining 40% to SWAN.

The Company has a participating interest in this project equivalent to 9.32%. The other members of the consortium are: Otto Energy Investments; PetroEnergy Resources Corporation; Trans-Asia Oil & Energy Development Corporation and SWAN Oil & Gas Ltd.

NORTH BLOCK:

102 line kilometers of seismic lines were completed by the seismic survey party last July 2012. The Seismic survey was completed under-budget despite a month-long cessation of operation due to the military stand-off between China and the Philippines at the Scarborough Shoals. The exact expenditure details are not yet available but will be included in the final formal report.

Initially-processed seismic lines disclosed very promising seismic features and more enhanced drilling target. The confidence of optimally locating the proposed Duhat-2 is now very much higher.

Otto Energy informed that its Board has already approved the drilling budget of US$6.6M for next year's drilling program which is likely to occur during 3Q of 2013. A very much larger rig is being sought for the drilling Duhat 2 to avoid the debacle of Duhat 1/1A. So far two serious drilling outfits have heeded the call for rig by Otto.

SOUTH BLOCK:

After squandering the first half of 2012 trying to raise funds for their committed drilling program, SWAN Oil was unable to show proof of its proof of financial capability and its commitment to drill the Argao structure in due time as per provisions of the amended Farm-In Agreement. The Filipino partners in the South Block declared SWAN in default of its FIA commitments. Otto also declared SWAN in default of its JOA commitments in the North Block. SWAN contested the default but later settled amicably in September 2012, after it was able to secure a reasonable walk-away package from Otto Energy.

After SWAN's exit from the SC-51 contract area, Frontier Oil Corporation manifested its interest to become Operator of SC-51 South Block and has agreed to the key terms of the proposed farmin agreement. Frontier Oil was still inside its requested diligence period when the year ended. A third party was commissioned by Frontier Oil to conduct due diligence study of the block. Frontier requested for an extension until January 31, 2013 before it decides on its option.

B. Mineral Projects

1. *Mineral Production Sharing Agreement No. 066-97-VIII – Lime Project, Isabel-Merida, Leyte*

The MPSA was issued on June 2, 1997. The contract area covers 1,784 hectares located in the municipalities of Merida and Isabel in the province of Leyte. The agreement calls for the extraction of limestone as raw material for the manufacture of cement for 25 years with a further option for another 25 years.

The Company received the approval for the second extension of the MPSA Exploration period last September 9, 2011. The approved two-year exploration and environmental work programs shall end with the Declaration Mining Project Feasibility in September 2013 or earlier.

AGRC, as part of new requirements, are required to conduct a new round of IEC before implementing the exploration surveys. AGRC has also committed to participate in the National Greening Program initiated by the President.

The first quarter of 2012 saw Alcorn's continued preparations to conduct a new IEC campaign for the drilling operation it committed to conduct in the contract area within the two-year extension of the MPSA exploration period.

Personnel from MGB-8 made a field audit of the project as pre-requisite to issuance of claim status certification as required by the SEC. A certificate of claim validity and existence was subsequently issued to AGRC.

AGRC negotiated with network of technical professional who will conduct the deep in-fill sampling of the main quarry area. The new sampling program is designed to evaluate the main quarry area for the volumes of the materials that will be suitable for the lime products required for water treatment plants and coal combustion plant. It now waits for the survey quotations from technical contractors.

The new sampling program is in response to some serious enquiry on the suitability of the emplaced limestone for water treatment and as flux materials for iron furnaces. This gave AGRC more avenues to find and develop other non-cement uses for the resources in place.

In connection with the National Greening Program of the Aquino Administration, a three-year MOA between AGRC and Barangay Honan of Isabel was signed and executed in compliance and fulfillment of AGRC's commitments with the National Greening Program. AGRC will finance the reforestation of a

3-hectare area in Honan, Isabel and Barangay Honan will be the implementing partner of the NGP MOA. A three-year financial plan has been crafted for that matter.

The company paid the annual mining occupation fees to the municipalities of Merida and Isabel in Leyte to keep its mining tax obligation current. Alcorn paid a total mining occupation fee of Php 133,875.00 covering the year 2012 apportioned into Php 94,425.00 to Isabel and Php 39,450.00 to Merida.

As the year ended, Alcorn is completing the sourcing of the tree seedlings for the tree-planting program and the company is still addressing the queries from companies on the suitability and quality of the emplaced limestone for water treatment but unless we find a suitable technical group to complete the re-sampling program the company is handicapped by the scarce data on the main quarry area which were sampled and evaluated for cement operation. The dearth of the technical people has proven to be a bigger hindrance than we had anticipated. This prevented the company from conducting the in-fill deep sampling and bulk sampling for the year.

2. *Mineral Production Sharing Agreement Application No. 039-XIII - Gold Project, Anoling, Agusan Del Sur*

The Company filed its application for an MPSA the DENR on December 9, 1997. The project area is situated approximately 85 aerial kilometers from Butuan City and covers a total area of 405 hectares

The MPSA application is under review and pending approval by the MGB-Central Office.

On November 14, 2005, the Company signed a Mining Operating Agreement with PHSAMED Mining Corporation ("PHSAMED"), an affiliate of Medusa Mining Ltd. of Australia. Under the terms of the agreement, PHSAMED will be the project operator and will assume all rights, duties and obligations title under the MPSA. PHSAMED will handle compliance with all requirements to obtain approval for the application and undertake all work obligations with respect to the MPSA application.

In consideration for its assignment of its interest in the MPSA application, the Company will be entitled to a three per cent (3%) royalty and a 10 per cent share in the profit before tax, interest and depreciation.

The Operator, Philsaga has mined the area under Small Scale Mining Permit for in 2006. But it suspended its operation pending final MPSA approval. Our MOA with Philsaga has a term of 10 years and we are now on its 6th year.

The second deliberation scheduled in mid-February 2012, was postponed due to very tight schedule of the DENR Secretary. All mining operations remained suspended pending final MPSA approval.

As 2012 ended, the Company received a formal notice from the project operator, PHISAGA, that they are no longer pursuing the project development program of Anoling Gold Mine. They did not specify their reasons from returning the project operatorship to Alcorn but we believe that they became exasperated by the length of time that the MPSA has languished at the MGB without any decision.

Nevertheless, Alcorn has assumed operatorship of the project once again and currently securing all the mine tunnels and assets left behind by PHILSAGA. Alcorn is also securing all technical data and reports the PHILSAGA acquired during their seven years stay as project operator.

3. *Exploration Permit No. 07-2010-VI – Gold/Copper Project, Concepcion, Iloilo*

The property is located in the municipality of Concepcion in the province of Iloilo. The claim covers an area of approximately 700 hectares. The Company filed its application for an Exploration Permit (EP) on November 7, 2006 and said application was approved on June 22, 2010. The EP in Iloilo is Option Agreement with Thunder Bay Minerals Corp.

The Company has completed its Project IEC campaign before all concerned and affected LGU's in Concepcion and Iloilo. MGB-6 now requires AGRC to secure Affidavit of Consents from the private landowners. We are currently complying with the MGB guidelines.

2012 started on a buoyant mode after AGRC signed a 90-day Option and Due Diligence Agreement with North Thunderbay Minerals Corporation (NTMC) last January 18, 2012. North Thunderbay Minerals Corporation, sister company of Bentley Fairview Resources Corporation is a sister company of Bentley Fairview Resources whom AGRC has an existing MOA in other mineral projects.

During the first quarter, AGRC staff coordinated with the Sara CENRO office regarding the identification and selection of tree-planting/reforestation site in compliance with the commitments to the National Greening Program (NGP).

AGRC submitted the other requirements like the Safety and Health Program for the year 2012 and continued to gather data and preparing the requirements for the implementation of our Community Development Program.

As the second quarter moved in, NTMC served a formal notice that they will not exercise their option over Concepcion Copper Prospect. Apparently, their partners in Europe were hit by the European debt crisis. NTMC was constrained to cull Concepcion Copper Prospect from their list of prioritized projects. AGRC resumed operatorship of the project. Preparation for the signing of NGP-MOA between AGRC and Cenro-nominated barangay located in Barotac Viejo, Iloilo continued, as well as the CDP survey.

After North Thunderbay Minerals Corporation walked away from Concepcion Copper Project, AGRC sought out other partners in the project exploration and development was able to connect with Vale Exploration Philippines, Inc. Vale has submitted its formal offer to join AGRC in the project development and exploration and serious negotiation is already in progress.

The October signing of NGP-MOA between AGRC and CENRO-nominated barangay located in Barotac Viejo, Iloilo was delayed by the NCIP representative. NCIP insisted on another MOA review of the pro-forma contract presented by Sara CENRO during the signing ceremony. This MOA review bogged down the implementation of the tree-planting project and the document remained with the NCIP provincial office as the year ended.

AGRC completed its documentary submissions with respect to its application for the renewal of the exploration permit. The Company is patiently waiting for the renewal of the exploration permit so that it can implement the other peripheral requirements of the CDP, NGP and geohazard mapping.

2012 ended with AGRC in thick negotiation and contract drafting stage with Vale Exploration Philippines, Inc.

4. *Exploration Permit No. 009-2010-V – Gold Project, Pio Duran, Albay*

The property is located in the municipalities of Oas, Ligao, and Pio Duran in the province of Albay, with possible deposits of gold, copper and silica. The claim area covers 5,998 hectares.

The Company filed its application on December 19, 2006 and said application was approved on May 5, 2010.

AGRC signed a Mines Operating Agreement with Bentley Fairview Resources Corporation last May 17, 2011 after Bentley decided to exercise their option after the expiration of the Option and Due Diligence Agreement last May 01, 2011.

AGRC and Bentley have completed the IEC campaign in mid-August. Bentley advised that ground activities will commence on middle of January. Their schedules were set back by bad weather and shortage of technical personnel.

During the first quarter of 2012, Project Operator, Bentley Fairview Resources Corporation (BFRC) has reported that is has signed a technical services agreement with a network of professionals who will conduct the initial exploration surveys on AGRC's Oas Copper Exploration Project (EP-007-2010-V).

Likewise, during the first quarter, a three-year MOA between AGRC and Barangay Maramba was signed and executed in compliance and fulfillment of AGRC's commitments with the National Greening Program. BFRC, as project operator and in pursuance to the mines operating agreement with AGRC, will finance the reforestation of a 6-hectare area in Maramba and Barangay Maramba will be the implementing partner of the NGP MOA. A three-year financial plan has been crafted for that matter.

In the second quarter of 2012, Bentley reported that its technical contractors have completed the initial exploration surveys on AGRC's Oas Copper Exploration Project (EP-007-2010-V). Ground exploration surveys, such as recon geological mapping, outcrop sampling, stream sediment sampling and heavy minerals sampling have been conducted and the samples have been submitted to assay laboratory in Manila for determinations. The laboratory results came out during the later part of the quarter.

Simultaneously, preparations for the implementation of signed NGP-MOA between AGRC and Barangay Maramba were undertaken. Sourcing for the mahogany seedling has been completed and now waiting for the onset of rains before the seedlings are planted to ensure greater survival rates.

In May of 2012, AGRC initiated the application for the renewal of the exploration permit and initial documentary submissions were made pending the completion of the other requisites of the application/renewal. MGB Central Office formally accepted the EP renewal application and Bentley paid for the verification and processing fees.

During the third quarter of 2012, BFRC submitted the final report of its technical contractors who completed the initial exploration surveys on the project area.

The report disclosed several promising areas that manifested encouraging signs of mineralization. The companies digest the results of the survey and its impact to project development and future exploration program. Alcorn and Bentley have agreed to relinquish certain portions of the permit area in compliance with the conditions of the EP and in order to excise the least mineralized areas from the claim maintenance budget.

A copy of the report was furnished to MGB Regional Office No 5 after the Notice of Relinquishment was submitted to the MGB-5 Office in the early part of 2013. Maps are already being drafted as of this writing and the requisite attachments are being collated.

As 2012 ended, the implementation of signed NGP-MOA between AGRC and Barangay Maramba was completed. A total of 2,500 mahogany seedlings were planted in the area located within the jurisdiction of Barangay Maramba, Oas, Albay. The tree-planting site has been inspected by representative of the MGB.

Meanwhile AGRC has submitted its application for the renewal of the exploration permit and the Company now awaits the renewal of the exploration permit.

C. Other Properties

The Company has no real properties as of December 31, 2012.

Item 3. Legal Proceedings

The Company has an on-going MPSA arbitration case against PICOP Resources pending before the Mines Adjuducation Board as of December 31, 2012.

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

A Regular Annual Stockholders Meeting was held on August 31, 2012, The following matters were acted upon:

1) Approval of the Minutes of the June 24, 2011 Annual Stockholders' Meeting;

2) Approval of President's Annual Report and ratification of all acts and resolutions of the Board of Directors and Management During the Year 2011;

3) Election of Directors;

4) Appointment of External Auditors- Manabat, San Agustin, & Co. (KPMG).

Total shares represented during the annual stockholders meeting, by person or by proxy, were 93,056,135,245 or 72.98% of total shares issued.

On August 8, 2012, the Company distributed by mail and by messenger, the Definitive Information Statement (SEC Form 20) to the stockholders of record of July 31, 2012. The said report contains all of the information required by the above mentioned items.

The following matters were acted upon during the Special Stockholders' Meeting held on December 11, 2012:

a) Approval and ratification of the October 29, 2012 Board of Director's resolution for the following:

b) Amendment of Article Seventh of the Articles of Incorporation:
   i) Increasing the authorized capitak stock from Php 3 billion to Php 10 billion;
   ii) Changing the par value from Php 0.01 to Php 1.00 per share.

c) Amendment of Article First of the Articles of Incorporation changing the name of Alcorn Gold Resources Corporation to Cosco Capital, Inc.;

d) Reorganization/spin-off of the oil and mineral assets and operations into a fully owned subsidiary;

e) Approval and ratification of Registration of additional shares with the Securities and Exchange Commission and Additional Listing of Shares with the Philippine Stock Exchange;

Total shares represented during the special stockholders meeting, by person or by proxy, were 101,146,677,807 or 79.33% of total shares issued.

On November 19, 2012, the Company distributed by mail and by messenger, the Definitive Information Statement (SEC Form 20) to the stockholders of record of November 14, 2012. The said report contains all of the information required by the above mentioned items.

Except for the above matter taken up during the annual stockholders meeting, there was no other matter submitted to a vote of security holders during the period covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

a) Stock Prices / Market Information

The principal market of the company's common equity is the Philippine Stock Exchange. The following table reports the high and low prices for each quarter within the last three fiscal years:

Quarter	2012*	2011	2010	2012*	2011	2010
1st	0.0180	0.0190	0.0065	0.0160	0.0140	0.0070
2nd	0.0170	0.0170	0.0090	0.0140	0.0150	0.0075
3rd	0.0180	0.0190	0.0090	0.0170	0.0150	0.0100
4th	0.0145	0.0160	0.0090	0.0135	0.0140	0.0110

b) Holders

The approximate numbers of holders of common shares of the company as of December 31, 2012 are as follows:

Title of Class	Citizenship	Holding %	Approximate Number of Holders
Common	Filipino	97.70%	1,094
Common	Alien	2.29%	28
Total		100%	1,122

c) Top 20 Stockholders as of December 31, 2012 (Based on Total Outstanding Shares- listed & not listed)

The top twenty (20) shareholders of common class, the number of shares held and the percentage of total shares held by each are as follows:

	Stockholders Name	Total Shareholdings	% (Outstanding shares- 127,500,000,000)
1	VFC LAND RESOURCES, INC.	17,505,250,000	13.73%
2	KMC REALTY CORPORATION	12,500,000,000	9.80%
3	PAJUSCO REALTY CORPORATION	12,500,000,000	9.80%
4	ELLIMAC PRIME HOLDINGS, INC.	10,000,000,000	7.84%
5	CO, LUCIO L.	9,406,480,000	7.38%
6	STRATEGIC EQUITIES CORP.	6,820,029,168	5.35%
7	ANSALDO, GODINEZ & CO., INC.	5,560,647,749	4.36%
8	SB EQUITIES,INC.	4,456,301,296	3.50%
9	KING'S POWER SECURITIES, INC.	3,637,892,787	2.85%
10	CO, SUSAN P.	3,584,500,000	2.81%
11	NEW WORLD SECURITIES CO., INC.	2,728,045,314	2.14%
12	ELLIMAC MANAGEMENT	2,700,000,000	2.12%
13	HDI SECURITIES, INC.	2,690,940,588	2.11%
14	STANDARD CHARTERED BANK	2,114,520,000	1.66%
15	CO, KATRINA MARIE P.	2,000,000,000	1.57%
16	CO, FERDINAND VINCENT P.	2,000,000,000	1.57%

17	CO, PAMELA JUSTINE P.	2,000,000,000	1.57%
18	CO, CAMILLE CLARISSE P.	2,000,000,000	1.57%
19	COL Financial Group, Inc.	1,403,250,339	1.10%
20	EVERGREEN STOCK BROKERAGE & SEC., INC.	1,185,675,715	0.93%

d) Dividends

No cash dividends were declared on the Company's common equity in the past three fiscal years.

A limited retained earnings of the company restricts the Board of Directors to declare dividends. Although AGRC has PhP87 million Retained Earnings as of December 31, 2012 (P87.4 million as of 2011), the amount is reserved for any unsuccessful projects that the company might write off in the future.

e) Stock Options

The stockholders during its Annual Meeting on August 10, 2007 approved the stock option plan for its officers and employees for 5% from the authorized capital stock. This is for implementation.

f) Recent Sale of Unregistered Securities

The company did not sell any unregistered securities.

g) The Company has no debt securities and/or warrants issued or to be registered.

Item 6. Management's Discussion and Analysis (MD&A) or Plan of Operations.

The selected financial information set forth in the following table has been derived from the Company's audited financial statements for the years ended December 31, 2012, 2011 and 2010 and should be read in conjunction with the financial statements and notes thereto contained in this Annual Report and the section entitled "Management's Discussion and Analysis of Financial Condition" and other financial information included therein.

The financial statements as of the Company were prepared by Manabat Sanagustin & Co., CPA (KPMG) in accordance with Philippine Financial Reporting Standards. The summary of financial information set out below does not purport to project the results of operations or financial conditions of the Company for any future period or date.

a) Plan of Operation

On December 11, 2012 the stockholders in a meeting approved the subscription of Lucio L. co Group to the unissued authorized capital stock of the Company from the increase of the authorized capital stock of Alcorn Gold Resources Corporation at a subscription price of P15 per share for a total of 4,987,560,379 shares at an aggregate subscription price of P74,813,405,685 worth of shares in Puregold Price Club, Inc., Ellimac Prime Holdings, Inc., Go Fay & Co., Incorporada, SVF Corporation, Nation Realty, inc., Montosco Inc., Meritus Prime Distributions, Inc. and Pure Petroleum, Inc. (collectively, the "Subsidiaries"), and the corresponding payment thereof by way of assignment of the shares owned by the Lucio L. Co Group in the Subsidiaries, under the terms and conditions to be determined by the Corporation's Board of Directors (the"Transaction").

Lucio L. Co Group consists of Lucio L. Co, Susan P. Co, Ferdinand Vincent P. Co, Pamela Justine P. Co, Camille Clarisse P. Co, Katrina Marie P. Co and Jose Paulino Santamarina.

Further, the company shall be re-named Cosco Capital, Inc. upon its approval by the Securities and Exchange Commission.

With the above changes which shall happen in 2013 after the approval of SEC and PSE, the Company shall operate strictly as a holding company with its subsidiaries as follows: Puregold Price Club, Inc., 118 Holdings, Inc., Patagonia Holdings, Inc., Fertuna Holdings, Inc., Premier Wine and Spirits, Inc., Montosco Inc., Meritus Prime Distributions, Inc., and Pure Petroleum, Inc. The mining operations and its current projects however will still continue under a new company which shall also become a subsidiary of the Company.

Operationally, the change will necessitate a shift of focus from a narrow. Technical lens for mining, to a broader expertise geared towards mass marketing.

Specifically, this transformation allows the Corporation to participate in the country's burgeoning income levels as the common strand that weaves thru the various assets/stocks injected is that they all cater – in one form or another – to the country's engine for growth: rising consumption levels from the country's lower middle class. The company is positioning itself to benefit from future economic growth in a big way.

b) Management's Discussion and Analysis of Financial Condition and Results of Operations

Top 4 Key Performance Indicators

The management considers the following as key performance indicators of the Company:

- Return on Investment (ROI) (Net Income / Ave. Stockholders' Equity), measures the profitability of stockholders' investment.
- Profit Margin (Net Income / Net Revenue), measures the net income produced for each peso of sales.
- Current Ratio (Current Asset / Current Liabilities), measures the short-term debt-paying ability of the Company.
- Asset Turnover (Net Revenue / Ave. Total Assets), measures how efficiently assets are used to generate revenues.

The following table shows the Top 5 key performance indicators for the past three fiscal years:

Performance Indicator	2012	2011	2010
ROI	0.93%	1.22%	1.25%
Profit Margin	32%	30%	20%
Current Ratio	354	234	253
Asset turnover	2.87%	4.06%	6.30%

Review of Operations

Income Statement

Results of Operations

Year Ended December 31,	2012	2011	2010
Petroleum Revenue	4,140	5,811	10,049
Petroleum Production Costs	(1,429)	(4,092)	(3,258)
Income from Operations	2,711	1,719	6,791
Interest Income from bank and short term placement	16,363	15,179	19,091
Gain on sale of available-for-sale financial assets	9,518	11,950	15,682
Foreign Exchange Gain	-	567	-
Dividend income & Other Income	3,134	3,032	3,423
Other Income	29,015	30,748	38,196
	31,726	32,467	44,987
General & Administrative	(20,336)	(20,248)	(33,463)
Foreign Exchange Loss	(601)	-	(3,676)
Provision for Market Decline in Value on Marketable Securities	-	-	-
Total expenses	**(20,937)**	**(20,248)**	**(37,139)**
Income before income tax	**10,789**	**12,219**	**7,848**
Income tax expense	(19)	(1,233)	1,704
Net Income	**10770**	**10986**	**9,552**
Recovery (decline) in value of AFSFA	(171)	1,956	1,364
Total Comprehensive Income	**10,599**	**12,942**	**10,916**

December 31, 2012 vs. December 31, 2011

AGRC realized revenue of 33.22 million for the year 2012. This is 9% lower than last year's revenue of P36.56 million. Revenue for the year are contributed by oil liftings and treasury activities amounting to P4.1 million and P29 million respectively. Oil liftings are from sale of crude oil lifted from North Matinloc field where AGRC has 13.551% interest. Total production volume is 16,107 barrels at average price of $97.38 per barrel.

For treasury activities, revenue came from interest income on various placements amounting to P16.36 million, gain on trading of equity and debt securities amounting to P9.52 million and dividend income of P3.13million. Income from treasury is lower by 6% due to lower interest rates. Bulk of the dividend income for 2012 refers to dividends received from Ayala Preferred Shares.

Costs and expenses amounted to PP22.36 million which is 8% lower compared to last year's figure due to lower oil exploration costs.

December 31, 2011 vs. December 31, 2010

For year 2011, AGRC realized revenue of P36.56 million. This is 24% lower than last year. Revenue for the year are contributed by oil liftings and treasury activities amounting to P5.8 million and 30.74 million respectively. Oil liftings are from sale of crude oil lifted from North Matinloc field where AGRC has 13.551% interest. Total production volume for the year is 16,107 barrels at average price of $97.38 per barrel. For 2010, total production volume is 18,734 barrels at average prie of $73.48 per barrel.

For treasury activities, revenue came from interest income on various placements amounting to P15.17 million, gain in trading of equity and debt securities amounting to P11.95 million and dividend income of P3.0 million. Income from treasury is lower by 19% due to lower interest rates and most of long term placement were sold to take advantage of higher market price.

For year 2011, costs and expenses amounted to P24.34 million. This is lower by 40% compared last year due to lower staff costs and license fees brought about by amendment of retirement plan last year and no one time cost on capital increase a compared last year.

Review of Financial Position

Financial Position

Financial Position	2012	2011	2010
Cash and Cash Equivalents	998,705	540,013	347,095
Available-for-sale financial assets	41,003	52,083	170,416
Receivables, net	18,617	17,105	15,833
Other current assets	2,223	1,367	1,446
Total curent assets	1,060,548	610,568	534,790
Property & Equipment	160,378	161,251	161,868
Deferred Costs	150,158	153,882	158,118
Deferred income tax assets	5,075	4,773	5,650
Other assets	2,659	3,924	4,047
	1,378,819	934,398	864,473
Current Liabilities	2,992	2,614	2,112
Stockholders' Equity	1,375,827	931,784	862,361
	1,378,819	934,398	864,473

December 31, 2012 vs. December 31, 2011

Total assets of the Company amounted to P1.38 billion with no debt except for negligible amount of accrued expenses. Total current assets for the year is P1.06 billion while non-current assets is P318 million. Cash and cash equivalents increased to P999 million from last year's P540 million or a an 85% increase due mainly to the receipt of the proceeds from the full payment of subscription receivables from Lucio L. Co Group. Available – for- sale financial assets decreased to P41 million from P52 million last year as most of long-term securities were sold to take advantage of high market rates. Proceeds were eventually placed in shorter term placements. Deferred cost decreased mainly due to impairment provision on mineral projects. Total asset increase by P444 million of 48% higher than last year's P934 million due basically to the increase the jump in cash balance. Stockholder's Equity increased by P444 million due to the net income contributed for the year and the issuance of stocks for fully paid subscriptions.

December 31, 2011 vs. December 31, 2010

The company ended year 2011 with the total assets of P934 million and almost no debt. Total current assets for the year is P610 million while non-current assets is P324 million. Available-for-sale financial assets decreased to P52 million from P170 million last year as most of long-term securities were sold to take advantage of high market rates. Proceeds were eventually place in shorter term placements. Deferred cost decreased mainly due to impairment provision on mineral projects. Total assets increased by P70 million or 8% higher than last year's P864 million. Increase is due to net income contributed for the year and proceeds from payment of stock rights. Stockholders' Equity increased by P69 million due to issuance of stock for fully paid stock rights and net income for the year.

December 31, 2010 vs. December 31, 2009

The company's total assets amounted to Php864 million as of the end of December 31, 2010. Total assets increased by 30 percent on account of higher cash levels arising from subscription to common stock.

Total cash and cash equivalents rose by more than 1,000 per cent mainly due to the receipt of proceeds from subscriptions to capital stock. On the other hand, available for sale financial assets declined by 14 per cent on account of the sale of peso and dollar bonds.

Deferred assets grew to Php158 million, compared to Php154 million in the previous year. The increase was due to additional capitalized costs incurred for various projects during the year.

Total current liabilities increased more than 33 per cent due to accrual of expenses. The company has no long term obligations.

Others

(i) Due to the company's sound financial condition, there is no foreseeable trend or event that may have a material impact on its short-term or long-term liquidity.

(ii) Sources of liquidity – Funding will be sourced from internally generated cash flow or through committed credit lines.

(iii) 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;

(iv) There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the year.

(v) There is no material commitment for capital expenditures other than those performed in the ordinary course of trade or business.

(vi) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations – none

(vii) There is no significant element of income not arising from continuing operations.

(viii) The causes for the material changes in the financial statements from 2010 to 2011 are explained in the management's discussion and analysis of operations, as well as in the accompanying notes to financial statements.

(ix) The gain from sale of available-for-sale financial assets is considered seasonal aspects that had a material effect on the financial condition or results of the company's operations.

No interim financial statements are included in this report. The interim financial statements will be included in SEC Form 17-Q (Quarterly Report) of the Company.

Information on Independent Accountant and other Related Matters

External Audit Fees and Services

For the fiscal year 2012, the Company's external auditor, Manabat, San Agustin, & Co. (KPMG), was engaged to render audit of annual financial statements necessary to comply with the regular filings to BIR, SEC, PSE and other government regulatory agencies. Audit fee for year 2012 is P330,000 exclusive of out-of-pocket expenses and 12% VAT. 2011 is P320,000

The company has not engaged its external auditor for tax accounting, compliance, advice planning and any other form of services aside from the regular audit engagement.

Item 7. Financial Statements and Supplementary Schedules

The Audited Financial Statements of the Company and schedules as listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17 A (Annex A)

Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

Since 2008, Manabat, San Agustin, & Co. (KPMG) was engaged as the company's Independent Auditor and there have been no disagreements in the audit findings of KPMG.

No handling partner ceased his or her services for the past years.

Other factors pertaining to the operational and financial information of Alcorn Gold Resources Corporation as required by Part II and III, Paragraph A of Annex C. SRC Rule 12 have not been discussed on as these are either not applicable to the company or require no answer.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Directors and Executive Officers

There are seven (7) members of the Company's Board of Directors, two (2) of whom are independent directors. All directors are elected during the annual meeting of stockholders for a term of one (1) year and until their successors are elected. Executive officers are appointed or elected annually by the Board of Directors. Appointed or elected and qualified executive officers hold office until a successor is qualified and elected or appointed.

During the annual stockholders' meeting held on August 31, 2012, the following were elected and appointed:

Name	Age	Position
Eduardo F. Hernandez	83	Chairman of the Board
Leonardo B. Dayao	69	President
Teofilo A. Henson	66	Director
Jaime S. Dela Rosa	69	Independent Director
Oscar S. Reyes	67	Independent Director
Robert Y. Cokeng	62	Director
Lucio L. Co	59	Director
Jose S. Santos	73	Corporate Secretary

During the special stockholders' meeting held on December 11, 2012, the following were elected and appointed:

Name	Age	Position
Lucio L. Co	59	Chairman of the Board
Eduardo F. Hernandez	83	Vice-Chairman
Leonardo B. Dayao	69	President
Teofilo A. Henson	66	Director
Jaime S. Dela Rosa	69	Independent Director
Oscar S. Reyes	67	Independent Director
Robert Y. Cokeng	62	Director
Jose S. Santos	73	Corporate Secretary

The following is a profile of the incumbent directors and executive officers of the Company, indicating their respective business experience for the past five (5) years:

Board of Directors

Lucio L. Co, 59, Filipino
Chairman of the Board

Mr. Co has been a director of the Company since October 1997. He also serves as chairman of the following companies: Puregold Price Club, Inc., (PSE listed company); Kareila Management Corporation, Puregold Finance, Inc., Puregold Duty Free Subic, Inc., Puregold Realty Leasing and Management, Inc. and President of Bellagio Holdings, Inc., Ellimac Prime Holdings, Inc., Cosco Prime Holdings, Inc., Forbes Corporation, LCCK & Sons Realty Corporation, Patron Supermarket, Inc., Puregold Junior Supermarket, Inc., Puregold Duty Free, Inc., and Puregold Properties, Inc. He is also a member of the Board of Trustees of Adamson University. Mr. Co has been an entrepreneur for the past 40 years.

Eduardo F. Hernandez, 83, Filipino
Vice-Chairman

Atty. Eduardo F. Hernandez is one of the incorporators of the Company. He serves as Chairman of the Board from 1987 to present and Company President from 1987 to June 2010. He was the Executive Vice President and General Manager of Alcorn Production Philippines, Inc. He currently serves as a director for PNOC-EC and is a Senior Counsel of Romulo, Mabanta, Buenaventura & Sayoc Law Office. Atty. Hernandez obtained his Law Degree in University of the Philippines in 1953. He is the author of various law books such as: (a) Landowners' Rights published in 2002, (b) Philippine Admiralty and Marine Law, published in 1977, (c) Immigration Law and Practice in the Philippines, published in 1969, (d) co-author with Justice Fernando Hernandez, Criminal Procedure, 3rd Edition, published in 1969.

Leonardo B. Dayao, 69, Filipino
President

Mr. Dayao has been a director and vice-chairman of the Company since October 1997 and elected as President on June 2010. He is concurrently the Chairman of PSMT Philippines, Inc.; President of Puregold Price Club, Inc. (PSE listed company) and Puregold Finance, Inc. He is also Vice-President of Ellimac Prime Holdings, Inc., Bellagio Holdings, Inc., Pajusco Realty Corporation, Puregold Properties, Inc., VFC Land Resources, Inc., and Cosco Prime Holdings, Inc. He is also a Director of Fontana Development Corporation and Fontana Resort and Country Club. Before joining the Company, Mr. Dayao was connected with Ayala Investment and Development Corporation as Vice-President from 1980 to 1984 and Bank of the Philippine Islands as Vice President from 1984 to 1994. Mr. Dayao received a Bachelor of Science degree in Commerce from the Far Eastern University. He is a Certified Public Accountant. He has completed Basic Management Program at Asian Institute of Management and earned units in MBA from University of the Philippines-Cebu.

Robert Y. Cokeng, 62, Filipino
Director

Mr. Cokeng has been an independent director of the Company since September 1987. He also serves as a director and/or officer in the following companies: Chairman, President and CEO – F&J Prince Holdings Corporation (PSE-Listed Company); President and CEO–Magellan Capital Holdings, Corp.; President and CEO–Magellan Utilities Dev't. Corp.; Chairman, President and CEO–Consolidated Tobacco Ind. of the Phils.; Chairman and President–Center Industrial and Investment, Inc.; Vice-Chairman–Pointwest Technologies Corp. and Pointwest Innovations Corp.; Chairman-Exec. Committee – Business Process Outsourcing International; Chairman–IPADS Developers, Inc. He was also the Senior Investment Officer and Philippine Country Officer of International Finance Corporation (World Bank Group) from 1976 to 1986. He worked on investments in East Asia from Washington D.C. Headquarters and from Regional Mission for East Asia located in Manila. He graduated Magna Cum Laude in Ateneo de Manila University with degree of Bachelor of Arts Economics Honors Program. He also earned his Master in Business Administration in Harvard University with High Distinction and elected a Baker Scholar.

Oscar S. Reyes, 66, Filipino
Independent Director

Mr. Reyes has been an independent director of the Company since July 2009. He also serves as a director and/or officer in the following companies: Meralco as Chief Operating Officer and Director, Advisory Board member of Philippine Long Distance Telephone Co. and Chairman of Pepsi Cola Products Phils Inc., MRL Gold Philippines, Inc. and Link Edge Inc. He is also a member of the Board of Directors of Bank of the Philippine Islands, Ayala Land Inc., Manila Water Co., Smart Communications Inc., Basic Energy Corp., Sun Life Financial Phils Inc and Sun Life Prosperity Funds. Mr Reyes spent 21 years with the Shell Group, most notably as Country Chairman of the Shell Companies in the Phils., Chairman and President of Pilipinas Shell Petroleum Corp. and Managing Director of Shell Philippines Exploration B.V..

Jaime S. Dela Rosa, 68, Filipino
Independent Director

Mr. Dela Rosa has been a director of the Company since June 2010. He also served as a director and/or officer in the following companies: PNCC-Skyway Corp. of the Philippines, DBP, Asset Privatization Trust, Food Termina Inc., Citibank. Mr. Dela Rosa spent fifteen (15) years with Philsec Investment Corp. and two (2) years in Ayala Investment & Development Corp. He has a Bachelor of Science in Commerce Accounting degree from Far Eastern University. He also attended a post-graduate program on Global Financial System in Harvard University (John F. Kennedy School of Government) in 2002.

Teofilo A. Henson, 66
Director

Mr. Henson has been a director of the Company since August 31, 2012. He also served as President of the following companies: GEM Communications Holding Corporation, Southern Broadcasting Network, Inc. Kamahalan Publishing Corporation and Kagitingan Printing Press, Inc., National Transport Group of Companies (formerly Luzon Stevedoring Group of Companies), Business Today Information Systems and Services, Inc. and Sycip, Gorres, Velayo and Company. He has a Master of Business Management at Asian Institute of Management in 1972 and a Bachelor of Arts, General Engineering at the Ateneo de Manila University in 1968.

Jose S. Santos, Jr., 73, Filipino
Corporate Secretary

Atty. Santos has been the corporate secretary of the Company since July 1999. He also serves as legal counsel to the Puregold Group of Companies, Campos Rueda Corporation, Willis International Sales Corporation among others. He has been a practicing lawyer since 1962.

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

Pursuant to the Company's By-laws, each Director has a term of office of one year from date of election or until his successor shall have been named, qualified and elected. Each executive officer has an employment contract with the company for an indefinite period until it is terminated by the Board. The terms and conditions of which are in accordance with existing laws.

The Executive Officers and staff are entitled to receive retirement benefits in accordance with the terms and conditions of the company's employee's retirement plan. There is no plan or arrangement by which the Executive Officers will receive from the company any form of compensation in case of a change-in-control of the company or a change in the officer's responsibilities following such change-in-control.

Resignation of Director/Management Committee Member/Key Officers

To date, no director has resigned or declined to stand for re-election for the Board of Directors since the date of the annual meeting of stockholders due to any disagreement with the corporation relative to the corporation's operations, policies and practices.

Significant Officers / Employees

Every employee of the Company is considered significant and has an important role in achieving the Company's vision and mission.

Family Relationships

There are no family relationships to the fourth civil degree either by consanguinity or affinity among directors, executive officers, or persons nominated or chosen by the Company to become directors or executive officers.

Involvement in Certain Legal Proceedings

As of the date of this Prospectus, to the best of its knowledge, there are no legal proceedings against the directors and executive officers of the Company within the categories described in SRC Rule 12, Part IV paragraph (A) (4).

- The Corporation is not aware of any bankruptcy proceedings filed by or against any business of which a director, executive officer, or control person of the Corporation is a party or of which any of their property is subject.

- The Corporation is not aware of any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, of any of its director, executive officer, or control person.

- The Corporation is not aware of any other judgment or decree not subsequently reversed, superseded or vacated, by any court of competent jurisdiction, domestic or foreign, permanently of temporarily enjoining, barring, suspending or otherwise limiting the involvement of a director, executive officer, or control person in any type of business, securities, commodities or banking activities.

- The Corporation is not aware of any findings 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 electronic marketplace or self regulatory organization, that any of its director, executive officer, or control people has violated a securities or commodities law.

Item 10. Executive Compensation

Information as to the aggregate compensation paid or accrued during the last two years and to be paid in the ensuing year to the Company's President and four (4) most highly compensated executive officers is presented below. In 2012, these four (4) officers were as follows: Eduardo F. Hernandez, Leonardo B. Dayao, Leonides C. Ramos, and Maryknoll B. Zamora. Also included in the tabular presentation is the compensation paid to or accrued for other officers and the Board of Directors for the same three (3) years.

Name	Salary (Php)	Bonus (Php)
All above-named officers as a group: 2013*	6,480,000	540,000
2012	6,480,000	540,500
2011	6,480,000	540,500
2010	6,224,758	1,000,000
Other officers and directors as a group: 2013*	920,000	-0-
2012	920,000	-0-
2011	920,000	-0-
2010	697,500	-0-

*Projected Annual Compensation

Each director receives standard per diem for every meeting attended.

Stock Options, Employment Contract & Retirement Benefits

- The stockholders during its annual meeting on August 10, 2007 approved the stock option plan for its officers and employees. As of December 2012, this is for implementation.

- Pursuant to the Company's By-laws, each Director has a term of office of one year date of election or until his successor shall have been named, qualified and elected. Each executive officer has an employment contract with the company for an indefinite period, the terms and conditions of which are in accordance with existing laws.
- The Executive Officers and staff are entitled to receive retirement benefits in accordance with the terms and conditions of the company's BIR registered employee' retirement plan. There is no plan or arrangement by which the Executive Officers will receive from the company any form of compensation in case of a change-in-control of the company or a change in the officer responsibilities following such change-in-control.

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

The Company has no information about persons (or "groups" of persons) known to be the record or beneficial owners of more than 5% of any class of the Company's stocks as of December 31, 2012 except for **Mr. Lucio L. Co** with total combined holdings of **59.8%. PCD Nominee**, with record holdings of 33%, is the registered owner of shares beneficially owned by the Custodian Banks and Brokers, who are the participants of PCD. The PCD is prohibited from voting these shares; instead the participants have the power to decide how the PCD shares in AGRC are to be voted. Mr. Lucio L. Co has record holdings of 7.4% and beneficial holdings of 52.4%. Mr. Lucio L. Co is a director of the company.

Title of Class	Name and address of record owner & relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	Amount and Nature of Ownership (Indicate record "r" and or beneficial "b")[1]	Percent of Class*
Common	VFC Land Resources, Inc. - 16F Federal Tower, Dasmarinas St., Binondo, Manila / Affiliate	Lucio L. Co / Director	Filipino	17,505,250,000	13.7%
Common	Lucio L. Co - 16F Federal Tower, Dasmarinas St., Binondo, Manila / Director	none	Filipino	9,406,480,000	7.4%
Common	Pajusco Realty Corp.- 16F Federal Tower, Dasmarinas St., Binondo, Manila / Affiliate	Lucio L. Co / Director	Filipino	12,500,000,000	9.8%
Common	KMC Realty Corp.- 16F Federal Tower, Dasmarinas St., Binondo, Manila / Affiliate	Lucio L. Co / Director	Filipino	12,500,000,000	9.8%
Common	Ellimac Prime Holdings- 16F Federal Tower, Dasmarinas St., Binondo, Manila / Affiliate	Lucio L. Co / Director	Filipino	10,000,000,000	7.8%

** Percentage based on outstanding shares of 127,500,000,000*

(2) Security Ownership of Management – Record "d" and Beneficial "id" (direct/indirect) as of December 31, 2012:

Title of Class	Name of Beneficial Owner	Position	Amount and Nature of Ownership (Indicate direct "d" and or indirect "id")[1]		Citizenship	Percent of Class[2]
Common	Lucio L.Co	Chairman	"d" / "id"	104,736,627	Filipino	8.21%
Common	Eduardo F. Hernandez	Vice Chairman	"d"	130,235	Filipino	0.01%
Common	Robert Y. Cokeng	Director	"d"	8,345,000	Filipino	0.65%
Common	Leonardo B.Dayao	President/Director	"d"	162,794	Filipino	0.01%
Common	Teofilo A. Henson	Director	"d"	52,000	Filipino	0.00%
Common	Oscar S. Reyes	Director	"d"	54,265	Filipino	0.00%
Common	Jaime S. Dela Rosa	Director	"d"	50,000	Filipino	0.00%
Common	Jose S. Santos	Corporate Sec.	"d"	-	Filipino	0.00%
Common	Candy Dacanay-Datuon	Asst. Corp. Sec.	"d"	-	Filipino	0.00%
Common	Other directors and executive officers as a group	None	"d" or "id"	-	Filipino	0.00%

[1]Amount of shares issued and outstanding at P0.01 par value.
[2]Based on total amount of outstanding stock of P1.275 billion

(3) Voting Trust Holders of 5% or More

There are no voting trust holders of 5% or more of registrant's securities.

(4) Change in control

There have not been any arrangements that have resulted in a change in control of the registrant during the period covered by this report.

Item 12. Certain Relationships and Related Transactions

A summary of the company's significant transaction and balances with related parties for the past three (3) years are as follows:

	2012	2011	2010
Puregold Price Club, Inc. Notes receivable Interest income	 P -0- -0-	 P -0- -0-	 P-0- 4,809,785
VFC Land Resources, Inc. Rent Expense		869,087	767,866
Officers and employees Receivables		260,400	440,823

On August 2010, the Company received the full payment of P100,000,000 from PPCI as settlement of its promissory note.

The Company has P100 million Notes Receivables from an affiliate, Puregold Price Club, Inc. (PPCI). It represents various promissory notes with an annual interest of a 91-day Treasury Bill rate plus 2.5%, with repricing every 30 days.

PPCI is a supermarket chain currently operating in Metro Manila and Luzon. The fund was used for opening additional stores in Metro Manila. It is an affiliate company of AGRC through a common officer and director, Leonardo B. Dayao and Lucio L. Co. The majority of the directors, with Director Dayao and Co abstaining from voting, approved a P100 million credit line to PPCI on the basis that the P100 million loan to PPCI will contribute higher income to the Company than traditional bank investments by 3% to 5% per annum.

The company leases its office space with VFC Land Resources, Inc.

Receivables from officers and employees refer to interest bearing company loan which are collected through salary deduction.

Other factors pertaining to the control and compensation information of Alcorn Gold Resources Corporation as required by Part IV, Paragraphs A to D of Annex C. SRC Rule 12 have not been discussed on as these are either not applicable to the company or require no answer.

Item 13. Compliance with the Corporation's Manual on Good Corporate Governance

(a) Evaluation System to Measure Compliance with Manual of Corporate Governance

The Corporate Compliance Officer measures the Corporation's compliance with the provisions of its Manual on Good Corporate Governance using the Corporate Governance Self-Rating Form.

(b) Measures Undertaken to Fully Comply with Leading Practices and Good Corporate Governance

The Company has exerted its best efforts to comply with the provisions in its Manual on Good Corporate Governance. The following steps have been undertaken to ensure leading practices on good governance are observed:

- The attendance of each of the Directors in the scheduled meetings of the Board of Directors are monitored and recorded;
- The Board has created the 3 Committees required by the Manual: Audit Committee, Nomination Committee and Compensation Committee
- Guidelines for these three committees are being developed and to be reviewed by the Board for approval and implementation.
- Directors attend Good Governance Seminars.

(c) Sworn Certification on the Compliance with the Manual on Corporate Governance for the year 2012 was submitted to SEC on March 15, 2012 & to PSE on March 15, 2012.

(d) Plans to improve Corporate Governance

In order to improve the Company's adherence to leading practices in good corporate governance, AGRC's revised its Manual on Corporate Governance in accordance with SEC Memorandum Circular No. 6 Series of 2009.

PART IV – EXHIBITS AND SCHEDULES

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

(a) Exhibits

Item	Revised Securities Act Form	Particulars	Date Submitted
3	Plan Of Acquisition, Reorganization, Arrangement, Liquidation, Or Succession	None	None
5	Instruments Defining Rights Of Security Holders, Including Indentures	None	None
8	Voting Trust Agreements	None	None
9	Material Contracts	None	None
10	Annual Report To Security Holders, Form 17-Q Or Quarterly Report To Security Holders		
	SEC Form 17-Q	2011 3rd Quarter Report	11/6/2012
	SEC Form 17-Q	2011 2nd Quarter Report	7/27/2012
	SEC Form 17-Q	2011 1st Quarter Report	5/15/2012
12	Letter Re: Unaudited Interim Financial Information	Interim FS part of 17Q (Quarterly Report)	Same as 17Q
13	Letter Re : Change In Certifying Accountant	None	None
14	Letter Re: Director Resignation	None	None
	Prospectus on Stock Rights Offering	None	None
16	Report Furnished To Security Holders	SEC Form 20 (Proxy Statement) and Information Statement	7/27/2012
18	Subsidiaries Of Registrant	None	None

(b) Reports on SEC Form 17-C

Type of Form	Particulars	Date of Report/ Submitted
2011		
SEC Form 17-C	2012 Annual Verification (Cert. from DOE & DENR on validity and subsistence of contract areas)	3/19/12
SEC Form 17-C	Certificate of Attendance of Directors for 2012	1/30/2013
SEC Form 17-C	General Information Sheet 2012	9/14/2012
SEC Form 17-C	Results of Stockholders' Meeting & BOD Organizational Meeting on August 31, 2012	9/6/2012
SEC Form 17-C	Notice of Stockholders' Meeting	7/17/2012

Signatures

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Manila, on ________, 2013

For ALCORN GOLD RESOURCES CORPORATION:

LUCIO L. CO
Chairman of the Board

LEONARDO B. DAYAO
President

MARY S. DEMETILLO
Chief Financial Officer

ATTY. JOSE S. SANTOS, JR.
Corporate Secretary

APR 15 2013

SUBSCRIBED AND SWORN to before me this ____ day of _______, 2013 affiants exhibiting before me their TIN numbers:

Name	TIN Nos.
Lucio L. Co	108-975-971
Leonardo B. Dayao	135-546-815
Mary S. Demetillo	152-885-512
Jose S. Santos, Jr.	136-370-998

Doc. No. : 53
Page No. : 147
Book No. : 77
Series of 2013

ATTY. [illegible] MIRALLES
[illegible] MANILA
MY COMMISSION [illegible] 12-31-2013
[illegible] BLDG.
A.J. VILLEGAS ST. 1000 ERMITA MANILA
IBP NO. 86803-10-6-11 - MANILA - 2012
PTR NO. 1407717 - 1/3/13
ROLL NO. 32502
MCLE III 000209 16 - 8-9-2011
COMMISSION NO. 012-011

Exhibit I

Audited Financial Statements

December 31, 2012 and 2011

COVER SHEET

S.E.C. Registration Number

ALCORN GOLD RESOURCES CORPORATION

(Company's Full Name)

2nd Floor, Tabacalera Building #2, 900 D. Romualdez Sr. Street, Paco, Manila

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

Maryknoll B. Zamora

Contact Person

524-9236

Company Telephone Number

1 2	3 1
Month	*Day*

AAFFS

FORM TYPE

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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RDO CODE - 034
BRANCH CODE 010-101
Teller No. Teller's Initial

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ALCORN GOLD RESOURCES CORPORATION

FINANCIAL STATEMENTS
December 31, 2012 and 2011

KPMG

Manabat Sanagustin & Co., CPAs
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

Branches: Bacolod · Cebu · Iloilo · Subic

Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
E-Mail manila@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Alcorn Gold Resources Corporation
2nd Floor, Tabacalera Building #2
900 D. Romualdez Sr. Street, Paco, Manila

Report on the Financial Statements

We have audited the accompanying financial statements of Alcorn Gold Resources Corporation, which comprise the statements of financial position as at December 31, 2012 and 2011, and the 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 notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

KPMG

Opinion

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

Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010 and RR No. 19-2011 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 22 to the basic financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

MANABAT SANAGUSTIN & CO., CPAs

ADOR C. MEJIA
Partner
CPA License No. 0029620
SEC Accreditation No. 0464-AR-1, Group A, valid until March 17, 2013
Tax Identification No. 112-071-634
BIR Accreditation No. 08-001987-10-2010
Issued June 30, 2010; valid until June 29, 2013
PTR No. 3669522MC
Issued January 2, 2013 at Makati City

February 25, 2013
Makati City, Metro Manila

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Teller No. Teller's Initial

ALCORN GOLD RESOURCES CORPORATION
2nd Floor, Tabacalera Building 2, 900 D. Romualdez Sr. St., Paco, Manila 1007 Philippines
Tel No.: (632) 524-9236; (632) 524-9238 Fax No: (632) 524-7452
Website Address: http://alcorngold.tripod.com E-Mail: agrc@info.com.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Alcorn Gold Resources Corporation (the "Company"), is responsible for the preparation and fair presentation of the financial statements as at and for the years ended December 31, 2012 and 2011, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

Manabat Sanagustin & Co., CPAs, the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature ______________________
LUCIO L. CO / Chairman of the Board

Signature ______________________
LEONARDO B. DAYAO / President

Signature ______________________
MARY S. DEMETILLO / Chief Financial Officer

Signed this 25th day of February 2013

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ALCORN GOLD RESOURCES CORPORATION
STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2012	2011
ASSETS			
Current Assets			
Cash and cash equivalents	4, 5, 19, 20	**P998,705,399**	P540,013,336
Receivables - net	6, 17, 19, 20	**18,616,967**	17,104,752
Available-for-sale financial assets	4, 7, 19,20	**41,002,675**	52,083,206
Prepaid expenses and other current assets		**2,223,481**	1,366,503
Total Current Assets		**1,060,548,522**	610,567,797
Noncurrent Assets			
Property and equipment - net	8	**160,378,421**	161,250,909
Deferred oil and mineral exploration costs	9	**150,157,792**	153,882,280
Deferred tax assets - net	16	**5,075,324**	4,773,182
Other noncurrent assets	10, 14, 15, 19, 20	**2,658,958**	3,923,671
Total Noncurrent Assets		**318,270,495**	323,830,042
		P1,378,819,017	P934,397,839
LIABILITIES AND EQUITY			
Current Liabilities			
Accrued expenses and other current payables	4, 11, 19, 20	**P2,548,862**	P2,135,882
Income tax payable	4	**443,471**	478,188
Total Current Liabilities		**2,992,333**	2,614,070
Equity			
Capital stock	12	**1,275,000,000**	841,556,527
Reserve for changes in value of available-for-sale financial assets	7	**2,623,692**	2,794,223
Retained earnings		**98,202,992**	87,433,019
Total Equity		**1,375,826,684**	931,783,769
		P1,378,819,017	P934,397,839

See Notes to the Financial Statements.

ALCORN GOLD RESOURCES CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2012**	2011	2010
REVENUE				
Interest income from bank deposits and short-term placements	*4, 5*	**P16,362,524**	P15,179,409	P14,281,143
Gain on sale of available-for-sale financial assets	*4, 7*	**9,517,791**	11,950,332	15,682,205
Production lifting revenue	*4*	**4,139,787**	5,810,582	10,048,535
Dividend and other income	*4*	**3,134,026**	3,031,973	3,422,920
Foreign exchange gain - net	*4, 20*	**-**	587,453	-
Interest income from notes receivable	*4, 17*	**-**	-	4,809,785
		33,154,128	36,559,749	48,244,588
EXPENSES				
Staff costs	*18*	**7,597,961**	7,457,654	14,104,247
Provision for unrecoverable deferred mineral exploration costs	*9*	**3,526,579**	2,940,234	3,805,431
Transportation and communication		**3,503,738**	3,673,758	2,360,095
Legal, professional and other fees		**2,582,623**	2,594,231	2,349,011
Oil exploration		**1,428,763**	4,092,155	3,257,990
Rent	*15, 17*	**924,888**	869,087	767,866
Foreign exchange loss - net	*20*	**601,891**	-	3,676,195
Depreciation and amortization	*8*	**487,529**	666,738	760,257
Membership fees		**311,560**	281,100	345,644
Repairs and maintenance		**268,589**	269,917	199,165
Taxes and licenses		**229,760**	232,785	5,172,409
Utilities		**214,272**	245,205	325,048
Representation and entertainment		**109,553**	135,797	770,787
Impairment loss on receivables		**-**	-	934,505
Others		**577,151**	881,367	1,568,791
		22,364,857	24,340,028	40,397,441
INCOME BEFORE INCOME TAX		**10,789,271**	12,219,721	7,847,147
INCOME TAX EXPENSE (BENEFIT)	*16*	**19,298**	1,233,467	(1,704,103)
NET INCOME		**10,769,973**	10,986,254	9,551,250
(LOSS) RECOVERY IN VALUE OF AVAILABLE-FOR-SALE FINANCIAL ASSETS - Net of tax	*7*	**(170,531)**	1,955,750	1,364,217
TOTAL COMPREHENSIVE INCOME		**P10,599,442**	P12,942,004	P10,915,467
Earnings Per Share - Basic and Diluted	*13*	**P0.0000845**	P0.0000862	P0.0000750

See Notes to the Financial Statements.

ALCORN GOLD RESOURCES CORPORATION
STATEMENTS OF CHANGES IN EQUITY

			Years Ended December 31	
	Note	2012	2011	2010
CAPITAL STOCK - P0.01 par value	*12*			
Authorized - 300,000,000,000 shares				
Issued and outstanding				
2012 - 127,500,000,000 shares				
2011 - 69,714,056,900 shares				
2010 - 62,186,423,300 shares				
Balance at beginning of year		**P697,140,569**	P621,864,233	P597,984,800
Issuance during the year		**577,859,431**	75,276,336	23,879,433
Balance at end of year		**1,275,000,000**	697,140,569	621,864,233
Subscribed				
2011 - 57,785,943,099 shares, net of subscriptions receivable of P433,443,473				
2010 - 65,112,056,727 shares, net of subscriptions receivable of P487,908,400		-	144,415,958	163,212,167
Balance at end of year		**1,275,000,000**	841,556,527	785,076,400
RESERVE FOR CHANGES IN VALUE OF AVAILABLE-FOR-SALE FINANCIAL ASSETS				
Balance at beginning of year		**2,794,223**	838,473	(525,744)
Fair value gain (loss)		**(170,531)**	1,955,750	1,364,217
Balance at end of year	*7*	**2,623,692**	2,794,223	838,473
RETAINED EARNINGS				
Balance at beginning of year		**87,433,019**	76,446,765	66,895,515
Net income for the year		**10,769,973**	10,986,254	9,551,250
Balance at end of year		**98,202,992**	87,433,019	76,446,765
		P1,375,826,684	P931,783,769	P862,361,638

See Notes to the Financial Statements.

ALCORN GOLD RESOURCES CORPORATION
STATEMENTS OF CASH FLOWS

	Note	2012	2011	2010
		Years Ended December 31		
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P10,789,271**	P12,219,721	P7,847,147
Adjustments for:				
Provision for unrecoverable deferred mineral exploration costs	*9*	**3,526,579**	2,940,234	3,805,431
Retirement benefits cost	*14*	**1,275,708**	134,450	6,314,490
Unrealized foreign exchange loss (gain)		**601,891**	(587,453)	1,013,452
Depreciation and amortization	*8*	**487,529**	666,738	760,257
Impairment loss on receivables		**-**	-	934,505
Gain on disposal of property and equipment		**(465,995)**	-	-
Dividend income		**(1,307,078)**	(2,984,973)	(3,124,879)
Gain on sale of available-for-sale financial assets	*7*	**(9,517,791)**	(11,950,332)	(15,682,205)
Interest income	*4, 5,17*	**(16,362,524)**	(15,179,409)	(19,090,928)
Operating loss before working capital changes		**(10,972,410)**	(14,741,024)	(17,222,730)
Decrease (increase) in:				
Receivables		**(1,512,215)**	(1,024,551)	97,623,610
Prepaid expenses and other current assets		**(856,978)**	79,111	(66,725)
Increase in accrued expenses and other payables		**412,980**	672,376	656,597
Cash generated from (absorbed by) operations		**(12,928,623)**	(15,014,088)	80,990,752
Retirement fund contribution		**-**	-	(6,270,740)
Income tax paid		**(356,157)**	(527,550)	(739,419)
Net cash provided by (used in) operating activities		**(13,284,780)**	(15,541,638)	73,980,593

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	Note	Years Ended December 31 2012	2011	2010
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	8	(P38,635)	(P207,039)	(P64,348)
Net (acquisition) disposals of available-for-sale financial assets	7	(139,090,000)	-	44,655,052
Decrease (increase) in deferred costs:				
Oil exploration		(258,275)	(445,114)	(3,266,042)
Mineral exploration and others		603,273	1,898,466	(3,965,165)
Proceeds from sale of available-for-sale financial assets		159,517,791	132,238,868	-
Interest received		16,362,524	14,932,341	19,090,928
Dividend received		1,307,078	2,984,973	3,124,879
Proceeds from disposal of property and equipment		742,500	-	-
Additions in security deposit	10	(10,995)	(10,471)	-
Net cash provided by investing activities		39,135,261	151,392,024	59,575,304
CASH FLOWS FROM A FINANCING ACTIVITY				
Proceeds from subscriptions on shares of stock		433,443,473	56,480,127	187,091,600
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(601,891)	587,453	(1,013,452)
NET INCREASE IN CASH AND CASH EQUIVALENTS		458,692,063	192,917,966	319,634,045
CASH AND CASH EQUIVALENTS BALANCE AT BEGINNING OF YEAR	5	540,013,336	347,095,370	27,461,325
CASH AND CASH EQUIVALENTS BALANCE AT END OF YEAR	5	P998,705,399	P540,013,336	P347,095,370

See Notes to the Financial Statements.

ALCORN GOLD RESOURCES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Alcorn Gold Resources Corporation (the Company or AGRC) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on January 19, 1988 with the primary purpose of engaging in exploration, development and production of oil and gas and metallic and nonmetallic reserves in partnership with other companies or in its individual capacity. The Company's shares of stock are traded in the Philippine Stock Exchange (PSE) since September 26, 1988, the same date the Company attained its status of being a public company.

The Company, together with other participants, entered into Service Contracts (SC) and Geophysical Survey and Exploration Contracts (GSEC) with the Philippine Government through the Department of Energy (DOE). It also entered into Mining Production Sharing Agreement (MPSA) with the Philippine Government through the Department of Environment and Natural Resources (DENR) (see Notes 9 and 21).

On October 8, 1999, the stockholders approved the amendment of the primary purpose from an oil and mineral exploration and development corporation into a holding company so that it may pursue other businesses as opportunity comes. The original primary purpose is now included as one of the secondary purposes of the Company. The SEC approved the amendment on January 13, 2000. AGRC as a holding company, may engage in any business that may add to its shareholders' worth. It is currently conducting studies in various industries that have high potential return such as in minerals, agriculture and power generation and distribution.

On December 10, 2012, in a special meeting, the Board of Directors (BOD) resolved the following:

- To approve, ratify and confirm the subscription of the Lucio L. Co Group to the unissued authorized capital stock of the Company from the increase of the authorized capital stock of AGRC at a subscription price of P15 per share for a total of 4,987,560,379 new shares at an aggregate subscription price of P74,813,405,682 worth of shares in Puregold Price Club, Inc., Ellimac Prime Holdings, Inc., Go Fay & Co., Incorporada, SVF Corporation, Nation Realty, Inc., 118 Holdings, Inc., Patagonia Holdings Corp., Fertuna Holdings Corp., Premier Wine and Spirits, Inc., Montosco Inc., Meritus Prime Distributions, Inc., and Pure Petroleum Corp. (collectively, the "Subsidiaries"), and the corresponding payment thereof by way of assignment of the shares owned by the Lucio L. Co Group in the Subsidiaries, under the terms and conditions to be determined by the Corporation's BOD (The Transaction).

- That the Chairman and the President are authorized to represent the Company to implement and approve any matter related to the Transaction and directed to execute any and all agreements and documents relating to the Transaction, to negotiate, adjust, revise or change relevant conditions, implementation priority and all other relevant matters of the Transaction and sign and file documents which may be required by the SEC, PSE, and other government agencies and to do all actions necessary to comply with the provisions of the Corporation Code, Securities Regulation Code, and all other rules and regulations relating to the subject matter of this resolution.

- That the Company is authorized to register, if necessary, additional shares with the SEC and to list additional shares with the PSE.

On December 11, 2012, in a special meeting, the stockholders resolved to approve the amendment of the Company's articles of incorporation to increase its authorized capital stock and par value from P3 billion divided into 300 million common shares at a par value of P0.01 per share to P10 billion common shares at a par value of P1 per share. On the same meeting, the stockholders resolved to change the name of the Company to Cosco Capital Inc. and to reorganize and spin-off its oil and mineral assets and operations into a fully-owned subsidiary.

The Company's registered office, which is also its principal place of business, at 2nd Floor, Tabacalera Building #2, 900 D. Romualdez Sr. Street, Paco, Manila.

The Company's current major shareholders consist of individual and corporate Filipino investors.

2. Basis of Preparation

Statement of Compliance
The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC), issued by the Financial Reporting Standards Council (FRSC).

The financial statements of the Company as at and for the year ended December 31, 2012 were reviewed and approved by the Audit Committee, and authorized for issuance by the BOD on February 25, 2013.

Basis of Measurement
The financial statements have been prepared on the historical cost basis of accounting, except for available-for-sale (AFS) financial assets which are measured at fair value.

Functional and Presentation Currency
The financial statements are presented in Philippine peso, which is also the Company's functional currency. All financial information expressed in Philippine peso has been rounded off to the nearest peso, except when otherwise indicated.

Use of Estimates and Judgments
The preparation of the financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the financial statements at the reporting date. However, uncertainty about their judgments, estimates and assumptions could result in outcome that could require a material adjustment to the carrying amount of the asset or liability in the future.

Judgments and estimates are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgment and estimates are revised and in any future periods affected.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgment apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the normal operations of the Company.

Evaluating Lease Agreements

The Company entered into a lease agreement as lessee. The Company had determined that the lessor retains all significant risks and rewards of ownership of the property which is leased out under operating lease agreement.

Rent expense pertaining to the leased property amounted to P924,888, P869,087 and P767,866 in 2012, 2011 and 2010, respectively (see Note 15).

Estimates

The key estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from these estimates:

Estimated Allowance for Impairment Losses on Receivables

Provisions are made for specific and group accounts, where objective evidence of impairment exists. The Company evaluates these accounts on the basis of factors that affect the collectibility of the accounts. These factors include but are not limited to the length of the Company's relationship with the customers and counterparties, credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical experience. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different methodologies. An increase in allowance for impairment losses would increase the recorded expense and decrease current assets.

The allowance for impairment losses on receivables amounted to P9,778,505 as at December 31, 2012 and 2011. The carrying amount of receivables amounted to P18,616,967 and P17,104,752 as at December 31, 2012 and 2011, respectively (see Note 6).

Estimated Allowance for Impairment Losses on AFS Financial Assets

The Company in accordance with PFRS determines when an AFS financial asset is impaired. This determination requires significant judgment. In making this judgment the Company evaluates, among other factors the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance changes in technology and operational and financing cash flow.

If all of the declines in fair value below cost were considered significant or prolonged, the Company would suffer an additional loss in its financial statements by transferring the accumulated fair value adjustments recognized in equity on the impaired AFS financial assets to profit or loss. As at December 31, 2012, management believes that changes in fair values as quoted in the market of traded securities remain temporary. Accordingly, no permanent impairment is required to be recognized.

The aggregate fair market values of AFS financial assets amounted to P3,802,675 and P3,973,206, which resulted to cumulative changes in fair value amounting to P2,623,692 and P2,794,223 as at December 31, 2012 and 2011, respectively. Investment in debt securities amounted to P37,200,000 and P48,110,000 as at December 31, 2012 and 2011, respectively (see Note 7).

Estimated Useful Lives of Property and Equipment
The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if the expectations differ from the previous estimates due to physical wear and tear and technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible that future financial performance could be materially affected by changes in estimates brought about by changes in the factors mentioned. The amount and timing of recorded expense for any period would be affected by changes in this factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase the recorded depreciation and amortization expenses and decrease noncurrent assets.

The carrying amount of property and equipment net of accumulated depreciation and amortization as at December 31, 2012 and 2011 amounted to P160,378,421 and P161,250,909, respectively (see Note 8).

Estimation of Reserves
Oil and mineral reserves are key elements in the Company's investment decision making process. They are also an important element in the Company's impairment testing. Changes in proven oil and mineral reserve will affect the standardized measure of discounted cash flows and the unit-of-production depletion charges to profit or loss.

Proven oil reserves are the estimated quantities of crude oil which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimates are made. Proven developed reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

Proven mineral reserves are the economically mineable part of a measured mineral resource. It includes diluting materials and allowance for losses which may occur when the material is mined. Appropriate assessment, which includes a pre-feasibility study, at the minimum, have been carried out, and include consideration of, and modification of, realistically assumed mining, metallurgical, economic, marketing, legal environment, social and government factors. These assessments demonstrate that extraction could reasonably be adjusted at the reporting date.

Estimates of oil and mineral reserves are inherently imprecise, require the application of judgment and are subject to future revision. Accordingly, financial and accounting measures (such as the standardized measure of discounted cash flows, depletion, and decommissioning provisions) that are based on proven developed reserves are also subject to change.

Proven developed oil reserves are estimated by reference to available reservoir and well information, including production and pressure trends for producing reservoirs and, in some cases, subject to definitional limits, to similar data from other producing reservoirs. Proven developed reserve estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. Furthermore, estimated proven developed reserves only include volumes for which access to market is assured with reasonable certainty. All proven developed reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans.

In general, estimates of reserves for undeveloped or partially developed fields are subject to greater uncertainty over their future life than estimates of reserves for fields that are substantially developed and depleted. As a field goes into production, the estimated amount of proven reserves will be subject to future revisions once additional information becomes available through, for example, the drilling of additional wells or the observation of long-term reservoir performance under producing conditions. As those fields are further developed, new information may lead to revisions in estimates (see Note 9).

Impairment of Non-financial Assets
PFRS require that an impairment review be performed on property and equipment and deferred oil and mineral exploration costs when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amount of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on financial performance.

Accumulated impairment losses recognized on non-financial assets for the years ended December 31, 2012 and 2011 amounted to P23,443,955 and P19,917,376, respectively. The aggregate amount of property and equipment and deferred oil and mineral exploration costs amounted to P310,536,213 and P315,133,189 as at December 31, 2012 and 2011, respectively (see Notes 8 and 9).

Estimated Realizability of Deferred Tax Assets
The Company reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The Company's assessment on the recognition of deferred tax assets as deductible temporary difference is based on the projected taxable income in the following periods.

As at December 31, 2012 and 2011, the amount of deferred tax assets recognized in the statements of financial position amounted to P5,075,324 and P4,773,182, respectively. As at December 31, 2012 and 2011, temporary differences and carryforward benefits of allowance for impairment losses for unrecoverable deferred oil and mineral exploration costs, minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO) where no deferred tax assets have been recognized amounted to P32,848,737 and P27,482,345, respectively (see Note 16).

Retirement Benefit Obligations
The determination of the Company's retirement benefit obligation and cost of retirement benefits depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions are described in Note 14 to the financial statements include, discount rate, expected return on plan assets and future salary increase rate. Actual results that differ from the assumptions are accumulated and amortized over further periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

While management believes that these assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect retirement obligations.

The Company has no unrecognized actuarial gains or losses on defined benefit obligation as at December 31, 2012 and 2011 (see Note 14).

Provision and Contingencies
The Company, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

No provision for probable losses arising from legal contingencies was recognized in the Company's financial statements for the years ended December 31, 2012 and 2011.

Asset Retirement Obligation
Determining asset retirement obligation requires estimation of the cost of dismantling property and equipment and other costs of restoring the leased properties to their original condition. The asset retirement obligation is shouldered by the Contractor. As a result, the Consortium allots certain amount from the proceeds of the production lifting revenue to fund the dismantling and restoration of leased properties. The Company has no significant asset retirement obligation as at December 31, 2012 and 2011.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, and have been applied consistently by the Company, except for the changes in accounting policies as explained below.

<u>Adoption of New and Revised Standards, Amendments to Standards and Interpretations</u>
The FRSC approved the adoption of a number of new and revised standard, amendments to standards, and interpretations (based on IFRIC Interpretations) as part of PFRS.

Adopted Effective January 1, 2012
The Company has adopted the amendments to PFRS 7 below starting January 1, 2012 and accordingly, changed its accounting policies.

- *Disclosures - Transfers of Financial Assets (Amendments to PFRS 7, Financial Instrument Disclosures)*, require additional disclosures about transfers of financial assets. The amendments require disclosure of information that enables users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets.

The adoption of these amendments to PFRS 7 did not have any significant impact on the Company's financial statements. Additional disclosures required by the amendments to standards were included in the financial statements, where applicable.

New and Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted

A number of new and revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2012, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, except for PFRS 9, *Financial Instruments*, which becomes mandatory for the Company's 2015 financial statements and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

The Company will adopt the following new and revised standards, amendments to standards and interpretations in the respective effective dates:

- Presentation of Items of Other Comprehensive Income *(Amendments to PAS 1, Presentation of Financial Statements).* The amendments: (a) require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss; (b) do not change the existing option to present profit or loss and other comprehensive income in two statements; and (c) change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRSs continue to apply in this regard. These amendments are effective for annual periods beginning on or after July 1, 2012 with earlier application permitted and are applied retrospectively.

- *Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7, Financial Instrument Disclosures).* These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are offset in the statement of financial position or subject to enforceable master netting arrangements or similar agreements. They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the statement of financial position. These amendments will be effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods and are to be applied retrospectively.

- PFRS 10 *Consolidated Financial Statements.* PFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when: (a) it is exposed or has rights to variable returns from its involvement with that investee; (b) it has the ability to affect those returns through its power over that investee; and (c) there is a link between power and returns. Control is re-assessed as facts and circumstances change.

  PFRS 10 supersedes PAS 27 (2008) *Consolidated and Separate Financial Statements* and Philippine Interpretation SIC-12, *Consolidation - Special Purpose Entities.* This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

- PFRS 11 *Joint Arrangements.* PFRS 11 focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It distinguishes joint arrangements between joint operations and joint ventures and always requires the equity method for jointly controlled entities that are now called joint ventures; they are stripped of the free choice of using the equity method or proportionate consolidation. PFRS 11 supersedes PAS 31 *Interests in Joint Ventures* and Philippine Interpretation SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers.* This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

- PFRS 12, *Disclosure of Interests in Other Entities.* PFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities; and the effects of those interests on the entity's financial position, financial performance and cash flows. This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

- *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to PFRS 10, PFRS 11, and PFRS 12.)*The amendments simplify the process of adopting PFRSs 10 and 11, and provide relief from the disclosures in respect of unconsolidated structured entities. Depending on the extent of comparative information provided in the financial statements, the amendments simplify the transition and provide additional relief from the disclosures that could have been onerous. The amendments limit the restatement of comparatives to the immediately preceding period; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged. In addition, the date of initial application is now defined in PFRS 10 as the beginning of the annual reporting period in which the standard is applied for the first time. At this date, an entity tests whether there is a change in the consolidation conclusion for its investees. These amendments are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

- PFRS 13, *Fair Value Measurement.* PFRS 13 replaces the fair value measurement guidance contained in individual PFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRSs. It does not introduce new requirements to measure assets or liabilities at fair value nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

- PAS 19, *Employee Benefits* (Amended 2011). The amended PAS 19 includes the following requirements: (a) actuarial gains and losses are recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which is currently allowed under PAS 19; and, (b) expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. This amendment is effective for annual periods beginning on or after January 1, 2013 and is applied retrospectively with early adoption permitted.

- PAS 27 Separate Financial Statements (2011)

  PAS 27 (2011) supersedes PAS 27 (2008). PAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

- PAS 28 *Investments in Associates and Joint Ventures* (2011). PAS 28 (2011) supersedes PAS 28 (2008) *Investments in Associates.* PAS 28 (2011) makes the following amendments: (a) PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and (b) on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or *vice versa*, the entity does not remeasure the retained interest. This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

- *Annual Improvements to PFRSs 2009 - 2011 Cycle* - various standards contain amendments to five standards with consequential amendments to other standards and interpretations. The amendments are effective for annual periods beginning on or after January 1, 2013. The following are the said amendments to PFRSs:

  - PAS 1 *Presentation of Financial Statements* - Comparative Information beyond Minimum Requirements. This is amended to clarify that only one comparative period - which is the preceding period - is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with PFRSs.

  - PAS 32 *Financial Instruments Presentation* - Income Tax Consequences of Distributions. This is amended to clarify that PAS 12, *Income Taxes* applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. This amendment removes a perceived inconsistency between PAS 32 and PAS 12. Before the amendment, PAS 32 indicated that distributions to holders of an equity instrument are recognized directly in equity, net of any related income tax. However, PAS 12 generally requires the tax consequences of dividends to be recognized in profit or loss. A similar consequential amendment has also been made to Philippine Interpretation IFRIC 2, *Members' Share in Co-operative Entities and Similar Instruments.*

- *Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32).* These amendments clarify that: (a) an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and (b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle. These amendments are effective for annual periods beginning on or after January 1, 2014 and are to be applied retrospectively.

- PFRS 9 *Financial Instruments* (2010), PFRS 9 *Financial Instruments* (2009).

  PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of PFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

  PFRS 9 (2010 and 2009) are effective for annual periods beginning on or after January 1, 2015 with early adoption permitted.

The Company will assess the impact of the above new and revised standards, amendments to standards and interpretations on the Company's financial statements upon adoption in their respective effective dates.

Financial Assets and Financial Liabilities

Non-derivative financial instruments comprise cash and cash equivalents, receivables, AFS financial assets, security deposits and accrued expenses and other current payables.

Date of Recognition. The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

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

The Company has no HTM investments and financial assets and financial liabilities at FVPL as at December 31, 2012 and 2011.

Determination of Fair Value. The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments or maturities 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 designated as AFS financial assets or financial assets at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables shall be recognized as income in profit or loss on an accrual basis. 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. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

The Company's cash and cash equivalents, receivables and security deposits are included in this category.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

AFS Financial Assets. AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income. Dividends earned on holding AFS equity securities are recognized as income when the right to receive payment has been established. When individual AFS financial assets are either derecognized or impaired, the related accumulated unrealized gains or losses previously reported in equity are transferred to and recognized in profit or loss.

AFS financial assets also include unquoted equity instruments with fair values which cannot be reliably determined. These instruments are carried at cost less impairment in value, if any.

Included in this category is the Company's investment in debt securities and shares of stock (see Note 7).

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability.

Included in this category are the Company's accrued expenses and other current payables (see Note 11).

<u>Derecognition of Financial Assets and Financial Liabilities</u>

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

- the rights to receive cash flows from the asset 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 substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement takes the form of a guarantee over the transferred asset that is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Company could be required to repay.

Financial Liabilities. 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. The difference in the respective carrying amounts is recognized in profit or loss.

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

<u>Impairment of Financial Assets</u>
The Company assesses at 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 of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset of the group of the financial assets that can be reliably estimated.

Assets Carried at Amortized Cost. For assets carried at amortized cost such as loans and receivables, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Company includes the asset as part of a group of financial assets pooled according to their credit risk characteristics and collectively assesses the group 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 the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If a loan or receivable has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The impairment loss for the period shall be recognized in profit or loss. 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 profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets. If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in profit or loss. Reversals of impairment losses on debt instruments are recognized in profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

In the case of an unquoted equity instrument or of a derivative asset linked to and must be settled by delivery of an unquoted equity instrument, for which its fair value cannot be reliably measured, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows from the asset discounted using its historical effective rate of return on the asset.

Jointly Controlled Operation

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operation. The financial statements include the assets that the Company controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that the Company incurs and its share of the income that it earns from the joint operation.

Property and Equipment
Property and equipment are carried at cost less accumulated depreciation, amortization and impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are recognized in profit or loss during the period in which they are incurred.

Wells, platforms and other facilities comprising oil and gas property represents the Company's share in the SC 14's total capitalized exploration and development expenditures. They are amortized using the unit-of-production method based upon estimates of proven developed reserves. Proven developed reserves are the portion of reserves that are reasonably certain to be produced and sold during the remaining period of existing production licenses and agreements. The effect of revisions of previous estimates of proved developed reserves is taken up prospectively in the unit of production calculation.

Estimates of decommissioning and abandonment costs, which are accrued based on a unit-of-production rate, which depends on approved budget and reserve estimates, are also included in the wells, platforms and other facilities account as these costs are treated as recoverable cost to be deducted from oil sales proceeds prior to remittance of government share as indicated in the agreement among Consortium members under the SC.

Leasehold improvements are amortized using the straight-line method over the estimated useful lives of the improvements (five years) or the term of the lease, whichever is shorter.

Other property and equipment are depreciated using the straight-line method to allocate the cost of each asset less its residual value over its estimated useful life as follows:

	Number of Years
Machineries and transportation equipment	5
Leasehold improvement	5
Office furniture and equipment	5

Major renovations are depreciated over the remaining useful life of the related asset to the date of the next major renovation, whichever is sooner.

The remaining useful lives and depreciation and amortization method are reviewed and adjusted periodically, if appropriate, to ensure that such useful lives and depreciation and amortization method are consistent with the expected pattern of economic benefits from those assets.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization are recognized in profit or loss.

An item of property and equipment is derecognized when either it has been disposed of, or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising on the retirement or disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period of retirement or disposal.

Deferred Oil and Mineral Exploration Costs

Deferred oil and exploration costs are accounted for using the full-cost method, where all acquisition, exploration and development costs are capitalized as deferred costs when incurred and on the basis of each contract area. Where oil and gas of commercial quantity is produced, the exploration and development costs are reclassified to and capitalized as wells, platforms, and other facilities under the "Property and equipment" account. Producing and non-producing contract areas are evaluated periodically and, considering a number of factors, a determination is made whether it is probable that a significant impairment of the carrying cost of deferred oil and mineral exploration costs of each contract area has occurred. If impairment is believed to have occurred, a further analysis is performed to determine the impairment to be recorded for specific contract areas.

If the Company abandons all exploration efforts in a contract area where there are no proven reserves, all acquisition and exploration costs associated with the contract area are recognized in profit or loss. A contract area is considered abandoned if the contract has expired and/or there are no definite plans for further exploration and development.

Proceeds from the sale of crude oil lifted from an area under production testing during the exploration stage are applied against deferred oil exploration costs.

Expenditures for mineral exploration and development work are capitalized as deferred costs when incurred. These expenditures are provided for with an allowance for impairment when there are indications that the exploration results are negative. These are recognized in profit or loss when the projects are abandoned or determined to be definitely unproductive. When the exploration work results are positive, the exploration costs and subsequent development costs are capitalized and amortized using the unit of production method from the start of commercial operations.

Impairment of Non-financial Assets

The carrying amounts of property and equipment and deferred oil and mineral exploration costs are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of 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 between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. 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 of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and those risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Provision for Land Restoration and Decommissioning

Provisions are made for close down, restoration and environmental rehabilitation costs (which includes the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the financial period when related environmental disturbances occurs, based on the estimated future costs using information available at the reporting date.

Capital Stock

Common Shares. Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, net of discounts and applicable taxes. The following specific recognition criteria must also be met before revenue is recognized:

- Revenue from crude oil is recognized at the time of oil lifting on an entitlement basis where revenue is allocated and distributed among the joint venture partners and the Philippine Government based on the participating interest in a specific contract area.

- Interest income is recognized as the interest accrues, taking into account the effective yield on the asset and is presented net of final tax.

- Dividends is recognized when the right to receive payment is established.
- Other income is recognized when earned.

Cost and Expense Recognition
Cost and expenses are recognized upon receipt of goods, utilization of services or at the date they are incurred.

Retirement Benefit Cost
The Company has a funded, noncontributory defined benefit retirement plan, administered by a trustee, covering all permanent employees. Retirement benefit cost is actuarially determined using the projected unit credit method. This method reflects service rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Retirement benefits cost includes current service cost, interest cost, expected return on plan assets, amortization of unrecognized past service costs, recognition of actuarial gains and losses, effect of asset limit and effect of any curtailments or settlements. 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 the plan, past service cost is recognized immediately as an expense. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting year exceed the greater of 10% of present value of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized, reduced by past service costs not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the resulting asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service costs and the present value of any economic benefits available in the form of reductions in the future contributions to the plan.

If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service costs and the present value of any economic benefits available in the form of reductions in the future contributions to the plan, net actuarial losses of the current period and past service costs of the current period are recognized immediately to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service costs of the current period are recognized immediately. Similarly, net actuarial gains of the current period after the deduction of past service costs of the current period exceeding any increase in the present value of the economic benefits stated above are recognized immediately if the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service costs and the present value of any economic benefits available in the form of reductions in the future contributions to the plan. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service costs of the current period are recognized immediately.

Termination Benefits. The termination benefits are recognized as expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before normal retirement age, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as expense if the Company has made an offer voluntary, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

<u>Income Taxes</u>

Income tax expense is composed of current tax and deferred tax recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current Tax. Current tax is the expected tax payable on taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred Tax. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits, Minimum Corporate Income Tax (MCIT) and unused tax losses, Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits and losses can be utilized.

The carrying amount of deferred 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 tax asset to be utilized. Unrecognized deferred 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 tax asset to be recovered.

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

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

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Foreign Currency
Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Nonmonetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Nonmonetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of transaction. Foreign currency differences arising on retranslation are recognized in profit or loss.

Leases
Leases which do not substantially transfer to the Company all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments made are recognized as an expense in profit or loss on a straight-line basis over the term period of the lease. Associated costs such as maintenance and insurance are expensed as incurred.

Related Parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

Basic and Diluted Earnings Per Share (EPS)
Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Company by the weighted average number of issued and outstanding common shares during the period with retroactive adjustments for any stock dividends declared.

Diluted EPS is computed by adjusting the net income for the period attributable to equity holders of the Company and weighted average number of issued and outstanding common shares during the period, for the effects of all dilutive common shares.

Operating Segments
An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Chief Operating Decision Maker (CODM) to assess the performance of the segment and to make decisions about resources to be allocated to the segment.

The measurement policies the Company uses for segment reporting under PFRS 8 are the same as those used in its financial statements. There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

Segment results are used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segment relative to other entities that operated within these industries. Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to the 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 Company's financial position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

4. Segment Information

Operating Segments

Management has determined the operating segments based on the reports reviewed by the CODM who is the Company's President. The Company is organized in the following business segments:

(a) Treasury

The Company invests its cash to short-term money market placements, shares of stock and other securities to earn interest.

(b) Oil Exploration

The Company participates as a major or minor partner in several consortia exploring oil in various petroleum concession areas. It has no direct competitors for the operations of these projects. The concession areas are found in offshore and onshore areas of Palawan, Visayas and Mindanao. Exploration and development programs are conducted using contractors on a turnkey basis. These contractors bring in their own equipment and supplies. The terms for the concession areas are reviewed annually by DOE and DENR. The concession rights are awarded when the Company commits to work programs for the exploration and development of the area.

(c) Mineral Exploration

The Company has been involved in the acquisition, exploration, development, financing and management of various mineral properties in the Philippines since 1998. It holds rights to explore develop and exploit various mineral and gold properties.

The Company's three (3) business segments operate only in the Philippines which are considered by management as one geographical area.

Segment Assets and Liabilities
Segments assets and liabilities provided to the strategic steering committee are measured in a manner consistent with that of the financial statements. These assets and liabilities are allocated based on the operations of the segment and the physical location of the assets.

Segment assets include all operating assets used by the segment and consist principally of deferred oil and mineral exploration costs and its related property and equipment. Segment assets do not include deferred taxes.

Segment Revenue
Segment revenue in 2012, 2011 and 2010 pertains to the production lifting revenue amounting to P4,139,787, P5,810,582 and P10,048,535, respectively. The segment revenue came from SC 14 North Matinloc block where the Company has 13.55% participating interest.

Financial information about business segments as recorded in the statements of financial position and statements of comprehensive income is presented below:

	For the Year Ended December 31, 2012			
	Treasury	**Oil**	**Mineral**	**Total**
Segment results	**P -**	**P2,711,024**	**P -**	**P2,711,024**
Interest income	**16,362,524**	-	-	**16,362,524**
Gain on sale of AFS financial assets	**9,517,791**	-	-	**9,517,791**
Dividend and other income	-	-	-	**3,134,026**
Other expenses	-	-	-	**(17,409,515)**
Income tax expense	-	-	-	**(7,549)**
				P14,308,301

	For the Year Ended December 31, 2011			
	Treasury	Oil	Mineral	Total
Segment results	P -	P1,718,427	(P2,940,234)	(P1,221,807)
Interest income	15,179,409	-	-	15,179,409
Gain on sale of AFS financial assets	11,950,332	-	-	11,950,332
Dividend and other income	-	-	-	3,031,973
Foreign exchange gain - net	-	-	-	587,453
Other expenses	-	-	-	(17,307,639)
Income tax expense	-	-	-	(1,233,467)
				P10,986,254

	For the Year Ended December 31, 2010			
	Treasury	Oil	Mineral	Total
Segment results	P -	P6,790,545	(P3,805,431)	P2,985,114
Interest income	19,090,928	-	-	19,090,928
Gain on sale of AFS financial assets	15,682,205	-	-	15,682,205
Dividend and other income	-	-	-	3,422,920
Other expenses	-	-	-	(33,334,020)
Income tax benefit	-	-	-	1,704,103
				P9,551,250

	As at December 31, 2012				
	Treasury	Oil	Mineral	Unallocated	Total
Segment assets	P -	P277,782,226	P32,413,344	P -	P310,195,570
Machineries and transportation equipment	-	-	-	300,958	300,958
Office furniture and equipment	-	-	-	39,685	39,685
Cash and cash equivalents	998,705,399	-	-	-	998,705,399
AFS financial assets	41,002,675	-	-	-	41,002,675
Other assets	-	-		23,499,406	23,499,406
Deferred tax assets	-	-	-	5,075,324	5,075,324
Total Assets					**P1,378,819,017**
Segment liabilities					
Accrued expenses and other current payables	P -	P -	P -	2,548,862	2,548,862
Income tax payable	-	-	-	443,471	443,471
Total Liabilities					**P2,992,333**
Capital expenditures	P -	P322,699,729	P55,857,299	P6,118,974	P384,676,002
Depreciation and amortization and others	-	-	147,089	487,529	634,618
Loss on impairment	-	-	3,526,579	-	3,526,579

	As at December 31, 2011				
	Treasury	Oil	Mineral	Unallocated	Total
Segment assets	P -	P276,218,248	P37,701,810	P -	P313,920,058
Machineries and transportation equipment	-	-	-	1,113,787	1,113,787
Office furniture and equipment	-	-	-	99,344	99,344
Cash and cash equivalents	540,013,336	-	-	-	540,013,336
AFS financial assets	52,083,206	-	-	-	52,083,206
Other assets	-	-	-	22,394,926	22,394,926
Deferred tax assets	-	-	-	4,773,182	4,773,182
Total Assets					P934,397,839
Segment liabilities					
Accrued expenses and other current payables	P -	P -	P -	2,135,882	2,135,882
Income tax payable	-	-	-	478,188	478,188
Total Liabilities					P2,614,070
Capital expenditures	P -	P321,135,751	P57,619,186	P7,117,234	P385,872,171
Depreciation and amortization and others	-	-	157,648	666,738	824,386
Loss on impairment	-	-	2,940,234	-	2,940,234

5. Cash and Cash Equivalents

Cash and cash equivalents at December 31 consist of:

	Note	**2012**	2011
Cash on hand		**P10,068**	P10,068
Cash in banks	*20*	**8,113,747**	1,111,796
Short-term placements	*20*	**990,581,584**	538,891,472
		P998,705,399	P540,013,336

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

Short-term placements pertain to the Company's time-deposits with various local banks and branches of foreign banks with maturity of less than 90 days and with interest ranging from 1.5% to 4.8% and 1.0% to 4.03% per annum in 2012 and 2011, respectively.

6. Receivables

Receivable at December 31 consists of:

	Note	**2012**	2011
Trade		**P3,194,378**	P3,194,378
Receivable from SC 14 partners		**11,786,387**	10,627,558
Input value-added tax (VAT)		**6,574,124**	6,177,505
Interest		**1,685,433**	1,685,433
Officers and employees	*17*	**194,026**	260,400
Insurance		**-**	92,902
Others		**4,961,124**	4,845,081
	20	**28,395,472**	26,883,257
Less allowance for impairment losses on receivables	*20*	**9,778,505**	9,778,505
	20	**P18,616,967**	P17,104,752

Receivables from SC 14 partners at December 31, 2012 and 2011 include P4,834,855 and P4,769,429, respectively, from an SC 14 partner that represents the Company's pro-rata share (under the Joint Operating Agreement for SC 14) in amount due from the operator who defaulted on payments as per the Memorandum of Agreement dated December 19, 1997. Original amount is US$107,203, which represents the Company's share in Altisima receivable and contingency fund per Purchase Sale Agreement dated April 30, 2004.

The Company has a P4,031,072 short-term placements with a third party which is under liquidation and classified as part of other receivables. As at December 31, 2012 and 2011, the net realizable value of the account amounted to P984,400.

The receivables from officers and employees are interest and non-interest-bearing and collectible on demand and are collected through salary deductions from the concerned officers and employees.

7. Available-for-Sale Financial Assets

Details of AFS financial assets at December 31 are as follows:

	Note	2012	2011
Investment in debt securities:			
Balance at beginning of year		**P48,110,000**	P168,398,536
Acquisition		**139,090,000**	-
Disposal		**(150,000,000)**	(120,288,536)
Balance at end of year		**37,200,000**	48,110,000
Investment in shares of stock:			
Cost at beginning and end of year		**1,178,983**	1,178,983
Unrealized reserve for changes in fair value		**2,623,692**	2,794,223
		3,802,675	3,973,206
	20	**P41,002,675**	P52,083,206

Investment in debt securities represent investment in 3-year retail treasury bonds issued and guaranteed by the Republic of the Philippines (ROP) time deposits with annual interest rates ranging from 5.75% to 5.88% and 2.6% to 5.75% in 2012 and 2011, respectively, which could be preterminated and are readily marketable at the option of the Company.

The Company sold portion of its investment in debt securities recognizing gain on sale of AFS financial assets amounting to P9,517,791, P11,950,332 and P15,682,205, for the years ended December 31, 2012, 2011 and 2010, respectively.

The fair values of these AFS financial assets are determined using quoted market prices as of reporting date.

8. Property and Equipment

The movements and balances of this account as at and for the years ended December 31 follow:

	For the Years Ended December 31, 2012 and 2011				
	Wells, Platforms and Other Facilities	Machineries and Transportation Equipment	Office Furniture and Equipment	Leasehold Improvements	Total
Gross carrying amount:					
Balance, January 1, 2011	P204,955,281	P4,896,296	P1,807,784	P206,115	P211,865,476
Additions	-	80,458	126,581	-	207,039
Balance, December 31, 2011	204,955,281	4,976,754	1,934,365	206,115	212,072,515
Addition	-	-	38,635	-	38,635
Disposal	-	(1,036,895)	-	-	(1,036,895)
Balance, December 31, 2012	**204,955,281**	**3,939,859**	**1,973,000**	**206,115**	**211,074,255**
Accumulated depreciation and amortization:					
Balance, January 1, 2011	44,917,503	3,141,486	1,732,116	206,115	49,997,220
Depreciation and amortization	-	721,481	102,905	-	824,386
Balance, December 31, 2011	44,917,503	3,862,967	1,835,021	206,115	50,821,606
Depreciation and amortization	-	536,324	98,294	-	634,618
Disposal	-	(760,390)	-	-	(760,390)
Balance, December 31, 2012	**44,917,503**	**3,638,901**	**1,933,315**	**206,115**	**50,695,834**
Carrying amount:					
Balance, December 31, 2011	P160,037,778	P1,113,787	P99,344	P -	P161,250,909
Balance, December 31, 2012	**P160,037,778**	**P300,958**	**P39,685**	**P -**	**P160,378,421**

The gross carrying value of fully depreciated property and equipment that are still in use as at December 31, 2012 and 2011 amounted to P4,290,536 and P3,985,258, respectively.

Depreciation expense related to exploration and development work amounting to P147,089 and P157,648 was capitalized as part of deferred oil and mineral exploration costs as at December 31, 2012 and 2011, respectively (see Note 9).

Significant portion of the Company's property and equipment is found in the production facilities of the West Linapacan oilfield in SC 14 wherein the Company has a participating interest (see Note 9). Production under the Interim Stage began in 1992. In 1993, the consortium encountered technical and engineering problems such as water intrusion into the oil wells which resulted in low production volume and high production costs. In the same year, to further study, evaluate the contract area, and resolve water intrusion problems, the SC 14 Consortium secured the service of a world renowned US-based consulting firm in integrated petrotechnology, Rega, Inc., which reported among others that:

(a) Despite water intrusion, the oil in place at the West Linapacan oilfield is calculated at 145 million reservoir barrels;

(b) That the probable cause of water intrusion is coning;

(c) To rectify coning, the wells should be produced at a reduced rate; and

(d) The two (2) wells called WL A-2 and A-3 are highly fractured areas of the reservoir and should be relocated to a less fractured zone.

However, SC 14 Consortium did not implement the necessary work programs or solutions due to low price of oil at that time (average price was US$14.50 per barrel) and prompted the SC 14 Consortium to temporarily suspend production at West Linapacan in January 1996. Consequently, there was no oil lifting until 2009. Nevertheless, the SC 14 Consortium invited various players through farm-in agreements to further study the project's viability, including addressing the water intrusion problems.

Among the numerous interested parties, Nido Petroleum (Nido) acquired 35% participating interest in 1999 but failed to exercise the option to drill one production well in the contract area, thus, failing to earn additional 25% participating interest. Under the Consolidated Deed of Assignment executed to formalize the assignment of interest in SC 14 as provided for in the farm-in agreement and in the assignment agreement, Philodrill Corporation (Philodrill), 17.5% interest in SC 14 was assigned each to Nido and Philodrill. Subsequently, some consortium members have expressed some reservations on the adequacy of the consideration for the assignment of the 35% participating interest to Nido considering that out of US$6 million (peso equivalent: P263 million) committed program, only US$1.234 million (peso equivalent: P54.099 million) was verified as actually paid based on DOE audit. This amount represents expenses directly related to SC 14 and SC 6 operations. As of March 30, 2012, there was no formal legal claim filed by any member of the SC 14 Consortium against Nido.

In February 2008, the SC 14 West Linapacan Block Consortium signed the Farm-in Agreement with Pitkin Petroleum Limited (PPL) of the United States of America (USA). The general terms of the Farm-in Agreement include the 100% payment of all cost to earn 75% working interest in a two phased work program commitment, which include, among others, pre-development studies and one well.

AGRC's interest in SC 14 was reduced from 6.12% to 1.53% once PPL fulfills its work program commitment. On September 12, 2008, the DOE approved the Deed of Assignment and Assumption of interest to PPL by the SC 14 partners.

PPL's committed geological and geophysical work programs are already in various stages of completion as of December 31, 2009. The request for an 18-month extension of the expiration of Farm-in Agreement was already approved by the SC 14 Consortium partners on July 23, 2009.

In 2010, PPL has undertaken three major studies that include: (1) 3D seismic reprocessing, inversion and fracture identification study for structural and reservoir characterization; (2) seismic sequence stratigraphic study that would augment and address reservoir characterization which shall identify the optimum location for the horizontal well; and (3) conceptual engineering study to evaluate appropriate, cost efficient development scenarios and their attendant costs resulting in a recommended field development design.

On December 17, 2010, DOE approved the SC 14 Consortium's request for the final fifteen (15) year extension to the production term of SC 14 under the same terms and conditions of the current contract.

The results of the reservoir simulation test as presented by Pitkin during the last quarter of 2011 were inconclusive. The results disclosed that the severe lack of hard data proved to be the deterrent factor in predicting the reservoir behavior accurately and further study is recommended. On November 12, 2011, the budget for the project has been presented for approvals and was subsequently approved. It was the consensus of all consortium partners that the rest of the committed work program shall be contingent on the result of the more comprehensive reservoir simulation test.

The Information, Education and Communication (IEC) and Social Acceptability Activities for the drilling project was approved to proceed as planned and budgeted. The 2012 Work commitments include drilling of 2 production wells (back to back). AGRC is carried free up to the first oil. Cost of two wells is about P100 million but may reach up P120 million inclusive of completion.

On June 19, 2012, Resource Management Associates, the Project Operator, presented to the partners its project updates. It presented the initial results of the 3D review and initial interpretations. On November 26, 2012, a very optimistic technical presentation was made by the Project Operator, highlighting the discovery of additional oil initially in place determined and computed by the nearly-completed reservoir simulation study. With this new oil initially in place (OIIP) discoveries, a new reserve certification is proposed and to be conducted by an independent reserve certification company. The reservoir simulation on West Linapacan A will be completed in January 2013 and the drilling is expected to be completed by the first half of 2014.

For the purpose of assessing impairment, the recoverable amounts of the CGU's were based on value-in-use calculations. Management used the Company's share in the net proceeds for distribution to the partners which are expected to be received in five (5) years discounted at the Company's weighted average cost of capital of 4% and 10% in 2012 and 2011, respectively. With the current oil prices in the market and given the estimated oil reserves in the contract area, management believes that any reasonable possible change in the key assumptions on which the recoverable amounts were based would not cause the carrying amounts of the unamortized cost of wells, platforms and other facilities to exceed their recoverable amounts. Accordingly, no impairment losses was recognized as at December 31, 2012 and 2011.

9. Deferred Oil and Mineral Exploration Costs

Deferred oil and mineral exploration costs at December 31 consist of:

	Note	Participating Interest	**2012**	2011
Oil exploration costs:				
SC 14	*21*			
Block C2 (West Linapacan)		1.53%	**P53,357,559**	P52,939,946
Block B1 (North Matinloc)		13.55%	**-**	(1,158,614)
Block D		5.84%	**8,011,132**	8,011,132
			61,368,691	59,792,464
SC 6A	*21*			
Octon Block		0.50%	**16,747,071**	16,814,309
North Block		1.57%	**600,419**	599,478
			17,347,490	17,413,787
SC 6B (Bonita)	*21*	2.11%	**5,691,781**	5,640,386
SC 51	*21*	9.32%	**32,809,176**	32,806,645
Other oil projects			**527,310**	527,188
			39,028,267	38,974,219
			117,744,448	116,180,470
Mineral exploration costs:	*21*			
Anoling gold project		3.00%	**13,726,135**	13,719,463
Gold projects		100.00%	**12,422,047**	14,408,482
Nickel project		100.00%	**19,207,893**	19,206,488
Cement project		100.00%	**9,533,960**	9,322,238
Other mineral projects			**382,338**	382,338
			55,272,373	57,039,009
Accumulated impairment losses for unrecoverable deferred mineral exploration costs:				
Balance at beginning of year			**(19,917,376)**	(16,977,142)
Impairment losses for year			**(3,526,579)**	(2,940,234)
Balance at end of year			**(23,443,955)**	(19,917,376)
			31,828,418	37,121,633
Other deferred charges			**584,926**	580,177
			P150,157,792	P153,882,280

All deferred oil and mineral exploration costs are classified as intangible assets on the basis that these costs are recognized in respect of licenses and surveys. These costs were incurred in developing an intangible asset. Oil and mineral explorations are governed by permits issued by the Philippine Government either through DOE under SC or by DENR under Exploration Permit (EP) or MPSA.

Gabon - Etame, Offshore Gabon, West Africa
On February 23, 2001, the Company executed Heads of Agreement (HOA) and Deed of Assignment with Sojitz Etame, Ltd. (formerly Nissho Iwai Corporation of Japan) for its 2.625% interest in Etame oil field in Gabon, West Africa. The agreements provide that payment of capped amount of US$1,000,000 conditioned on production out of revenue derived from the assigned Participating Interest (2.428%) of 15% of Profit Oil [as defined in the Joint Operating Agreement (JOA)], payable quarterly and in accordance with the following:

(i) should the amount of proved recoverable reserves as submitted in the Development Plan by the Operator be less than 65 million barrels in the Etame Exploration Blocks, Buyer shall pay US$800,000; and

(ii) should the oil reserves be greater than 65 million barrels, Buyer shall pay an additional amount of US$200,000.

As at December 31, 2011, the Company already received US$800,000 (peso equivalent: P35,072,000) as proceeds on production of 65 million barrels.

The Company is still seeking the additional US$200,000 (peso equivalent: P8,768,000) as stated in provision (ii) of the above agreement for the computed oil reserves in excess of 65 million barrels as at December 31, 2012.

SC 6A (Octon ad North Block) - Offshore Northwest Palawan Philippines
The SC 6A oil field, discovered in 1990, is located in Offshore Northwest Palawan near Galoc Block. As at December 31, 2011, AGRC has participating interest of 1.57% in North Block and 0.50% in Octon Block. This oil field was not put into production due to low oil price in 1990 and also due to limited data.

The impending expiry of SC 6A-Octon Block was finally resolved in a DOE letter of June 18, 2009. The letter informed the Operator, Philodrill, of the 15-year contract extension of the SC Octon Block subject to some terms and conditions.

On December 8, 2011, the DOE approved the transfer of Filipino consortium's 70% undivided interest to Pitkin Petroleum. DOE has also approved the appointment of Pitkin as the Operator in accordance with the Deed of Assignment and Assumption dated July 1, 2011.

The work commitments approved by the DOE for 2012 include the seismic acquisition, processing and interpretation of 500 square kilometers of 3D data area in Octon. AGRC for its part will be carried free up to the drilling of the two exploration wells on the block.

SC 6B (Bonita) - Offshore Nortwest Palawan, Philippines
The SC 6B Bonita oil field is located in Offshore Northwest Palawan adjacent to Matinloc. Currently, Venture Oil is evaluating the area for development. On October 28, 2011, Peak Oil and Gas Philippines Ltd, Blade Petroleum Philippines Ltd, and Venture Oil Philippines Inc signed a Farm-In agreement with SC-6B joint venture partners to acquire 70% of the consortium's aggregate participating interests. After executing the Deed of Assignment and Assumption of Interest, AGRC as at December 31, 2011 has a residual participating interest of 2.11% ~~from the original 7.03%~~ after the farm-out.

The impending expiry of SC 6B-Bonita Block was also resolved in a DOE letter of June 17, 2009. The letter informed the Operator, Philodrill, of the 15-year contract extension of the SC Bonita Block subject to some terms and conditions.

In 2012, DOE has approved the amendments to the Farm-In agreement between the Filipino farmers and the Group of Operators. The Operators proposed to conduct a simultaneous study of Bonita with Cadlao. The $ 200,000 approved budget will be shared halfway. However, the Group of Operators failed to submit the financial documents required by the DOE which would prove that it has the financial capability to implement the work programs.

During the last quarter of 2012, Philodrill, as previous operator of Bonita, served notice to the current Group of Operators that the farmors are canceling the farm-in agreement. The Filipino partners are now in discussion as to the work program that they will conduct in Bonita.

<u>SC 51 - East Visayan Basin</u>

The contract area is defined by two (2) separate blocks, namely (1) an onshore-offshore block over Northwest Leyte and (2) a deepwater block in the Cebu Strait. The Company together with other members of the SC 51 Consortium, assigned their collective 80% interest to NorAsia Energy Limited in consideration for the latter to conduct and finance the seismic survey and drill one well.

In a DOE letter dated June 20, 2009, DOE informed the Operator NorAsian that Executive Order No. 10 dated May 29, 2009 has been issued by the Cebu Provincial Governor which effectively lifts the Cease and Desist Order along the municipal waters of Argao, Sibonga and Cebu.

In line with this, DOE instructs NorAsian to resume petroleum exploration activities in the service contract area.

In July 2011, NorAsian has executed a farm-out of its SC-51 participating interest to Swan Oil and Gas (SWAN). The agreement has been approved by the SC51 Joint Venture Partners and the DOE. In the Consortium meeting on October 27, 2011, NorAsian informed the partners that DOE has accepted DUHAT-1 as compliance of its 3rd Sub-Phase work program. DOE has also approved the100 kilometers of 2D seismic data acquisition in on-shore Leyte as its commitment for the 4th Sub-Phase work program rather than drill another well onshore.

NorAsian has elected to discontinue its participation in the South block, and with the drilling of Argao prospect. NorAsian will give to SWAN all of its 80% participating interest and its operatorship in the Southern block. NorAsian will still retain a 40% working interest in the Northern block and the remaining 40% to SWAN.

Relative thereto, SWAN has requested the Filipino partners to approve the revised Farm in agreement. The Farm-in agreement revisions was approved subsequently but remained unexecuted as at December 31, 2011.

In the first half of 2012, after trying to raise funds for its committed drilling program, SWAN Oil was unable to show proof of its financial capability and its commitment to drill the Argao structure in due time as per provisions of the amended Farm-In Agreement. The Filipino partners in the South Block declared SWAN in default of its Farm-In Agreement commitments. Otto also declared SWAN in default of its JOA commitments in the North Block. SWAN contested the default but later settled amicably in September 2012, after it was able to secure a reasonable walk-away package from Otto Energy.

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After SWAN's exit from the SC-51 contract area, Frontier Oil Corporation manifested its interest to become Operator of SC-51 South Block and has agreed to the key terms of the proposed Farm-In Agreement. Frontier Oil was still within its requested due diligence period when the year ended. A third party, Arex Energy, was commissioned by Frontier Oil to conduct due diligence study of the block. Frontier requested for an extension until January 31, 2013 before it decides on its option.

On July 2012, 102 line kilometers of seismic lines were completed by the seismic survey party in the North Block. The Seismic survey was completed under-budget despite a month-long cessation of operation due to the military stand-off between China and the Philippines at the Scarborough Shoals. Initially-processed seismic lines disclosed very promising seismic features and more enhanced drilling target. The confidence of optimally locating the proposed Duhat-2 is now very much higher.

Otto Energy informed that its Board has already approved the drilling budget of $6,600,000 for next year's drilling program which is likely to occur during third quarter of 2013. A very much larger rig is being sought for the drilling Duhat 2 to avoid the debacle of Duhat 1/1A. So far two serious drilling outfits have heeded the call for rig by Otto.

MPSA No. 066-97-VIII - Cement Project, Isabel, Merida, Leyte

The MPSA was assigned last June 1997 and calls for the extraction of limestone as raw material for the manufacture of cement for 25 years with an option to extend for another 25 years.

On March 4, 2003, the DENR granted the Company's application for a two-year exploration period in its Cement Leyte Project which ended on March 14, 2005.

On September 9, 2011, the Company received the approval for the second extension of the MPSA Exploration. The approved two-year exploration and environmental work programs shall end with the Declaration Mining Project Feasibility in September 2013 or earlier.

The Company, as part of new requirements, is required to conduct a new round of Information, Education and Communication (IEC) before implementing the exploration surveys. The Company has also committed to participate in the National Greening Program initiated by the President.

For the first half of 2012, the Company continued in preparations to conduct a new IEC campaign for the drilling operation it committed to conduct in the contract area within the two-year extension of the MPSA exploration period.

MPSA Application No. 039-XIII - Gold Project Anoling, Agusan Del Sur

The project, located in Agusan del Sur, has an area of 204 hectares. In November 2005, the Company executed a Mines Operating Agreement (MOA) with Phsamed Mining Corporation (PHSAMED) whereby the latter assumes operatorship of the Anoling Project, including among others, all rights, duties and obligations of the Company as previous operator of the Anoling Project. In return, PHSAMED seeks the approval of MPSA and complies with all the work obligation on the area. Moreover, the Company receives 3% royalty and 10% net profit interest share before income tax, depreciation and amortization of up to P11 million. The agreement has an initial term of ten (10) years.

Operator, PHSAMED, with the assistance of AGRC, is pursuing the final approval of the MPSA. Additional documentary requirements were submitted to MGB-Caraga in Surigao City.

All mining operations remained suspended as at December 31, 2012 until final approval of the MPSA.

As 2012 ended, the Company received a formal notice from the project operator that they are no longer pursuing the project development program of Anoling Gold Mine. They did not specify their reasons for returning the project operatorship to the Company.

The Company has assumed operatorship of the project once again and currently securing all the mine tunnels and assets left behind by the project operator. The Company is also securing all technical data and reports that the project operator acquired during their seven years of stay as operator.

<u>Exploration Permit Application No. 080 - Gold Project, Tinongdan Itogon, Benguet</u>
As at December 31, 2012, all field activities and IP negotiations are suspended. The Company is currently finding a solution to move the project forward and convince the big land owners to give their consent and complete the FPIC process. A final appeal for reinstatement has been lodged before the MGB Central office, where it remained as at December 31, 2012.

<u>Exploration Permit Application No. 009-2010-V - Copper Gold Project, Oas, Albay</u>
The Exploration Permit Application EXPA-000072-V has been officially signed and approved on May 5, 2010 at the Central office of the Mines and Geosciences Bureau in Quezon City and registered with the Mines Geosciences Bureau Regional Office No. 5 in Legaspi City on May 12, 2010 as EP-009-2010-V.

On May 17, 2011, the Company signed a Mines Operating Agreement (MOA) with Bentley Fairview Resources Corporation after Bentley decided to exercise its option upon expiration of the Option and Due Diligence Agreement last May 1, 2011.

In August 2011, the Company and Bentley have completed the IEC campaign. Bentley advised that ground activities will commence on the middle of January 2012. Their schedules were set back by bad weather and shortage of technical personnel.

During the first quarter of 2012, a three-year MOA between the Company and Barangay Maramba was signed and executed in compliance and fulfillment of the Company's commitments with the National Greening Program (NGP). Bentley, as project operator and in pursuance to the mines operating agreement with the Company, will finance the reforestation of a 6-hectare area in Maramba and Barangay Maramba will be the implementing partner of the NGP MOA. A three-year financial plan has been crafted for that matter.

As 2012 ended, the implementation of signed NGP-MOA between the Company and Barangay Maramba was completed. A total of 2,500 mahogany seedlings were planted in the area located within the jurisdiction of Barangay Maramba, Oas, Albay. The tree-planting site has been inspected by representative of the MGB.

As at December 31, 2012, the Company submitted its application for the renewal of the exploration permit and awaits for the renewal of the exploration permit.

<u>Exploration Permit No. 000071 - Copper Project, Concepcion, Iloilo</u>
On June 22, 2010, the exploration permit application was registered and approved by the regional office of MGB-6 in Iloilo City. All surface activities remained suspended. The Company is currently preparing the budget for work programs and IEC presentations for approval by the AGRC Board.

The Company has completed its Project IEC campaign before all concerned and affected Local Government Units in Concepcion and Iloilo.

MGB-6 now requires AGRC to secure Affidavit of Consents from the private landowners. AGRC is currently complying with the MGB guidelines.

As at December 31, 2012, the Company completed its documentary submissions with respect to its application for the renewal of the exploration permit. The Company is patiently waiting for the renewal of the exploration permit so that it can implement the other peripheral requirements of the CDP, NGP and geohazard mapping.

<u>Exploration Permit Application No. 175-IVB - Nickel Project Aborlan, Palawan</u>
An Order of Denial has been issued by MGB-IVB during the last quarter of 2010 due to inactivity and lack of NCIP clearance among others. The Company submitted a letter of reconsideration and MGB-IVB granted a temporary reprieve in order for the Company to show seriousness in completing the application.

The Company submitted the same letter of reprieve to NCIP Region IV so the latter can facilitate the reactivation of the Company's request of NCIP clearance.

As at December 31, 2012, the appeal for reconsideration remained at the MGB Central Office in Quezon City awaiting for the deliberation and resolution.

<u>Exploration Permit Application No. 196-IVB - Nickel Project Rizal, Palawan</u>
The declaration of Mount Mantalingaan as Palawan Protected Landscape gravely affected the surface extent of the applied area. From the original area of 2,477 hectares the net free area has been reduced to a mere 396 hectares or 15% of the original applied area.

On October 12, 2011, the Company received the Notice of Denial for further processing of its exploration permit application. With the currently invigorated anti-mining sentiments in Palawan, the Company has decided to forgo any appeal for reinstatement.

Management believes that total deferred oil and mineral exploration costs at December 31, 2012 and 2011 amounting to P150,157,792 and P153,882,280, respectively, are still recoverable upon resumption of production in the related project area or upon production of new reserves within the contract area. An impairment loss of P3,526,579 and P2,940,234 was recognized in 2012 and 2011, respectively, on the deferred mineral exploration costs for those identified mineral site areas where the Company intends to discontinue exploring based on its assessment that the expected costs to continue exploring may be too high in relation to the benefits it will earn.

10. Other Noncurrent Assets

Other noncurrent assets at December 31 consist of:

	Note	2012	2011
Retirement benefits asset	*14*	**P2,144,266**	P3,419,974
Security deposit	*15, 19, 20*	**234,692**	223,697
Others		**280,000**	280,000
		P2,658,958	P3,923,671

11. Accrued Expenses and Other Current Payables

Accrued expenses and other current payables at December 31 consist of:

	2012	2011
Payable to government agencies	**P283,568**	P183,526
Accrued expenses	**1,978,291**	1,575,627
Others	**287,003**	376,729
	P2,548,862	P2,135,882

Accrued expenses pertain to accrual for 13th month pay, vacation and sick leaves and others.

12. Capital Stock

On June 28, 2007, the BOD approved the increase in authorized capital stock from P700,000,000 to P3,000,000,000 divided into 300 billion common shares with the same rights and privileges and with a par value of P.01 per share. On the same date, the BOD approved the issuance of up to 5% of the authorized capital stock of the Company to qualified employees and persons through an Employees Stock Ownership Plan.

On June 8, 2010, the SEC approved the Company's application to increase its authorized capital stock as discussed above. During 2011, upon implementation of the capital increase, 25% of the additional P2.3 billion was subscribed through private placement and P100 million of which was subscribed through stock rights offering.

The Company has not yet implemented the stock option plan to qualified employees as at December 31, 2012 and 2011.

13. Earnings Per Share

Basic EPS is computed as follows:

	2012	2011	2010
Net income (a)	**P10,769,973**	P10,986,254	P9,551,250
Weighted average number of shares outstanding - basic (b)	**127,500,000,000**	127,399,240,013	127,298,480,000
Basic EPS (a/b)	**P0.0000845**	P0.0000862	P0.0000750

The Company has no dilutive potential common shares as at December 31, 2012, 2011 and 2010. Consequently, the dilutive EPS is the same as that of basic EPS presented above.

14. Retirement Plan

The Company has a funded non-contributory defined benefits retirement plan covering all its regular and full-time employees. On March 2, 2012, the Board approved the termination of the retirement plan and the payment of the benefits accrued in favor of the covered employees from April 1, 2010 to April 1, 2012. A revised retirement plan was implemented effective April 1, 2012. Under the revised plan, the normal retirement age is 60 while the early retirement age was reduced from 55 with a minimum of 10 years of service to 55 with a minimum of 5 years of service. The fund is administered by a trustee who is authorized to invest the fund as it deems proper. The most recent actuarial valuation of the Company's retirement plan was performed by an independent actuary as at December 31, 2011.

The retirement benefits asset recognized in the statements of financial position at December 31 is determined as follows:

	Note	**2012**	2011
Present value of defined benefits obligation		**P3,694,304**	P2,140,112
Fair value of plan assets		**(6,401,596)**	(6,123,112)
		(2,707,292)	(3,983,000)
Amount not recognized as asset due to limit		**563,026**	563,026
Retirement benefits asset	*10*	**(P2,144,266)**	(P3,419,974)

Movements in the fair value of plan assets during the years ended December 31 are as follows:

	2012	2011
Beginning of year	**P6,123,112**	P5,878,018
Expected return on plan assets	**306,156**	293,901
Actuarial losses	**(27,672)**	(48,807)
Balance at end of year	**P6,401,596**	P6,123,112
Actual return on plan assets	**P278,484**	P245,094

Movements in the present value of defined benefits obligation for the years ended December 31 are as follow:

	2012	2011
Beginning of year	**P2,140,112**	P1,823,099
Current service cost	**1,436,486**	1,374,628
Interest cost	**117,706**	128,711
Actuarial gain	**-**	(1,186,326)
Balance at end of year	**P3,694,304**	P2,140,112

The retirement benefits cost recognized in profit or loss for the years ended December 31 is determined as follows:

	2012	2011	2010
Current service cost	**P1,436,486**	P1,374,628	P2,023,857
Interest cost	**117,706**	128,711	2,270,782
Recognized actuarial loss (gains)	**27,672**	(1,137,519)	1,610,035
Expected return on plan assets	**(306,156)**	(293,901)	(845,830)
Effect of asset limit	**-**	62,531	484,160
Effect of settlement/curtailment - loss	**-**	-	771,486
	P1,275,708	P134,450	P6,314,490

No retirement benefits cost was capitalized as part of deferred oil and mineral exploration costs as at December 31, 2012 and 2011.

Movements of retirement benefits asset for the years ended December 31 are as follows:

	2012	2011
Beginning of year	**(P3,419,974)**	(P3,554,424)
Retirement benefits cost	**1,275,708**	134,450
Balance at end of year	**(P2,144,266)**	(P3,419,974)

Plan assets at December 31 comprised of:

	2012	2011
Cash	**P121**	P390
Investments	**6,415,739**	6,136,625
Payables	**(14,264)**	(13,903)
	P6,401,596	P6,123,112

The principal actuarial assumptions used were as follows:

	2012	2011	2010
Rate of salary increases	**4.5%**	4.5%	9%
Discount rate	**5.5%**	5.5%	7%
Expected return on plan assets	**5%**	5%	5%
Average future working years of service	**15**	15	12

Assumption regarding future mortality experience was set based on the 2001 Basic Group Mortality Table.

The historical information of the amount for the current and previous four annual periods is as follows:

	2012	2011	2010	2009	2008
Present value of defined benefit obligation	**P3,694,304**	P2,140,112	P1,823,099	P28,243,558	P23,683,878
Fair value of plan assets	**6,401,596**	6,123,112	5,878,018	28,463,064	15,194,221
Deficit (surplus) in the plan	**(2,707,292)**	(3,983,000)	(4,054,919)	(219,506)	8,489,657
Experience adjustments on plan liabilities	-	(519,256)	1,537,554	(615,463)	(1,436,891)
Effects of changes in actuarial assumptions	-	(667,070)	(265,477)	(54,221)	(294,670)

The Company is not expecting to pay any contributions to defined benefits plans in 2013.

15. Lease Agreement

The Company leases the office space it presently occupies which is situated in Manila from FVC Land Resources Inc., a related party under common control. The lease was renewed for a period from March 16, 2008 to March 15, 2011. Upon expiration of the contract, it was renewed for another three (3) years from March 16, 2011 to March 15, 2014. Monthly rental for the lease period amounted to P73,297 exclusive of VAT and is subject for a 5% escalation every year.

The lease contract requires the Company to pay security deposit which is included under "Other noncurrent assets" account in the statements of financial position (see Note 10).

Rent expense for the years ended December 31, 2012, 2011 and 2010 amounted to P924,888, P869,087 and P767,866, respectively (see Note 17).

The future minimum rental payables non-cancellable operating lease as at December 31 are as follows:

	2012	2011
Less than one year	**P924,269**	P924,269
Between one year to five years	**192,556**	1,116,825
	P1,116,825	P2,041,094

16. Income Taxes

The components of income tax expense (benefit) for the years ended December 31 are as follows:

	2012	2011	2010
Current tax	**P321,440**	P356,158	P616,771
Deferred tax	**(302,142)**	877,309	(2,320,874)
	P19,298	P1,233,467	(P1,704,103)

The net deferred tax assets recognized at December 31 consists of:

	2012	2011
Allowance for impairment losses on receivables	**P2,933,552**	P2,933,552
Unamortized past service cost	**2,604,485**	3,041,858
Unrealized foreign exchange (gain) loss - net	**180,567**	(176,236)
Retirement benefits asset	**(643,280)**	(1,025,992)
	P5,075,324	P4,773,182

The Company has temporary differences for which no deferred tax assets were recognized because management believes that it is not probable that sufficient taxable profit will be available against which the benefits of the deferred taxes can be utilized.

The temporary differences where no deferred tax assets have been recognized are as follows:

	Note	2012	2011
Allowance for impairment loss on unrecoverable deferred oil and mineral exploration costs	*9*	**P23,443,955**	P19,917,376
NOLCO		**8,110,413**	5,792,995
MCIT		**1,294,369**	1,771,974
		P32,848,737	P27,482,345

The details of NOLCO at December 31, which can be carried over as a deductible expense from taxable income for three consecutive years following the taxable year of incurrence are as follows:

Year Incurred	Amount	Expired	Balance	Expiry Date
2012	P2,317,418	P -	P2,317,418	December 31, 2015
2011	5,792,995	-	5,792,995	December 31, 2014
	P8,110,413	P -	P8,110,413	

The details of MCIT at December 31, which can be carried over as a deduction from income tax due for three consecutive years following the taxable year of payment, are as follows:

Year Incurred	Amount	Expired	Balance	Expiry Date
2012	P321,440	P -	P321,440	December 31, 2015
2011	356,158	-	356,158	December 31, 2014
2010	616,771	-	616,771	December 31, 2013
2009	799,045	(799,045)	-	December 31, 2012
	P2,093,414	(P799,045)	P1,294,369	

The reconciliation of the income tax expense (benefit) computed using statutory income tax rates and the income tax expense (benefit) as shown in profit or loss for the years ended December 31 is as follows:

	2012	2011	2010
Income before income tax	**P10,789,271**	P12,219,721	P7,847,147
Income tax expense computed at statutory tax rate	**P3,236,781**	P3,665,916	P2,354,144
Additions to (reductions in) income taxes resulting from the tax effects of:			
Changes in unrecognized deferred tax assets	**1,275,594**	1,657,158	932,324
Expired MCIT	**799,045**	154,611	-
Expenses not deductible for tax purposes	**8,758**	40,739	231,236
Expired NOLCO	-	1,164,358	-
Interest income subject to final tax	**(4,908,757)**	(4,553,823)	(4,284,343)
Dividend income	**(392,123)**	(895,492)	(937,464)
Income tax expense (benefit)	**P19,298**	P1,233,467	(P1,704,103)

17. Related Party Transactions

The Company, in the normal course of business, transacts with other companies which are considered related parties due to common BOD. Transactions with the related parties are made on an arm's length basis and at normal market prices.

A summary of the Company's significant transaction and balances with related parties as at and for the years ended December 31 follows:

		2012		
		Amount of Transactions for the Year	**Outstanding Balances**	
Related Parties	*Note*		**Due from Related Parties**	**Due to Related Parties**
Under Common Control				
Rent	*15*	**P924,888**	**P -**	**P -**
Key Management Personnel				
Receivable	*6*	**-**	**194,026**	**-**
Total		**P924,888**	**P194,026**	**P -**

Related Parties	Note	2011 Amount of Transactions for the Year	Outstanding Balances Due from Related Parties	Outstanding Balances Due to Related Parties
Under Common Control				
Rent	*15*	P869,087	P -	P -
Key Management Personnel				
Receivable	*6*	-	260,400	-
Total		P869,087	P260,400	P -

Related Parties	Note	2010 Amount of Transactions for the Year
Under Common Control		
Rent	*15*	P767,866
Interest income		4,809,785
Total		P5,577,651

No provision has been required in 2012 and 2011 for the loans made to officers and employees, since they are collectible through salary deductions.

The details of key management compensation for the years ended December 31 are as follows:

	2012	2011	2010
Current:			
Salaries and short-term employee benefits	**P4,199,900**	P4,107,600	P6,224,758
Long-term:			
Retirement benefits cost	**1,275,708**	134,450	2,166,664
	P5,475,608	P4,242,050	P8,391,422

18. Staff Costs

Staff costs for the years ended December 31 consist of:

	Note	**2012**	2011	2010
Salaries and wages		**P4,749,968**	P5,674,019	P5,802,496
Employee benefits		**1,572,285**	1,649,185	1,987,261
Retirement benefits cost	*14*	**1,275,708**	134,450	6,314,490
		P7,597,961	P7,457,654	P14,104,247

The Company's BOD in its March 12, 2010 meeting decided to terminate the old retirement plan and settle all its liabilities. The BOD approved a revised retirement plan with graduated rates depending on years of service. The retirement program in March 2010 resulted to higher retirement benefits cost in 2010 amounting to P6,314,490.

19. Financial Risk Management

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital. Further quantitative disclosures are included in Note 20 to the financial statements.

The main purpose of the Company's dealings in financial instruments is to fund its operations and capital expenditures.

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD established Audit Committee which oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. All risks faced by the Company are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Company's operations and detriment forecasted results. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The BOD reviews and institutes policies for managing the risks which are summarized below:

<u>Credit Risk</u>

Credit risk represents the risk of loss the Company would incur if credit customers and counterparties fail to perform their contractual obligations, net of value of collaterals, if any. The Company monitors its outstanding receivables on an ongoing basis. The Company's credit risk arises principally from the Company's cash and cash equivalents, receivables, AFS financial assets and security deposits.

Credit risks are monitored through annual credit reviews conducted by management. Results of credit reviews are grouped and summarized according to credit characteristics, such as geographic location, aging profile and credit violations.

<u>Liquidity Risk</u>

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Foreign Currency Risk

The Company holds AFS financial assets and receivables denominated in United States dollar (USD), hence, exposed to foreign currency translation risk. In respect of monetary assets and liabilities held in currencies other than the Philippine peso (PHP), the Company ensures that its exposure is kept to an acceptable level, by reviewing regularly the AFS financial assets and receivables portfolio to determine which investments should be sold.

Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital sturcture, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issued new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position. Capital for the reporting periods under review is summarized as follows:

	2012	2011
Total liabilities	**P2,992,333**	P2,614,070
Total equity	**1,375,826,684**	931,783,769
Debt to equity	**0.0022:1.00**	0.0028:1.00

The Company defines capital as equity, which includes capital stock, reserve for changes in value of AFS financial assets and retained earnings.

There were no changes in the Company's approach to capital management during the year.

As at December 31, 2012 and 2011, the Company is compliant with the minimum public float requirements of the PSE.

20. Financial Instruments

Credit Risk

The carrying amounts of all the financial assets represent the Company's maximum credit exposure. The maximum exposure to credit risk at December 31 is as follows:

	Note	**2012**	2011
Cash and cash equivalents	*5*	**P998,695,331**	P540,003,268
Receivables	*6*	**18,616,967**	17,104,752
AFS financial assets	*7*	**41,002,675**	52,083,206
Security deposit	*10*	**234,692**	223,697
		P1,058,549,665	P609,414,923

The aging of receivables as at December 31, 2012 is as follows:

	Gross	**Impairment**
Current	**P3,194,378**	**P -**
Past due 0 - 30 days	**-**	**-**
Past due 31 - 120 days	**367,177**	**-**
More than one year	**24,833,917**	**9,778,505**
	P28,395,472	**P9,778,505**

The aging of receivables as at December 31, 2011 is as follows:

	Gross	Impairment
Current	P2,038,343	P -
Past due 0 - 30 days	-	-
Past due 31 - 120 days	-	-
More than one year	24,844,914	9,778,505
	P26,883,257	P9,778,505

Allowance for impairment losses on receivables as at and for the years ended December 31, 2012 and 2011 amounted to P9,778,505.

The Company does not hold any collateral as security. There is no concentration of credit risk as at December 31, 2012 and 2011.

As at December 31, 2012 and 2011, cash and cash equivalents, AFS financial assets and security deposit are of high grade quality. Balances that are impaired and long outstanding are considered as high risk. The remaining receivables that are past due but not impaired are of standard quality.

The credit qualities of financial assets are determined as follows:

- Cash and cash equivalents, available-for-sale financial assets and security deposit are based on the credit standing or rating of the counterparty.

- Receivables are based on a combination of credit standing or rating of the counterparty, historical experience and specific and collective risk assessment. For financial assets that are neither past due nor impaired, high grade quality financial assets are those assessed as having minimal credit risk, otherwise they are of standard quality.

Liquidity Risk

The following are the contractual maturities of financial liabilities excluding the impact of netting agreements:

December 31, 2012	**Carrying Amount**	**Contractual Cash Flows**	**6 Month or Less**
Accrued expenses and other current payables*	**P2,265,294**	**P2,265,294**	**P2,265,294**

**Net of payable to government agencies.*

December 31, 2011	Carrying Amount	Contractual Cash Flows	6 Month or Less
Accrued expenses and other current payables*	P1,952,356	P1,952,356	P1,952,356

**Net of payable to government agencies.*

Currency Risk

The Company's foreign currency denominated monetary assets at December 31 consists of:

	2012	2011
Current assets:		
Cash and cash equivalents	**$95,005**	$61,291
AFS financial assets	**500,000**	500,000
Receivables	**107,203**	68,966
Total foreign currency denominated assets	**$702,208**	$630,257
PHP equivalent	**P28,846,705**	P27,630,467

There are no foreign currency-denominated liabilities at December 31, 2012 and 2011.

As at December 31, 2012 and 2011, the applicable exchange rate for USD1 = PHP41.08 and USD1 = PHP43.84, respectively.

Net foreign exchange gain (loss) recognized in profit or loss amounted to (P601,891), P587,453 and (P3,676,195) in 2012, 2011 and 2010, respectively.

Sensitivity Analysis

A 5% strengthening of the PHP against USD as at December 31, 2012 would have increased income before tax and equity by P1,442,335 and P1,009,635, respectively. Similarly, a 5% strengthening of the PHP against USD as at December 31, 2011 would have increased income before tax and equity by P1,381,523 and P967,066, respectively.

A 5% weakening of the PHP against the USD as at December 31, 2012 and 2011 would take the equal but opposite effect on the basis that all other variables remain constant.

Fair Values

Cash and Cash Equivalents, Receivables and Security Deposit. The carrying amount of cash and cash equivalents and receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of security deposit, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

AFS Financial Assets. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. For debt instruments with no quoted market prices, a reasonable estimate of their fair values is calculated based on the expected cash flows from the instruments discounted using the applicable discount rates of comparable instruments quoted in active markets. Unquoted equity securities are carried at cost less impairment.

Accrued Expenses and Other Current Payables. The carrying amount of accrued expenses and other payables approximates fair value due to the relatively short-term maturities of these financial instruments.

Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Asset				
AFS financial assets	**P41,002,675**	**P -**	**P -**	**P41,002,675**

As at December 31, 2011	Level 1	Level 2	Level 3	Total
Financial Asset				
AFS financial assets	P52,083,206	P -	P -	P52,083,206

As at December 31, 2012 and 2011, the Company has no financial instruments valued based on Level 2 and 3.

During the year, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

21. Contract and Agreements

The Company, as a member of various consortia, or in its individual capacity, is a party to various contracts and agreements with the Philippine government through the DOE and DENR. It also has farm-in and farm-out agreements with various parties in relation to the SC areas where the Company has participating interests (see Notes 8 and 9).

22. Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010 and RR No. 19-2011 of the Bureau of Internal Revenue

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs. The following is the tax information required for the taxable year ended December 31, 2012:

I. Based on Revenue Regulations (RR) No. 19-2011

A. Sales/Receipts/Fees

	Regular/ Normal Rate
Sale of goods	P4,139,787

B. Non-Operating and Taxable Other Income

	Regular/ Normal Rate
Gain on sale of AFS financial assets	P9,517,791
Unrealized gain in 2011, realized in 2012	587,453
Miscellaneous income	1,826,948
	P11,932,192

C. Itemized Deductions

	Regular/ Normal Rate
Staff costs	P6,322,253
Transportation and communication	3,503,738
Legal, professional and other fees	2,582,623
Oil exploration	1,428,763
Rent	924,888
Depreciation and amortization	487,529
Membership fees	311,560
Repairs and maintenance	268,589
Taxes and licenses	229,760
Utilities	214,272
Representation and entertainment	80,360
Miscellaneous expenses	577,151
Others:	
Amortization of past service cost	1,457,910
	P18,389,396

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II. Based on RR No. 15-2010

A. Value Added Tax (VAT)

1. Input VAT	
Beginning of the year	**P6,177,505**
Current year's domestic purchases:	
a. Goods other than for resale or manufacture	**396,619**
Balance at the end of the year	**P6,574,124**

B. Withholding Taxes

Tax on compensation and benefits	**P1,334,570**
Expanded withholding taxes	**1,222,353**
	P2,556,923

C. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" account under Cost of Sales & Operating Expenses	
License and permit fees	**P229,760**

D. Deficiency Tax Assessments

The Company has not received any tax assessment as at and for the year ended December 31, 2012.

E. Tax Cases

The Company has not been involved in any tax cases as at and for the year ended December 31, 2012.

F. The taxes applicable to the Company are limited to the items disclosed above.

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

ANNEX A

Control No.:
Form Type: GFFS1

GENERAL FORM FOR FINANCIAL STATEMENTS

NAME OF CORPORATION: ALCORN GOLD RESOURCES CORPORATION
CURRENT ADDRESS: 2/F TABACALERA BLDG. #2, 900 D. ROMUALDEZ SR. ST., PACO, MANILA
TEL. NO.: 5249236 FAX NO.: 5247452
COMPANY TYPE : HOLDING COMPANY PSIC:

NOTE:

This general form is applicable to companies engaged in Agriculture, Fishery, Forestry, Mining, and Quarrying, Manufacturing, Electricity, Gas and Water, Construction, Wholesale and Retail Trade, Transportation, Storage and Communications, Hotels and Restaurants, Community, Social and Personal Services, other forms of production, and general business operations. Special forms shall be used by publicly-held companies and those engaged in non-bank financial intermediation activities, credit granting, and activities auxiliary to financial intermediation, which require secondary license from SEC.

Domestic corporations are those which are incorporated under Philippine laws or branches/subsidiaries of foreign corporations that are licensed to do business in the Philippines where the center of economic interest or activity is within the Philippines. On the other hand, foreign corporations are those that are incorporated abroad, including branches of Philippine corporations operating abroad.

Financial Institutions are corporations principally engaged in financial intermediation, facilitating financial intermediation, or auxiliary financial services. Non-Financial institutions refer to corporations that are primarily engaged in the production of market goods and non-financial services.

Table 1. Balance Sheet

FINANCIAL DATA	2012 (in P'000)	2011 (in P'000)
A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6 + A.7)	1,378,819	934,398
A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)	1,060,548	610,568
A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3)	998,705	540,013
A.1.1.1 On hand	10	10
A.1.1.2 In domestic banks/entities	8,114	1,112
A.1.1.3 In foreign banks/entities	990,581	538,891
A.1.2 Financial Assets other than Cash/Trade Receivables/Investments accounted for using the Equity Method (A.1.2.1 + A.1.2.2 + A.1.2.3 + A.1.2.4)	41,003	52,083
A.1.2.1 Short-term placements or investments in securities issued by domestic entities: (A.1.2.1.1 + A.1.2.1.2 + A.1.2.1.3 + A.1.2.1.4 + A.1.2.1.5)	41,003	52,083
A.1.2.1.1 National Government		
A.1.2.1.2 Public Financial Institutions	37,200	48,110
A.1.2.1.3 Public Non-Financial Institutions	3,803	3,973
A.1.2.1.4 Private Financial Institutions		
A.1.2.1.5 Private Non-Financial Institutions		
A.1.2.2 Short-term placements or investments in securities issued by foreign entities		
A.1.2.3 Others, specify		
A.1.2.4 Allowance for decline in market value (**negative entry**)		
A.1.3 Trade and Other Receivables (A.1.3.1 + A.1.3.2)	18,616	17,104
A.1.3.1 Due from domestic entities (A.1.3.1.1 + A.1.3.1.2 + A.1.3.1.3 + A.1.3.1.4)	18,616	17,104
A.1.3.1.1 Due from customers (trade)	3,194	3,194
A.1.3.1.2 Due from related parties		
A.1.3.1.3 Others, specify		
Due from unaffiliated companies	25,006	23,428
Officers & employees	194	260
A.1.3.1.4 Allowance for doubtful accounts/bad debts/probable losses (negative entry)	(9,778)	(9,778)
A.1.3.2 Due from foreign entities, specify (A.1.3.2.1 + A.1.3.2.2 + A.1.3.2.3 + A.1.3.2.4 + A.1.3.2.5)		
A.1.3.2.1		
A.1.3.2.2		
A.1.3.2.3		
A.1.3.2.4		
A.1.3.2.5 Allowance for doubtful accounts/bad debts/probable losses (negative entry)		
A.1.4 Inventories (A.1.4.1 + A.1.4.2 + A.1.4.3 + A.1.4.4 + A.1.4.5 + A.1.4.6)		
A.1.4.1 Raw materials and supplies		
A.1.4.2 Goods in process (including unfinished goods, growing crops, unfinished seeds)		
A.1.4.3 Finished goods/products/factory supplies/office supplies		-

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TEL. NO.: 5249236 FAX NO.: 5247452
COMPANY TYPE : HOLDING COMPANY PSIC:

Table 1. Balance Sheet

FINANCIAL DATA	2012 (in P'000)	2011 (in P'000)
A.1.4.4 Merchandise/Mechanical stores/Goods in transit		
A.1.4.5 Labor and other costs of personnel (in case of service providers)		
A.1.4.6 Revaluation surplus (includes spoilage, losses due to fire and changes in prices)		
A.1.5 Other Current Assets (Prepayments)	2,223	1,366
A.2 Property, plant, equipment and machinery (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5 + A.2.6 + A.2.7)	**160,378**	**161,251**
A.2.1 Land (incl. land for future plant expansion, unused land and improvements)		
A.2.2 Building and improvements including leasehold improvement	206	206
A.2.3 Machinery and equipment (on hand and in transit)		
A.2.4 Transportation/motor vehicles, automotive equipment, autos and trucks, delivery	3,940	4,977
A.2.5 Others, specify		
Office furnitures & equipments	1,973	1,934
Wells, platforms & other facilities	204,955	204,955
A.2.6 Appraisal increase, specify		
A.2.7 Accumulated Depreciation (**negative entry**)	(50,696)	(50,821)
A.3 Investments excluding that which is recorded in current assets(net of allowance for decline in value) (A.3.1 + A.3.2 + A.3.3 + A.3.4)		
A.3.1 Equity in domestic subsidiaries/affiliates		
A.3.2 Equity in foreign branches/subsidiaries/affiliates		
A.3.3 Allowance for decline in market value (**negative entry**)		
A.4 Others, specify		
Security Deposit		
Club Membership		
Retirement Asset		
A.5 Intangible Assets	**150,158**	**153,882**
A.6 Long-term receivables		
A.6.1 Long-term receivables (net of current portion) (A.6.1.1 + A.6.1.2 + A.6.1.3)		
A.6.1.1 From domestic entities		
A.6.1.2 From foreign entities		
A.6.1.3 Allowance for doubtful accounts, net of current portion (**negative entry**)		
A.7 Other Assets (A.7.1 + A.7.2 + A.7.3 + A.7.4)	7,734	8,697
A.7.1 Deferred charges - net of amortization	5,075	4,773
A.7.2 Advance/Miscellaneous deposits	2,659	3,924
A.7.3 Others, specify		
A.7.4 Allowance for write-down of defferred charges (**negative entry**)		
B. LIABILITIES (B.1 + B.2 + B.3 + B.4 + B.5 + B.6)	**2,992**	**2,614**
B.1 Current Liabilities (B.1.1 + B.1.2 + B.1.3 + B.1.4)	2,992	2,614
B.1.1 Trade and Other Payables to Domestic Entities (B.1.1.1 + B.1.1.2 + B.1.1.3 + B.1.1.4 + B.1.1.5 + B.1.1.6)	2,549	2,136
B.1.1.1 Loans/Notes Payables		
B.1.1.2 Payables to Subsidiaries		
B.1.1.3 Payables to Related Parties		
B.1.1.4 Advances from Directors, Officers, Employees and Principal Stockholders		
B.1.1.5 Accruals	2,549	2,136

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COMPANY TYPE : HOLDING COMPANY PSIC:

Table 1. Balance Sheet

FINANCIAL DATA	2012 (in P'000)	2011 (in P'000)
B.1.1.6 Others, specify		
Payable to SC 51 operator		0
B.1.3 Trade and Other Payables to Foreign Entities, specify		0
B.1.4 Others (specify indicate if the item is payable to public/private and financial/non-financial institutions)		0
Pag-ibig		
SSS		
Philhealth		
AP Others		0
B.2 Tax Liabilities and Assets (Income Tax & Withholding Tax)	443	478
B.3 Provisions		0
B.4 Long-term Debt - Non-current Interest-bearing Liabilities (B.4.1 + B.4.2 + B.4.3 + B.4.4 + B.4.5)		0
B.4.1 Domestic Public/Government Financial Institutions or Corporations		
B.4.2 Domestic Public/Government Non-Financial Institutions or Corporations		
B.4.3 Domestic Private Financial Corporations		
B.4.4 Domestic Private Non-Financial Corporations		
B.4.5 Foreign Financial Corporations		
B.5 Indebtedness to Affiliates and Related Parties (Non-Current)		
B.6 Other Liabilities (B.6.1 + B.6.2)		0
B.6.1 Deferred Income Tax		0
B.6.2 Others, specify		
Estimated Liability for retirement benefits		0
C. EQUITY (C.3 + C.4 + C.5 + C.6 + C.7 + C.8 + C.9)	1,375,827	931,784
C.1 Authorized Capital Stock (no. of shares, par value and total value; show details)	3,000,000	3,000,000
C.1.1 Common shares 30,000,000,000,000 shares @ P0.01 par	3,000,000	3,000,000
C.1.2 Preferred Shares		
C.1.3 Others		
C.2 Subscribed Capital Stock (no. of shares, par value and total value) (C.2.1+ C.2.2+C.2.3)	0	144,416
C.2.1 Common shares 65,112,056,727 shares @ P0.01 par	577,859	577,859
C.2.2 Preferred Shares		
C.2.3 Others (Subcription Receivables)	0	(433,443)
C.3 Paid-up Capital Stock (C.3.1 + C.3.2)	1,275,000	697,141
C.3.1 Common shares	1,275,000	697,141
C.3.2 Preferred Shares		
C.4 Additional Paid-in Capital / Capital in excess of par value / Paid-in Surplus		
C.5 Others, specify		
Reserve for fluctuations in value of available-for-sale financial assets	2,624	2,794
C.6 Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus		0
C.7 Retained Earnings (C.7.1 + C.7.2)	98,203	87,433
C.7.1 Appropriated		
C.7.2 Unappropriated	98,203	87,433
C.8 Head / Home Office Account (for Foreign Branches only)		0
C.9 Cost of Stocks Held in Treasury (negative entry)		0
TOTAL LIABILITIES AND EQUITY (B + C)	1,378,819	934,398

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TEL. NO.: 5249236 FAX NO.: 5247452
COMPANY TYPE : HOLDING COMPANY PSIC:

Table 2. Income Statement

FINANCIAL DATA	2012 (in P'000)	2011 (in P'000)
A. **REVENUE / INCOME (A.1 + A.2 + A.3)**	33,154	36,560
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining,utilities, trade, services, etc.) (from Primary Activity)	4,140	5,811
A.2 Other Revenue (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5)		0
A.2.1 Rental Income from Land and Buildings		
A.2.2 Receipts from Sale of Merchandise (trading) (from Secondary Activity)		
A.2.3 Sale of Real Estate		
A.2.4 Royalties, Franchise Fees, Copyrights (books, films, records, etc.)		
A.2.5 Others, specify		
Rental Income, Equipment		
A.3 Other Income (non-operating) (A.3.1 + A.3.2 + A.3.3 + A.3.4)	29,014	30,749
A.3.1 Interest Income	16,363	15,767
A.3.2 Dividend Income	3,134	3,032
A.3.3 Gain / (**Loss**) from selling of Assets, specify	9,517	11,950
A.3.4 Others, specify		0
Gain / (**Loss**) on Foreign Exchange		
Income from sale of Petroleum Interest		
B. **COST OF GOODS SOLD (B.1 + B.2 + B.3)**		0
B.1 Cost of Goods Manufactured (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5)		
B.1.1 Direct Material Used		
B.1.2 Direct Labor		
B.1.3 Other Manufacturing Cost / Overhead		0
B.1.4 Goods in Process, Beginning		
B.1.5 Goods in Process, End (**negative entry**)		
B.2 Finished Goods, Beginning		
B.3 Finished Goods, End (**negative entry**)		
C. **COST OF SALES (C.1 + C.2 + C.3)**		0
C.1 Purchases		
C.2 Merchandise Inventory, Beginning		
C.3 Merchandise Inventory, End (**negative entry**)		
D. **GROSS PROFIT (A - B - C)**	33,154	36,560

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GENERAL FORM FOR FINANCIAL STATEMENTS

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TEL. NO.: 5249236 FAX NO.: 5247452
COMPANY TYPE : HOLDING COMPANY PSIC:

Table 2. Income Statement

FINANCIAL DATA	2012 (in P'000)	2011 (in P'000)
E. OPERATING EXPENSES (E.1 + E.2 + E.3 + E.4)	22,365	24,340
E.1 Selling or Marketing Expenses		
E.2 Administrative Expenses	7,598	7,458
E.3 General Expenses	12,850	12,123
E.4 Other Expenses, specify		
Production Expense	1,429	4,092
Depreciation, depletion & amortization	488	667
Forex Loss		0
F. FINANCE COSTS (F.1 + F.2 + F.3)		
F.1 Interest		
F.2 Amortization		
F.3 Other interests, specify		
G. Share of Income and Losses of Associates and Joint Ventures accounted for using the Equity Method		
H. Net Income (Loss) Before Tax (D - E - F + G)	10,789	12,220
I. Extraordinary Income (Expenses), if any		
J. Net Income (Loss) After Extraordinary Items (H + I)	10,789	12,220
K. Provision for (Benefit from) Income Tax	19	1,233
L. Net Income (Loss) for the Year (J - K)	10,770	10,987
M. Retained Earnings, Beginning	87,433	76,446
N. Dividends Payable (N.1 + N.2 + N.3)		
N.1 Cash (negative entry)		
N.2 Stock (negative entry)		
N.3 Others (negative entry)		
O. Unrealized Items, specify		
P. Retained Earnings, End	98,203	87,433

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COMPANY TYPE : HOLDING COMPANY PSIC:

Table 3. Cash Flow Statements

FINANCIAL DATA	2012 (in P'000)	2011 (in P'000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss) for the Year	10,789	12,220
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation & amortization	488	667
Amortization, specify:		
Others, specify: Gain on sale of available-for-sale financial assets	(9,518)	(11,950)
Provision for doubtful accounts		0
Unrealized forex exchange (gain) loss	602	(587)
Interest Income	(16,363)	(15,179)
Provision for impairment of receivables		
Dividend Income	(1,307)	(2,985)
Provision for unrecoverable deferred costs	3,527	2,940
Provision for retirement benefits	1,276	134
Gain on disposal of property and equipment	(466)	0
Gain on sale of petroleum interest		0
Write-down of Property, Plant, and Equipment		0
Changes in Assets and Liabilities:		0
Decrease (Increase) in:		
Receivables	(1,512)	(1,025)
Inventories		
Other Current Assets	(857)	79
Others, specify:		
Increase (Decrease) in:		
Trade and Other Payables	413	672
Income and Other Taxes Payable	(356)	(527)
Others, specify: Retirement fund contribution		
A. Net Cash Provided by (Used in) Operating Activities (sum of above rows)	(13,284)	(15,541)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) in Long-term Receivables		
(Increase) Decrease in Investment		
Reductions/(Additions) to Property, Plant, and Equipment	(39)	(207)
Others, specify: (Acquisitions)/Sale of marketable securities	(139,090)	0
Proceeds from sale of available-for-sale financial assets	159,518	132,238
Decrease(increase) in deferred costs: oil exploration	(258)	(445)
Decrease(increase) in deferred costs: mineral exploration and others	603	1,899
Addition in security deposit	(11)	(10)
Dividend Received	1,307	2,985
Proceeds from disposal of property and equipment	742	
Interest Received	16,363	14,932
B. Net Cash Provided (Used in) Investing Activities (sum of above rows)	39,135	151,392
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Loans		
Long-term Debt		
Issuance of Securities		0
Others, specify: Collection of subscription receivable	433,443	56,480
Payments of:		
(Loans)		
(Long-term Debt)		
(Stock Subscriptions)		
Others, specify (negative entry):		
C. Net Cash Provided by (Used in) Used in Financing Activities (sum of above rows)	433,443	56,480
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(602)	587
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)	458,692	192,921
Cash and Cash Equivalents		
Beginning of year	540,013	347,094
End of year	998,705	540,015

Control No.:
Form Type: GFFS1

GENERAL FORM FOR FINANCIAL STATEMENTS

NAME OF CORPORATION: ALCORN GOLD RESOURCES CORPORATION

CURRENT ADDRESS: 2/F TABACALERA BLDG. #2, 900 D. ROMUALDEZ SR. ST., PACO, MANILA

TEL. NO.: 5249236 FAX NO.: 5247452

COMPANY TYPE : HOLDING COMPANY PSIC:

Table 4. Statement of Changes in Equity

Fiscal Year : December 31, 2012 & 2011

	(Amount in P'000)					
FINANCIAL DATA	Capital Stock	Additional Paid-in Capital	Reserve for fluctuations	Translation Differences	Retained Earnings	TOTAL
A. Balance, Beginning - 12/31/08	1,275,000		2,624		98,203	1,375,827
A.1 Correction of Fundamental Error						
A.2 Changes in Accounting Policy						
B. Restated Balance						
B.1 Surplus (**Deficit**) on Revaluation of Properties						
B.2 Surplus (**Deficit**) on Revaluation of Investments						
B.3 Currency Translation Differences (**negative entry**)						
C. Net Gains (Losses) not recognized in the Income Statement						
C.1 Net Income (**Loss**) for the Period						0
C.2 Dividends (**negative entry**)						
C.3 Current Appropriation for Contingencies						0
C.4 Issuance of Capital Stock						
C.4.1 Common Stock						
C.4.2 Preferred Stock						
C.4.3 Others						
D. Balance, End - 12/31/09	1,275,000		2,624		98,203	1,375,827

Table 4a. Statement of Recognized Gains and Losses

FINANCIAL DATA	2012 (in P'000)	2011 (in P'000)
A. Surplus (**Deficit**) on Revaluation of Properties		0
B. Surplus (**Deficit**) on Revaluation of Investments		0
C. Exchange Differences on translation of the Financial Statements of Foreign Entities		0
D. Net Gains (**Losses**) not recognized in the Income Statement-Reserve for fluctuations in value of Available-for-sale financial assets	2,794	838
E. Net Income for the Period	10,770	10,986
Total Recognized Gains (Losses) (A + B + C + D + E)	13,564	11,824
Effect of Changes in Accounting Policy		0

ALCORN GOLD RESOURCES CORPORATION
SUPPLEMENTARY SCHEDULE REQUIRED
UNDER SRC RULE 68, AS AMENDED (2011)

Schedule II

Key Performance Indicators

Financial Ratios	Formula	2012	2011
Profit Margin	Net Income / Net Revenue	32%	30%
Current Ratio	Current Asset / Current Liabilities	354	234
Solvency Ratio	Net Income after Tax + Depreciation / Total Liabilities	3.76	4.45
Debt-to-Equity Ratio (DE Ratio)	Total Liabilities / Total Stockholders' Equity	0.0022	0.0028
Return on Asset	Net Income / Ave. Total Assets	0.93%	1.22%
Return on Investment (ROI)	Net Income / Ave. Stockholder's Equity	0.93%	1.22%
Asset Turnover	Net Revenue / Ave. Total Assets	2.87%	4.06%

Exhibit II

Supplementary Schedules

KPMG

Manabat Sanagustin & Co., CPAs
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

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E-Mail manila@kpmg.com.ph

Branches: Bacolod · Cebu · Iloilo · Subic

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders
Alcorn Gold Resources Corporation
2nd Floor, Tabacalera Building #2
900 D. Romualdez Sr. Street, Paco, Manila

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Alcorn Gold Resources Corporation (the "Company") 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 February 25, 2013.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company's management.

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Schedule of Philippine Financial Reporting Standards
- Supplementary Schedules of Annex 68-E

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

MANABAT SANAGUSTIN & CO., CPAs

ADOR C. MEJIA
Partner
CPA License No. 0029620
SEC Accreditation No. 0464-AR-1, Group A, valid until March 17, 2013
Tax Identification No. 112-071-634
BIR Accreditation No. 08-001987-10-2010
Issued June 30, 2010; valid until June 29, 2013
PTR No. 3669522MC
Issued January 2, 2013 at Makati City

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February 25, 2013
Makati City, Metro Manila

ALCORN GOLD RESOURCES CORPORATION
2nd Floor, Tabacalera Building #2
900 D. Romualdez Sr. Street, Paco, Manila
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

		(Figures based on functional currency audited financial statements as at and for the December 31, 2012)
Unappropriated Retained Earnings, as adjusted beginning		**P87,433,019**
Net Income based on the face of audited financial statements	P10,769,973	
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 (M2M 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 the PFRS	-	
Deferred tax benefit	(302,142)	
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)	-	
Net Income Actual/Realized		**10,467,831**
Add (Less):		
Dividend declarations during the period		-
Appropriations of Retained Earnings during the period		-
Reversal of appropriations		-
Effects of prior period adjustments		-
Treasury shares		-
		-
Unappropriated Retained Earnings, as adjusted, ending		**P97,900,850**

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ALCORN GOLD RESOURCES CORPORATION

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2012		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics				
PFRSs Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✔
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✔
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✔
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✔
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✔
	Amendments to PFRS 1: Government Loans			✔
PFRS 2	Share-based Payment			✔
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✔
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✔
PFRS 3 (Revised)	Business Combinations			✔
PFRS 4	Insurance Contracts			✔
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✔
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✔
PFRS 6	Exploration for and Evaluation of Mineral Resources	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2012		Adopted	Not Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition		✓	
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets		✓	
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition		✓	
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments		✓	
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities		✓	
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 10	Consolidated Financial Statements			✓
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
PFRS 13	Fair Value of Financial Instruments	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income		✓	
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2012		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures		✓	
PAS 19 (Amended)	Employee Benefits		✓	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements		✓	
PAS 28 (Amended)	Investments in Associates and Joint Ventures		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2012		Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✔		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✔
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✔
	Amendments to PAS 39: The Fair Value Option			✔
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✔
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✔
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✔
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✔
	Amendment to PAS 39: Eligible Hedged Items			✔
PAS 40	Investment Property			✔
PAS 41	Agriculture			✔
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✔
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✔
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✔		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✔
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✔
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✔
IFRIC 8	*Scope of PFRS 2*			✔
IFRIC 9	Reassessment of Embedded Derivatives			✔
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✔
IFRIC 10	*Interim Financial Reporting and Impairment*	✔		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✔
IFRIC 12	Service Concession Arrangements	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2012		Adopted	Not Adopted	Not Applicable
IFRIC 13	Customer Loyalty Programmes			✔
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✔		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✔		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✔
IFRIC 17	Distributions of Non-cash Assets to Owners			✔
IFRIC 18	Transfers of Assets from Customers			✔
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✔
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	✔		
SIC-7	Introduction of the Euro			✔
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✔
SIC-12	Consolidation - Special Purpose Entities			✔
	Amendment to SIC - 12: Scope of SIC 12			✔
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✔
SIC-15	Operating Leases - Incentives			✔
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✔
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✔
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✔		
SIC-29	Service Concession Arrangements: Disclosures.	✔		
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✔
SIC-32	Intangible Assets - Web Site Costs			✔

ALCORN GOLD RESOURCES CORPORATION

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2012

A. MARKETABLE SECURITIES (CURRENT MARKETABLE EQUITY SECURITIES AND OTHER SHORT-TERM CASH INVESTMENTS)

B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

C. NONCURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN STOCK, AND OTHER INVESTMENTS

D. INDEBTEDNESS OF UNCONSOLIDATED SUBSIDIARIES AND RELATED PARTIES

E. DEFERRED OIL AND MINERAL EXPLORATION COSTS

F. LONG TERM DEBTS

G. INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

H. GUARANTEES OF SECURITIES OF OTHER ISSUERS

I. SHARE CAPITAL

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SECOND SECTION

SCHEDULE A

ALCORN GOLD RESOURCES CORPORATION
SCHEDULE OF AVAILABLE-FOR-SALE FINANCIAL ASSETS
DECEMBER 31, 2012

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds	Amount shown in the balance sheet	Value based on market quotation at end of reporting period	Dividend / Gain on Sale / Interest Income received and accrued
Ayala Land, Inc.	199	P5,174	P5,174	P -
Ayala Preferred A (ACPA)	20,280	10,140,000	10,545,600	48,840
Ayala Preferred B (ACPR)	213,430	-	-	877,118
Petron Preferred	40,000	4,000,000	4,328,000	381,120
Aboitiz Equity Ventures, Inc. Shares	7,800	409,500	409,500	-
JG Summit Holdings Inc. Shares	88,000	3,388,000	3,388,000	-
SMC Preferred Shares	667,000	50,025,000	50,025,000	-
SMIC Bonds	50,000,000	50,000,000	50,000,000	1,200,000
SMGP Bonds		500,000	500,000	32,555
Retail Treasury Bonds	150,000,000	-	-	9,517,791
Temporary placements - various banks	840,581,584	911,116,585	911,116,585	15,129,969
		P1,029,584,259		**P27,187,393**

SCHEDULE B

ALCORN GOLD RESOURCES CORPORATION

SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL SHAREHOLDERS
(OTHER THAN RELATED PARTIES)

Name	31-Dec-11	Additions	Collections	Written-off	Current	Non-Current	31-Dec-12
Leonides C. Ramos	P -	P146,000	P -	P -	P146,000	P -	P146,000
Ponciano K. Mathay	125,400	-	125,400	-	-	-	-
Leonardo B. Dayao	135,000	-	86,974	-	48,026	-	48,026
Others	-	-	-	-	-	-	-
	P260,400	**P146,000**	**P212,374**	-	**P194,026**	**P -**	**P194,026**

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SCHEDULE C

ALCORN GOLD RESOURCES CORPORATION

AMOUNTE RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

Name	31-Dec-11	Additions	Collections	Written-off	Current	Non-Current	31-Dec-12
NONE							

SCHEDULE D

ALCORN GOLD RESOURCES CORPORATION

SCHEDULE OF DEFERRED OIL AND MINERAL EXPLORATION COSTS

Deferred Costs	December 31, 2011	Additions at cost	Charge to cost and expenses	Charged to other accounts	Other Changes	December 31, 2012
Oil exploration						
SC14	P59,792,464	P2,734,841	P -	P -	(P1,158,614)	P61,368,691
SC6A	17,413,787	(66,297)			-	17,347,490
SC6B	5,640,386	51,395				5,691,781
SC51	32,806,645	2,531				32,809,176
Other Philippine Area-Oil	527,188	122				527,310
Foreign Area-Oil						
Mineral exploration						
Gold project	28,127,945	(1,979,763)				26,148,182
Nickel project	19,206,488	1,405				19,207,893
Cement project	9,322,238	211,722				9,533,960
Other Mineral Projects	382,338					382,338
Others	580,177	4,749				584,926
Less: Allowance for Impairments	(19,917,376)		(3,526,579)			(23,443,955)
	P153,882,280	**P960,705**	**(P3,526,579)**	**P -**	**(P1,158,614)**	**P150,157,792**

SCHEDULE E

ALCORN GOLD RESOURCES CORPORATION

LONG TERM DEBT
DECEMBER 31, 2012

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debts" in related balance sheet	Amount shown under caption "ont-term debts" in related balance sheet
	N O N E		

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SCHEDULE F

ALCORN GOLD RESOURCES CORPORATION

INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2012 AND 2011

Name of Affiliate	Balance at beginning of period	Balance at end of period
	NONE	

SCHEDULE G

ALCORN GOLD RESOURCES CORPORATION

GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2012

Name of issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issues of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owed by person for which statement is filed	Nature of guarantee
		NONE		

SCHEDULE H

ALCORN GOLD RESOURCES CORPORATION

SCHEDULE OF SHARE CAPITAL
DECEMBER 31, 2012

Title of issue	Number of shares authorized	Number of shares issued,subscribed and outstanding	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	300,000,000,000	127,500,000,000	-	55,205,250,000	9,406,480,000	