

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended **December 31, 2011**
2. SEC Identification Number : **4429**
3. BIR Tax Identification number : **050-000-164-442V**
4. Exact name of registrant as specified in its charter

MANILA MINING CORPORATION

5. Province, country or other jurisdiction of incorporation or organization: **Manila, Philippines**
6. Industry Classification Code: (SEC Use Only)

Mining

7. Address of registrant's principal office:
20th Floor, Lepanto Building
8747 Paseo de Roxas, Makati City, Philippines
8. Registrant's telephone number, including area code:
(632) - 815-9447
9. Former name, former address and former fiscal year, if changed since last report: **N/A**
10. Securities registered pursuant to Sections 4 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding:
Class "A"	121,246,277,583
Class "B"	80,517,583,773

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

Yes [x]

No []

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

Philippine Stock Exchange

Classes "A" & "B"

The Company has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months. The Company has not been subject to such filing requirements for the past 90 days.

The aggregate market value of the voting stock held by non-affiliates of the Company as of December 30, 2011 was P9,382,824,871.08.

Business and General Information

Business

MMC was incorporated in 1949 to engage in the mining and exploration of metals. It is an affiliate of Lepanto Consolidated Mining Company, which, directly and through its wholly-owned subsidiaries, Lepanto Investment and Development Corporation and Shipside, Incorporated, owns 22.7 % of MMC's outstanding capital.

MMC started mining operations in Placer, Surigao del Norte in 1981. From 1982 to 2001 when it suspended mining operations, MMC produced a total of 761,835 ounces gold and 261,720 ounces silver. During its 4 years of copper operations from 1997-2001, MMC produced a total of 19,810,616 lbs. copper.

MMC has no parent company. It has a subsidiary, the Kalaya-an Copper-Gold Resources, Inc. ("KCGRI"), of which MMC owns 95% of the outstanding capital; 5% is owned by Philex Mining Corporation.

Below is the Capital Structure of the Company and its sole Subsidiary:

Company	Date of Incorporation	Authorized Capital Stock	Subscribed Capital Stock	Ownership of the Company
Manila Mining Corporation (MMC)	June 3, 1949	P2.6 Billion	P2.01 Billion	4,687 Stockholders
Kalaya-an Copper-Gold Resources, Inc.	May 31, 2007	P10 Million	P2.5 million	95% owned by MMC; 5% by Philex Mining Corporation

Marketability of Products

There is virtually no market competition among metals producers. Whatever is produced may be shipped out immediately. There is always a ready market, in fact, an increasing demand, for the Company's products, i.e., gold-copper and silver. MMC used to sell its gold to the Bangko Sentral ng Pilipinas and foreign metals traders, such as Johnson Matthey, without difficulty. The copper concentrate was sold to the Philippine Associated Smelter and Refinery (PASAR) and foreign metals traders without difficulty. Prices of the company's products are dictated by the world market. The Company is not bound under any contract to sell exclusively to any one party.

The Company has no new products or services. As stated above, the Company stopped its mining and milling operations in 2001.

Government Approvals/Cost and Effects of Compliance with Environmental Laws

Operations are currently suspended. Nonetheless, the Company, in compliance with Environmental Regulations, spent a total of P5,649,977.34 in 2011 (P2,693,562.35 in 2010) for tailings pond and mine rehabilitation. It maintains a Mine Rehabilitation Fund in compliance with DENR regulations.

The application of the Company for the second renewal of Exploration Permit No. XIII-014, covering 2,462.9 has. in Surigao del Norte, was approved by the Mines and Geosciences Bureau on April 28, 2010. A third renewal will be sought in 2012.

Subsidiary

Kalayaan Copper-Gold Resources, Inc. is the holder of Exploration Permit No. EP-XIII-014B covering an area of 286.6342 hectares located in Tubod and Placer, Surigao del Norte. The said permit was renewed in April 2010 and subject to another renewal in 2012.

Research and Development Activities

The company spent P14,174,762.34 in 2011 for the rehabilitation and equipping of the MMC Assay Laboratory to industry standards to provide timely laboratory support considering the increasing number of core samples produced by the drilling operations.

Employees

MMC had a total of 215 employees, 6 employees in Makati and 209 employees at Placer, Surigao del Norte as of the end of 2011; 18 of the 215 were managerial employees, 17 supervisors, 24 rank-and-file and 150 project employees. Subject to the completion of the feasibility study and pursuant thereto, the company may hire additional employees this year for the Placer Project.

Mining Properties

The Company has a Mineral Production Sharing Agreement over a 211.5 ha. area located in Placer, Surigao del Norte, referred to as MPSA No. 253-2007-XIII. It has an Exploration Permit (EP) covering 2,462.91 hectares in Placer, Surigao del Norte. A portion of the area covered by the said EP, known as Parcel VI, has been assigned to a wholly-owned subsidiary, Kalayaan Copper-Gold Resources, Inc. ("Kalayaan"). Thus, there are now two EPs, EP No. XIII-014A in the name of MMC covering 2,176.28 hectares and EP No. XIII-014B covering 286.63 hectares in the name of Kalayaan, renewed for another 2-year period on April 28, 2010.

MMC has two (2) existing Mining Lease Contracts with the Government covering a total of 484.4 has. located in Placer, Surigao del Norte. The first, MLC MRD No. 324, expired in 2011 and the second, MLC MRD No. 480, will expire in 2012. Both are now covered by APSA no. 0083-XIII which is being evaluated by the MGB.

The Company has three (3) other MPSA applications, namely, APSA No. 000006-X in Surigao del Norte; APSA No. 000007-X covering 4,793.85 has. and APSA No. 000047-X covering 1,539 has., all located in Agusan del Norte. Data compilation study are on-going in the areas covered by APSA No. 000006-X, APSA 000007-X and APSA No. 000047-X. A portion of

the area covered by APSA No. 00006X, consisting of 2,462.9 has., is now covered by Exploration Permit No. XIII-014A.

MMC has existing Operating Agreements ("OA") with holders of Mining Lease Contract or application for an MPSA with the Government. The MLC MRD No. 67, covering 198 has. expired on April 16, 2003 and is now also covered by APSA No. XIII-083 in Placer, Surigao del Norte. MMC has an existing OA with NORSUMICO covering three (3) mining lease contracts of the latter, covering a total of 495 hectares in Placer, Surigao del Norte. The first MLC No. V-1128 expired last September 23, 2000 and is now covered by MPSA No. 253-2007-XIII while the other two namely, MLC No. MRD-322 and MRD-323 expired in 2011 but have been covered by APSA no. 000107-XIII.

Description of Property

The Company is the registered owner of a total of 1,165 has. of land in Surigao del Norte. It also has personal properties (mostly equipment) in the minesite in Surigao del Norte, as follows:

<u>Property, Plant and Equipment</u>	<u>Location</u>
Mine and Mining Properties	Placer, Surigao del Norte
Buildings and Improvements	Placer, Surigao del Norte
Leasehold Improvements	Makati City
Mill Machinery and Equipment	Placer, Surigao del Norte
Powerhouse Equipment	Placer, Surigao del Norte
Heavy Equipment	Placer, Surigao del Norte
Transportation Equipment	Placer, Surigao del Norte
Transportation Equipment	Makati City
Furniture and Office Equipment	Placer, Surigao del Norte
Furniture and Office Equipment	Makati City

The land referred to above house the offices and housing quarters of the Company in Surigao del Norte. The rest were acquired by the Company for its tailings pond and other mining purposes.

Although not in use, the plant and machineries of the Company are continually checked for maintenance purposes.

The Company leases for P50,000 per year, an 11-hectare land where its various mining equipment are located. The lease will expire in 2014.

The Company has no plans of acquiring additional real properties in the next 12 months.

Business Risks

i) Net Losses

Until the Company is able to restart commercial operations, all expenses related to administrative matters and depreciation/depletion will be booked as losses.

ii) Geology Risks

There can be no assurance that the properties explored will be developed and operated. Also, resource estimates may materially vary from actual ore reserves. The Company however employs and/or consults with highly knowledgeable and experienced geologists and metallurgists who are familiar with the style of mineralization and type of deposit of MMC's properties.

iii) Risks Relating to Mining Tenements

MMC and KCGRI have pending applications for the renewal of their respective Exploration Permit (EP No. XIII-014 and XIII-014B, respectively) which approval is outside of MMC's control. MMC and KCGRI however are compliant with the requirements for such approvals.

MMC has pending applications for MPSAs (APSA nos. 000006-X; 000007-X; and 000047-X; XIII-083; 000078-XIII) and which approval is outside of MMC control. MMC diligently prosecutes these applications and is compliant with the DENR's requirements for the approval of the same.

iv) Metal Prices

Current metal prices are very favorable. However, the Company has no control over metal prices. They could fall below, or rise higher, than the prices upon which future feasibility studies may be based.

v) Risk on Environmental Legislation

Mining activities in the Philippines are monitored and highly regulated by the DENR. New government regulations affecting the Company's exploration or mining activities will have to be complied with and could entail additional costs.

Market for Registrant's Common Equity and Related Matters

The Company's securities are listed in the Philippine Stock Exchange. Hereunder are the quarterly market prices of said securities from 2010-2012:

Manila Mining "A"

	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	28 June 2012
Low	0.018	0.018	0.017	0.02	0.022	0.032	0.045	0.043	0.061
High	0.028	0.023	0.03	0.024	0.036	0.053	0.080	0.067	0.071

Manila Mining "B"

	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	28 June 2012
Low	0.018	0.019	0.017	0.021	0.023	0.032	0.042	0.042	0.071
High	0.028	0.023	0.031	0.025	0.037	0.053	0.080	0.068	0.073

Securities, Shareholders and Public Ownership

As of May 31, 2012, the company had 4,570 shareholders. There were approximately 3,300 and 1,270 holders of common "A" and common "B" shares, respectively. As of the same date, Total Public Ownership constituted 77.91% of the outstanding shares.

Top 20 "A" and "B" Stockholders of the Company (as of May 31, 2012)

	<u>Name</u>	<u>"A" Shares</u>	<u>%</u>
1	Lepanto Consolidated Mining Company	20,479,027,104	16.89
2	F. Yap Securities, Inc.	12,194,320,526	10.06
3	F. Yap Securities	3,505,548,391	3.11
4	Bryan Yap	1,945,977,139	1.60
5	Christine Yap	1,861,557,111	1.54
6	Lepanto Investment & Dev. Corp.	1,390,313,541	1.15
7	Patrick Resources Corporation	1,301,152,163	1.07
8	Paulino Yap	1,064,905,731	0.88
9	F. Yap Securities, Inc. (PCD)	936,413,744	0.77
10	Christine Karen Yap	886,334,939	0.73
11	Paulino Yap	890,763,764	0.73
12	Coronet Property Holdings Corp.	833,093,546	0.69
13	Emma Yap	799,516,109	0.66
14	Emma Yap	678,551,292	0.56
15	Paul Yap Jr.	580,769,812	0.48
16	Paul Yap Jr.	532,907,891	0.44
17	David Go Securities	438,090,034	0.36
18	Pacita Yap	351,786,420	0.29
19	Cresencio Yap	107,242,261	0.09
20	Abigail K. Yap	82,103,410	0.07

	<u>Name</u>	<u>"B" Shares</u>	<u>%</u>
1	Lepanto Consolidated Mining Company	12,045,531,915	14.91
2	F. Yap Securities, Inc.	10,978,088,722	13.60
3	F. Yap Securities, Inc.	9,645,835,411	11.95
4	Lepanto Investment & Dev. Corp.	5,037,619,533	6.24
5	F. Yap Securities	1,665,206,615	2.06
6	Abigail K. Yap	1,403,451,933	1.74
7	Bryan Yap	1,124,317,007	1.39
8	Paulino Yap	1,019,720,824	1.26
9	Cresencio Yap	950,612,016	1.18
10	Coronet Property Holdings Corp.	851,662,573	1.05
11	Pacita Yap	824,539,227	1.02
12	Paulino Yap	787,396,304	0.97
13	David Go Securities Corp.	590,574,844	0.73
14	Emma Yap	529,116,591	0.66
15	Christine Karen Yap	492,917,544	0.61
16	Christine Yap	461,919,918	0.57
17	Emma Yap	433,448,272	0.54
18	Paul Yap Jr.	226,723,229	0.28
19	Paul Yap Jr.	208,038,698	0.26
20	A/C-CKY FYSI	18,454,855	0.02

Submission of Matters to a Vote of Security Holders

No matter was submitted by the Company during the fourth quarter of 2011 to a vote of security holders.

Recent Sales of Unregistered or Exempt Securities

The Company had a rights offering of one share for every eight shares held by shareholders of record as of March 10, 2010 at the price of P0.015. The Offer covered 13,429,141,954 "A" and 8,946,398,197 "B" shares and raised a total of P335 million during the period April-May 2010, and was confirmed by the Securities and Exchange Commission as an exempt transaction in an Order dated February 5, 2010.

A total of 384 million "A" shares and 256 million "B" shares were exercised by optionees under the Company's 8th Stock Option Awards in 2011. Please refer to the discussion of stock options on page 11hereof.

Dividends Policy

Dividends may be declared out of the unrestricted retained earnings of the Company, which may be in the form of cash or stock to all stockholders on the basis of outstanding shares held by them as of the record date fixed by the Company in accordance with existing laws and rules. Any cash dividends due on delinquent stock shall first be applied to the unpaid balance on the subscription plus costs and expenses, while stock dividends shall be withheld from the delinquent stockholder until his unpaid subscription is fully paid: Provided, That no stock dividends shall be issued without the approval of stockholders representing not less than two-thirds (2/3) of the outstanding capital stock at a regular or special meeting duly called for the purpose. (Section 43, Corporation Code).

Independent Public Accountant

In November 2006, Sycip Gorres Velayo & Co. ("SGV") was designated by the Board as the independent public accountant. There has not been any disagreement between the Company and said accounting firm with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure. For the 2006 financial statements, SGV's certifying partner was Mr. J. Carlitos G. Cruz. Since the 2007 financial statements, the certifying partner has been Mr. Jaime F. del Rosario. Such change of partner is in compliance with SRC Rule 68(30) (b) (iv).

Audit and Audit Related Fees

For the audit of the financial statements for year 2010, SGV billed the Company the sum of P300,000, the same amount agreed upon for the audit of the 2011 financial statements. No other services, for tax or otherwise, was provided by SGV & Co.

Audit Committee's Approval Policies and Procedures

Prior to commencement of audit services, the external auditors submit their Audit Plan to the Audit Committee, indicating the applicable accounting standards, audit objectives, scope, approvals, methodology, needs and expectations and timetable, among others. A presentation on the same Plan is made by the external auditors before all the members of the Committee. All the items in the Plan are considered by the Committee, along with industry standards, in approving

the services and fees of the external auditors. The Audit Committee is composed of: Mr. Eduardo A. Bangayan, Committee Chairman and an independent director; Mr. Rodolfo S. Miranda, an independent director; and Engr. Augusto C. Villaluna.

Directors and Executive Officers of the Company

<u>Directors</u> (each with term of office of 1 year)	<u>Age</u>	<u>Citizenship</u>	<u>Period Served</u>
FELIPE U. YAP	74	Filipino	Since 1976
EDUARDO A. BANGAYAN (Independent)	60	-do-	Since 1989
JOSE G. CERVANTES	77	-do-	Since 2006
ETHELWOLDO E. FERNANDEZ	84	-do-	Since 2001
RODOLFO S. MIRANDA (Independent)	69	-do-	Since 2009
BRYAN U. YAP	39	-do-	Since 1994
AUGUSTO C. VILLALUNA	62	-do-	Since 2003
RENE F. CHANYUNGCO	59	-do-	Since 2004
PATRICK K. YAP	33	-do-	Since 2005

<u>Executive Officers:</u>	<u>Position</u>
FELIPE U. YAP	- Chairman of the Board and Chief Executive Officer
BRYAN U. YAP	- President and Chief Operating Officer
RENE F. CHANYUNGCO	- Senior Vice President and Treasurer
PATRICK K. YAP	- Senior Vice President
ETHELWOLDO E. FERNANDEZ	- Corporate Secretary
PABLO T. AYSON, JR.	- Vice President
MA. LOURDES B. TUASON	- Asst. Treasurer
ODETTE A. JAVIER	- Asst. Corporate Secretary

Business Experience in the Last Five (5) Years

Mr. Felipe U. Yap became the Chairman of the Company in 1992. He is also the Chairman and Chief Executive Officer of Lepanto Consolidated Mining Company and Far Southeast Gold Resources, Inc. He is the Chairman of the Board of Prime Orion Philippines, Inc. and Zeus Holdings, Inc. and a Director of, among others, Manila Peninsula Hotel, Inc., Cyber Bay Corporation and Philippine Associated Smelting and Refining Corp. (PASAR). He was the Chairman of the Board of Governors of the Philippine Stock Exchange from March 2000 to March 2002.

Mr. Bryan U. Yap has been the President and Chief Operating Officer of Lepanto Consolidated Mining Company since 2003. He has been a Director of Lepanto Consolidated Mining Company and of Far Southeast Gold Resources, Inc. since 1994. In February 2011, he was elected President of Manila Mining Corporation. He is also the President of Lepanto Investment and Development Corporation, Shipside, Inc. and Diamant Boart Philippines, Inc.

Mr. Eduardo A. Bangayan has been involved in real estate and coconut oil/copra production for the past five (5) years. He is currently the President of the Summit World Group of Companies.

Atty. Ethelwoldo E. Fernandez rejoined the Company as Corporate Secretary and Director in 2001, the same year he was reappointed Corporate Secretary of Lepanto Consolidated Mining Company (Lepanto). He was, from 1993 to 2003, Of Counsel to the law firm Sycip Salazar Hernandez & Gatmaitan, which is the principal retained counsel of the Company. He was elected to the Board of Lepanto in 2007. Atty. Fernandez is the Senior Vice President-Legal and Corporate Secretary of Oriental Petroleum & Mineral Resources Corporation.

Mr. Rene F. Chanyungco joined the Company in 1977 as Executive Assistant to the President. He eventually became Asst. Treasurer, then Vice President-Treasurer, until his promotion in 1997 as Senior Vice President-Treasurer. He was the Chief Finance Officer of Lepanto Consolidated Mining Company from 2004 to March 2008.

Engr. Augusto C. Villaluna is the Executive Vice President of Lepanto Consolidated Mining Company. He is a licensed mining engineer and a Competent Person under the Philippine Mineral Reporting Code. He was the Resident Manager of Lepanto Mine Division from 1994 to 2000. He has been a director of Zeus Holdings, Inc. since 2008. Engr. Villaluna is a member of the Board of Mining Engineering of the Professional Regulation Commission.

Mr. Patrick K. Yap was appointed President of Philippine Fire and Marine Insurance Corporation in April 2008. He is also the President of BA-Lepanto Condominium Corporation and Yapster e-Conglomerate, Inc. He is the Executive Vice President of Zamcore Realty Corporation and Vice President of Alliance Textile Mills, Inc.

Atty. Jose G. Cervantes was the Senior Vice President of the Philippine Stock Exchange from March 2000 to November 30, 2005. He is also a director of Lepanto Consolidated Mining Company and Zeus Holdings, Inc.

Mr. Rodolfo S. Miranda is a Certified Public Accountant. He retired in 2002 as Vice President-Controller of Lepanto Consolidated Mining Company and Controller of Manila Mining Corporation.

Atty. Pablo T. Ayson, Jr. was appointed Vice President in November 2006. He is also a Vice President of Lepanto Consolidated Mining Company.

Ms. Ma. Lourdes B. Tuason is the Vice President and Treasurer of Lepanto Consolidated Mining Company, Treasurer of Far Southeast Gold Resources, Inc., Philippine Fire and Marine Insurance Corporation, Shipside, Inc., Diamond Drilling Corporation of the Philippines and Lepanto Investment and Development Corporation; and Vice President of Diamant Boart Philippines, Inc.

Atty. Odette A. Javier has been the Company's Assistant Corporate Secretary since 1993. She is the Vice President-Assistant Corporate Secretary of Lepanto Consolidated Mining Company. She is a Director of Lepanto Investment and Development Corporation.

Significant Employees

There are no significant employees expected to contribute significantly to the business other than the executive officers.

Family Relationships

Mr. Bryan U. Yap, Director and President, is the son of the Chairman and Chief Executive Officer, Mr. Felipe U. Yap. Mr. Patrick K. Yap is the nephew of Mr. Felipe U. Yap.

Involvement of the Company or its Directors and Officers in Certain Legal Proceedings

None of the directors and officers were involved during the past five (5) years in any bankruptcy proceeding. Neither have they been convicted by final judgment in any criminal proceeding, or been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in an action by any court or administrative body to have violated a securities or commodities law.

There is no material pending legal proceeding against the Company.

Certain Relationships and Related Transactions

Related parties are those with the ability to control, directly, or indirectly, through one or more intermediaries, the Group or exercise significant influence over the Group in making financial and operating decisions. Related party relationships also exists between and/or among entities, which are under common control with the reporting enterprises and its key management personnel, directors, or its shareholders.

The Parent Company, in the normal course of business, enters into transactions with related parties.

The consolidated statements of financial position include the following liabilities resulting from the above transactions with related parties:

	Relationship	Year	Nontrade Payables	Due to Related Parties
LCMC	Under common ownership	2011	₱1,964,091	-
		2010	₱1,180,648	-
Diamond Drilling Corporation of the Philippines (DDCP)	Under common ownership	2011	-	₱10,395,877
		2010	-	₱21,399,325
Total 2011			₱1,964,091	₱10,395,877
Total 2010			₱1,180,648	₱21,399,325

The above outstanding balances with related parties are unsecured, interest-free and will be settled in cash. There have been no guarantees provided or received for any related party receivables or payables.

- LCMC, holds a 19.60% equity interest in the Parent Company, provides cash advances and pays expenses on behalf of the Parent Company. In 2011 and 2010, the Parent Company partially paid these advances to LCMC. The outstanding balance of ₱ 1,964,091 and ₱1,180,648 as at December 31, 2011 and 2010, respectively, is due and demandable.

- In the normal course of business, DDCP, a wholly owned subsidiary of LCMC, provides various drilling and hauling services to the Parent Company.

Total compensation of the Group's key management personnel in 2011, 2010 and 2009 which pertains to short-term benefits, amounted to ₱468,950, ₱475,950 and ₱468,950, respectively. There were no post-employment benefits for the Group's key management personnel in 2011, 2010 and 2009.

Summary Compensation Table

	2010 Total (All Cash)	Basic Salary	Bonus (13 th month In the case of executive officers)	Others (Per Diem of Directors)
Felipe U. Yap, Chairman) Bryan U. Yap, President) Rene F. Chanyungco,) Sr. Vice Pres./Treasurer) Patrick K. Yap, SVP) Pablo T. Ayson, Jr., Vice Pres.)	P468,950	P421,800	P35,150	P12,000
All officers and directors	P468,950	P421,800		P12,000
2011 (Total)				
Felipe U. Yap, Chairman) Bryan U. Yap, President) Rene F. Chanyungco,) Sr. Vice Pres./Treasurer) Patrick K. Yap, SVP) Pablo T. Ayson, Jr., Vice Pres.) P468,950	P468,950	P421,800	P35,150	P12,000
All officers and directors	P468,950		P35,150	P12,000
2012 (Estimate)				
Executive officers listed above	P468,950	P421,800	P35,150	P12,000
All officers and directors	P468,950	P421,800	P35,150	P12,000

There are no arrangements with any officer or director for payment of any amount or bonus other than the regular salary or per diem for attendance of board meetings. There is no existing consultancy or employment contract between the Company and any director or officer. Neither was there any compensatory plan or arrangement concerning or resulting from the termination of employment of any officer.

Compensation of Directors/Committee Members

Directors are paid a per diem of P500.00 each for attendance of every regular or special meeting. For each Committee meeting attended, member-directors are also paid a per diem of P500.00 each.

Voting Trusts and Change in Control

There are no voting trusts involving the Company's shares nor is there any arrangement that could result in any change in the control of the Company.

*Security Ownership

Following are the holders of more than 5% of the outstanding capital stock as of May 31, 2012:

Title of Class	Name/Address of Record Owner**	Relationship to Issuer	Name of Beneficial Owner	Citizenship	A Shareholdings	%	B Shareholdings	%
A & B	Lepanto Cons. Mining Co. 21/F Lepanto Bldg., Paseo de Roxas, Makati City	Principal Stockholder	same	-do-	20,479,027,104	16.89	12,045,531,915	14.91
A & B	F. Yap Securities, Inc. Unit 2301/2302 Tektite Tower I, Exchange Rd., Ortigas Center, Pasig City	Principal Stockholder	same	Filipino	12,194,320,526	10.06	10,978,088,722	13.60
A & B	*Lepanto Investment & Development Corporation 21/F Lepanto Bldg., Paseo de Roxas, Makati City	Subsidiary of Principal Stockholder	same	-do-	1,390,313,541	1.30	5,037,619,533	6.25

* - All of record. The Boards of Directors of Lepanto and LIDC have the power to dispose of the shares. As to F. Yap Securities, Ms. Pacita K. Yap has such power. All three companies have proxies in favor of Mr. Felipe U. Yap.

**Directors and Executive Officers (as of May 31, 2012)

Title of Class	Beneficial Owner	Position	Amount and Nature of Beneficial Ownership (Class A / Class B)	Citizenship	Percentage of Shares (Class A / Class B)
A & B	Felipe U. Yap	Chairman of the Board	183,374,041 / 158,235,172	Filipino	0.151 / 0.195
A & B	Eduardo A. Bangayan***	Director	5,907,551 / 27,669,589	-do-	0.005 / 0.034
A & B	Jose G. Cervantes	Director	4,800,000 / 3,100,001	-do-	0.004 / 0.004
A & B	Ethelwoldo E. Fernandez	Director/Corp. Sec.	7,200,000 / 4,800,001	-do-	0.006 / 0.006
A	Rodolfo S. Miranda***	Director	4,000,000 / 10,000,000	-do-	0.003 / 0.012
A & B	Bryan U. Yap	Director/Vice President	2,232,406,784 / 1,291,545,400	-do-	1.841 / 1.599
A & B	Patrick K. Yap	Director/SVP	28,072,998 / 12,800,000	-do-	0.023 / 0.016
A & B	Augusto C. Villaluna	Director	5,558,350 / 9,600,000	-do-	0.005 / 0.011
A & B	Rene F. Chanyungco	Director/SVP/Treasurer	14,400,000 / 12,629,063	-do-	0.011 / 0.016
A & B	Pablo T. Ayson, Jr.	Vice President	9,579,956 / 4,010,000	-do-	0.008 / 0.005
A & B	Ma. Lourdes B. Tuason	Asst. Treasurer	15,692,277 / 17,745,667	-do-	0.013 / 0.022
A & B	Odetta A. Javier	Asst. Corp. Sec.	4,600,000 / 500,000	-do-	0.004 / 0.000
	Aggregate as a group		2,539,841,957 / 1,552,634,893		2.098 / 1.925

** - All of record and directly owned.

Warrants, Options, Compensation Plans, Issuance or Modification of Securities

The Board of Directors approved the grant of the 8th Stock Option Awards ("Grant") to selected directors, officers and employees of the Company and of its affiliates, covering a total 1.6 billion common shares from unissued capital stock. The option is exercisable within 5 years, to the extent of 20% of the Grant every year, from the SEC approval of the Grant. The price of the option is 80% of the average of the closing prices of MMC "A" and "B" shares for the ten trading days preceding the Board's approval of the Grant, i.e., October 26 to November 9, 2009, which is P0.02 per share. The Grant constitutes 0.8%, more or less, of the outstanding capital stock of the Company. The Grant was approved by the SEC as an exempt transaction on July 8, 2010 and by the PSE on October 20, 2010. As of December 31, 2011, a total of 384 million A

and 256 million B common shares have been exercised by the grantees, covering the first tranche of the Grant.

2012 Plan of Operation

The company is in the process of completing a feasibility study and ore reserve report preparatory to the development of its Placer Project as soon as possible.

Further drilling will be undertaken in the Placer mine, costing about P200 million, and the Kalayaan Project, the latter sole-funded by Philex Mining Corporation pursuant to a Farm-In Agreement executed in May 2011.

Subject to the completion of the feasibility study and pursuant thereto, the company may purchase equipment and hire additional employees this year for the Placer Project. The said study and purchases will be funded out of the proceeds of the sale to Philex of 5% of the Company's interest in Kalayaan Copper-Gold Resources, Inc.

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

2011

For the year 2011, the company focused on exploration and updating of the assay laboratory geared at enhancing the value of the Company's mineral resource/reserve preparatory to the development of the Placer mine as soon as possible.

Interest and other income increased to P1.082 billion vs. P0.65 million in 2010 representing the proceeds of the sale by the company of 5% of its interest in Kalayaan Copper-Gold Resources, Inc. ("Kalayaan Shares") to Philex Mining Corporation for the sum of \$25 million. In the consolidated financial statements, this gain is reflected in the equity section rather than as revenue in compliance with accounting regulations (IAS 27 par. 30-31). This is shown however as revenue in the parent company's (Manila Mining Corporation) income statements. Net income for the year was P4.521 million compared with a net loss of P8.479 million in 2010.

Interest income from bank deposits, money market placements and dollar to peso conversion amounted to P12.4 million, compared with P0.65 million in 2010. Total expenses amounted to P19.72 million consisting of Administration, Depreciation and Provision for Impairment of inventories against P9.5 million last year. The significant increase was due to the increase by P7.5 million of the provision for impairment of inventories.

Cash and cash equivalents increased to P527.31 million as against P7.15 million in 2010 as a result of the sale of the Kalayaan Shares to Philex. This year's Receivables also increased to P5.86 million compared with last year's P0.49 million representing the receivables from employees in connection with the 8th stock option award. Materials and Supplies decreased by 19% to P22.76 million due to usage by the exploration and assay departments. Prepayments increased to 53.08 million from P34.18 million due to recognition of Input VAT. Property plant and equipment increased to P2.04 billion from P1.68 billion representing the cost of exploration. The increase in Other Assets to P8.84 million represents contributions to the mine rehabilitation fund in compliance with law. Investment h1 Available for Sale Securities increased to P67.54 million on account of the purchase of PSE-listed shares of stock. As of year-end, the value of the said investments stood at P109.60 million. Accounts Payable and Accruals decreased to P165.58 million from P179.46 million due to partial payment of accounts. Non-trade Payables

increased to P1.96 million from P1.18 million due to services extended by an affiliate. The retirement benefit obligation increased by 34% to P9.5 million.

Capital Stock and Share Premium accordingly increased to P2.019 billion and P502.0 million, respectively.

Key performance indicators. Contingent obligations and known trends

There were no material off-balance sheet transactions, arrangements or obligations, including contingent obligations with unconsolidated entities of other persons created during the period.

Since the company has no mining operations and revenues, there are no key performance indicators applicable

Management's Discussion and Analysis of Financial Condition and Results of Operations for 2010, 2009 & 2008

2010

For the twelve months ended December 31, 2010, revenues totaled P646,407, representing interest earned on the proceeds of the 1:8 stock rights offering (SRO) in the second quarter of 2010. In the previous year, a loss on sale of marketable securities amounting to P3.4 million was incurred. Administration expenses decreased to P5.4 million from P6.5 million due to lower licenses and fees. Provision for Inventory Obsolescence amounted to only P43,000 compared with P4.4 million last year. Depreciation expense was almost unchanged at P4.1 million. Total expenses amounted to P9.5 million compared with P15.0 million in 2009. Net loss for the year amounted to P8.5 million vs. P16.9 million last year.

Cash and Cash equivalents as of end-2010 amounted to P7.1 million compared with P1.4 million last year, higher because of the SRO proceeds. Prepayments increased to P34.2 million from P29.0 million last year due to the input VAT in connection with exploration activities. Due to settlements made out of the SRO proceeds, Accounts Payable and Accruals dropped to P178.9 million from P291.8 million and Non-trade payables decreased to P1.2 million from P129.8 million. Pension Liability increased to P7.7 million from P6.4 million pursuant to the actuarial report.

The SRO covering 22,375,540,151 common shares at P0.15 per shares raised a total of P335.6 million that was utilized to settle outstanding accounts and sustain the ongoing exploration in Placer, Surigao del Norte. Capital Stock and Share Premium accordingly increased to P2.0 billion and P495.8 million, respectively.

Key performance indicators, contingent obligations and known trends

There were no material off-balance sheet transactions, arrangements or obligations, including contingent obligations with unconsolidated entities of other persons created during the period.

Since the company has no mining operations and revenues, there are no key performance indicators applicable.

2009

With no mining operations, activities in 2009 were limited to drilling. There were no revenues in 2009 compared with 2008 where a modest interest income of P555,521 was made. Other Losses amounted to P3,376,317 which resulted principally from the sale of Available for Sale Securities.

Total expenses for the year amounted to P15,031,789 compared with last year's P146,831,250, both consisting of administrative expenses, depreciation and impairment. The latter amount included Impairment Losses of P92,028,090 which were recognized with the retirement of some fixed assets. Provision for Inventory Obsolescence decreased to P4,430,206 from P8,322,455 last year as result of the inventory write-off in 2008. Depreciation cost dropped to P4,106,140 from P8,735,352 last year due to the aforesaid retirement of assets in 2008. Net Loss for the year was P16,889,841 compared with P132,037,490 last year.

There were 42 active employees as at the end of the year compared with 40 active employees last year. The additional employees were hired in connection with the Company's exploration program.

Cash & Cash Equivalents amounted to P1,433,412, 21% lower compared with last year's P1,813,976 due to payments made to suppliers. Receivables totaled P495,750, 62% higher than last year's P306,942 due to advances made to officers involved in exploration activities. Inventories fell by 20% to P27,056,433 due mainly to the additional allowance provided for mill materials, hardware and other supplies and withdrawal of supplies in connection with exploration activities. Prepayments increased to P28,959,503 from P27,523,672 as result of Input VAT for the year. Available for Sale Financial Assets amounting to P7,500,000 decreased by 41% from P12,665,571 due to the sale of shares of stock held by the Company. Property, Plant & Equipment increased by P10,680,232 due to the capitalized cost of exploration.

Accounts Payable and Accruals totaled P291,776,440 compared with P282,853,987 last year due to exploration costs incurred during the year. Non-trade Payables dropped to P129,828,818 from P139,311,139 due to repayments made to an associate. Deferred Income Tax Liability decreased to P70,009,671 from P71,527,937 due to tax benefits from Impairment Losses. An Additional Pension Liability amounting to P989,293 was recorded in compliance with the pertinent actuarial valuation.

Fair Value Reserve decreased by P17,903,000 as result of the sale of certain shares of stocks held by the company.

The exploration and payment of debts will be funded by the Company's 1:8 stock rights offering that will raise P335 million during the period April 7 to May 12, 2010.

Compliance with Leading Practices on Corporate Governance

MMC has revised its Corporate Governance Manual to comply with SEC regulations and institutionalize the principles of good governance in the entire organization. Pursuant to the said Revised Manual, the Company's Board of Directors have constituted the following committees: Audit Committee; Compensation and Remuneration Committee and the Nomination Committee. The Board of Directors is composed of highly qualified and competent individuals. The performance and qualifications of nominees are reviewed by the Nomination Committee. All directors and senior officers have attended seminars on corporate governance. Through

regular board and committee meetings, compliance with the principles of good governance are monitored.

The performance of managers is also reviewed periodically and senior officers report to the Board of Directors. Regular meetings are held in the head office and in the mine to keep concerned officers apprised of any developments concerning exploration work, finances, safety programs, community relations and environmental programs, and good governance, legal and human resource matters as well as of the company's compliance with pertinent regulations.

No deviation from the Company's Manual on Corporate Governance has been noted by the Company.

Financial Statements

Attached as Exhibit "A" hereof, are the Company's Audited Financial Statements for 2011 covered by the Statement of Management's Responsibility and the Auditor's Report signed by Mr. Jaime F. Del Rosario, with the following exhibits:

- Exhibit "B" - Schedule A - Supplementary Schedules Under Annex 68-E Pursuant to SRC Rule 68, as amended
- "C" - Schedule C - Amounts Receivable from Related Parties
- "D" - Schedule H - Capital Stock

Reports on Form 17-C


<u>Date of Report</u>	<u>Subject</u>
February 22, 2011	Annual Stockholders' Meeting, etc
February 22, 2011	Biz Buzz Column re: Deal with First Pacific Group
March 14, 2011	List of Stockholders as of Record Date
March 15, 2011	Request for Statement re: Impact on operations of calamity in Japan.
April 19, 2011	Election of Directors, (Re)-Appointment of Officers and Committee Members, Appointed SGV as external auditor
May 11, 2011	Request for Trading Suspension
May 11, 2011	Joint Venture Agreement MMC-Philex re: Kalaya-an Project
May 11, 2011	Request to Resume Trading


SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in Makati City on April 12, 2012.

Manila Mining Corporation
Issuer

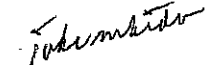
FELIPE U. YAP
Chairman of the Board &
Chief Executive Officer
SSS No. 00-0091101-0


RENE F. CHANYUNGCO
Senior Vice President/Treasurer
SSS No. 03-4793502-9


ODETTE A. JAVIER
Assistant Corporate Secretary
SSS ID (no. 03-7641344-4)

BRYAN U. YAP
President and
Chief Operating Officer
SSS No. 33-3067339-5

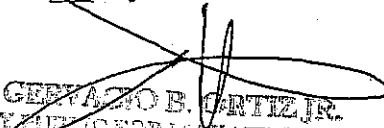

MARIO L. LAVENTE
Financial Controller
LTO N04-88-072822-2/21/08

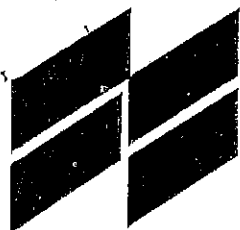

JOSEPHINE DC. SUBIDO
Chief Accountant
TIN 106958657

JUL 02 2012

SUBSCRIBED AND SWORN TO before me this _____ day of June 2012 at Makati City.

DOC NO.: 359
PAGE NO.: 73
BOOK NO.: XXX
SERIES OF: 2012


ATTY. GERVASIO B. CORTIZ JR.
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2012
ROLL OF ATTORNEYS NO. 10001
MILESTONE LIT. B. NO. 101332
REF. NO. 101332
PTR NO. 101332
ATTORNEYMENT NO. 101332 (2011-2012)
101 URBAN AVENUE, BRGY. PIO DEL PILAR
MAKATI CITY



Manila Mining Corporation

20th Floor, BA-Lepanto Bldg. 8747 Paseo de Roxas
Makati, Metro Manila, Philippines
P.O. Box 1460 Makati • Telephones: 815-9447 • 812-7241
Fax: 819-3786 • 751-6317

16 March 2012

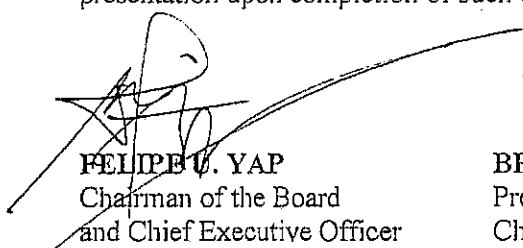
SECURITIES AND EXCHANGE COMMISSION


SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

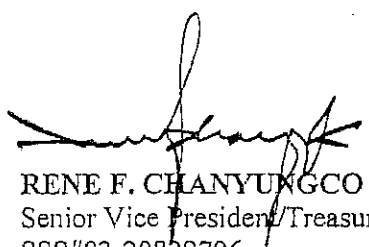
The management of Manila Mining Corporation is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2011, 2010 and 2009, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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


FELIPE U. YAP
Chairman of the Board
and Chief Executive Officer
SSS#06-0091101-0


BRYAN U. YAP
President and
Chief Operating Officer
SSS#33-3067339-5



RENE F. CHANYUNGCO
Senior Vice President/Treasurer
SSS#03-20829796

MAKATI CITY

MAR 19 2012

SUBSCRIBED AND SWORN TO before me this ____ day of March 2012 at Makati City.

Doc. No: 465
Page No. 94
Book No. V
Series of 2012.


ATTY. GERVACIO B. ORTIZ JR.
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2012
PTR NO. 3175160/01-02-2012/MAKATI
IBF NO. 656155-LIFETIME MEMBER
APPT. M-84/2010 ROLL NO. 40098

MAILING & CABLE:
Domestic Surface Mail
P.O. Box 1460, MCPO
1254 Makati City
Metro Manila

Domestic & Foreign Air Mail
P.O. Box 7507
Domestic Airport Post Office
Domestic Road
1300 Pasay City, Philippines

EXHIBIT "A"

COVER SHEET

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SEC Registration Number

M	A	N	I	L	A		M	I	N	I	N	G		C	O	R	P	O	R	A	T	I	O	N		A	N	D		S	U	B
S	I	D	I	A	R	Y																										

(Company's Full Name)

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y																																

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

Mr. Mario L. Lavente
(Contact Person)

815-9447
(Company Telephone Number)

1	2		3	1
Month		Day		
(Calendar Year)				

1	7	-	A
(Form Type)			

0	4		1	7
Month		Day		
(Annual Meeting)				

Not Applicable
(Secondary License Type, If Applicable)

CRM
Dept. Requiring this Doc.

Not Applicable
Amended Articles Number/Section

3,950
Total No. of Stockholders

Total Amount of Borrowings	
Not Applicable	Not Applicable
Domestic	Foreign

To be accomplished by SEC Personnel concerned

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File Number

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**MANILA MINING COMPANY AND SUBSIDIARY
ANNUAL AUDITED FINANCIAL REPORT
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INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Manila Mining Corporation and Subsidiary
20th Floor, Lepanto Building
8747 Paseo de Roxas, 1226 Makati City

We have audited the accompanying consolidated financial statements of Manila Mining Corporation and Subsidiary (the Group) which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group'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 Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.


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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Manila Mining Corporation and Subsidiary as at December 31, 2011 and 2010, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2011 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Jaime F. del Rosario

Partner

CPA Certificate No. 56915

SEC Accreditation No. 0076-AR-2 (Group A),

March 18, 2010, valid until March 17, 2013

Tax Identification No. 102-096-009

BIR Accreditation No. 08-001998-72-2009,

June 1, 2009, Valid until May 31, 2012

PTR No. 3174591, January 2, 2012, Makati City

March 15, 2012



MANILA MINING CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱527,306,881	₱7,145,383
Receivables (Note 5)	5,864,957	485,687
Inventories (Note 6)	22,764,840	28,165,394
Prepayments and other current assets (Note 7)	53,075,277	34,177,213
Total Current Assets	609,011,955	69,973,677
Noncurrent Assets		
Available-for-sale (AFS) investments (Note 8)	109,598,500	7,500,000
Property and equipment (Note 9)	2,038,984,644	1,682,045,342
Mine exploration costs (Note 10)	2,664,201	2,664,201
Other noncurrent assets (Note 11)	8,842,841	6,889,896
Total Noncurrent Assets	2,160,090,186	1,699,099,439
TOTAL ASSETS	₱2,769,102,141	₱1,769,073,116
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 12)	₱165,583,713	₱179,461,411
Nontrade payables (Note 13)	1,964,091	1,180,648
Income tax payable (Note 18)	178,361	—
Total Current Liabilities	167,726,165	180,642,059
Noncurrent Liabilities		
Deferred income tax liabilities - net (Note 18)	66,568,083	69,619,952
Retirement benefit obligation (Note 17)	9,549,649	7,679,701
Total Noncurrent Liabilities	76,117,732	77,299,653
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 19)	2,019,832,208	2,013,429,141
Additional paid-in capital	502,173,727	495,773,727
Effect of transaction with non-controlling interests (Note 2)	954,621,275	—
Cumulative changes in fair values of AFS investments (Note 8)	42,056,508	—
Deficit	(993,548,198)	(998,071,464)
	2,525,135,520	1,511,131,404
Equity Attributable to Non-Controlling Interests	122,724	—
Total Equity	2,525,258,244	1,511,131,404
TOTAL LIABILITIES AND EQUITY	₱2,769,102,141	₱1,769,073,116

See accompanying Notes to Consolidated Financial Statements.



MANILA MINING CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Years Ended December 31		
	2011	2010	2009
REVENUE			
Interest income (Note 4)	₱12,420,870	₱654,274	₱7,880
Foreign exchange gains - net	8,942,750	—	—
	21,363,620	654,274	7,880
ADMINISTRATION AND OVERHEAD COSTS			
(Note 14)	19,716,488	9,516,092	15,031,790
OTHER INCOME (LOSSES) (Note 15)	350	(7,867)	(3,384,197)
INCOME (LOSS) BEFORE INCOME TAX	1,647,482	(8,869,685)	(18,408,107)
PROVISION FOR (BENEFIT FROM) INCOME TAXES (Note 18)			
Current	178,361	—	—
Deferred	(3,051,869)	(389,719)	(1,518,266)
	(2,873,508)	(389,719)	(1,518,266)
NET INCOME (LOSS)	₱4,520,990	(₱8,479,966)	(₱16,889,841)
Net income (loss) attributable to:			
Equity holders of the Parent Company	₱4,523,266	(₱8,479,966)	(₱16,889,841)
Non-controlling interests	(2,276)	—	—
	₱4,520,990	(₱8,479,966)	(₱16,889,841)
OTHER COMPREHENSIVE INCOME			
Changes in fair values of AFS investments - net of tax (Note 8)	42,056,508	—	17,903,000
TOTAL COMPREHENSIVE INCOME (LOSS) - net of tax	₱46,577,498	(₱8,479,966)	₱1,013,159
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	₱46,579,774	(₱8,479,966)	₱1,013,159
Non-controlling interests	(2,276)	—	—
	₱46,577,498	(₱8,479,966)	₱1,013,159
EARNINGS (LOSS) PER SHARE (Note 20)			
Basic and diluted earnings (loss) per share	₱0.00002	(₱0.00004)	(₱0.00009)

See accompanying Notes to Consolidated Financial Statements.



MANILA MINING CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 and 2009

	Attributable to Equity Holders of the Parent Company									
	Capital Stock (Note 19)				Effect of transaction with Non-controlling Interests (Note 2)	Cumulative Changes in Fair Values of AFS Investments (Note 8)	Deficit	Total	Non-controlling Interests	Total
	Issued	Subscribed	Subscription Receivable	Additional Paid-in Capital						
Balances at December 31, 2008	₱1,789,563,838	₱479,374	(₱301,290)	₱388,801,666	₱-	(₱17,903,000)	(₱972,701,657)	₱1,187,938,931	₱-	₱1,187,938,931
Net loss	-	-	-	-	-	-	(16,889,841)	(16,889,841)	-	(16,889,841)
Other comprehensive loss, net of tax	-	-	-	-	-	17,903,000	-	17,903,000	-	17,903,000
Total comprehensive loss	-	-	-	-	-	17,903,000	(16,889,841)	1,013,159	-	1,013,159
Balances at December 31, 2009	1,789,563,838	479,374	(301,290)	388,801,666	-	-	(989,591,498)	1,188,952,090	-	1,188,952,090
Issuance and subscription of shares	223,647,027	108,375	(68,183)	106,972,061	-	-	-	330,659,280	-	330,659,280
Net loss	-	-	-	-	-	-	(8,479,966)	(8,479,966)	-	(8,479,966)
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	-	-	(8,479,966)	(8,479,966)	-	(8,479,966)
Balances at December 31, 2010	2,013,210,865	587,749	(369,473)	495,773,727	-	-	(998,071,464)	1,511,131,404	-	1,511,131,404
Issuance and subscription of shares (Note 19)	3,970,297	2,429,702	3,068	6,400,000	-	-	-	12,803,067	-	12,803,067
Effect of transaction with non-controlling interests (Note 2)	-	-	-	-	954,621,275	-	-	954,621,275	125,000	954,746,275
Net income	-	-	-	-	-	-	4,523,266	4,523,266	(2,276)	4,520,990
Other comprehensive income, net of tax	-	-	-	-	-	42,056,508	-	42,056,508	-	42,056,508
Total comprehensive income	-	-	-	-	-	42,056,508	4,523,266	46,579,774	(2,276)	46,577,498
Balances at December 31, 2011	₱2,017,181,162	₱3,017,451	(₱366,405)	₱502,173,727	₱954,621,275	₱42,056,508	(₱993,548,198)	₱2,525,135,520	₱122,724	₱2,525,258,244

See accompanying Notes to Consolidated Financial Statements.



MANILA MINING CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31		
	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	₱1,647,482	(₱8,869,685)	(₱18,408,107)
Adjustments for:			
Depreciation (Notes 9 and 14)	4,252,849	4,114,645	4,106,140
Movement in retirement benefit obligation (Note 17)	1,869,948	1,251,435	989,293
Interest income (Note 4)	(12,420,870)	(654,274)	(7,880)
Unrealized foreign exchange gain	(24,711)	—	—
Loss on sale of AFS investments (Note 15)	—	—	3,380,406
Operating loss before working capital changes	(4,675,302)	(4,157,879)	(9,940,148)
Decrease (increase) in:			
Receivables	(539,270)	10,063	(188,808)
Inventories	5,400,554	(1,108,961)	6,732,761
Prepayments and other current assets	(20,580,129)	(5,217,711)	(1,435,831)
Increase (decrease) in accounts payable and accrued expenses	(13,852,987)	(112,888,125)	8,922,453
Net cash generated (used in) from operations	(34,247,134)	(123,362,613)	4,090,427
Interest received	12,420,870	654,274	7,880
Net cash from (used in) operating activities	(21,826,264)	(122,708,339)	4,098,307
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment (Note 9)	(361,192,151)	(73,480,752)	(14,786,371)
Acquisitions of AFS investments (Note 8)	(60,041,992)	—	—
Proceeds from disposal of AFS investments	—	—	19,688,165
Decrease (increase) in other noncurrent assets	(270,880)	(110,048)	101,656
Net cash from (used) in investing activities	(421,505,023)	(73,590,800)	5,003,450
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares (Note 19)	7,963,067	330,659,280	—
Receipts (payments) of nontrade payables	783,443	(128,648,170)	(9,482,321)
Effect of transaction with non-controlling interests	954,746,275	—	—
Net cash from (used in) financing activities	963,492,785	202,011,110	(9,482,321)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	520,161,498	5,711,971	(380,564)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,145,383	1,433,412	1,813,976
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱527,306,881	₱7,145,383	₱1,433,412

See accompanying Notes to Consolidated Financial Statements.



MANILA MINING CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General Information and Status of Operations

Manila Mining Corporation

Manila Mining Corporation (the Parent Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on May 20, 1949, primarily to carry on the business of mining, milling, concentrating, converting, smelting, treating, preparing for market, manufacturing, buying, selling, exchanging and otherwise producing and dealing in precious and semi-precious metals, ores, minerals and their by-products. The Parent Company's shares are listed and traded on the Philippine Stock Exchange (PSE). On April 16, 1999, the SEC approved the extension of the Parent Company's corporate term for another fifty (50) years upon expiration of its original term on May 30, 1999. Lepanto Consolidated Mining Company (LCMC), a publicly listed Company, and its subsidiaries, has 19.60% equity interest in the Parent Company.

The principal office of the Parent Company is located at the 20th Floor, Lepanto Building, 8747 Paseo de Roxas, 1226 Makati City.

Kalayaan Copper-Gold Resources, Inc. (KCGRI)

Kalayaan Copper-Gold Resources, Inc. (the Subsidiary), a 95%-owned subsidiary, was incorporated with the SEC on December 19, 2006, primarily to carry on the business of exploration, mining, development and utilization of all mineral resources, milling, concentrating, converting, smelting, treating, preparing for market, manufacturing, buying, selling, exchanging and otherwise producing and dealing in all other kinds of ores, metals and minerals, hydrocarbons acids, and chemicals, and in the products and by-products of every kind and description.

The principal office of the Subsidiary is located at the 21st Floor Lepanto Building, Paseo de Roxas, Makati City.

Status of Operations

On May 22, 1996, the Parent Company's Board of Directors (BOD) approved the expansion of its current mill capacity from 8,000 tonnes per day (TPD) to 10,000 TPD, designed to consolidate the installation of the second semi-autogenous grinding mill unit with the original 48-inch pit conveyor project. The expansion was registered with the Board of Investments (BOI) under Executive Order (E.O.) No. 226 on October 6, 1996.

On November 5, 1997, the BOI approved the Parent Company's application for registration of its copper flotation project under E.O. No. 226 on a non-pioneer status. On June 9, 2000, the BOI likewise approved the Parent Company's application for the modernization program of the copper flotation project under a preferred non-pioneer status. As a registered enterprise, the Parent Company is entitled to certain incentives and tax benefits which include, among others, income tax holiday for a period of 4 years from February 23, 1998, the actual start of commercial operations.

The two (2) BOI certificates of registration are currently suspended in view of the suspension of the Parent Company's operations.

On November 30, 2000, the Parent Company's gold mining and milling operations were temporarily shutdown due to the landslide that occurred in one of its open pits.

On December 20, 2000, the Parent Company temporarily shut down its milling operations pending its receipt of a permit to further raise its tailing pond.



On January 29, 2001, after obtaining the necessary permit to increase the height of the tailing pond to the 65 meter limit set by the Department of Environment and Natural Resources (DENR), the Parent Company resumed its milling operations.

On July 26, 2001, the Parent Company's BOD resolved to shutdown the Parent Company's mining operations due to the expiration of its temporary authority to construct and operate its tailings dam issued by the DENR. In view of the suspension of the Parent Company's mining operations, the registration of the Parent Company's copper flotation project was suspended by the BOI on August 23, 2005.

In 2005, several companies have expressed interest in the area that lies between the Kalaya-an district at the extreme southwest end of the Parent Company's tenement holdings and immediately north of the Philex Boyongan discovery and the historical operations. This area has been named the "Corridor" as it covers important geology and structures that connect two significantly mineralized areas. The Corridor also hosts several small gold deposits that are not currently economic to develop and operate. However, with additional investment and operations, it is expected that the reserves would grow significantly.

The investment and mining climate have improved since 2001 as a result of the 2004 Supreme Court ruling upholding the validity of the Philippine Mining Act of 1995. The Parent Company holds excellent properties and should be able to realize significant benefits over the long term. The Parent Company's Kalaya-an Project is among the mineral exploration projects under the Ten Point Legacy of the President of the Philippines for the years 2004 - 2010.

Exploration drilling activities on the Kalaya-an project started in 2007. On January 22, 2007, the Parent Company has initiated mining activities through an exploration program adopted during the last quarter of 2006.

On November 9, 2006, the Parent Company and Anglo American Exploration (Philippines), Inc. (AMEXP), a wholly-owned subsidiary of Anglo American Plc, signed a Letter of Intent which, subject to finalizing definitive agreements, confirms the participation of AMEXP in the exploration and potential development of the Kalaya-an Project which is part of the contract area of the Exploration Permit (EP) of the Subsidiary then pending renewal with the DENR.

The EP renewal was granted by the DENR on January 29, 2007 for a term of two (2) years from issuance covering an area of 2,462.92 hectares, of which one (1) parcel consisting of 286.63 hectares, would be the subject of the definitive agreements between the Parent Company and Anglo American Plc. The Parent Company signed on March 26, 2007 a Farm-in Agreement with Anglo Investments BV (Anglo), a wholly owned subsidiary of Anglo American Plc, covering said area. However, in November 2008, KCGRI received notice from Anglo that it is exercising its option to terminate the Farm-in Agreement.

On April 2010, the Parent Company offered to its shareholders as of record date of March 10, 2010, the right to subscribe to one (1) share for every eight (8) shares held, at an offer price of ₱0.015 per share, covering 22,375,540,151 common shares consisting of 13,429,141,954 Class "A" shares and 8,946,398,197 Class "B" shares. Total capital stock issued and subscribed from the stock rights offering amounted to ₱330,659,280, net of transaction costs. Proceeds from the issuance of stock rights were used to settle debts and fund exploration projects.



On June 8, 2010, the SEC approved the increase in authorized capital stock to 260 billion shares at par value of ₱0.01 per share divided into 156 billion Class "A" and 104 billion Class "B" shares (see Note 19).

On May 11, 2011, the Parent Company, KCGRI and Philex Mining Corporation (Philex), finalized an agreement for the exploration and joint development of the Kalaya-an Project located in Placer, Surigao del Norte. The Kalaya-an Project, which is registered under KCGRI, is covered by EP No. XIII-014B.

The renewal of the EP was granted in April 2010, and is valid until April 2012, renewable for another two (2) years. It is the same EP covered by the terminated agreement with Anglo.

Pursuant to the agreement, the Parent Company sold to Philex a total of 125,000 shares of stock of KCGRI, representing a five percent (5%) interest in KCGRI, for a consideration of US\$25 million. Philex shall earn an additional fifty-five percent (55%) interest in KCGRI by sole-funding all pre-development expenses including a final feasibility study for the Project. The development of the Project shall be undertaken jointly by the Parent Company and Philex.

The accompanying consolidated financial statements of Manila Mining Corporation and Subsidiary (the Group) as at December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011, were authorized for issue by the Audit Committee on March 15, 2012 in accordance with a resolution by the BOD.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared under the historical cost basis, except for AFS investments that have been measured at fair value. The consolidated financial statements are presented in Philippine peso, the Parent Company's and the Subsidiary's functional and presentation currency. All amounts are rounded to the nearest peso, except as otherwise indicated.

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and KCGRI. The financial statements of the subsidiary are prepared for the same reporting year as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances.

A subsidiary is an entity over which the Parent Company has the power to govern the financial and operating policies of the entity, or generally has an interest of more than half of the voting rights of the entity.

All intra-group balances, transactions, income and expenses and profit and losses resulting from intra-group transactions are eliminated in full.



The subsidiary is fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continues to be consolidated until the date that such control ceases.

Sale of non-controlling interest of KCGRI

As discussed in Note 1, the Parent Company sold to Philex a total of 125,000 shares of stock of KCGRI, representing a 5% interest in KCGRI, for a consideration of US\$25 million.

The sale brought down the total number of shares owned and controlled by the Parent Company as at December 31, 2011 to 95%. The net proceeds was accounted for as an equity transaction and resulted to an increase in equity amounting to ₱954,621,275 recognized as "Effect of transaction with non-controlling interests" in the equity section of the consolidated statement of financial position.

Non-controlling interests

Non-controlling interests represent the interests in the subsidiary not held by the Parent Company and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity attributable to equity holders of the parent. Where the ownership of a subsidiary is less than 100%, and therefore a non-controlling interests exists, any losses of that subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences, recognized in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the following PFRSs, Philippine Accounting Standards (PAS), Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) and Amendments and Improvements to PFRSs, which were adopted as at January 1, 2011:

- PAS 24, *Related Party Disclosures (Revised)*
The revised standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. Furthermore, the revised standard introduces a partial exemption of disclosure requirements for government-related entities. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard. The revised standard does not have an impact on the financial position or performance of the Group.



- PAS 32, *Financial Instruments: Presentation (Amendment) - Classification of Rights Issues*

The amendment to PAS 32 is effective for annual periods beginning on or after February 1, 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment has no impact on the Group after initial application.

- Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement (Amendment)*

The amendment to Philippine Interpretation IFRIC 14 is effective for annual periods beginning on or after January 1, 2011, with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Group.

- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

Philippine Interpretation IFRIC 19 is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation has no effect on the financial statements of the Group.

- Improvements to PFRS 2010

Improvements to IFRS are an omnibus of amendments to PFRS. The amendments have not been adopted as they become effective for annual periods on or after either July 1, 2010 or January 1, 2011.

- PFRS 3, *Business Combinations*
- PFRS 7, *Financial Instruments: Disclosures*
- PAS 1, *Presentation of Financial Statements*
- PAS 27, *Consolidated and Separate Financial Statements*
- PAS 34, *Interim Financial Statement Reporting*
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*

The new, revised, amended and improved standards and/or interpretations that have been adopted are deemed to have no impact on the financial position or performance of the Group.



Future Changes in Accounting Policies

The Group will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have a significant impact on its financial statements.

- *Philippine Interpretation IFRIC 15, Agreement for Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, Construction Contracts, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final *Revenue standard* is issued by International Accounting Standards Board and an evaluation of the requirements and guidance in the said standard vis-a-vis the practices and regulations in the Philippine real estate industry is completed.

Effective in 2012:

- *PFRS 7, Financial Instruments: Disclosures (Amendments) - Transfers of Financial Assets*
The amendments to PFRS 7 are effective for annual periods beginning on or after July 1, 2011. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.
- *PAS 12, Income Taxes (Amendment) - Deferred Taxes: Recovery of Underlying Assets*
The amendment becomes effective for annual periods beginning on or after January 1, 2012. The amendment provides a practical solution to the problem of assessing whether recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will, normally, be through sale.

Effective in 2013:

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



- *PAS 19, Employee Benefits (Revised)*
The revised standard is effective for annual periods beginning on or after January 1, 2013. The revised standard includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The significant changes include immediate recognition of actuarial gains or losses for defined benefit plans in other comprehensive income when they occur, new disclosure requirements including qualitative information of sensitivity of the defined benefit obligation, recognition of termination benefits and distinction between short-term and long-term employee benefits. The revised standard will be applied retrospectively. Adoption of this standard will increase deficit and noncurrent liabilities of the Group.
- *PAS 27, Separate Financial Statements (Amendments)*
As a consequence of the new PFRS 10, *Consolidated Financial Statement* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- *PAS 28, Investments in Associates and Joint Ventures (Amendments)*
The amendment becomes effective for annual periods beginning on or after January 1, 2013. As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.
- *PFRS 7, Financial Instruments: Disclosures - Offsetting of Financial Assets and Financial Liabilities*
The amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
 - a) The gross amounts of those recognized financial assets and recognized financial liabilities;
 - b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
 - c) The net amounts presented in the statement of financial position;
 - d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
 - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
 - ii. Amounts related to financial collateral (including cash collateral); and
 - e) The net amount after deducting the amounts in (d) from the amounts in (c) above.



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

- **PFRS 10, *Consolidated Financial Statements***
This standard is effective for annual periods beginning on or after January 1, 2013. PFRS 10 replaces the portion of PAS 27, *Separate and Consolidated Financial Statements*, which addresses the accounting for consolidated financial statements. It also addresses the issues raised in Standard Interpretations Committee (SIC) 12, *Consolidation - Special Purpose Entities*, resulting to SIC being withdrawn. It does not change the consolidation procedures. Rather, it changes whether an entity is consolidated by revising the definition of control. It also provides a number of clarifications in applying this new definition. The new standard will be applied retrospectively.
- **PFRS 11, *Joint Arrangements***
This standard is effective for annual periods beginning on or after January 1, 2013. PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 introduces the definition of "joint control", for which the reference to "control" in "joint control" refers to the definition of "control" in PFRS 10. It also changes the accounting for joint arrangements by moving from three categories under PAS 31 to two categories, either joint operation or joint venture. Under this new classification, the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either joint operation or a joint venture. Further, parties are required to consider whether a separate vehicle exists and, if so, the legal form of the separate vehicle, the contractual terms and conditions, and other facts and circumstances. In addition, PAS 28, *Investment in Associates*, was amended to include the application of the equity method to investments in joint ventures. PFRS 11 will be applied using modified retrospective approach.
- **PFRS 12, *Disclosure of Interests in Other Entities***
This standard is effective for annual periods beginning on or after January 1, 2013. PFRS 12 applies to an entity that has an interest in subsidiaries, joint arrangements, associates and/or structured entities. The objective of the new disclosure requirements is to help the users of the financial statements to understand the effects of an entity's interests in other entities on its financial position, financial performance and cash flows and the nature of, and the risks associated with, the entity's interest in other entities. It also includes more extensive qualitative and quantitative disclosures. PFRS 12 will be applied retrospectively.
- **PFRS 13, *Fair Value Measurement***
This standard is effective for annual periods beginning on or after January 1, 2013. PFRS 13 does not affect when fair value is used, but rather describes how to measure fair value where fair value is required or permitted by PFRS.

Under PFRS 13, fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". Fair value as used in PFRS 2, *Share-based Payments*, and PAS 17, *Leases* is excluded from the scope of PFRS 13. The standard also provides clarification on a number of areas. New disclosures related to fair value measurements are also required to help users understand the valuation techniques and inputs used to develop fair value measurement and the effect of fair value measurements on profit or loss. PFRS 13 is applied prospectively. Early application is permitted and must be disclosed.



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

This interpretation becomes effective for annual periods beginning on or after January 1, 2013 and applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (“production stripping costs”) and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset.

Effective in 2014:

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

The amendments to PAS 32 clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective in 2015:

- PFRS 9, *Financial Instruments: Classification and Measurement*

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

Aside from PFRS 9, PAS 19 (Revised) and Philippine Interpretation IFRIC 20, the Group does not expect any significant impact in the consolidated financial statements when it adopts the above standards and interpretations. The revised, amended and additional disclosure or accounting changes provided by the standards and interpretations will be included in the consolidated financial statements in the year of adoption, if applicable.

Summary of Significant Accounting Policies

Financial Instruments

Initial Recognition and Measurement

Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial assets and liabilities at initial recognition.

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.



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

As at December 31, 2011 and 2010, the Group does not have financial instruments at FVPL and HTM investments.

Subsequent Measurement

The subsequent measurement of financial instruments depends on their classification as follows:

Loans and Receivables

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

After initial measurement, receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment losses. Amortized costs is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization, if any, is included in "Interest income" caption in the consolidated statement of comprehensive income. The losses arising from impairment of receivables are recognized in "Provision for impairment losses on receivables" account under the "Administration and overhead costs" caption in the consolidated statement of comprehensive income. The level of allowance for impairment losses is evaluated by management on the basis of factors that affect the collectability of accounts (see accounting policy on Impairment of Financial Assets).

AFS Investments

AFS investments are nonderivative financial assets that are either designated in this category or not classified in any of the other categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They are included in noncurrent assets unless management intends to dispose of the investment within twelve (12) months from the end of each reporting period. Included in this category are equity investments in quoted instruments and private companies other than associates, which are shown as a separate line item in the consolidated statement of financial position.

After initial measurement, AFS investments are subsequently measured at fair value.



The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis; and option pricing models.

The unrealized gains and losses arising from the fair valuation of AFS investments are reported in other comprehensive income and accumulated as "Cumulative changes in fair values of AFS investments" in the equity section of the consolidated statement of financial position.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated statement of comprehensive income. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in first-out basis. Any dividends earned on holding AFS investments are recognized in the profit or loss in the consolidated statement of comprehensive income when the right to receive payment has been established.

Any losses arising from impairment of such investments are recognized in the consolidated statement of comprehensive income.

The Group's investments in quoted and unquoted equity securities are included under this category (see Note 8).

Loans and Borrowings

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

This accounting policy applies primarily to the Group's accounts payable and accrued expenses and nontrade payables that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

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

Offsetting of Instruments

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



Impairment of Financial Assets

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

Financial Assets Carried at Amortized Cost

The Group first assesses individually whether its objective evidence of impairment, such as aging of assets and/or status of debtors, exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial asset with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost (e.g., receivables) has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the asset's original EIR. Time value is generally not considered when the effect of discounting is not material.

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

AFS Investments Carried at Fair Value

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



Derecognition of Financial Instruments

Financial Asset

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control of the asset.

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

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

Financial Liability

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

Fair Value of Financial Instruments

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

- Level 1 - Quoted prices in active markets for identical asset or liability;
- Level 2 - Those involving inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 - Those with inputs for asset or liability that are not based on observable market data (unobservable inputs).

When fair values of listed equity and debt securities as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations without any deduction for transaction costs, the instruments are included within level 1 of the hierarchy.

For all other financial instruments, fair value is determined using valuation technique. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models and other relevant valuation model. For these financial instruments, inputs into models are market observable and are therefore included within level 2.



Instruments included in level 3 include those for which there is currently no active market.

Cash and Cash Equivalents

Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from the date of acquisition and that are subject to an insignificant risk of change in value.

Capital Stock

Common shares are classified as equity.

Incremental costs directly attributable to the issuance of new shares or options are shown in consolidated statement of changes in equity as a deduction from proceeds. The excess of proceeds from issuance of shares over par value of shares are credited to additional paid-in capital.

Where the Group purchases its own shares (treasury shares), the consideration paid including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's stockholders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Parent Company's stockholders.

Inventories

Inventories are stated at the lower of cost or net realizable value (NRV). Cost is determined using the moving average method. NRV is the replacement cost. In determining NRV, the Group considers any adjustment necessary for obsolescence.

Property and Equipment

Property and equipment, except land, are carried at cost less accumulated depletion and depreciation and impairment in value, if any.

The initial cost of property and equipment comprises its purchase price, including import duties and nonrefundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to the statement of comprehensive income in the period when the costs are incurred.

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

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



In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. Major maintenance and major overhaul costs that are capitalized as part of property and equipment are depreciated on a straight-line basis over the shorter of their estimated useful lives, typically the period until the next major maintenance or inspection or the estimated useful life of the related property and equipment.

Land is recorded at cost less any impairment in value.

Depletion of mine and mining properties is computed based on ore extraction over the estimated volume of proved and probable ore reserves as estimated by the Group's geologist and certified by an independent geologist.

Depreciation is calculated using the straight-line method to allocate the cost of each asset less its residual value, if any, over its estimated useful life.

Type of Asset	Estimated Useful Life in Years
Machinery and equipment	5-20
Building and improvements	20
Furniture, office and other equipment	5

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the consolidated statement of comprehensive income.

Construction in-progress represents work under construction and is stated at cost. Construction in-progress is not depreciated until such time that the relevant assets are completed and available for use.

Mine Exploration Costs

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

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

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



Impairment of Nonfinancial Assets

Nonfinancial Receivables, Prepayments and Other Current Assets and Other Noncurrent Assets

The Company provides allowance for impairment losses on nonfinancial receivables, prepayments and other current assets and other noncurrent assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease the nonfinancial assets.

Property and Equipment

Property and Equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit (CGU) is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the consolidated statement of comprehensive income.

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

Mine Exploration Costs

An impairment review is performed, either individually or at the CGU level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the reporting period in which this is determined. Exploration assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the following conditions is met:

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

Provisions

General

Provisions are recognized when (a) the Group has a present obligation (legal and constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are made by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.



Where discounting is used, the increase in the provision due to the passage of time is recognized as finance cost.

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

Provision for Mine Rehabilitation and Decommissioning

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailing dams dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of the related ore. Over time, the discounted liability is increased for the change in the present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognized in the consolidated statement of comprehensive income as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur.

For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of comprehensive income.

Environmental funds committed for use in satisfying environmental obligations are included within "Other noncurrent assets" in the consolidated statement of financial position.

Revenue Recognition

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

Interest Income

Interest income is recognized as it accrues using EIR method.

Other Income

Other income is recognized when earned.

Costs and Expenses

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Administrative and overhead costs are generally recognized when the service is used or the expense arises.



Employee Benefits

Retirement Obligations

Retirement cost and obligation are computed in accordance with Republic Act (RA) No.7641, *Retirement Pay Law*, which is similar to that computed under a defined benefit pension plan. A defined benefit plan is a retirement plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on certain factors such as age, years of credited service and salary.

The liability recognized in the consolidated statement of financial position in respect of defined benefit retirement plan is the present value of the defined benefit obligation at the reporting date, together with any adjustments for unrecognized gains or losses and past service costs. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity which approximates the terms of the related pension liability. The defined benefit obligation is calculated on a regular periodic basis by an independent actuary using the projected unit credit cost method.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of 10% of the defined benefit obligation are spread to income over the employees' expected average remaining working lives.

Past service costs are recognized immediately in income, unless the changes to the retirement plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve (12) months after reporting date are discounted to present value.

Share-based Payment Transactions

The officers and employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Parent Company's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest.

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



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

The dilutive effect of outstanding stock options is reflected as additional share dilution in the computation of diluted earnings per share in 2011. The stock options were excluded from the computation of diluted earnings per share in 2010 and 2009 because the effect was antidilutive (see Note 20).

Foreign Currency Transactions

Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the closing rate at the reporting date. Foreign exchange differences between rate at transaction date and rate at settlement date or at each reporting date are credited to or charged against current operations. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in equity.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at reporting date.

Deferred Income Tax

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

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

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

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits and unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused NOLCO can be utilized except:

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



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

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

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

Deferred income tax, relating to items outside the consolidated statement of comprehensive income, are recognized in correlation to the underlying transaction, either in other comprehensive income or directly in equity.

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

Earnings (Loss) Per Share

Basic earnings (loss) per share amounts are calculated by dividing the net income (loss) attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year.

Diluted earnings (loss) per share amounts are calculated by dividing the net income (loss) attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus weighted average number of ordinary shares that would be issued on the conversion of all the dilutive ordinary shares into ordinary shares.

Dividend Distribution

Dividend distribution to the Parent Company's stockholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved or declared by the BOD.

Contingencies

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

Events After the Reporting Period

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



Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. The Group has only one business and geographical segment.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect amounts reported in the consolidated financial statements and related notes. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable. Actual results could differ from such estimates.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Parent Company and the Subsidiary has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Parent Company and the Subsidiary operate. It is the currency that mainly influences the revenues and expenses of the Parent Company and the Subsidiary.

The functional currency of the Group has been determined by the management based on the currency that most faithfully represents the primary economic environment in which the individual company operates and it is the currency that mainly influences the underlying transactions, events and conditions relevant to the individual companies within the Group.

Classification of Financial Instruments

The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of the financial instrument, rather than its legal form, governs its classification in the statements of financial position.

The Group classified its equity investments as AFS, since it were purchased not for the purpose of selling and repurchasing in the near term. These are held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. The Group does not intend to dispose the investments within twelve (12) months from the reporting date.



Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty as at the reporting date, that have the most significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are as follows:

Estimating Allowances for Impairment Losses on Receivables

The provision for impairment losses on receivables is based on the Group's assessment of the collectibility of payments from employees and other third parties. This assessment requires judgment regarding the outcome of disputes and the ability of each of the debtors to pay the amounts owed to the Group. The Group assesses individually the receivable based on factors that affect the collectibility of the receivables, such as the length of the relationship of the Group with the debtor, the historical payment behavior, a review of the age and status of its receivable, the probability of insolvency of the counterparty, as well as its significant financial difficulties.

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the Group's assessment of the accounts since their inception.

The Group assessments take into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows. In 2011 and 2010, the Group used specific impairment on its loans and receivables. The Group did not assess its loans and receivables for collective impairment due to the few counterparties which can be specifically identified.

As at December 31, 2011 and 2010, the Group has receivables of ₱5,864,957 and ₱485,687, respectively, net of allowance for impairment losses of ₱573,897 as of those dates (see Note 5).

Estimating Allowance for Inventory Obsolescence

Mill materials, hardware and other supplies, which are used in the Group's operations, are stated at the lower of cost or NRV. Allowance due to obsolescence is established when there are evidences that the equipment where the parts and supplies originally purchased is no longer in service. Inventories which are nonmoving or have become unusable are priced at their recoverable amount.

Inventories, at lower of cost or NRV, amounted to ₱22,764,840 and ₱28,165,394 as at December 31, 2011 and 2010, respectively, net of allowance for inventory obsolescence of ₱49,111,896 and ₱41,643,581 as at December 31, 2011 and 2010, respectively (see Note 6).

Estimating Impairment of AFS Investments

The Group treats AFS investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.



The carrying amounts of AFS Investments amounted to ₱109,598,500 and ₱7,500,000 as at December 31, 2011 and 2010, respectively (see Note 8). The change in the fair value of AFS investments is recognized in other comprehensive income and is accumulated in the equity section of the consolidated statements of financial position under "Cumulative changes in fair value of AFS investments". As at December 31, 2011 and 2010, the cumulative changes in fair value of AFS investments amounted to ₱42,056,508 and nil, respectively.

Estimating Impairment Losses on Nonfinancial Receivables, Prepayments and Other Current and Other Noncurrent Assets

Assets are reviewed and tested whenever there is an indication of impairment and are reassessed at least each reporting date. Factors such as significant underperformance of an asset relative to expected historical or projected future operating results, significant changes in the manner of use of the acquired assets, or significant negative industry or economic trends are considered by the Group in assessing whether there is an indication that an asset's carrying amount may exceed its recoverable amount. There were no provision for impairment losses recognized in 2011 and 2010. As at December 31, 2011 and 2010, the carrying value of nonfinancial receivables, prepayments and other current and other noncurrent assets amounted to ₱63,939,446 and ₱39,266,800, as at December 31, 2011 and 2010, respectively.

Estimating Useful Lives of Property and Equipment

Estimated useful lives of the property and equipment are determined based on the assessment by the end user and the parameters of usage indicated in the Group's manual. The Group estimates the useful lives of property and equipment based on the period over which assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

As at December 31, 2011 and 2010, the net book values of the property and equipment, except land, amounted to ₱2,031,713,931 and ₱1,674,774,629, respectively (see Note 9).

Estimating Impairment of Property and Equipment

The Group assesses impairment on property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

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



In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements. These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss is recognized and charged to the consolidated statement of comprehensive income if the recoverable amount is less than the carrying amount. The estimated recoverable amount of the asset is the higher of an asset's fair value less costs to sell and value in use. Fair value less costs to sell is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

The aggregate net book values of property and equipment amounted to ₱2,038,984,644 and ₱1,682,045,342 as at December 31, 2011 and 2010, respectively, net of allowance for impairment losses of ₱143,272,443 (see Note 9). No provision for impairment loss was recognized in 2011 and 2010.

Estimating Recoverability of Mine Exploration Costs

Mineral property acquisition costs are capitalized until the viability of the mineral interest is determined. Exploration, evaluation and pre-feasibility costs are charged to operations until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized. The Group reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. Mine exploration costs amounted to ₱2,664,201, net of allowance for impairment loss of ₱92,028,090 as at December 31, 2011 and 2010 (see Note 10).

Estimating Mineral Reserves and Resources

Mineral reserves and resources estimates for development projects are, to a large extent, based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of costs based upon anticipated tonnage and grades of ores to be mined and processed, the configuration of the ore body, expected recovery rates from the ore, estimated operating costs, estimated climatic conditions and other factors. Proven reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and extraction and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. All proven reserve estimates are subject to revision either upward or downward, based on new information, such as from block grading and production activities or from changes in economic factors including product prices, contract terms or development plans.

Estimates of reserves for undeveloped or partially developed areas are subject to greater uncertainty over their future life than estimates of reserves for areas that are substantially developed and depleted. As an area goes into production, the amount of proven reserves will be subject to future revision once additional information becomes available. As those areas are further developed, new information may lead to revisions.



The estimated recoverable reserves are used in the calculation of depreciation, amortization and testing for impairment, the assessment of life of mine, stripping ratios and forecasting the timing of the payment of provision for mine rehabilitation and decommissioning.

As at December 31, 2011 and 2010, mine and mining properties included in property and equipment account amounted to ₱1,945,564,896 and ₱1,634,628,138, respectively (see Note 9).

Estimating Realizability of Deferred Income Tax Assets

The Group reviews the carrying amounts of deferred income tax assets at the reporting date and reduces the amounts to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized.

The Group has recognized deferred income tax assets amounting to ₱63,304,856 and ₱60,245,574 as at December 31, 2011 and 2010, respectively. No deferred income tax assets were recognized for temporary differences amounting to ₱153,527,993 and ₱152,107,850 as at December 31, 2011 and 2010, respectively, since management believes that there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized (see Note 18).

Estimating Provision for Mine Rehabilitation and Decommissioning

The ultimate cost of mine rehabilitation and decommissioning is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience. The expected timing of expenditure can also change, for example in response to changes in ore reserves or production rates. As a result, there could be significant adjustments to the provision for mine rehabilitation and decommissioning, which would affect future financial results.

The provision for mine rehabilitation and decommissioning costs is based on estimated future costs using information available at the reporting date. To the extent the actual costs differ from these estimates, adjustments will be recorded and the parent company statement of comprehensive income may be impacted. As at December 31, 2011 and 2010, the Parent Company is in the process of evaluating, as such, no provision for mine rehabilitation and decommissioning was recorded (see Note 16).

Determining Retirement Benefit Cost

The determination of the Group's obligation and cost for retirement and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. These assumptions are described in Note 17 to the consolidated financial statements.

Retirement benefit obligation amounted to ₱9,549,649 and ₱7,679,701 as at December 31, 2011 and 2010, respectively (see Note 17).

Estimating Fair Values of Financial Assets and Liabilities

PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of accounting judgment and estimates. While significant components of fair value measurement are determined using verifiable objective evidence (e.g. foreign exchange rates, interest rates, volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would directly affect the consolidated statement of comprehensive income. Fair value of financial assets as at December 31, 2011 and 2010 amounted to ₱640,749,009 and ₱16,931,379, respectively. Fair value of financial liabilities as at December 31, 2011 and 2010 amounted to ₱162,629,421 and ₱176,074,126, respectively (see Note 23).



Estimating Contingencies

The Group evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsels do not believe that any current proceedings will have material adverse effects on its financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings (see Note 22).

4. Cash and Cash Equivalents

	2011	2010
Cash on hand and with banks	₱249,752,972	₱7,145,383
Cash equivalents	277,553,909	—
	₱527,306,881	₱7,145,383

Cash with banks earn interest at the respective bank deposit rates. Cash equivalents are short-term deposits, which are made for varying periods up to three (3) months or less depending on the immediate cash requirements of the Group. The effective annual interest rate on cash equivalents, which have an average maturity of 29 days, ranges from 4.50% to 4.75% in 2011.

Interest income earned from cash and cash equivalents amounted to ₱12,420,870, ₱654,274 and ₱7,880 in 2011, 2010 and 2009, respectively.

5. Receivables

	2011	2010
Stock options receivables (Note 21)	₱4,840,000	₱—
Nontrade	1,294,782	626,437
Advances to officers and employees	304,072	433,147
	6,438,854	1,059,584
Less allowance for impairment losses	573,897	573,897
	₱5,864,957	₱485,687

Stock options receivables are noninterest bearing receivables from employees in respect of stock options exercise under a share-based plan. These are generally collectible on demand based from the Company's experience (see Note 21).

Nontrade receivables are noninterest bearing with no fixed maturities and are generally collectible on demand.

Advances to officers and employees are noninterest bearing and are generally subject to liquidation.

Based on the assessment done by the management, the Group recognized an allowance for specifically identified accounts amounting to ₱573,897 as at December 31, 2011 and 2010. Allowance for impairment losses on nontrade receivables and advances to officers and employees amounted to ₱569,506 and ₱4,391, respectively, as at December 31, 2011 and 2010.



The following table shows the aging of receivables that are past due as at December 31, 2011 and 2010 but are not considered impaired.

	Total	Past due but not impaired			
		Less than 30 days	30 to 60 days	61 to 90 days	Over 90 days
2011					
Nontrade	₱725,276	₱171,254	₱2,000	₱210,000	₱342,022
Advances to officers and employees	299,681	112,437	54,338	55,859	77,047
	₱1,024,957	₱283,691	₱56,338	₱265,859	₱419,069
	Total	Past due but not impaired			
		Less than 30 days	30 to 60 days	61 to 90 days	Over 90 days
2010					
Nontrade	₱56,931	₱-	₱800	₱25,000	₱31,131
Advances to officers and employees	428,756	169,144	87,637	3,473	168,502
	₱485,687	₱169,144	₱88,437	₱28,473	₱199,633

6. Inventories

	2011	2010
At NRV:		
Mill materials, hardware and other supplies	₱3,304,379	₱8,743,123
At cost:		
Machinery and automotive parts	19,372,549	19,340,290
Fuel, oil and lubricants	87,912	81,981
	19,460,461	19,422,271
	₱22,764,840	₱28,165,394

Cost of mill materials, hardware and other supplies amounted to ₱52,416,275 and ₱50,386,704 as at December 31, 2011 and 2010, respectively. The allowance for inventory obsolescence on mill materials, hardware and other supplies amounted to ₱49,111,896 and ₱41,643,581 as at December 31, 2011 and 2010, respectively.

Movements of allowance for inventory obsolescence in 2011 and 2010 are as follows:

	2011	2010
Beginning balances	₱41,643,581	₱41,600,380
Provision for impairment loss (Note 14)	7,591,885	43,201
Reversal	(123,570)	-
Ending balances	₱49,111,896	₱41,643,581



7. Prepayments and Other Current Assets

	2011	2010
Input value-added taxes (VAT)	₱47,490,832	₱27,811,269
Prepaid royalties	4,148,159	4,136,879
Miscellaneous deposits	1,436,286	2,229,065
	₱53,075,277	₱34,177,213

Input VAT represents VAT paid on purchases of goods and services which can be recovered as tax credit against future tax liability of the Parent Company upon approval by the Philippine Bureau of Internal Revenue (BIR). Prepaid royalties are advance payments to landowners while miscellaneous deposits are advance payments made to suppliers of services.

8. AFS Investments

	2011	2010
Quoted instruments	₱102,098,500	₱—
Unquoted instruments	7,500,000	7,500,000
	₱109,598,500	₱7,500,000

Quoted equity instruments, which are investments in listed shares, are carried at fair market value as at reporting date. Unquoted equity instruments, which pertains to investments in a private company, have no fixed maturity date or coupon rate and are carried at cost since fair values of these investments cannot be reliably determined as they have no available bid price.

As at December 31, 2011, the Group has no intention to dispose its quoted and unquoted equity shares within the next year.

Movement of AFS investments in 2011 is as follows:

Balance at beginning of year	₱7,500,000
Additions	60,041,992
Change in fair value of AFS Investments	42,056,508
Balance at end of year	₱109,598,500

The unrealized gain on the movement in fair value of these investments amounting to ₱42,056,508 and nil as at December 31, 2011 and 2010, respectively, are recognized in other comprehensive income and accumulated as a separate component in the consolidated statements of changes in equity.



9. Property and Equipment

	2011						Total
	Mine and Mining Properties	Machinery and Equipment	Building and Improvements	Furniture, Office and Other Equipment	Land	Construction In-progress	
Cost:							
Balances at beginning of year	₱2,699,952,460	₱787,647,760	₱104,494,501	₱73,930,631	₱7,270,713	₱—	₱3,673,296,065
Additions	310,936,758	6,683,871	—	11,717,900	—	38,648,571	367,987,100
Balances at end of year	3,010,889,218	794,331,631	104,494,501	85,648,531	7,270,713	38,648,571	4,041,283,165
Accumulated depreciation, and depletion:							
Balances at beginning of year	1,065,324,322	639,175,216	71,450,089	72,028,653	—	—	1,847,978,280
Depreciation	—	6,329,375	3,135,626	1,582,797	—	—	11,047,798
Balances at end of year	1,065,324,322	645,504,591	74,585,715	73,611,450	—	—	1,859,026,078
Allowance for impairment losses	—	125,501,962	17,706,056	64,425	—	—	143,272,443
Net book values	₱1,945,564,896	₱23,325,078	₱12,202,730	₱11,972,656	₱7,270,713	₱38,648,571	₱2,038,984,644

	2010						Total
	Mine and Mining Properties	Machinery and Equipment	Building and Improvements	Furniture, Office and Other Equipment	Land		
Cost:							
Balances at beginning of year	₱2,620,420,727	₱786,362,555	₱104,236,968	₱73,810,689	₱7,270,713		₱3,592,101,652
Additions	79,531,733	1,285,205	257,533	119,942	—		81,194,413
Balances at end of year	2,699,952,460	787,647,760	104,494,501	73,930,631	7,270,713		3,673,296,065
Accumulated depreciation and depletion:							
Balances at beginning of year	1,065,324,322	633,158,353	66,939,118	70,728,181	—		1,836,149,974
Depreciation	—	6,016,863	4,510,971	1,300,472	—		11,828,306
Balances at end of year	1,065,324,322	639,175,216	71,450,089	72,028,653	—		1,847,978,280
Allowance for impairment losses	—	125,501,962	17,706,056	64,425	—		143,272,443
Net book values	₱1,634,628,138	₱22,970,582	₱15,338,356	₱1,837,553	₱7,270,713		₱1,682,045,342

Total depreciation of property and equipment and certain idle assets charged to operations amounted to ₱4,252,849, ₱4,114,645 and ₱4,106,140 in 2011, 2010 and 2009, respectively (see Note 14). Depreciation amounting to ₱6,794,949, ₱7,713,661 and ₱7,624,719 were capitalized in 2011, 2010 and 2009, respectively, as part of mine and mining properties.



10. Mine Exploration Costs

Mine exploration costs amounted to ₱2,664,201, net of allowance for impairment amounting to ₱92,028,090 as at December 31, 2011 and 2010. No movement was recognized in the account in 2011.

11. Other Noncurrent Assets

	2011	2010
Environmental fund	₱5,563,735	₱5,113,856
Miscellaneous deposits	1,682,066	—
Advances to landowners	1,571,141	1,750,141
Idle and other assets, net of accumulated amortization of ₱32,413,431 and allowance for impairment losses of ₱7,640,740, as at December 31, 2011 and 2010	25,899	25,899
	₱8,842,841	₱6,889,896

On November 13, 1998, the Parent Company entered into a separate Memorandum of Agreement with the Office of Municipal Mayor and Sangguniang Bayan of Placer, Surigao del Norte, DENR and Mines and Geosciences Bureau (MGB). Under the agreement, the Parent Company is mandated to establish and maintain a Monitoring Trust Fund and a Mine Rehabilitation Fund (MRF) amounting to ₱5,150,000. The funds are to be used for physical and social rehabilitation, reforestation and restoration of areas and communities affected by mining activities, for pollution control, slope stabilization and integrated community development. The environmental fund to be maintained by the Group in a mutually acceptable bank is subject to annual review of the MRF committee. The funds earn interest based on the prevailing market rate.

Miscellaneous deposits pertain to advances made to local government agencies for pending project agreements. Advances to landowners pertain to advances made to certain landowners for future purchases of parcels of land. The same will be deducted from the total acquisition cost of parcels of land purchased in the future.

12. Accounts Payable and Accrued Expenses

	2011	2010
Accounts payable	₱133,891,381	₱135,953,562
Due to related parties (see Note 13)	10,395,877	21,399,325
Accrued payroll	9,693,700	6,564,142
Accrued taxes	3,250,460	4,042,451
Unclaimed dividends	573,097	573,097
Other liabilities	7,779,198	10,928,834
	₱165,583,713	₱179,461,411

Other liabilities pertain to the Group's payable to various regulatory agencies.



Terms and conditions of the aforementioned liabilities are as follows:

- Accounts payables and due to related parties are noninterest bearing and are normally settled on thirty (30) days' terms.
- Accrued payroll are normally payable in thirty (30) days.
- Accrued taxes are payable within ninety (90) day's term.
- Other liabilities are noninterest bearing and have an average term of one (1) - three (3) months.

13. Related Party Disclosures

Related parties are those with the ability to control, directly, or indirectly, through one or more intermediaries, the Group or exercise significant influence over the Group in making financial and operating decisions. Related party relationships also exist between and/or among entities, which are under common control with the reporting enterprises and its key management personnel, directors, or its shareholders.

The Parent Company, in the normal course of business, enters into transactions with related parties.

The consolidated statements of financial position include the following liabilities resulting from the above transactions with related parties:

	Relationship	Year	Nontrade Payables	Due to Related Parties
LCMC	Under common ownership	2011	₱1,964,091	—
		2010	₱1,180,648	—
Diamond Drilling Corporation of the Philippines (DDCP)	Under common ownership	2011	—	₱10,395,877
		2010	—	₱21,399,325
Total 2011			₱1,964,091	₱10,395,877
Total 2010			₱1,180,648	₱21,399,325

The above outstanding balances with related parties are unsecured, interest-free and will be settled in cash. There have been no guarantees provided or received for any related party receivables or payables.

- LCMC, holds a 19.60% equity interest in the Parent Company. It provided cash advances and paid expenses on behalf of the Parent Company. In 2011 and 2010, the Parent Company partially paid these advances to LCMC. The outstanding balance of ₱1,964,091 and ₱1,180,648 as at December 31, 2011 and 2010, respectively, is due and demandable.
- In the normal course of business, DDCP, a wholly-owned subsidiary of LCMC, provides various drilling and hauling services to the Parent Company.

Total compensation of the Group's key management personnel in 2011, 2010 and 2009, which pertains to short-term benefits, amounted to ₱468,950, ₱475,950 and ₱468,950, respectively. There were no post-employment benefits for the Group's key management personnel in 2011, 2010 and 2009.



14. Administration and Overhead Costs

	2011	2010	2009
Provision for inventory obsolescence (see Note 6)	₱7,591,885	₱43,201	₱4,430,207
Depreciation (see Note 9)	4,252,849	4,114,645	4,106,140
Retirement benefit cost (see Note 17)	2,613,940	1,251,435	989,293
Salaries, allowances and other benefits	1,411,711	969,791	604,871
Membership fees and dues	638,000	101,000	—
Outside services	589,656	856,717	965,855
Listing fees	463,524	465,321	271,200
Transportation and travel	453,702	310,516	62,446
Annual stockholders' meeting	238,880	316,287	161,982
Medical reimbursements	208,258	119,106	53,738
Repairs and maintenance	148,895	179,511	68,478
Communication, postage and telephone	106,147	136,803	94,058
Representation and entertainment	103,050	75,349	17,925
Taxes and licenses	62,192	36,165	2,806,979
Provision for impairment losses on receivables	—	—	67,596
Other charges	833,799	540,245	331,022
	₱19,716,488	₱9,516,092	₱15,031,790

Other charges pertain to various expenses such as printing charges and donations to a charitable institution.

15. Other Income (Losses)

	2011	2010	2009
Dividend income	₱350	₱350	₱—
Loss on sale of AFS investments	—	—	(3,380,406)
Unrealized foreign exchange losses	—	(8,217)	(3,791)
	₱350	(₱7,867)	(₱3,384,197)

16. Provision for Mine Rehabilitation and Decommissioning

DENR Administrative Order (DAO) No. 2007-26, which was published in the Philippine Star on August 9, 2007 and took effect 15 days thereafter, was released by the DENR, amending Section 2 of DAO 2005-7 and requires Contractors with approved Environmental Protection and Enhancement Programs to submit the Final Mine Rehabilitation and Decommissioning Plan (FMR/DP) for review by the MRF Committee and approval by the Contingent Liability and Rehabilitation Fund Steering Committee before December 31, 2007.

As at December 31, 2011, the Group is still in the process of evaluating the timing and amount of estimated cash flows relating to the mine rehabilitation and decommissioning costs. Once the Group has been able to complete and submit to MGB its FMR/DP, it will provide the necessary accrual for mine rehabilitation and decommissioning.



17. Retirement Benefit Costs

The Parent Company has an unfunded defined retirement benefit plan covering substantially all regular employees. Benefits are dependent on the years of service and the respective employee's compensation. The defined unfunded retirement benefit plan obligation is determined using the projected unit credit method. There was no planned termination, curtailment or settlement in 2011, 2010 and 2009.

The amounts of retirement benefit costs recognized in the consolidated statements of comprehensive income under administration and overhead costs are determined as follows:

	2011	2010	2009
Current service costs	₱872,091	₱580,597	₱477,224
Interest costs	1,184,742	670,838	512,069
Net actuarial loss recognized	557,107	—	—
	₱2,613,940	₱1,251,435	₱989,293

The amounts of retirement benefit obligation recognized in the consolidated statements of financial position are determined as follows:

	2011	2010
Present value of defined benefit obligation	₱15,416,912	₱14,104,071
Actuarial losses not recognized	(5,867,263)	(6,424,370)
	₱9,549,649	₱7,679,701

Changes in the present value of the unfunded retirement benefit obligation are determined as follows:

	2011	2010
Balances at beginning of year	₱14,104,071	₱7,136,576
Interest costs	1,184,742	670,838
Current service cost	872,091	580,597
Benefits paid	(743,992)	—
Actuarial loss	—	5,716,060
Balances at end of year	₱15,416,912	₱14,104,071

Movements in the unfunded retirement benefit obligation recognized in the consolidated statements of financial position are as follows:

	2011	2010
Balances at beginning of year	₱7,679,701	₱6,428,266
Expense recognized for the year	2,613,940	1,251,435
Benefits paid during the year	(743,992)	—
Balances at end of year	₱9,549,649	₱7,679,701

The principal assumptions used in determining retirement benefit plan obligations are as follows:

	2011	2010
Discount rate	8.40%	8.40%
Salary increase rate	10%	10%
Expected remaining working lives of employees	9 years	9 years



Amounts for the current and previous four years are as follows:

	2011	2010	2009	2008	2007
Defined benefit obligation	₱15,416,912	₱14,104,071	₱7,136,576	₱6,147,283	₱4,522,517
Experience adjustments on plan liabilities	-	3,329,204	-	1,626,083	-

18. Income Taxes

The provision for current income tax in 2011 is from the minimum corporate income tax (MCIT) of the Parent Company amounting to ₱178,361. No provision for current income tax was recognized in 2010 and 2009, since it is in a net taxable loss position.

A reconciliation of income tax applicable to income loss before income tax at the statutory income tax rates to benefit from income tax shown in the consolidated statements of comprehensive income follows:

	2011	2010	2009
Income tax at statutory tax rates	₱494,245	(₱2,660,906)	(₱5,522,432)
Additions to (reductions in) income tax resulting from:			
Interest income subjected to final tax	(3,726,261)	(196,282)	(2,364)
Change in unrecognized deferred income taxes	327,698	(4,298,407)	2,169,069
Nondeductible expenses	30,915	31,424	1,837,461
Dividend exempt from income tax	(105)	(105)	-
Expired MCIT	-	6,734,557	-
	(₱2,873,508)	(₱389,719)	(₱1,518,266)

The components of the net deferred income tax liability as at December 31 are as follows:

	2011	2010
Deferred income tax assets:		
Allowances for:		
Impairment losses on property and equipment and idle assets	₱45,273,955	₱45,273,955
Inventory obsolescence	14,770,640	12,493,074
Impairment losses on receivables	172,169	172,169
Retirement benefit obligation	3,088,092	2,303,911
Unrealized foreign exchange loss	-	2,465
	63,304,856	60,245,574
Deferred income tax liabilities:		
Excess of allowable depletion over depletion per books	129,865,526	129,865,526
Unrealized foreign exchange gain	7,413	-
	129,872,939	129,865,526
Deferred income tax liabilities - net	₱66,568,083	₱69,619,952



Deferred income tax liability is mainly provided on taxable temporary differences arising on the difference between allowed depletion under Presidential Decree 1353 and normal depletion.

The following are the movements in the Group's NOLCO for the years ended December 31:

	2011	2010
Balances at beginning of year	₱60,079,760	₱51,959,262
Additions	1,241,782	8,120,498
Balances at end of year	₱61,321,542	₱60,079,760

As at December 31, 2011, the Group has NOLCO that can be claimed as deduction from future taxable income as follows:

Year Incurred	Year of Expiry	Amount	Tax Effect
2007	2012	₱1,340	₱402
2008	2013	114,639	34,392
2009	2014	189,356	56,807
2010	2015	71,275	21,383
2011	2016	78,361	23,508
2008	2011	45,043,052	13,512,916
2009	2012	6,610,875	1,983,263
2010	2013	8,049,223	2,414,767
2011	2014	1,163,421	349,026
		₱61,321,542	₱18,396,464

As at December 31, 2011 and 2010, the Group has an excess MCIT that can be claimed as tax credit amounting to ₱178,361 and nil, respectively. The excess MCIT will expire in 2014.

In 2011, no deferred income tax assets were recognized for the following temporary differences since management expects that it is not probable that sufficient taxable income will be available to allow all or part of these deferred income tax assets to be utilized.

	2011	2010
Allowance for impairment losses		
on mine exploration costs	₱92,028,090	₱92,028,090
NOLCO	61,321,542	60,079,760
MCIT	178,361	—
	₱153,527,993	₱152,107,850

19. Capital Stock

On August 2, 2006, the Parent Company's BOD approved the offer of 35,811,045,334 Class "A" shares and 23,857,061,734 Class "B" shares, or one (1) share for every two (2) shares held by shareholders as of August 30, 2006 at the offer price of ₱0.015 per share to support the increase in the authorized capital stock from ₱1.2 billion to ₱1.8 billion. The offer/ sale of shares were exempt from registration.



On November 10, 2009, the Parent Company's BOD approved the offer of 13,429,141,954 "A" shares and 8,946,398,197 "B" shares, or 1 share for every 8 shares held by shareholders as of March 10, 2010 at the offer price of ₱0.015 per share to support the increase in the parent company's authorized capital stock from ₱1.8 billion to ₱2.6 billion. The offer was approved and confirmed by the SEC as an exempt transaction on March 4, 2010.

The BOD approved the grant of the 8th Stock Option Awards (Awards) to selected directors, officers and employees of the Parent Company and of its subsidiary, covering of 1.6 billion common shares consisting of 960 million Class "A" shares and 640 million Class "B" shares. The option is exercisable within five (5) years, to the extent of 20% of the Awards every year, from the SEC approval of the Awards. The Awards constitutes 0.8%, more or less, of the outstanding capital stock of the Parent Company (see Note 21).

On June 8, 2010, the SEC approved the increase in authorized capital stock to 260 billion shares at par value of ₱0.01 per share divided into 156 billion Class "A" shares and 104 billion Class "B" shares.

Only Philippine nationals are qualified to acquire, own or hold Class "A" common shares of stock of the Parent Company. The total number of Class "B" common shares of stock subscribed, issued or outstanding at any given time shall in no case exceed two-thirds (2/3) of the number of Class "A" common shares of stock or 40% of the aggregate number of Class "A" and Class "B" common shares of stock then subscribed, issued or outstanding. Each common share entitles the holder to one (1) vote, enjoys full dividend and pre-emptive rights.

	2011		2010	
	No. of Shares	Amount	No. of Shares	Amount
Issued and outstanding				
Class "A"	121,067,536,313	₱1,210,675,363	120,828,512,851	₱1,208,285,129
Class "B"	80,650,579,944	806,505,799	80,492,573,561	804,925,736
	201,718,116,257	2,017,181,162	201,321,086,412	2,013,210,865
Subscribed				
Class "A"	179,934,900	1,799,349	33,764,732	337,647
Class "B"	121,810,212	1,218,102	25,010,212	250,102
	301,745,112	3,017,451	58,774,944	587,749
Total shares issued and subscribed	202,019,861,369	2,020,198,613	201,379,861,356	2,013,798,614
Less subscriptions receivable		366,405		369,473
	202,019,861,369	₱2,019,832,208	201,379,861,356	₱2,013,429,141

As at December 31, 2011 and 2010, authorized capital stock of the Subsidiary includes 200 convertible preferred shares with par value of ₱15,000 each. The convertible preferred shares are non-voting, non-cumulative, and shall be convertible to common shares at the option of the shareholder subscribing to the convertible preferred shares under terms and conditions as may be agreed upon between the Subsidiary and the Subsidiary's shareholders.

In April 2010, the Parent Company offered to its shareholders as of record date of March 10, 2010, the right to subscribe to one (1) share for every eight (8) shares held covering 22,375,540,151 common shares consisting of 13,429,141,954 Class "A" shares and 8,946,398,197 Class "B" shares.

The offer period was from April 7, 2010 to April 14, 2010. As at April 14, 2010, all shares of stocks offered were fully subscribed and/or issued.



As at December 31, 2011, 2010 and 2009, the Parent Company has 3,950, 4,803 and 4,803 stockholders, respectively.

20. Earnings (Loss) Per Share

Basic earnings per common share based on net income were computed as follows:

	2011	2010	2009
a. Net income (loss) attributable to equity holders of the Parent Company	₱4,523,266	(₱8,479,966)	(₱16,889,841)
b. Weighted average number of common shares issued (in thousands)	201,699,861	193,921,348	179,004,321
Earnings (loss) per share (a/b)	₱0.00002	(₱0.00004)	(₱0.00009)

Diluted earnings per common share based on net income were computed as follows:

	2011	2010	2009
a. Net income (loss) attributable to equity holders of the Parent Company	₱4,523,266	(₱8,479,966)	(₱16,889,841)
b. Weighted average number of common shares adjusted for the effect of exercise of stock options (in thousands)	202,337,692	194,130,044	179,004,321
Earnings (loss) per share (a/b)	₱0.00002	(₱0.00004)	(₱0.00009)

The Parent Company considered the effect of its potentially dilutive stock options outstanding as at December 31, 2011. The assumed exercise of these stock options would have resulted in additional 960,000,000 shares in 2011 (see Note 21).

21. Share-based Plan

Under the share-based plan, the Parent Company's officers and employees and those of its subsidiary may be granted options to purchase shares of stock of the Parent Company. The aggregate number of shares to be granted under the plan should not exceed five percent (5%) of the total number of shares of the Parent Company's outstanding capital stock.

An individual may be granted an option to purchase not more than five percent (5%) of the total number of shares set aside at the date of the grant and may exercise the option up to a maximum of twenty percent (20%) of the total number of option shares granted per year. Options are valid for five (5) years and are exercisable from the date of the approval of the grant by the SEC.

On November 10, 2009, the BOD approved the grant of the 8th Stock Option Awards (Awards) to selected employees, directors and officers of the Group in accordance with the board-approved Revised Stock Option Plan ("RSOP"). The Awards cover a total of 1,600,000,000 common shares consisting of 960,000,000 class "A" and 640,000,000 class "B" shares from the Parent Company's unissued capital stock, exercisable at the price of ₱0.02 per share, within 5 years from the date of SEC approval of the same. The option price of ₱0.02 per share was computed based on a new formula in the RSOP, that is, "the amount equivalent to 80% of the average closing price of the stock for the ten (10) trading days immediately preceding the date of the approval of the Grant by the BOD as determined from quotations in the PSE.



The SEC approved the Awards and the RSOP on July 9, 2010; the pertinent listing application was approved by the PSE on October 20, 2010.

The following table illustrates the number of and movement in stock options:

	2011		2010	
	Class A	Class B	Class A	Class B
Outstanding at beginning of year	192,000,000	128,000,000	—	—
Vested during the year	192,000,000	128,000,000	192,000,000	128,000,000
Exercised during the year	(384,000,000)	(256,000,000)	—	—
Outstanding at end of year	—	—	192,000,000	128,000,000

22. Commitments and Contingent Liabilities

- On May 11, 2011, the Parent Company, KCGRI and Philex entered into a Farm-in agreement (Agreement) for the exploration and joint development of the Kalaya-an Project located in Placer, Surigao del Norte. The pre-feasibility study of the project may be completed by Philex within the three (3) year earn-in period.

Pursuant to the agreement, the Parent Company sold to Philex a total of 125,000 shares of stock of KCGRI, representing a 5% interest in KCGRI, for a consideration of US\$25 million. Philex shall earn an additional 55% interest in KCGRI by sole-funding all pre-development expenses including a final feasibility study for the Project.

- The Parent Company is either a defendant or co-defendant in certain civil and administrative cases which are now pending before the courts and other governmental bodies. In the opinion of management and the parent company's legal counsel, any adverse decision on these cases would not materially affect the consolidated financial position and results of operations as at and for the years ended December 31, 2011, 2010 and 2009.

23. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents and accounts payable and accrued expenses. The main purpose of the financial instruments is to fund the Group's operations. The Group has other financial instruments such as receivables, miscellaneous deposits, AFS investments and nontrade payables which arise directly from operations. The main risks arising from the use of financial instruments are credit risk, market risk and liquidity risk. The Group's BOD reviews and approves the policies for managing each of these risks and they are summarized below.

Credit Risk

Credit risk represents the loss that the Group would incur if a counterparty failed to perform its contractual obligations. The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all credit is subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.



The credit risk arising from these financial assets arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments. The Group's gross maximum exposure to credit risk is equivalent to the carrying values since there are no collateral agreements for these financial assets.

The table below shows the gross maximum exposure to credit risk without consideration to collateral or other credit enhancements for the components of the consolidated statements of financial position as at December 31, 2011 and 2010.

	Note	2011	2010
Cash with banks and cash equivalents	4	₱526,406,627	₱7,004,851
Nontrade receivables	5	725,276	56,931
Miscellaneous deposits included under "Prepayments and other current assets and other noncurrent assets"	7 & 11	3,118,352	2,229,065
AFS investments	8		
Quoted		102,098,500	—
Unquoted		7,500,000	7,500,000
Total credit risk exposure		₱639,848,755	₱16,790,847

The tables below summarize the aging analysis of the Group's financial assets as at December 31, 2011 and 2010:

2011	Neither past due nor impaired	Past due but not impaired				Impaired	Total
		Less than 30 days	30 to 60 days	61 to 90 days	Over 90 days		
Cash with banks	₱248,852,718	₱—	₱—	₱—	₱—	₱—	₱248,852,718
Cash equivalents	277,553,909	—	—	—	—	—	277,553,909
Nontrade receivables	—	171,254	2,000	210,000	342,022	569,506	1,294,782
Miscellaneous deposits	754,286	—	—	—	2,364,066	—	3,118,352
AFS investments	109,598,500	—	—	—	—	—	109,598,500
	₱636,759,413	₱171,254	₱2,000	₱210,000	₱2,706,088	₱569,506	₱640,418,261

2010	Neither past due nor impaired	Past due but not impaired				Impaired	Total
		Less than 30 days	30 to 60 days	61 to 90 days	Over 90 days		
Cash with banks	₱7,004,851	₱—	₱—	₱—	₱—	₱—	₱7,004,851
Nontrade receivables	—	—	800	25,000	31,131	569,506	626,437
Miscellaneous deposits	—	—	—	—	2,229,065	—	2,229,065
AFS investments	7,500,000	—	—	—	—	—	7,500,000
	₱14,504,851	₱—	₱800	₱25,000	₱2,260,196	₱569,506	₱17,360,353

The Group has assessed the credit quality of the following financial assets:

- Cash with banks and cash equivalents are assessed as high grade since these are deposited in reputable banks in the country as approved by the BOD and which have a low probability of insolvency.
- Quoted and unquoted equity instruments are assessed as high grade since it can be traded and are from companies with good financial capacity. The unquoted equity instruments are from one of the reputable hotels in the country.
- Miscellaneous deposits are assessed as high grade since these relate to advances made to local government agencies for pending project agreements.



There are no significant concentrations of credit risk within the Group.

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchanges rates, commodity prices, equity prices and other market changes. The Group's market risk originates from its holdings of equity instruments as well as foreign currency-denominated financial instruments.

Foreign Currency Risk

The Group uses the Philippine peso as its functional currency and is therefore exposed to foreign exchange movements, primarily in US dollar currency. The Group follows a policy to manage its currency risk by closely monitoring its cash flow position and by providing forecast on all other exposures in non-Philippine peso currencies.

The following table sets forth the Group's foreign currency-denominated monetary assets and liabilities as at December 31, 2011 and 2010:

	2011		2010	
	United States Dollar	Peso Equivalent	United States Dollar	Peso Equivalent
Cash	\$5,433	₱238,183	\$3,223	₱141,296
Accounts payable and accrued expenses	280,805	12,310,491	—	—
Net assets (liabilities)	(\$275,372)	(₱12,072,308)	\$3,223	₱141,296

The exchange rate of the Philippine peso to the US dollar is ₱43.84 as at December 31, 2011 and 2010.

The following table demonstrates the sensitivity to a reasonable possible change in exchange rates, with all other variables held constant, of the Group's pre-tax loss due to changes in fair value of monetary assets and liabilities.

	Peso Strengthens (Weakens) by	Effect on pre-tax income (loss)
2011	₱0.55 (0.68)	₱151,455 (187,253)
2010	₱0.82 (0.95)	(₱2,643) 3,062

The reasonable possible change in exchange rates in the next twelve (12) months were determined based on the historical movement of the US\$ and Philippine peso.

There is no other impact on the Group's equity other than those already affecting the consolidated pre-tax income (loss).



Equity Price Risk

Equity price risk is the risk that the fair values of equity securities will fluctuate because of changes in the level of indices and the value of individual stocks. The Group is exposed to equity securities price risk because of investments held by the Group, which are classified in the consolidated statements of financial position as AFS investments. The Group's exposure to equity price risk relates primarily to its AFS investment in LCMC.

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

Based on the historical movement of the stock exchange index, management's assessment of reasonable possible change was determined to be an increase (decrease) of 4.94% in 2011 resulting to a possible effect in the equity of increase (decrease) of ₱6,315,145 in 2011.

Liquidity Risk

Liquidity risk arises when there is a shortage of funds and the Group, as a consequence, could not meet its maturing obligations. The Group seeks to manage its liquid funds through cash planning on a monthly basis. The Group uses historical figures and experiences and forecasts from its collection and disbursement.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of advances from related parties. The Group considers its available funds and its liquidity in managing its long-term financial requirements. For its short-term funding, the Group's policy is to ensure that there are sufficient capital inflows to match repayments of short-term debt.

As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include bank loans and capital market issues. Accordingly, its loan maturity profile is regularly reviewed to ensure availability of funding through an adequate amount of credit facilities with financial institutions. Also, the Group only places funds in money markets which are exceeding the Group's requirements. Placements are strictly made based on cash planning assumptions and covers only a short period of time.

The tables below summarize the aging analysis of the Group's financial assets as at December 31, 2011 and 2010 that are used to manage the liquidity risk of the Group:

2011	On demand	Less than 3 months	Total
Cash on hand with banks	₱249,752,972	₱—	₱249,752,972
Cash equivalents	—	277,553,909	277,553,909
Nontrade receivables	725,276	—	725,276
AFS investments	109,598,500	—	109,598,500
Total	₱360,076,748	₱277,553,909	₱637,630,657

2010	On demand	Less than 3 months	Total
Cash on hand and with banks	₱7,145,383	₱—	₱7,145,383
Nontrade receivables	56,931	—	56,931
AFS investments	7,500,000	—	7,500,000
Total	₱14,702,314	₱—	₱14,702,314



The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2011 and 2010 based on contractual undiscounted payments.

2011	On demand	Less than 3 months	Total
Accounts payable and accrued expenses	₱148,133,669	₱12,531,661	₱160,665,330
Nontrade payables	—	1,964,091	1,964,091
Total	₱148,133,669	₱14,495,752	₱162,629,421

2010	On demand	Less than 3 months	Total
Accounts payable and accrued expenses	₱174,893,478	₱—	₱174,893,478
Nontrade payables	—	1,180,648	1,180,648
Total	₱174,893,478	₱1,180,648	₱176,074,126

Fair Values

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash and Cash Equivalents, Nontrade Receivables, Miscellaneous Deposits, Accounts Payable and Accrued Expenses and Nontrade Payables

The carrying amounts of cash and cash equivalents, nontrade receivables, miscellaneous deposits, accounts payable and accrued expenses and nontrade payables, which are all subject to normal trade credit terms and are short-term in nature, approximate their fair values.

AFS Investments

Fair values of investments are estimated by reference to their quoted market price at the reporting date. For unquoted shares classified as AFS, these are carried at cost, since fair value of these AFS investments cannot be reliably determined as these securities have no available bid price.

The carrying values and fair values of the Group's financial assets and liabilities as at December 31, 2011 and 2010 are as follows:

	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
<i>Loans and receivables</i>				
Cash and cash equivalents	₱527,306,881	₱527,306,881	₱7,145,383	₱7,145,383
Nontrade receivables	725,276	725,276	56,931	56,931
Miscellaneous deposits included under "Prepayments and other current assets" and "Other noncurrent assets"	3,118,352	3,118,352	2,229,065	2,229,065
<i>AFS investments</i>	109,598,500	109,598,500	7,500,000	7,500,000
Total financial assets	₱640,749,009	₱640,749,009	₱16,931,379	₱16,931,379

(Forward)



	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Liabilities				
<i>Loans and borrowings</i>				
Accounts payable and accrued expenses	₱160,665,330	₱160,665,330	₱174,893,478	₱174,893,478
Nontrade payables	1,964,091	1,964,091	1,180,648	1,180,648
Total financial liabilities	₱162,629,421	₱162,629,421	₱176,074,126	₱176,074,126

Fair Value Hierarchy

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

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

As at December 31, 2011 and 2010, the following table presents the level of hierarchy of the Group's AFS investments:

	2011		2010	
	Level 1	Level 3	Level 1	Level 3
AFS investments				
Equity securities	₱102,098,500	₱7,500,000	₱—	₱7,500,000

There were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements as at December 31, 2011 and 2010, respectively.

There were no purchases, sales, issues and settlements of Level 3 AFS investments in 2011 and 2010.

24. Capital Management

The primary objective of the Group's capital management is to ensure that the Group has sufficient funds in order to support their business, pay existing obligations and maximize shareholder value. As at December 31, 2011 and 2010, the Group's capital is composed of common shares amounting to ₱2,019,832,208 and ₱2,013,429,141, respectively, and additional paid-in capital amounting to ₱502,173,727 and ₱495,773,727, respectively.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may obtain additional advances from stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2011. The Group is not exposed to externally imposed capital requirements.



25. Segment Reporting

As discussed in Note 1, the Parent Company and its ninety five percent (95%) owned subsidiary is engaged in the business of mine operations. Accordingly, the Group operates mainly in one reportable business and geographical segment which is the Philippines. No entity-wide disclosures pertaining to revenues are provided as the Group has not earned revenue. Noncurrent assets of the Group are located in the Philippines.

26. Supplemental Disclosure to Statement of Cash Flows

In 2011, the Group had a noncash financing activity pertaining to the increase of stock options receivables and capital stock amounting to ₱4,840,000.



**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Manila Mining Corporation and Subsidiary
20th Floor, Lepanto Building
8747 Paseo de Roxas, 1226 Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Manila Mining Corporation and Subsidiary as at December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011, included in this Form 17-A, and have issued our report thereon dated March 15, 2012. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Parent Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jaime F. del Rosario

Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-2 (Group A),
March 18, 2010, valid until March 17, 2013
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2009,
June 1, 2009, Valid until May 31, 2012
PTR No. 3174591, January 2, 2012, Makati City

March 15, 2012



SCHEDULE I
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2011

MANILA MINING CORPORATION
20th Floor, Lepanto Building, 8747 Paseo de Roxas, Makti City

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	(P905,619,866)*
Add: Net income actually earned/realized during the period	
Net income during the period closed to Retained Earnings	<u>P959,220,294**</u>
Less: Non-actual/unrealized income net of tax	—
Equity in net income of associate/joint venture	—
Unrealized foreign exchange gain-net (except those attributable to Cash and Cash Equivalents)	24,711
Unrealized actuarial gain	—
Fair value adjustment (M2M gains)	—
Fair value adjustment of Investment Property resulting to gain	—
Adjustment due to deviation from PFRS/GAAP-gain	—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—
Subtotal	<u>24,711</u>
Add: Non-actual losses	—
Depreciation on revaluation increment (after tax)	—
Adjustment due to deviation from PFRS/GAAP-loss	—
Loss on fair value adjustment of investment property	—
Subtotal	<u>—</u>
Net income actually earned during the period	<u>959,195,583</u>
Add (Less):	
Dividend declarations during the period	—
Appropriations of retained earnings	—
Reversals of appropriations	—
Effects of prior period adjustments	—
Treasury shares	—
Subtotal	<u>—</u>
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND	<u><u>P53,575,717</u></u>

*Pertains to the deficit balance as at December 31, 2010.

**Per consolidated financial statements, P954,621,275 were accounted under equity transactions.

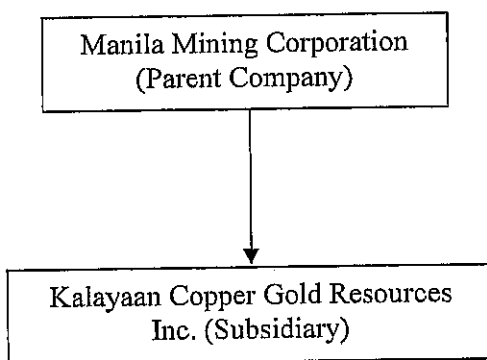


**SCHEDULE II
MANILA MINING CORPORATION AND SUBSIDIARY
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2011**

	2011	2010
Profitability ratios:		
Return on assets	0.16%	(0.48%)
Return on equity	0.22%	(0.63%)
Net profit margin	N/A	N/A
Solvency and liquidity ratios:		
Current ratio	3.63:1	0.39:1
Debt to equity ratio	0.10:1	0.17:1
Quick ratio	3.15:1	0.04:1
Financial leverage ratio:		
Asset to equity ratio	1.10:1	1.17:1
Debt to asset ratio	0.09:1	0.15:1
Interest rate coverage ratio	N/A	N/A



SCHEDULE III
MANILA MINING CORPORATION AND SUBSIDIARY
A MAP SHOWING THE RELATIONSHIP BETWEEN THE PARENT COMPANY
AND ITS SUBSIDIARY
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2011



**SCHEDULE IV
MANILA MINING CORPORATION AND SUBSIDIARY
SCHEDULE OF EFFECTIVE STANDARDS AND
INTERPRETATIONS UNDER THE PFRS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2011**

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as of December 31, 2011:

PFRSs	Adopted/Not adopted/Not applicable
PFRS 1, <i>First-time Adoption of Philippine Financial Reporting Standards</i>	Adopted
PFRS 2, <i>Share-based Payment</i>	Adopted
PFRS 3, <i>Business Combinations</i>	Not Applicable
PFRS 4, <i>Insurance Contracts</i>	Not Applicable
PFRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Not Applicable
PFRS 6, <i>Exploration for and Evaluation of Mineral Resources</i>	Adopted
PFRS 7, <i>Financial Instruments: Disclosures</i>	Adopted
PFRS 8, <i>Operating Segments</i>	Adopted
PAS 1, <i>Presentation of Financial Statements</i>	Adopted
PAS 2, <i>Inventories</i>	Adopted
PAS 7, <i>Statement of Cash Flows</i>	Adopted
PAS 8, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	Adopted
PAS 10, <i>Events after the Reporting Period</i>	Adopted
PAS 11, <i>Construction Contracts</i>	Not Applicable
PAS 12, <i>Income Taxes</i>	Adopted
PAS 16, <i>Property, Plant and Equipment</i>	Adopted
PAS 17, <i>Leases</i>	Not Applicable
PAS 18, <i>Revenue</i>	Adopted
PAS 19, <i>Employee Benefits</i>	Adopted
PAS 20, <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	Not Applicable
PAS 21, <i>The Effects of Changes in Foreign Exchange Rates</i>	Adopted
PAS 23, <i>Borrowing Costs</i>	Not Applicable
PAS 24, <i>Related Party Disclosures</i>	Adopted
PAS 26, <i>Accounting and Reporting by Retirement Benefit Plans</i>	Not Applicable
PAS 27, <i>Consolidated and Separate Financial Statements</i>	Adopted
PAS 28, <i>Investments in Associates</i>	Not Applicable
PAS 29, <i>Financial Reporting in Hyperinflationary Economies</i>	Not Applicable
PAS 31, <i>Interests in Joint Ventures</i>	Not Applicable
PAS 32, <i>Financial Instruments: Presentation</i>	Adopted



PFRSs	Adopted/Not adopted/Not applicable
PAS 33, <i>Earnings per Share</i>	Adopted
PAS 34, <i>Interim Financial Reporting</i>	Not Applicable
PAS 36, <i>Impairment of Assets</i>	Adopted
PAS 37, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	Adopted
PAS 38, <i>Intangible Assets</i>	Not Applicable
PAS 39, <i>Financial Instruments: Recognition and Measurement</i>	Adopted
PAS 40, <i>Investment Property</i>	Not Applicable
PAS 41, <i>Agriculture</i>	Not Applicable
Philippine Interpretation IFRIC-1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	Not Applicable
Philippine Interpretation IFRIC-2, <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	Not Applicable
Philippine Interpretation IFRIC-4, <i>Determining whether an Arrangement contains a Lease</i>	Not Applicable
Philippine Interpretation IFRIC-5, <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	Adopted
Philippine Interpretation IFRIC-6, <i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>	Not Applicable
Philippine Interpretation IFRIC-7, <i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>	Not Applicable
Philippine Interpretation IFRIC-9, <i>Reassessment of Embedded Derivatives</i>	Not Applicable
Philippine Interpretation IFRIC-10, <i>Interim Financial Reporting and Impairment</i>	Not Applicable
Philippine Interpretation IFRIC-12, <i>Service Concession Arrangements</i>	Not Applicable
Philippine Interpretation IFRIC-13, <i>Customer Loyalty Programmes</i>	Not Applicable
Philippine Interpretation IFRIC-14, <i>PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	Not Applicable
Philippine Interpretation IFRIC-16, <i>Hedges of a Net Investment in a Foreign Operation</i>	Not Applicable
Philippine Interpretation IFRIC-17, <i>Distributions of Non-cash Assets to Owners</i>	Not Applicable
Philippine Interpretation IFRIC-18, <i>Transfers of Assets from Customers</i>	Not Applicable
Philippine Interpretation IFRIC-19, <i>Extinguishing Financial Liabilities with Equity Instruments</i>	Not Applicable
Philippine Interpretation SIC-7, <i>Introduction of the Euro</i>	Not Applicable
Philippine Interpretation SIC-10, <i>Government Assistance - No Specific Relation to Operating Activities</i>	Not Applicable
Philippine Interpretation SIC-12, <i>Consolidation - Special Purpose Entities</i>	Not Applicable



PFRSs	Adopted/Not adopted/Not applicable
Philippine Interpretation SIC-13, <i>Jointly Controlled Entities - Non-Monetary Contributions by Venturers</i>	Not Applicable
Philippine Interpretation SIC-15, <i>Operating Leases – Incentives</i>	Not Applicable
Philippine Interpretation SIC-21, <i>Income Taxes - Recovery of Revalued Non-Depreciable Assets</i>	Not Applicable
Philippine Interpretation SIC-25, <i>Income Taxes - Changes in the Tax Status of an Entity or its Shareholders</i>	Not Applicable
Philippine Interpretation SIC-27, <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>	Not Applicable
Philippine Interpretation SIC-29, <i>Service Concession Arrangements: Disclosures</i>	Not Applicable
Philippine Interpretation SIC-31, <i>Revenue - Barter Transactions Involving Advertising Services</i>	Not Applicable
Philippine Interpretation SIC-32, <i>Intangible Assets - Web Site Costs</i>	Not Applicable

The Group has not early adopted any PFRSs, PAS and Philippine Interpretations effective January 1, 2012 onwards.



SCHEDULE V
MANILA MINING CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
Financial Assets
December 31, 2011

SCHEDULE A

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Income received and accrued
Available for sale investments:			
Lepanto Consolidated Mining Corporation	65,870,000	₱102,098,500	—
Manila Peninsula	750,000	7,500,000	—
Total		₱109,598,500	—



MANILA MINING CORPORATION AND SUBSIDIARY
Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2011

SCHEDULE B

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
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NOT APPLICABLE



MANILA MINING CORPORATION AND SUBSIDIARY
Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
December 31, 2011

SCHEDULE C

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Kalayaan Copper- Gold Resources Inc., Subsidiary	₱718,745	₱7,850	₱-	₱-	₱726,595	₱-	₱726,595



MANILA MINING CORPORATION AND SUBSIDIARY
Intangible Assets – Other Assets
December 31, 2011

SCHEDULE D

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending balance
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NOT APPLICABLE



MANILA MINING CORPORATION AND SUBSIDIARY
Long-Term Debt
December 31, 2011

SCHEDULE E

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
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NOT APPLICABLE



MANILA MINING CORPORATION AND SUBSIDIARY
Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2011

SCHEDULE F

Name of related party	Balance at beginning of period	Balance at end of period
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NOT APPLICABLE



MANILA MINING CORPORATION AND SUBSIDIARY
Guarantees of Securities of Other Issuers
December 31, 2011

SCHEDULE G

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by a person for which statement is filed	Nature of guarantee
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NOT APPLICABLE



MANILA MINING CORPORATION AND SUBSIDIARY
Capital Stock
December 31, 2011

SCHEDULE H

Title of issue	Number of shares authorized	Total number of shares subscribed, issued and outstanding as shown under related balance sheet caption	Number of shares reserved for option warrants, conversions and other rights	Number of shares held by affiliates	Directors, officers and employees	Others
Common Stock						
Class "A"	156,000,000,000	121,247,471,213	576,000,000	22,551,342,198	2,539,841,957	96,156,287,058
Class "B"	104,000,000,000	80,772,390,156	384,000,000	17,974,859,636	1,552,634,893	61,244,895,627



**SCHEDULE V
MANILA MINING CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED**

**Financial Assets
December 31, 2011**

SCHEDULE A

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Income received and accrued
Available for sale investments:			
Lepanto Consolidated Mining Corporation	65,870,000	₱102,098,500	—
Manila Peninsula	750,000	7,500,000	—
Total		₱109,598,500	—



EXHIBIT "C"

MANILA MINING CORPORATION AND SUBSIDIARY
Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
December 31, 2011

SCHEDULE C

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Kalayaan Copper-Gold Resources Inc., Subsidiary	₱718,745	₱7,850	₱-	₱-	₱726,595	₱-	₱726,595



MANILA MINING CORPORATION AND SUBSIDIARY
Capital Stock
December 31, 2011

SCHEDULE H

Title of issue	Number of shares authorized	Total number of shares subscribed, issued and outstanding as shown under related balance sheet caption	Number of shares reserved for option warrants, conversions and other rights	Number of shares held by affiliates	Directors, officers and employees	Others
Common Stock						
Class "A"	156,000,000,000	121,247,471,213	576,000,000	22,551,342,198	2,539,841,957	96,156,287,058
Class "B"	104,000,000,000	80,772,390,156	384,000,000	17,974,859,636	1,552,634,893	61,244,895,627

