

Consolidated Financial Statements  
(Expressed in Canadian dollars)

## **ASIAN MINERAL RESOURCES LIMITED**

Years ended December 31, 2013 and 2012



**KPMG LLP**  
**Chartered Accountants**  
PO Box 10426 777 Dunsmuir Street  
Vancouver BC V7Y 1K3  
Canada

Telephone (604) 691-3000  
Fax (604) 691-3031  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Asian Mineral Resources Limited

We have audited the accompanying consolidated financial statements of Asian Mineral Resources Limited, which comprise the consolidated balance sheets as at December 31, 2013 and 2012, the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

### *Auditors' Responsibility*

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

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

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



### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Asian Mineral Resources Limited as at December 31, 2013 and 2012, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes that the Company's ability to continue as a going concern will be dependent on achieving profitable operations and positive cash flows from the Ban Phuc mine. These conditions, along with other matters as set forth in Note 1, indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

### **KPMG LLP (signed)**

Chartered Accountants

April 28, 2014

Vancouver, Canada

# ASIAN MINERAL RESOURCES LIMITED

Consolidated Balance Sheets  
(Expressed in Canadian dollars)

	Notes	December 31, 2013	December 31, 2012
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 6,375,127	\$ 15,269,580
Accounts receivable and prepaid expenses	7	4,207,268	865,024
Inventories	8	4,707,357	1,136,747
		15,289,752	17,271,351
Non-current assets:			
Plant, property and equipment	9	57,210,338	20,366,281
Mineral property interest	10	677,323	677,323
		57,887,661	21,043,604
<b>Total assets</b>		<b>\$ 73,177,413</b>	<b>\$ 38,314,955</b>
<b>Liabilities and Equity</b>			
Current liabilities:			
Trade and other payables	11	\$ 9,909,106	\$ 3,510,281
Bank term loan	12	4,900,274	-
		14,809,380	3,510,281
Non-current liabilities:			
Bank term loan	12	17,016,114	-
Provision for closure and rehabilitation	13	315,960	215,600
Other non-current liabilities	14	4,712,806	-
		22,044,880	215,600
Equity:			
Share capital	15	128,083,456	115,833,103
Share-based payments reserve		661,766	516,433
Currency translation reserve		1,148,043	1,162,598
Deficit		(93,069,673)	(82,226,485)
Equity attributable to owners of the Company		36,823,592	35,285,649
Non-controlling interest		(500,439)	(696,575)
<b>Total equity</b>		<b>36,323,153</b>	<b>34,589,074</b>
<b>Total liabilities and equity</b>		<b>\$ 73,177,413</b>	<b>\$ 38,314,955</b>

Going concern (note 1)  
Commitments and contingencies (note 27)  
Subsequent event (note 28)

See accompanying notes to consolidated financial statements.

# ASIAN MINERAL RESOURCES LIMITED

Consolidated Statements of Operations and Comprehensive Loss  
(Expressed in Canadian dollars)

Years ended December 31, 2013 and 2012

	Notes	2013	2012
Revenue	16	\$ 9,156,036	\$ -
Costs of sales			
Production costs	17	(5,491,766)	-
Royalty		(1,424,438)	-
Concentrate transport and logistics		(985,834)	-
		1,253,998	-
Compensation and employee related		(4,087,490)	(2,510,027)
Professional, regulatory and other fees		(2,438,801)	(589,687)
Site administration		(1,353,746)	(92,020)
Depreciation and amortization		(1,127,830)	(140,314)
General and administrative expenses	18	(2,020,929)	(1,320,398)
Exploration		(107,728)	(71,522)
Operating loss		(11,136,524)	(4,723,968)
Finance income		74,133	59,096
Finance expenses	19	(999,592)	(132,873)
		(925,459)	(73,777)
Loss for the year		(10,807,985)	(4,797,745)
Other comprehensive loss:			
Foreign currency translation differences – foreign operations		(16,173)	(58,183)
Comprehensive loss for the year		\$ (10,824,158)	\$ (4,855,928)
Net income (loss) for the year attributable to:			
Owners of the Company		\$ (11,005,739)	\$ (4,439,259)
Non-controlling interest		197,754	(358,486)
		\$ (10,807,985)	\$ (4,797,745)
Comprehensive income (loss) for the year attributable to:			
Owners of the Company		\$ (11,020,294)	\$ (4,491,624)
Non-controlling interest		196,136	(364,304)
Comprehensive loss for the year		\$ (10,824,158)	\$ (4,855,928)
Basic and diluted owners' loss per share		\$ 0.02	\$ 0.02
Weighted average number of common shares outstanding		715,090,301	296,049,835

See accompanying notes to consolidated financial statements.

# ASIAN MINERAL RESOURCES LIMITED

Consolidated Statements of Changes in Equity  
(Expressed in Canadian dollars, except number of common shares)

Years ended December 31, 2013 and 2012

	Number of Common shares (note 15(b))	Share capital (note 15(b))	Share- based payments reserve	Currency translation reserve	Deficit	Owners' equity	Non- controlling interest	Total
Balance, January 1, 2012	202,934,435	\$ 95,052,093	\$ 984,521	\$ 1,214,963	\$ (78,511,593)	\$ 18,739,984	\$ (332,271)	\$ 18,407,713
Issue of shares, net of costs	322,272,727	20,781,010	-	-	-	20,781,010	-	20,781,010
Share-based payments	-	-	256,279	-	-	256,279	-	256,279
Expiry of options	-	-	(724,367)	-	724,367	-	-	-
Currency translation loss	-	-	-	(52,365)	-	(52,365)	(5,818)	(58,183)
Loss for the year	-	-	-	-	(4,439,259)	(4,439,259)	(358,486)	(4,797,745)
Balance, December 31, 2012	525,207,162	115,833,103	516,433	1,162,598	(82,226,485)	35,285,649	(696,575)	34,589,074
Issue of shares, net of costs	250,971,210	12,250,353	-	-	-	12,250,353	-	12,250,353
Share-based payments	-	-	307,884	-	-	307,884	-	307,884
Expiry of options	-	-	(162,551)	-	162,551	-	-	-
Currency translation loss	-	-	-	(14,555)	-	(14,555)	(1,618)	(16,173)
Net income (loss) for the year	-	-	-	-	(11,005,739)	(11,005,739)	197,754	(10,807,985)
Balance, December 31, 2013	776,178,372	\$ 128,083,456	\$ 661,766	\$ 1,148,043	\$ (93,069,673)	\$ 36,823,592	\$ (500,439)	\$ 36,323,153

See accompanying notes to consolidated financial statements.

# ASIAN MINERAL RESOURCES LIMITED

Consolidated Statements of Cash flows  
(Expressed in Canadian dollars)

Years ended December 31, 2013 and 2012

	Notes	2013	2012
Cash provided by (used in):			
Operations:			
Net loss for the year		(10,807,985)	(4,797,745)
Items not involving cash:			
Share-based payments	15(d)	427,193	256,279
Amortization and depreciation		2,425,154	140,314
Foreign currency translation		725,059	63,700
Unrealized foreign exchange loss		(16,173)	(58,186)
Changes in non-cash operating working capital:			
Accounts receivable and prepaid expenses		(3,342,244)	(614,299)
Inventories		(3,570,610)	2,059
Accounts payable and accrued liabilities		11,787,102	1,634,785
		(2,372,504)	(3,373,093)
Investments:			
Purchase of property, plant and equipment		(39,994,270)	(4,863,931)
		(39,994,270)	(4,863,931)
Financing:			
Issuance of common shares and warrants, net of issue costs	15	12,201,793	20,781,010
Loan obtained from bank	12	21,270,528	-
		33,472,321	20,781,010
Net increase (decrease) in cash and cash equivalents		(8,894,453)	12,543,986
Cash and cash equivalents, beginning of year		15,269,580	2,725,594
Cash and cash equivalents, end of year		6,375,127	15,269,580

Supplemental cash flow information (note 22)

See accompanying notes to consolidated financial statements.

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

---

## 1. Nature of business and going concern:

Asian Mineral Resources Limited (the "Company" or "AMR") is incorporated under the laws of the Province of British Columbia by a certificate of continuance as of December 31, 2004, having previously been incorporated and registered under the New Zealand Companies Act 1993. On April 19, 2004, the Company became listed on the TSX-Venture Exchange (TSX-V). The Company's principal business activities are the exploration and development of mineral property interests and extraction and processing of nickel mineral deposits. Its principal mineral property interest, held through a joint venture, is in the Ban Phuc Project Area located 160 km west of Hanoi in Son La Province, in northwestern Vietnam. The Company's registered corporate office is located at 120 Adelaide Street West, Suite 2500, Toronto, Ontario, Canada M5H 1T1.

The Company completed a definitive feasibility study in November 2005, updated in 2007, which supported mine development within a portion of the Ban Phuc Project Area. On December 17, 2007, the Company received a mining license to develop and mine the Ban Phuc deposit from the Vietnamese Ministry of Natural Resources and Environment. Project development commenced in late 2007, with production initially anticipated to commence in the second quarter of 2009. On October 1, 2008, the Company suspended project development activities at Ban Phuc and subsequently placed the project on care and maintenance for various reasons including the inability to obtain financing for project completion.

During 2012 and early 2013, following the receipt of equity and debt financing, construction activities recommenced. Initial commissioning commenced in July 2013 with commercial production achieved on November 1, 2013. As of that date, the Company commenced recording income related to revenues from metals sales and the costs incurred to produce those revenues in profit or loss. The first shipment of nickel concentrate was made on November 19, 2013 followed by the second shipment in December 2013.

In November 2013, the Vietnamese Government issued a clarification on the calculation of the mining rights grant fee as provided under Decree 203. Notwithstanding the clarification, the Company is contesting the rationale of the fee and is continuing discussions with relevant authorities. In the interim, an initial estimate of \$4.6 million has been calculated and is deemed payable in annual installments over the next two years. Additional disclosure on the nature and calculation of the mining rights fee is provided in note 3(m).

As at December 31, 2013, the Company has cash and cash equivalents of \$6.4 million and working capital of \$0.5 million. During the year ended December 31, 2013, the Company recognized a net loss of \$10.8 million and has an accumulated deficit of \$93.1 million.

The Company, through its subsidiary Ban Phuc Nickel Mines Ltd. ("BPNM"), obtained a loan with a local bank in Vietnam with maximum borrowings under the facility of US\$20.0 million which must be used to complete development and maintain operations of the Ban Phuc mine. A US\$3.0 million facility was also arranged with the same local bank in Vietnam in December 2013 to allow an additional source of working capital funding should BPNM operations require financing until sustainable commercial levels of production are achieved during 2014 (refer to note 12). The US\$20.0 million loan, and the US\$3.0 million facility, are both secured by the assets of BPNM and a corporate guarantee by AMR.

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

---

## 1. Nature of business and going concern (continued):

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course as they come due. There can be no assurance that the Company will be able to achieve profitability and positive cash flows from the Ban Phuc mine and the conditions described above raise significant doubt about the Company's ability to continue as a going concern. Should the Company not be able to continue as a going concern, adjustments to the carrying values and classification of its assets and liabilities would be required, and these adjustments could be material.

## 2. Basis of preparation:

### (a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

### (b) Approval of the financial statements:

The consolidated financial statements of the Company for the year ended December 31, 2013 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 28, 2014.

### (c) Comparative figures:

Certain comparative figures have been restated to conform to the current year's financial statement presentation.

## 3. Significant accounting policies:

The accounting policies set out below have been applied consistently for all periods presented in these consolidated financial statements.

### (a) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis, utilizing the accrual method of accounting unless otherwise described in the notes below.

### (b) Revenue recognition:

Revenue from sales of nickel concentrate is sold under pricing arrangements whereby revenue is recognized at the time of shipment, at which time legal title and risk pass to the customer and provisional revenue is recorded at current month average price as per the London Metals Exchange. The quoted period established to finalize the sales price is the second month after the shipment month, within which the contract is required to be settled. Changes between the prices recorded upon recognition of provisional revenue and final price due to fluctuation in metal market prices result in the existence of an embedded derivative in the accounts receivable. This embedded derivative is recorded at fair value, with changes in fair value classified as a component of revenue and receivables. Changes in the estimate of concentrate nickel content resulting from the final independent analysis of the concentrate are recognized at the point at which such analysis is agreed upon between the Company and its customers.

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

---

### 3. Significant accounting policies (continued):

(c) Currency translation:

The functional and presentation currency of the Company is the Canadian dollar. The functional currency of its subsidiary BPNM is the United States dollar. Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities are translated at the exchange rate in place on the reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the transaction. Foreign currency translation differences are recognized in profit or loss.

For consolidation purposes, BPNM is translated into the Company's presentation currency of Canadian dollars. Assets and liabilities are translated using the exchange rate prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rate for the relevant period. Translation differences are recognized in other comprehensive income (loss) and are accumulated within equity in the currency translation reserve.

(d) Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances are eliminated on consolidation. For partially owned subsidiaries, the interest attributable to non-controlling shareholders is reflected in non-controlling interest. The Company determines whether it shall consolidate a subsidiary by assessing whether it has control over the subsidiary. Factors considered in such an assessment include whether the Company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary,

Significant subsidiaries of the Company are as follows:

Name	Country of incorporation	Effective interest
Ban Phuc Nickel Mines Limited Liability Company ("BPNM")	Vietnam	90%
Asian Mineral Resources Nickel Limited	Cook Islands	100%
Asian Nickel Exploration Limited	Cook Islands	100%

---

(e) Cash and cash equivalents:

Cash and cash equivalents consist of cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less when acquired.

(f) Inventories

Inventories include nickel concentrate in progress and produced and consumable materials and supplies. The cost of nickel concentrate in progress and produced is determined principally by average production costs. Production inventories are stated at the lower of average production costs and net realizable value.

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

### 3. Significant accounting policies (continued):

#### (f) Inventories (continued)

Costs of nickel concentrate inventories include all costs incurred up until production of a tonne of nickel concentrate such as mining costs, processing costs, maintenance costs, road transport costs and directly attributable general and administration costs but exclude royalties. Net realizable value is determined with reference to estimated contained nickel, copper and cobalt metal and current market prices at the reporting period end date.

Consumable materials and supplies inventory consists of consumables used in development activities, such as explosives, fuel and spare parts which are valued at the lower of cost and replacement cost (approximates net realizable value) and, where appropriate, less a provision for obsolescence.

Inventory produced prior to commencement of commercial production is recognized as revenue in the income statement when sold.

#### (g) Prepayments:

Prepayments to suppliers and contractors are based on the contract progress, with payments made during the stages of work.

#### (h) Property, plant and equipment:

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Plant and equipment includes capitalized development expenditures. Cost includes expenditures that are directly attributable to the acquisition or construction of an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for its intended use and an initial estimated of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided on plant and equipment, calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual financial period with the affect of any changes recognized on a prospective basis.

Asset	Basis	Rate range
Building, machinery, motor vehicles, infrastructure	Straight-line	14% - 25%
Furniture and office equipment	Straight-line	11% - 33%
Licenses and franchises	Straight-line	11% - 33%
Plant and mine development	Unit of production based mineral reserves	

The expenditures related to construction are capitalized as construction-in-progress and are included within properties, plant and equipment. Construction in progress represents the cost of remaining plant and mine development which is under construction. Costs directly attributable with ongoing construction related activities during the commissioning phase of new assets incurred in the period before they are operating in the way intended by management are capitalized, all other costs not directly attributable are expensed. No depreciation is provided for construction in progress during the period of construction.

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

---

### 3. Significant accounting policies (continued):

(i) Mineral property interest:

Exploration expenses incurred prior to determination of the technical feasibility and commercial viability of mining operations and issuance of a mining license are expensed as incurred. Mineral property acquisition costs and exploration and development expenditures incurred subsequent to the determination of technical feasibility and commercial viability of mining operations and issuance of a mining license are deferred, less accumulated amortization and accumulated impairment losses, if any, until the property to which they relate commences commercial production, is sold, allowed to lapse or is abandoned. Technical feasibility and commercial viability generally coincide with the establishment of proven and probable reserves; however, this determination may be impacted by management's assessment of certain modifying factors. When commercial production in an area of interest has commenced, the associated costs are amortized over the estimated economic life of the mine on a units-of-production basis using proven and probable reserves (as defined by National Instrument 43-101).

Changes in factors such as estimates of proven and probable reserves that affect units-of-production calculations are accounted for on a prospective basis.

(j) Impairment of long-lived assets:

At the end of each year or at each reporting date, the Company reviews the carrying amounts of its long-lived assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

The recoverable amount of a CGU is the higher of the CGU's fair value less costs to sell and its value-in-use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. Impairment losses are recognized in profit and loss in the period the impairment indicator is identified.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset or CGU is increased to its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. The reversal of an impairment loss is recognized immediately in profit and loss.

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

---

### 3. Significant accounting policies (continued):

(k) Reserve estimates:

The Company estimates its ore reserves and mineral resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101 *Standards for Disclosure of Mineral Projects* ("NI 43-101"). Reserves are used when performing impairment assessments on the Company's mineral property, for forecasting the timing of payment of mine closure, reclamation and rehabilitation costs, and in determining the depletion of mineral properties.

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecasted prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in changes to reserve estimates. Any adjustments are accounted for prospectively.

(l) Provision for closure and rehabilitation:

A provision for closure and rehabilitation is recognized when there is a legal or constructive obligation to remediate as a result of exploration, development and production activities undertaken, if the amount of the provision can be measured reliably. The estimated future obligations include the costs of dismantling, and removal of facilities and restoration. The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. The environmental rehabilitation obligation is capitalized as part of the carrying amount of the associated long-lived asset and a liability is recorded. The environmental rehabilitation cost is amortized on the same basis as the related asset. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at the reporting date.

(m) Mining rights grant fee:

In late 2010, the Vietnamese Government passed a new law, the Mineral Law 2010. Decree 15 of the law included a new statutory fee titled "mining rights grant fee". The Mineral Law 2010 provided the fee to be determined based on price, reserve, quality and type of the relevant mineral; however, until late 2013, both the Mineral Law 2010 and the Decree 15 did not specify the formula for calculation and thus there was no basis to estimate the fee payable. In November 2013, the Vietnamese Government issued Decree 203 which outlined the formula to calculate the mining rights grant fee and on that basis the Company estimated the cost of the fee and recognized a provision in these consolidated financial statements. The fee has been estimated at \$4.6 million. The timing of the fee is still to be clarified with the Vietnamese Government.

(n) Share capital:

Common shares are classified as equity. The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash are valued at the quoted market price on the date the shares are issued.

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

---

### 3. Significant accounting policies (continued):

(o) Share-based payments:

The Company has a share option plan, under which the fair value of all share-based awards is estimated using the Black-Scholes Option Pricing Model at the grant date and amortized over the vesting periods. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services received cannot be reliably measured and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset is credited to share-based payment reserve.

Upon the exercise of the share purchase options, consideration paid together with the amount previously recognized in the share-based payment reserve is recorded as an increase to share capital. Charges for share purchase options that are forfeited before vesting are reversed from the share-based payments reserves. For those share purchase options that expire or are forfeited after vesting, the amount previously recorded in share-based payments reserve is transferred to deficit.

(p) Interest expenses:

Interest is recognized on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity.

(q) Royalties:

A 10% royalty is payable to the Vietnamese Government calculated on the value of nickel concentrate sale price less export tax, processing costs, bagging costs, road freight costs, custom charges and warehouse costs. Royalty expense is recorded when revenue from the sale of nickel concentrate is recognized.

(r) Income taxes:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the statement of comprehensive loss except to the extent that the tax relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

---

### 3. Significant accounting policies (continued):

(r) Income taxes:

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 is not recognized for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset the tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

(s) Financial instruments:

(i) Non-derivative financial assets:

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies its financial assets in the following categories:

- (A) Financial assets at fair value through profit or loss ("FVTPL");
- (B) Held-to-maturity investments;
- (C) Available-for-sale financial assets ("AFS"); or
- (D) Loans and receivables.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

The Company has the following non-derivative financial assets: loans and receivables.

*Financial assets at FVTPL*

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy.

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

---

### 3. Significant accounting policies (continued):

(s) Financial instruments (continued):

(i) Non-derivative financial assets (continued):

#### *Held-to-maturity investments*

Investments are measured at amortized cost using the effective interest rate method. Transaction costs are added and amortized to the statement of operations over the life of the financial instrument on an effective yield basis. The Company does not have any assets classified as held-to-maturity investments.

#### *Available-for-sale financial assets*

Short-term investments are classified as available-for-sale and are carried at fair value (where determinable based on market prices of actively traded securities) with unrealized gains and losses recognized in other comprehensive income (loss). Management assesses the carrying value of AFS financial assets each period and any impairment charges are recognized in profit or loss. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income (loss) are included in profit and loss. The Company does not have any assets classified as available-for-sale financial assets.

#### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment losses. Loans and receivables comprise cash and cash equivalents and accounts receivable.

#### *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Such financial liabilities are recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Company has the following non-derivative financial liabilities: bank term loan, trade and other payables and accrued liabilities which is classified as other financial liabilities.

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

---

### 3. Significant accounting policies (continued):

(t) Loss per share:

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. For all periods presented, loss available to common shareholders equals the reported loss.

Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares issued and outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. For all periods presented, diluted loss per share is the same as basic loss per share since the effect of the outstanding options (note 15(d)) and share purchase warrants (note 15(e)) would be anti-dilutive.

### 4. Changes in accounting standards:

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

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

*IAS 1, Presentation of items of other comprehensive income (Amendment)*

The amendments to IAS 1 introduced a grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified to profit or loss at a future point in time (e.g. net gain or loss on available-for-sale financial assets) shall be presented separately from items that will never be reclassified. This amendment had no impact on the Company's presentation as the components of OCI pertain only to foreign currency translation gains or losses.

*IFRS 10, Consolidated Financial Statements*

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements*, to replace IAS 27, *Consolidated and Separate Financial Statements* and SIC 12, *Consolidation – Special Purpose Entities*. The new consolidation standard changes the definition of control so that the same criteria apply to all entities, both operating and special purpose entities, to determine control. The revised definition focuses on the need to have both power and variable returns before control is present. The adoption of IFRS 10 did not result in any change in the consolidation status of any of the Company's subsidiaries or investees.

*IFRS 11, Joint Arrangements*

In May 2011, the IASB issued IFRS 11, *Joint Arrangements*, to replace IAS 31, *Interests in Joint Ventures*. The new standard defines two types of arrangements: Joint Operations and Joint Ventures. The focus of the standard is to reflect the rights and obligations of the parties involved in the joint arrangement, regardless of whether the joint arrangement operates through a separate legal entity. Joint arrangements that are classified as joint ventures are accounted for using the equity method of accounting. Joint arrangements that are classified as joint operations require the venturers to recognize the individual assets, liabilities, revenues and expenses to which they have legal rights or are responsible. The adoption of IFRS 11 did not result in any changes to the Company's consolidated financial statements.

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

---

## 4. Changes in accounting standards (continued):

### *IFRS 12, Disclosure of Interests in Other Entities*

In May 2011, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities*, to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes requirements for unconsolidated structured entities (i.e. special purpose entities). The Company adopted IFRS 12 effective January 1, 2013. The Company has provided these disclosures in note 25.

### *IFRS 13, Fair Value Measurement*

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement* as a single source of guidance for all fair value measurements required by IFRS to reduce the complexity and improve consistency across its application. The standard provides a definition of fair value and guidance on how to measure fair value as well as a requirement for enhanced disclosures. The Company adopted IFRS 13 on a prospective basis.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7, *Financial Instruments: Disclosures*. The Company has provided these disclosures in note 23.

### *IAS 19, Employee benefits (amended)*

In June 2011, the IASB published a revised version of IAS 19, which represents an effort to improve the accounting for employee retirement benefits. The revisions include the requirement to recognize past service costs immediately in net income rather than using the corridor method and the requirement to recognize actuarial gains and losses immediately in other comprehensive income ("OCI"). Previously companies had the option of recognizing actuarial gains and losses through OCI immediately or via use of the corridor method. Another revision included the requirement that expected return on plan assets be calculated based on the rate used to discount the defined benefit obligation which is based on high quality bond yields. Previously, equity returns were incorporated into the expected return on plan assets. Further there is a requirement for more disclosure relating to the characteristics and risks of the amounts in the financial statements regarding defined benefit plans, including the timing and uncertainty of the entity's cash flows. This amendment did not have a significant impact on its consolidated financial statements.

### *IFRIC 20, Stripping costs in the production phase of a surface mine*

IFRIC 20 "Stripping costs in the production phase of a surface mine" applies to waste removal costs that are incurred in open pit mining activity during the production phase of the mine. Recognition of a stripping activity asset requires the asset to be related to an identifiable component of the ore body. Stripping costs that relate to inventory produced should be accounted for as a current production cost in accordance with IAS 2, "Inventories." Stripping costs that generate a benefit of improved access and meet the definition of an asset should be accounted for as an addition to an existing asset. Existing stripping costs on the balance sheet at transition that do not relate to a specific ore body should be written off to opening retained earnings. The stripping activity asset shall be depreciated on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. There was no impact on the consolidated financial statements as a result of this standard.

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2012 and 2011

---

#### 4. Changes in accounting standards (continued):

The Company has not early adopted any other standard, interpretation or amendment in the consolidated financial statements that have been issued, but not yet effective.

A number of new standards, amendments to standards and interpretations, are not yet effective for the year ended December 31, 2013, and have not been applied in preparing these consolidated financial statements. The following pronouncements are those that the Company considers most significant and are not intended to be a complete list of new pronouncements that may affect the financial statements.

##### *IFRS 9, Financial Instruments*

In November 2009, the IASB issued IFRS 9, *Financial Instruments*, as the first step in its project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flows of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7, *Financial Instruments: Disclosures*, including added disclosures about investments in equity instruments measured at fair value in OCI, and guidance on the measurement of financial liabilities and recognition of financial instruments. In December 2011, the IASB issued an amendment that adjusted the mandatory effective date of IFRS 9 from January 1, 2013 to January 1, 2015. The Company is currently assessing the impact of adopting IFRS 9 on its consolidated financial statements, including the applicability of early adoption

##### *IFRIC 21, Levies*

IFRIC 21 "Levies" is an interpretation of IAS 37, "Provisions, Contingent Liabilities and Contingent Assets", and applies to the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The Company is currently evaluating the extent of the impact on its financial statements of adoption of this standard.

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

---

## 5. Critical judgments in applying accounting policies:

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations (note 6), that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

- (a) Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs.

Management has determined that exploration drilling, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessment of economic recoverability and probability of future economic benefits including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

- (b) Commercial production

Costs incurred to construct and develop mineral properties, plant and equipment are capitalized until the assets are brought into the location and condition necessary to be capable of operating in the manner intended by management. Depletion of capitalized costs for mineral properties and related plant and equipment begins when operating levels intended by management have been reached. The results of operations of the Company during the periods presented in these audited consolidated financial statements have been impacted by management's determination that the BPNM Mine reached the operating levels intended by management on November 1, 2013.

- (c) Functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. It has been determined that the functional currency of BPNM is the United States dollar, while the functional currency for the Company and its other subsidiaries is the Canadian dollar. Assessment of functional currency involves certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in the events and conditions, which determine the primary economic environment.

- (d) Going concern

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its development of the Ban Phuc mine and for working capital requirements. Judgments must also be made with regard to events or conditions, which might give rise to significant uncertainty.

- (e) Provisional pricing contracts

Nickel concentrate is invoiced when shipped and amounts recognized as revenue are based on the Company's assessment of the mineral content and grade, based on internal assays, of the concentrate shipments. Final assays determine the final payable ounces by the Company's customers. Therefore, there is significant estimation uncertainty surrounding the recognition of revenues based on preliminary assays. Any adjustments to revenue recognized based on final assays are accounted for prospectively.

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

---

## 6. Key sources of estimation uncertainty:

The preparation of the consolidated financial statements requires management to make estimates and assumptions of the effect of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Differences between the actual results and present estimates and assumptions have the potential to materially affect the Company's consolidated financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effect on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

### (a) Impairment of mineral properties, plant and equipment

The Company considers both external and internal sources of information in assessing whether there are any indications that mineral properties, plant and equipment are impaired. External sources of information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mineral properties, plant and equipment. Internal sources include the manner in which mineral properties, plant and equipment are being used or are expected to be used, and indications of economic performance of the assets.

In determining the recoverable amounts of the Company's mineral properties, plant and equipment, the Company's management makes estimates of the discounted future after-tax cash flows expected to be derived from its mineral properties using an appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future non-expansionary capital expenditures, reductions in the amount of recoverable reserves, resources and exploration potential and/or adverse current economics can result in a write down of the carrying amounts of the Company's mineral properties, plant and equipment.

### (b) Impairment of mineral properties, plant and equipment

The Company considers both external and internal sources of information in assessing whether there are any indications that mineral properties, plant and equipment are impaired. External sources of information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mineral properties, plant and equipment. Internal sources include the manner in which mineral properties, plant and equipment are being used or are expected to be used, and indications of economic performance of the assets.

In determining the recoverable amounts of the Company's mineral properties, plant and equipment, the Company's management makes estimates of the discounted future after-tax cash flows expected to be derived from its mineral properties using an appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future non-expansionary capital expenditures, reductions in the amount of recoverable reserves, resources and exploration potential and/or adverse current economics can result in a write down of the carrying amounts of the Company's mineral properties, plant and equipment.

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

---

## 6. Key sources of estimation uncertainty (continued):

### (c) Operating expenses and costing of work-in-progress inventory

In determining operating expenses recognized in the Consolidated Statements of Comprehensive Income, the Company's management makes estimates of quantities of ore on stockpiles and in process and the recoverable nickel in this material to determine the cost of finished goods sold during the period. Changes in these estimates can result in a change in operating expenses in future periods and carrying amounts of inventories.

### (d) Estimated recoverable nickel tonnes and ore reserve tonnes

The carrying amounts of the Company's mineral properties, plant and equipment are depleted based on recoverable nickel tonnes and ore reserve tonnes. Changes to estimates of recoverable nickel tonnes, ore reserve tonnes and depletable costs, including changes resulting from revisions to the Company's mine plans and changes in metals prices forecasts, can result in a change to future depletion rates and impairment analysis.

### (e) Estimated mine closure and rehabilitation costs

The Company's provision for mine closure and reclamation cost obligations represents management's best estimate of the present value of the future cash outflows required to settle the liability which reflects estimates of future costs, inflation, movements in foreign exchange rates and assumption of risks associated with the future cash outflows. Changes in the above factors can result in a change to the provision recognized by the Company.

Changes to the mine closure and rehabilitation cost obligations are recorded with a corresponding change to the carrying amounts of the related mineral properties, plant and equipment for the period. Adjustments to the carrying amounts of the related mineral properties, plant and equipment can result in a change to the future depletion expense.

### (f) Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates for future taxable income are based on forecasted income from operations and the application of existing tax laws in each jurisdiction. Weight is attached to tax planning opportunities that are within the Company's control, feasible and can be implemented without significant obstacles. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates could occur, which may materially affect the amounts of income tax assets recognized.

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

## 6. Key sources of estimation uncertainty (continued):

### (g) Share-based compensation

The Company includes an estimate of forfeitures, share price volatility, expected life and risk-free interest rates in the calculation of the expense related to certain long-term employee incentive plans. These estimates are based on previous experience and may change throughout the life of an incentive plan. Such changes could impact the share-based compensation expense and share-based payments reserve.

## 7. Accounts receivable and prepaid expenses:

	December 31, 2013	December 31, 2012
Trade receivables	\$ 1,210,208	\$ -
VAT/GST refundable	1,654,085	573,119
Prepayments and advances	1,336,227	360,240
Other receivables	101,217	20,034
Provision for doubtful debt	(94,469)	(88,369)
	<u>\$ 4,207,268</u>	<u>\$ 865,024</u>

Trade receivables consist of receivables from provisional nickel concentrate sales from BPNM mine. The fair value of receivables arising from concentrate sales that contain provisional pricing is determined using the appropriate quoted closing price per the London Metal Exchange for the particular metal. As such, these receivables, which meet the definition of an embedded derivative, are classified within Level 1 of the fair value hierarchy (see note 23).

## 8. Inventories:

	December 31, 2013	December 31, 2012
Work in process inventory <sup>(1)</sup>	\$ 272,981	\$ -
Finished goods inventory <sup>(2)</sup>	2,270,438	-
Consumable materials and supplies	2,163,938	1,136,747
	<u>\$ 4,707,357</u>	<u>\$ 1,136,747</u>

(1) The Company held 3,250 tonnes of work in process nickel ore as of December 31, 2013, which were carried at cost being the lesser of cost and net realizable value.

(2) The Company held 2,900 tonnes of nickel concentrate finished product as of December 31, 2013, which were carried at cost being the lesser of cost and net realizable value.

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

## 9. Property, plant and equipment:

	Building, infrastructure machinery, plant, motor, vehicles	Construction in progress	Furniture, office equipment and intangible assets	Total
<b>Cost</b>				
Balance at January 1, 2012	\$ 1,921,131	\$ 14,210,077	\$ 163,918	\$ 16,295,126
Additions	48,816	4,780,486	34,632	4,863,934
Translation adjustment	(7,510)	(55,549)	(641)	(63,700)
Balance at December 31, 2012	1,962,437	18,935,014	197,909	21,095,360
Additions/(Transfer)	53,557,370	(18,368,948)	4,805,849	39,994,271
Translation adjustment	(658,951)	(6,721)	(59,388)	(725,060)
Balance at December 31, 2013	\$ 54,860,856	\$ 559,345	\$ 7,587,620	\$ 60,364,571
<b>Accumulated Depreciation</b>				
Balance at January 1, 2012	\$ (481,372)	\$ -	\$ (107,393)	\$ (588,765)
Depreciation expense	(128,301)	-	(12,013)	(140,314)
Balance at December 31, 2012	(609,673)	-	(119,406)	(729,079)
Depreciation expense	(2,166,594)	-	(258,560)	(2,425,154)
Balance at December 31, 2013	\$ (2,776,267)	\$ -	\$ (377,966)	\$ (3,154,233)
<b>Net Book Value</b>				
Balance at December 31, 2012	\$ 1,352,764	\$ 18,935,014	\$ 78,503	\$ 20,366,281
Balance at December 31, 2013	\$ 52,084,589	\$ 559,345	\$ 4,566,404	\$ 57,210,338

On transition from Canadian generally accepted accounting principles to IFRS, an assessment was performed to determine whether an impairment reserve was warranted and on the basis of the discounted cash flow analysis, an impairment in the amount of \$27.8 million was recorded. Similar assessments since that time have indicated that a reversal of the impairment, or a portion thereof, is not warranted as at reporting period end.

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

## 10. Mineral property interest:

	December 31, 2013	December 31, 2012
Ban Phuc Project Area	\$ 677,323	\$ 677,323

The Company's mineral property interest is in the Ban Phuc Project Area in Vietnam. The mining license for Ban Phuc was received on December 17, 2007 and development activities commenced immediately thereafter. On October 1, 2008 the Company suspended project activities at Ban Phuc and subsequently the project was placed on a care and maintenance program. An impairment on Ban Phuc was recorded on transition to IFRS on the January 1, 2010 (note 9). Since early 2012, following the receipt of equity funding and Vietnamese-based bank project financing, the Company has accelerated construction activities completing mine development during the year. Ban Phuc mine was in commissioning phase from July to October 2013, with the first nickel concentrate export completed on November 1, 2013. As a result, the Company transformed into an operating mining company and allocated construction-in-progress amounts to appropriate categories of mineral properties, plant and equipment and commenced depreciating based on their useful lives from the beginning of commercial production.

## 11. Trade and other payables:

	December 31, 2013	December 31, 2012
Trade payables	\$ 6,558,182	\$ 2,160,864
Taxes	2,761,756	718,750
Others	589,168	630,667
	\$ 9,909,106	\$ 3,510,281

Taxes include royalty tax, environmental protection fee, foreign contractor tax and payroll tax.

## 12. Bank term loan and credit facility:

On June 4, 2013, the Company, through its subsidiary BPNM, entered into a US\$11.0 million term loan with a Vietnamese bank (the "Lender"). The loan is secured by the assets of BPNM and a guarantee by the Company. Interest is payable at a rate of LIBOR (6-month) plus 6.5% per annum. On July 4, 2013, the Company amended the principal amount of the loan to US\$20.0 million with interest still payable at LIBOR (6-month) plus 6.5% with principal payments, and accrued interest, of US\$1.0 million due on March 25, June 25, September 25 and December 25, 2014 (hereinafter referred to as "the Loan"). Thereafter, principal repayments of US\$2.0 million are due each quarter until the maturity of the Loan on December 6, 2016.

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

## 12. Bank term loan and credit facility (continued):

Over the term of the Loan, the Lender is entitled to 20% of the annual excess cash of BPNM, once all liabilities are settled, which shall be paid to the Lender within 45 days of the issuance of the annual audited financial statements. Additionally, no repayment shall be made on intercompany or other third party loans during the term of the Loan. BPNM is also required to maintain a maximum ratio of the outstanding loan balance against the value of secured assets of 50% over the term of the Loan. BPNM was in compliance with this requirement as at December 31, 2013.

A clause exists in the loan agreement which allows the Company to make early principal repayments on the outstanding Loan balance until September 4, 2014; however, such early repayments are subject to a 0.2% fee per month, subject to a formulaic calculation. Thereafter, there is no penalty for early repayments. Management assessed whether this prepayment option is an embedded derivative and should be accounted for separately from the host contract. Management determined that the economic characteristics and risks of the prepayment feature are closely related to those of the host debt contract and, therefore, no embedded derivative was identified.

Following an amendment to the facility in March 2014 (refer note 28), the first principal payment is now due in September 30, 2014, with quarterly payments thereafter. The interest expense is paid monthly commencing March 2014. At December 31, 2013, accrued interest on the Loan was \$645,859.

A US\$3.0 million facility was also arranged with the same local bank in Vietnam in December 2013 to allow an additional source of working capital funding should BPNM operations require financing until sustainable commercial levels of production are achieved during 2014. The facility is a revolving working capital loan with a term of three months at the spot rate on the drawdown date. The US\$3.0 million facility, which remains undrawn as at December 31, 2013, is secured by the assets of BPNM and a corporate guarantee by the Company.

## 13. Provision for closure and rehabilitation:

Based on the Environmental Impact Assessment ("EIA"), and Environment Resettlement and Rehabilitation Program ("ERRP"), as previously submitted to the authorities for the Ban Phuc project, the Ministry of Natural Resources and Environment ("MONRE") provides confirmation of the estimate for closure and rehabilitation. On this basis these consolidated financial statements reflect the estimate with a provision of \$315,960 (2012 - \$215,600).

## 14. Other non-current liabilities:

	December 31, 2013	December 31, 2012
Mining rights grant fee	\$ 4,630,864	\$ -
Others	81,942	-
	<u>\$ 4,712,806</u>	<u>\$ -</u>

The Company has recorded a Mining rights grant fee for the right to exploit minerals at Ban Phuc, based on reserve tonnes, as outlined in Mineral Law 2010, Decree 15 and 203, as issued by the Vietnamese government. See note 3(m) for further details.

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

## 15. Share capital:

(a) Authorized:

The Company's share capital consists of an unlimited number of common shares without par value.

(b) Issued and outstanding:

	Number of shares	Amount
Balance, January 1, 2012	202,934,435	\$ 95,052,093
Issued during the year:		
Shares issued on exercise of warrants (note 15(c)(ii))	322,272,727	20,781,010
Balance, December 31, 2012	525,207,162	115,833,103
Issued during the year:		
Shares issued under private placement (note 15(c)(i) and (d(i)))	250,971,210	12,250,353
Balance, December 31, 2013	776,178,372	\$ 128,083,456

(c) Private placements:

(i) On March 28, 2013, pursuant to a rights offering, the Company issued 250,000,000 common shares at \$0.05 per share for gross proceeds of \$12,500,000. The costs associated with the placement totaled \$298,207 and have been presented directly in equity as a debit to share capital.

(ii) On May 25, 2012, the Company issued 108,333,333 units at \$0.06 per unit for gross proceeds of \$6,500,000. Each unit consisted of one common share and a half warrant to purchase a common share at \$0.10 until May 25, 2017. The costs associated with this placement totaled \$715,412 and have been presented directly in equity as a debit to share capital.

On June 29, 2012, the Company issued 47,272,727 common shares at \$0.11 per share for gross proceeds of \$5,200,000. The costs associated with this placement totaled \$119,929 and have been presented directly in equity as a debit to share capital.

On December 18, 2012, the Company issued 166,666,667 common shares at \$0.06 per share for gross proceeds of \$10,000,000. The costs associated with the placement totaled \$83,649 and have been presented directly in equity as a debit to share capital.

(d) Share-based compensation:

(i) Common shares

In 2013, certain directors entered into compensation agreements to receive common shares of the Company in lieu of directors' fees. Under these agreements, 971,210 shares were issued during the year, in lieu of director services amounting to \$48,560.

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

---

## 15. Share capital (continued):

### (d) Share-based compensation (continued):

#### (ii) Common share options

The Company grants share purchase options pursuant to the policies of the TSX-Venture Exchange with respect to eligible persons, exercise price, maximum term, vesting, maximum options per person and termination of eligible person status. The purpose of the share purchase options is to retain and motivate management, staff, consultants and other qualified individuals by providing them with the opportunity, through share options, to acquire a proprietary interest in the Company and benefit from its growth.

#### 2013 share option grants:

The Company granted 1,000,000 share options under the Company's share option plan on February 15, 2013. The options, which vested immediately on the grant date, expire on February 14, 2018 and are exercisable at \$0.05 per share.

The Company granted 6,000,000 share options to employees on August 23, 2013. The options, which expire on August 23, 2018, are exercisable at \$0.05 per share and vest in equal quarterly installments of 1,500,000 options on December 31, 2013, March 31, 2014, June 30, 2014 and September 30, 2014.

The Company granted 2,713,308 share options to directors, in lieu of directors' fees, on October 23, 2013. The options, which expire on October 23, 2018, are exercisable at \$0.05 per share and vest as to 1,290,892 options on October 23, 2013, 615,614 options on December 31, 2013 and 403,401 options on each of March 31 and June 30, 2014.

#### 2012 share option grants:

On July 18, 2012 the Company granted 5,933,132 options to directors, in lieu of director fees related to the period from April 1, 2012 to June 30, 2013. In 2012, 379,659 options were forfeited when a director relinquished the interim Chief Executive Officer role. The options, which expire on July 17, 2017, are exercisable at \$0.10 per share. The options vest as to 533,532 options on July 31, 2012, 1,249,900 options on September 30, 2012 and in equal installments of 1,223,347 options on December 31, 2012, March 31, 2013, and June 30, 2013.

The Company granted 4,500,000 options to its employees on November 16, 2012. The options, which expire on November 16, 2017, are exercisable at \$0.10 per share and vest in equal quarterly installments of 1,125,000 options on March 31, June 30, September 30 and December 31, 2013.

During the year ended December 31, 2013, vesting of share options to directors and employees resulted in \$427,193 (2012 - \$256,279) being recorded as share-based compensation expense. The compensation expense was estimated using the Black-Scholes Option Pricing model assuming a range of risk-free interest rates averaging 1.57% and a range of expected volatilities of between 60-96%, an expected dividend rate of nil and an expected life of five years.

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

## 15. Share capital (continued):

(d) Share-based compensation (continued):

(ii) Common share options (continued)

The continuity of outstanding share purchase options for the year ended December 31, 2013 is as follows:

Expiry dates	Exercise prices (1)	Balance December 31, 2012	Granted	Exercised	Expired/cancelled/forfeited	Balance December 31, 2013
January 22, 2013	\$1.55	200,000	-	-	(200,000)	-
July 1, 2014	\$0.11	850,000	-	-	(20,000)	830,000
July 17, 2017	\$0.10	5,553,473	-	-	-	5,553,473
November 16, 2017	\$0.10	4,500,000	-	-	-	4,500,000
February 14, 2018	\$0.05	-	1,000,000	-	-	1,000,000
August 23, 2018	\$0.05	-	6,000,000	-	-	6,000,000
October 23, 2018	\$0.05	-	2,713,308	-	-	2,713,308
		11,103,473	9,713,308	-	(220,000)	20,596,781
Weighted average exercise price		\$ 0.13	\$ 0.05	-	\$ 1.42	\$ 0.08
Weighted average remaining life (years)		4.37	13.59	-	-	4.01

(1) In February 2014, the exercise price on the share options expiring on February 14, August 23 and October 23, 2018 were reduced from \$0.10 to \$0.05, in conjunction with new Toronto Stock Venture Exchange guidelines on the minimum exercise price.

The continuity of outstanding share purchase options for the year ended December 31, 2012 is as follows:

Expiry dates	Exercise prices	Balance December 31, 2011	Granted	Exercised	Expired/cancelled/forfeited	Balance December 31, 2012
February 8, 2012	\$1.40	120,000	-	-	(120,000)	-
March 27, 2012	\$1.80	300,000	-	-	(300,000)	-
November 26, 2012	\$2.00	330,000	-	-	(330,000)	-
January 22, 2013	\$1.55	200,000	-	-	-	200,000
July 1, 2014	\$0.11	850,000	-	-	-	850,000
July 17, 2017	\$0.10	-	5,933,132	-	(379,659)	5,553,473
November 16, 2017	\$0.10	-	4,500,000	-	-	4,500,000
		1,800,000	10,433,132	-	(1,129,659)	11,103,473
Weighted average exercise price		\$ 0.99	\$0.10	-	\$1.24	\$ 0.13
Weighted average remaining life (years)		1.51	4.71	-	4.55	4.37

As at December 31, 2013, 16,489,979 share purchase options were exercisable (2012 – 4,156,779 options). These options have a weighted average exercise price of \$0.09 (2012 - \$0.17).

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

## 15. Share capital (continued):

(e) Share purchase warrants:

The continuity of outstanding share purchase warrants for the year ended December 31, 2013 is as follows:

Expiry dates	Exercise prices	Balance December 31, 2012	Granted	Exercised	Expired cancelled	Balance December 31, 2013
May 25, 2017	\$0.10	54,166,667	-	-	-	54,166,667
Weighted average exercise price	\$0.10	-	-	-	-	\$0.10
Weighted average remaining life (years)	4.40	-	-	-	-	3.40

The continuity of outstanding share purchase warrants for the year ended December 31, 2012 is as follows:

Expiry dates	Exercise prices	Balance December 31, 2011	Granted	Exercised	Expired cancelled	Balance December 31, 2012
May 25, 2017	\$0.10	-	54,166,667	-	-	54,166,667
Weighted average exercise price		-	-	-	-	\$0.10
Weighted average remaining life (years)	-	-	-	-	-	4.40

## 16. Revenue:

	2013	2012
Nickel concentrate sales	\$ 11,368,856	\$ -
Export tax	(2,212,820)	-
	\$ 9,156,036	\$ -

## 17. Production costs:

	2013	2012
Mine production costs	\$ 3,651,943	\$ -
Processing costs	1,546,035	-
Maintenance costs	1,553,588	-
Changes in inventories of finished goods and work in process	(2,509,520)	-
Production costs	4,242,046	-
Depreciation and amortization	1,249,720	-
	\$ 5,491,766	\$ -

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

## 18. General and administrative expenses:

	2013	2012
Taxes and fees	\$ 979,164	\$ -
Health, safety, environment and community	282,677	128,394
Insurance	199,050	80,682
Travel	49,020	251,255
Other	511,018	860,067
	<u>\$ 2,020,929</u>	<u>\$ 1,320,398</u>

During the year ended December 31, 2013, the Company paid directors' fees in lieu of share options at a cost of \$119,309.

## 19. Finance expenses:

	2013	2012
Interest expense on bank term loan	\$ 645,860	\$ -
Foreign contractor tax on interest expense	93,513	97,593
Other	260,219	35,280
	<u>\$ 999,592</u>	<u>\$ 132,873</u>

## 20. Related party transactions:

### (a) Balances receivable and payable:

The amounts due to related parties and included in accounts payable, are non-interest bearing, unsecured and due on demand, and comprise the following:

	2013	2012
Due to directors	\$ 70,748	\$ -

Under share compensation agreements, the \$70,748 will be fulfilled by of the issuance of common shares of the Company in January 2014 (note 15 (d)(i)).

### (b) Key management personnel payment:

Key management personnel payment includes the salaries and consulting fees paid to the Company's senior officers and directors as follows:

	2013	2012
Salary and consulting fees	\$ 583,935	\$ 383,644
Directors' fees	-	47,697
Share-based payments, directors and senior officers	347,129	244,051
	<u>\$ 931,064</u>	<u>\$ 675,392</u>

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

## 20. Related party transactions (continued):

(b) Key management personnel payment (continued):

Share-based payments comprise the grant of share options to directors and employees, and the issuance of common shares to certain directors, in lieu of cash payment.

(c) Pala Investments Limited:

During 2012, as a result of a series of equity transactions, Pala Investments Limited ("Pala") became a controlling shareholder of the Company.

On March 28, 2013, Pala purchased 158,845,081 common shares of the Company pursuant to the exercise of its basic subscription privilege in full under the Company's rights offering (note 15(c)(i)). In addition, Pala purchased 88,762,232 common shares of the Company pursuant to a standby commitment provided as part of the rights offering.

As a result of this transaction, Pala owns and controls, directly or indirectly, 617,086,554 common shares of the Company and 54,166,667 share purchase warrants to purchase (note 15(e)).

## 21. Segment information:

The Company conducts its business as a single reportable operating segment, being the exploration and development of mineral properties in Vietnam. Geographical information is as follows:

December 31, 2013	Canada	Vietnam	Other	Total
Sale revenue	\$ -	\$ 9,156,036	\$ -	\$ 9,156,036
Interest income	74,133	-	-	74,133
Loss for the year	1,422,270	9,385,643	72	10,807,985
Assets	551,747	71,947,585	678,081	73,177,413

December 31, 2012	Canada	Vietnam	Other	Total
Interest income	\$ 59,094	\$ -	\$ 2	\$ 59,096
Loss for the year	1,318,731	3,478,944	70	4,797,745
Assets	12,588,205	25,048,599	678,151	38,314,955

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

## 22. Supplemental cash flow information:

	2013	2012
Supplemental information:		
Interest received	\$ 74,133	\$ 59,096
Non-cash operating, financing and investing transactions:		
Shares payable in lieu of directors fees	70,748	-
Transfer from construction-in-progress to PPE	18,368,948	-
Closure and rehabilitation increase in PPE	100,360	-
Shares paid in lieu of directors fees	48,560	-
Movement from share-based payments reserve to deficit for forfeited options	162,551	724,367

## 23. Financial risk management:

### (a) Credit risk:

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances at the bank, its short-term guaranteed investment certificates and accounts receivable. The investments are held with Schedule 1 banks or equivalent, with the majority of its cash held in Canadian based-banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. As at December 31, 2013, the Company had trade receivables of \$1,210,208 and other receivables of \$1,755,302 which are not considered past due.

### (b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to aid in determining the funds required to support normal operating requirements on an ongoing basis, including its capital development and exploration expenditures. As at December 31, 2013, the Company had cash and cash equivalents of \$6.4 million (2012 - \$15.3 million) and accounts payable and accrued liabilities of \$10.6 million (2012 - \$3.5 million). As disclosed in note 12, the Company obtained a US\$3.0 million credit facility to finance working capital requirements in the event cash flows from operations are insufficient to settle financial obligations as they fall due. As at December 31, 2013, the Company had not drawn any funds under this credit facility.

### (c) Market risk:

The Company's primary market risks include changes in foreign exchange and interest rates on financial instruments in other than Canadian dollars. At December 31, 2013, the Company had no hedging agreements in place with respect to metal prices or exchange rates.

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

## 23. Financial risk management (continued):

(c) Market risk (continued):

(i) Currency risk:

The Company is exposed to the financial risks related to the fluctuation of foreign exchange rates. The Company has offices in Canada and Vietnam and holds cash in Canadian, United States, Vietnamese and Australian currencies in line with forecasted expenditures. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar, Vietnamese dong and Australian dollar could have an effect on the Company's results of operations, financial position or cash flows.

At December 31, 2013, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	2013	2012
Cash and cash equivalents	US\$ 5,107,359	US\$ 3,547,101
Accounts receivable	1,379,527	274,246
Accounts payable and accrued liabilities	(8,327,984)	(3,366,999)
	US\$ (1,841,098)	US\$ (454,348)
Canadian dollar equivalent (year-end)	\$ (1,958,198)	\$ (452,043)

A 10% change in the Canadian dollar against the US dollar at December 31, 2013 would result in a change of \$195,820 to net loss (2012 - \$45,204).

At December 31, 2013, the Company is exposed to currency risk through the following assets and liabilities denominated in Vietnamese dong:

	2013	2012
Cash and cash equivalents	VND 10,338,526,661	VND 298,403,666
Accounts receivable	31,896,043,186	9,180,125,165
Accounts payable and accrued liabilities	-	-
	VND 42,234,569,847	VND 9,478,528,831
Canadian dollar equivalent (year-end)	\$ 2,111,728	\$ 454,977

A 10% change in the Canadian dollar against the Vietnamese dong at December 31, 2013 would result in a change of \$211,173 to net loss (2012 - \$45,498).

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

## 23. Financial risk management (continued):

(c) Market risk (continued):

(i) Currency risk (continued):

At December 31, 2013, the Company is exposed to currency risk through the following assets and liabilities denominated in Australian dollars:

	2013		2012	
Cash and cash equivalents	A\$	121,716	A\$	121,716
	A\$	121,716	A\$	121,716
Canadian dollar equivalent (year-end)	\$	115,579	\$	125,844

A 10% change in the Canadian dollar against the Australian dollar at December 31, 2013 would result in a change of \$11,558 to net loss (2012 - \$12,584).

(ii) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's cash and cash equivalents attract interest at floating rates and have maturities of 90 days or less. The interest is typical of Canadian banking rates, which are at present historically low; however, the Company's conservative investment strategy mitigates the risk of deterioration to capital invested. A change of 100 basis points in the interest rate would not be material to the consolidated financial statements.

An amount of US\$607,237 (CA\$645,859) was recognized as interest expense on the bank term loan for the period from June to December 2013. A 10% change in the LIBOR (6-month) rate would not have a material impact on interest expense for the year ended December 31, 2013.

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

## 23. Financial risk management (continued):

(d) Financial assets and liabilities:

As at December 31, 2013, the carrying and fair values of our financial instruments by category are as follows:

	Loans and receivables \$	Financial liabilities \$	Carrying value \$	Fair value \$
<u>Financial assets</u>				
Cash and cash equivalent	6,375,127	-	6,375,127	6,375,127
Accounts receivable and prepaid expenses	4,207,268	-	4,207,268	4,207,268
<b>Total financial assets</b>	<b>10,582,395</b>	<b>-</b>	<b>10,582,395</b>	<b>10,582,395</b>
<u>Financial liabilities</u>				
Trade and other payables	-	9,909,106	9,909,106	9,909,106
Bank term loan	-	21,916,388	21,916,388	21,916,388
<b>Total financial liabilities</b>	<b>-</b>	<b>31,825,494</b>	<b>31,825,494</b>	<b>31,825,494</b>

(e) Fair value:

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- Level 1 - Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

The Company determines the fair value of the embedded derivative related to its trade receivables based on the quoted closing nickel price obtained from the London Metals Exchange.

- Level 2 - Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full contractual term of the asset or liability.
- Level 3 - Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The carrying values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their respective fair values due to the short-term nature of these instruments.

The Company has no financial assets or liabilities included in Level 2 or 3 of the fair value hierarchy.

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

## 24. Income tax:

The Company's income tax recovery differs from the amounts computed by applying the Vietnam statutory rate of 25% as follows:

	2013	2012
Loss for the year before income tax	\$ (10,824,158)	\$ (4,797,745)
Expected tax recovery	\$ 2,706,040	\$ 719,662
Foreign tax rates different from Vietnam Statutory rates	507,915	141,267
Change in unrecognized deferred tax assets	(1,779,981)	(3,939,875)
Other	(12,831)	(319,515)
Change in future tax rate on opening temporary differences	(1,421,143)	3,398,461
Deferred income tax recovery	\$ -	\$ -
Unrecognized deferred tax assets		
Deferred financing costs	\$ 211,253	\$ 189,371
Mineral property interest	2,247,038	2,045,113
Property and equipment	6,712,689	6,369,876
Provision for site closure and reclamation	78,923	53,625
Net operating losses:		
Vietnam	1,425,843	700,732
Canada	3,802,261	3,464,995
	\$ 14,487,007	\$ 12,823,712

As at December 31, 2013, the Company had tax losses of:

Tax loss		Expire between
Canada	\$ 14,484,806	2014 and 2034
Vietnam	\$ 29,695,687	2013 and 2018

At December 31, 2013, the Company had deductible temporary differences other than tax losses of \$36,959,372 (2012 - \$34,633,000) for which deferred tax assets have not been recognized because it is not probable that future taxable profits will be available against which the Company can utilize the benefits.

There is no taxable temporary difference with respect to investments in subsidiaries that has not been recognized as at December 31, 2013.

# ASIAN MINERAL RESOURCES LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Years ended December 31, 2013 and 2012

---

## **25. Non-controlling interest:**

BPNM was originally owned 70% by the Company, with the remaining 30% owned by the Vietnamese Government, 20% through Mineral Development Company ("Mideco"), an agency of the Ministry of Heavy Industry of Vietnam. Mideco subsequently assigned a 10% interest to Son La Mechanical Engineering Company, a company owned by the People's Committee of the Province of Son La, which was privatized and renamed Son La Mechanical Engineering Joint Stock Company ("Coxama"). On July 12, 2006, the Company acquired a 20% interest in BPNM from Mideco by paying US\$2,500,000, thereby increasing its ownership interest to 90%. All funding for BPNM to continue exploration, development and construction of the Ban Phuc project were fully funded by the Company through intercompany loan agreements and a bank term loan (note 12). The 10% non-controlling interest of Coxama is presented separately in the Company's balance sheet and statement of operations and comprehensive loss.

## **26. Capital management:**

The Company manages its capital structure and makes adjustment to it, in order to have the funds available to support its exploration, development and other activities. The adequacy of the capital structure is assessed on an ongoing basis and adjusted as necessary after taking into consideration the Company's strategy, the metals markets, the mining industry, economic conditions and the associated risks. The Company utilized a combination of equity and debt financing for the final development funding of the Ban Phuc mine. The Company's capital management approach is reviewed on an ongoing basis. The Company is not subject to externally imposed capital requirements.

## **27. Commitments and contingencies:**

The Company is disputing the right of a former director and a company controlled by the director to a 0.25% gross royalty on the Company's share of smelter proceeds or other sale of product (less royalties), derived from the BPNM joint venture. The probability of successful defense is undeterminable and no provision has been made in the financial statements.

As at December 31, 2013, the Company had \$6,558,182 committed for capital equipment and other purchases in 2014.

## **28. Subsequent event:**

In March 2014, the Company's subsidiary BPNM restructured the debt repayment schedule relating to the bank term loan for 2014 by deferring the first two quarterly repayments of US\$1.0 million each to the latter two quarters of 2014.