

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, 2018**
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:  
**20<sup>th</sup> 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:
<b>Class "A"</b>	<b>155,796,086,372</b>
<b>Class "B"</b>	<b>103,790,702,331</b>

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 31, 2018 was P1,761,655,769.76

## **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 20% 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	4,238 Stockholders
Kalaya-an Copper-Gold Resources, Inc.	May 31, 2007	P100 Million	P8.125 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 suspended 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 P3,438,062.51 in 2018 (P5,242,750.05 in 2017) for tailings pond and mine rehabilitation. It maintains a Mine Rehabilitation Fund in compliance with DENR regulations.

The Company obtained from the Mines and Geosciences Bureau the second renewal of Exploration Permit No. XIII-014-A, covering 2,462.9 has. in Surigao del Norte, on April 28, 2010. A third renewal was applied for in 2012 and remains pending.

## **Subsidiary**

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

## **Research and Development Activities**

The company spent P3,891,355.65 for the further rehabilitation and equipping of the MMC Assay laboratory to industry standards and to provide timely laboratory support considering the increasing number of core samples produced by the drilling operations.

## **Employees**

MMC had a total of 70 employees, 5 in Makati and 65 at Placer, Surigao del Norte as of the end of 2018; 11 of them were managerial, 13 were supervisors, 26 rank-and-file and 15 were 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.

The Company not being in operation, none of the employees are subject to a CBA. There are no arrangements for any supplemental benefits or incentives with the employees.

## **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 2,178.28 hectares and EP No. XIII-014B covering 286.63 hectares in the name of Kalayaan, both subject of applications for third renewal.

MMC had two (2) 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, expired 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. 00006-X, APSA 00007-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 leased for P50,000 per year an 11-hectare land where its various mining equipment are located. The renewal of the lease is subject of a case with the Regional Trial Court of Surigao City.

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

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 on the Philippine Stock Exchange. Hereunder are the quarterly market prices of said securities from 2015-2017:

### **Manila Mining "A"**

	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	April 2, 2019
Low	0.011	0.011	0.01	0.0093	0.0090	0.0079	0.0070	0.0070	0.0078
High	0.012	0.011	0.01	0.0094	0.0090	0.0080	0.0070	0.0070	0.0086

### **Manila Mining "B"**

	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	April 2, 2019
Low	0.012	0.011	0.011	0.0094	0.0094	0.0081	0.0070	0.0065	0.0085
High	0.012	0.011	0.011	0.01	0.0095	0.0081	0.0073	0.0065	0.0086

## **Securities, Shareholders and Public Ownership**

As of December 31, 2018, the company had 4,192 shareholders. There were approximately 4,008 and 184 holders of common "A" and common "B" shares, respectively. As of the same date, Total Public Ownership constituted 77.85% of the outstanding shares.

**Top 20 “A” and “B” Stockholders of the Company (as of March 31, 2019)**

	<u>Name</u>	<u>“A” Shares</u>	<u>%</u>
1	F. Yap Securities, Inc.	32,290,372,946	20.77
2	Lepanto Consolidated Mining Company	20,479,027,104	13.17
3	F. Yap Securities	3,274,405,991	2.10
4	Paulino Yap	1,955,669,495	1.26
5	Bryan Yap	1,945,977,139	1.25
6	Christine Yap	1,861,557,111	1.20
7	Lepanto Investment & Dev. Corp.	1,481,975,190	0.95
8	Emma Yap	1,478,067,401	0.95
9	Patrick Resources Corporation	1,301,152,163	0.84
10	Paul Yap Jr.	1,113,677,703	0.72
11	Christine Karen Yap	886,334,939	0.57
12	Coronet Property Holdings Corp.	833,093,546	0.54
13	A/C-CKY FYSI	754,994,507	0.49
14	Ventura Resources Corporation	718,565,954	0.46
15	Zamcore Resources Corporation	707,395,421	0.45
16	Lindsay Resources Corporation	651,542,763	0.42
17	A/C B. Y. FYSI	524,193,274	0.34
18	Arlene K. Yap	457,065,671	0.29
19	David Go Securities Corp.	436,519,534	0.28
20	Shipside, Inc.	360,082,672	0.23

	<u>Name</u>	<u>“B” Shares</u>	<u>%</u>
1	<i>F. Yap Securities, Inc.</i>	<i>15,398,414,195</i>	<i>14.87</i>
2	<i>F. Yap Securities, Inc.</i>	<i>12,477,721,842</i>	<i>12.05</i>
3	<i>Lepanto Consolidated Mining Company</i>	<i>12,045,531,915</i>	<i>11.63</i>
4	<i>F. Yap Securities</i>	<i>9,355,685,411</i>	<i>9.03</i>
5	<i>Lepanto Investment &amp; Dev. Corp.</i>	<i>5,037,619,533</i>	<i>4.86</i>
6	<i>Paulino Yap</i>	<i>1,807,117,128</i>	<i>1.74</i>
7	<i>F. Yap Securities</i>	<i>1,665,206,615</i>	<i>1.61</i>
8	<i>Cresencio Yap</i>	<i>1,454,767,065</i>	<i>1.40</i>
9	<i>Bryan Yap</i>	<i>1,124,317,007</i>	<i>1.09</i>
10	<i>Emma Yap</i>	<i>962,564,863</i>	<i>0.93</i>
11	<i>Coronet Property Holdings Corp.</i>	<i>851,662,573</i>	<i>0.82</i>
12	<i>Pacita Yap</i>	<i>824,539,227</i>	<i>0.80</i>
13	<i>David Go Securities Corp.</i>	<i>586,065,344</i>	<i>0.57</i>
14	<i>Christine Karen Yap</i>	<i>492,917,544</i>	<i>0.48</i>
15	<i>Christine Yap</i>	<i>461,919,918</i>	<i>0.45</i>
16	<i>Paul Yap Jr.</i>	<i>434,761,927</i>	<i>0.42</i>
17	<i>Quality Investments &amp; Securities Corp.</i>	<i>415,011,235</i>	<i>0.40</i>
18	<i>Martesio Perez</i>	<i>251,735,175</i>	<i>0.24</i>
19	<i>Shipside, Inc.</i>	<i>232,893,997</i>	<i>0.22</i>
20	<i>Jessamyn Desiree B. Perez</i>	<i>191,561,253</i>	<i>0.18</i>

**Submission of Matters to a Vote of Security Holders**

No matter was submitted by the Company during the fourth quarter of 2016 to a vote of security holders.

### **Recent Sales of Unregistered or Exempt Securities**

The Company sold shares pursuant to a 1:3.56 preemptive rights offer in June 2014, totaling 34,165,808,415 “A” and 22,761,118,932 “B” common shares at P0.012 per share, raising P683.12 million.

### **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. In compliance with SRC Rule 68(30) (b) (iv), Mr. Jaime F. del Rosario became the certifying partner from 2007 to 2011 and from 2014 to 2017. Ms. Eleanore A. Layug, certifying partner from 2012- 2013, is also the certifying partner for 2018.

Representatives of SGV & Co. will be present at the Annual Meeting on April 16, 2019 to respond to queries on issues they can shed light on.

SGV is being recommended for re-appointment as external auditors.

### **Audit and Audit Related Fees**

For the audit of the financial statements for year 2017, SGV & Co. billed the Company the sum of P475,450. The agreed amount for the audit of the 2018 financial statements is P484,450.

SGV & Co. also reviewed the utilization of the proceeds of the Company’s 1:3.56 SRO in 2014 pursuant to the PSE’s conditions for listing, for which the Company paid the amount of P100,000.

### **Audit Committee’s Approval Policies and Procedures**

Prior to commencement of audit services, the external auditors present their Audit Plan to the Audit Committee, indicating the applicable accounting standards, audit objectives, scope, approvals, methodology, needs and expectations and timetable, among others. 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 Atty. Ethelwoldo E. Fernandez.

The Committee revised its charter in 2012 to conform to SEC Memorandum Circular No. 4, Series of 2012, and has conducted a self-assessment pursuant to the same circular.

## **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	82	Filipino	Since 1976
EDUARDO A. BANGAYAN(Independent)	67	-do-	Since 1989
ETHELWOLDO E. FERNANDEZ	91	-do-	Since 2001
RODOLFO S. MIRANDA (Independent)	75	-do-	Since 2009
BRYAN U. YAP	46	-do-	Since 1994
RENE F. CHANYUNGCO	66	-do-	Since 2004
DOUGLAS JOHN KIRWIN	68	Australian	Since 2014
PATRICK K. YAP	40	-do-	Since 2005
STEPHEN Y. YAP	49	-do-	Since 2013

### Executive Officers:

### Position

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
STEPHEN Y. YAP	- Vice President
PABLO AYSON, JR.	- Vice President
KNESTOR JOSE Y. GODINO	- Asst. Vice President for Human Resource
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 LCMC and of Far Southeast Gold Resources, Inc. He is the Vice Chairman of the Board of Prime Orion Philippines, Inc.; Chairman of the Board of Zeus Holdings, Inc. and a Director of, among others, Manila Peninsula Hotel, Inc., 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 LCMC since 2003. He has been a Director of LCMC and of Far Southeast Gold Resources, Inc. (FSGRI) since 1994. In February 2011, he was elected President of Manila Mining Corporation. He is also the President of Kalayaan Copper-Gold Resources, Inc.; Lepanto Investment and Development Corporation (LIDC); Shipside, Inc.; Diamond Drilling Corporation of the Philippines and Diamant Manufacturing and Trading Corporation (DMTC).

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 Director of the Davao City Water District; Summit World Group of Companies, First Tagum Rural Bank, Inc. and Fuji Oil Philippines. He is the Chairman of Summit World Ventures, Inc. He was elected director of Chelsea Logistics Corporation in 2017. He is also a Member of the Board of Governors of Philippine National Red Cross.



Atty. **Ethelwoldo E. Fernandez** rejoined the Company as Corporate Secretary and Director in 2001, the same year he was reappointed Corporate Secretary of LCMC. 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 LCMC 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 is a Vice President of LCMC and Kalayaan Copper-Gold Resources, Inc.

Mr. **Patrick K. Yap** is 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.

Mr. **Douglas John Kirwin** was the Exploration Manager of Ivanhoe Mines from 1995 (when it was known as Indochina Goldfields Ltd) until 2012. He was the Vice President of the Society of Economic Geology from 2009 to 2011, where he continues to serve as an honorary lecturer. He is now semi-retired with a part time consulting business. He is also a member of the board of Zeus Holdings, Inc. since June 2017.

Atty. **Jose Raulito E. Paras** is the Senior Partner of Andres Padernal and Paras Law Offices. He has been a member of the board of Zeus Holdings, Inc. since June 2016.

Mr. **Stephen Y. Yap** was vice president for operations of Tutuban Properties, Inc. from 2002-2017. He is currently vice –president of the Felcris Group of Companies.

Atty. **Pablo Ayson, Jr.** was appointed Vice President in November 2006. He is also a Vice President of LCMC. He has been a member of the board of directors of Zeus Holdings, Inc. since June 2016 and Kalayaan Copper-Gold Resources, Inc. from 2017 to present.

Ms. **Ma. Lourdes B. Tuason** is the Vice President and Treasurer of LCMC; Asst. Treasurer of FSGRI, Director and Treasurer of SSI, DDCP and LIDC; Director and Vice President of DMTC. She has been the Treasurer of Zeus Holdings, Inc. since November 2015.

Atty. **Odette A. Javier** has been the Company's Assistant Corporate Secretary since 1993. She is the Vice President-Assistant Corporate Secretary of LCMC. She is a Director of Zeus Holdings, Inc., LIDC and DMTC.

Mr. **Knestor Jose Y. Godino** joined the company as Asst. Vice President for Human Resource in January 2013. He has been with LCMC since 2006 where he was promoted to Vice President in 2015.

### **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. Messrs. Patrick K. Yap and Stephen U. Yap are nephews 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.

### **Related Party Disclosures**

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and their key management personnel, directors, or its stockholders.

The Parent Company provides cash advance to be used to pay expenses and pays expenses on behalf of its 95%-owned subsidiary, KCGRI.

Intercompany transactions are eliminated in the consolidated financial statements. The Group's related party transactions are as follows:

	Relationship	Year	Amounts/ Volume	Outstanding Balances	Terms and Conditions
<b>Related Party</b>					
<i>Receivables</i>					
KCGRI	Subsidiary	2018	<b>₱110,224</b>	<b>₱1,308,874</b>	On demand Noninterest-bearing To be collected in cash
		2017	₱95,410	₱1,198,650	Unsecured, no impairment

LCMC holds a 20% equity interest in the Parent Company. It provided cash advances and paid expenses on behalf of the Parent Company.

DDCP, a wholly owned subsidiary of LCMC, provides various drilling services to the Parent Company.

Shipside, Inc. a wholly owned subsidiary of LCMC, provides hauling services to the Parent Company.

The Parent Company, in the normal course of business, enters into transactions with related parties. The consolidated statements of financial position include the following assets and liabilities resulting from the above transactions with related parties:

Related Party	Relationship	Year			
<i>Contract Deposits (Note 7)</i>					
			Amounts/ Volume	Balance Outstanding	Terms and Conditions
DDCP	Affiliate	2018	<b>P59,157,406</b>	<b>P60,014,594</b>	On demand Noninterest-bearing Refundable in cash
		2017	P–	P119,172,000	Unsecured, no impairment
<i>Due to Related Parties (Note 12)</i>					
LCMC	Affiliate	2018	<b>P2,029,054</b>	<b>P2,610,859</b>	On demand Noninterest-bearing To be settled in cash
		2017	P581,805	P2,821,479	Unsecured, no guarantee
Shipside, Inc.	Affiliate	2018	<b>69,428</b>	<b>336,947</b>	On demand Noninterest-bearing To be settled in cash
		2017	267,519	275,570	Unsecured, no guarantee
<b>Totals</b>		<b>2018</b>	<b>P2,098,482</b>	<b>P2,947,806</b>	
Totals		2017	P849,324	P3,097,049	

Total compensation of the Group's key management personnel in 2018, 2017 and 2016, which pertains to short-term benefits, amounted to P484,450, P465,950 and P475,950, respectively. Key management of the Group are the executive officers and directors. There were no post-employment benefits paid for the Group's key management personnel in 2018, 2017 and 2016.

### Summary Compensation Table

	2017 Total (All Cash)	Basic Salary	Bonus (13 <sup>th</sup> 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, Sr. Vice Pres. ) Stephen Y. Yap , Vice Pres. )	P468,950	P421,800	P35,150	P12,000
All officers and directors	P468,950	P421,800	P35,150	P17,000
<b>2018 (Total)</b>				
Felipe U. Yap, Chairman ) Bryan U. Yap, President ) Rene F. Chanyungco, Sr. Vice Pres./Treasurer ) Patrick K. Yap, Sr. Vice Pres. ) Stephen Y. Yap , Vice Pres. )	P467,950	P421,800	P35,150	P11,000
All officers and directors	P484,450	P421,800	P35,150	P27,500
<b>2019 (Estimate)</b>				
Executive officers listed above	P467,950	P421,800	P35,150	P11,000
All officers and directors	P484,450	P421,800	P35,150	P27,500

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 P1,000.00 each for attendance of every regular or special meeting. For each Committee meeting attended, member-directors are paid a per diem of P1,000.00 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 March 31, 2019:

Title of Class	Name/Address of Record Owner**	Relationship to Issuer	Name of Beneficial Owner	Citizenship	A Shareholdings	%	B Shareholdings	%
A & B	F. Yap Securities, Inc. 17/F Lepanto Building, Paseo de Roxas, Makati City	Substantial Stockholder	same	Filipino	32,290,372,946	20.73	38,897,028,068	37.48
A & B	Lepanto Cons. Mining Co. 21/F Lepanto Bldg., Paseo de Roxas, Makati City	Substantial Stockholder	same	-do-	20,479,027,104	13.14	12,045,531,915	11.61
A & B	*Lepanto Investment & Development Corporation 21/F Lepanto Bldg., Paseo de Roxas, Makati City	Subsidiary of Substantial Stockholder	same	-do-	1,481,975,190	0.95	5,037,619,533	4.85

The Boards of Directors of Lepanto Consolidated Mining Company (LCMC) and Lepanto Investment and Development Corporation (LIDC) have the power to dispose of these corporations' shares. As to F. Yap Securities, Ms. Pacita K. Yap has such power. All three companies have proxies in favor of the Chairman, Mr. Felipe U. Yap.

\* - 100% owned subsidiary of Lepanto Consolidated Mining Company

### **Equity Ownership of Foreigners**

As of March 31, 2019, the record date, none of the "A" shares and 1.91% of the "B" shares were held by foreigners.

**\*\*Directors and Executive Officers** (as of March 31, 2019)

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	265,625,176 / 223,177,636	Filipino	0.171 / 0.216
A & B	Bryan U. Yap	Director/President	2,941,721,049 / 1,670,734,557	-do-	1.892 / 1.613
A & B	Ethelwoldo E. Fernandez	Director/Corp. Sec.	16,422,471 / 15,748,315	-do-	0.011 / 0.015
A & B	Rene F. Chanyungco	Director/SVP/Treasurer	39,240,449 / 29,780,888	-do-	0.025 / 0.029
B	Douglas John Kirwin	Director	1	Australian	nil
B	Rodolfo S. Miranda***	Director	- / 842,697	-do-	nil / 0.004
A & B	Eduardo A. Bangayan***	Director	7,566,975 / 35,441,945	-do-	0.005 / 0.034
A & B	Patrick K. Yap	Director/SVP	60,551,930 / 32,791,011	-do-	0.039 / 0.032
A & B	Stephen Y. Yap	Director	1,280,898 / -	-do-	nil
A & B	Pablo T. Ayson, Jr.	Vice President	15,728,270 / 14,513,370	-do-	0.010 / 0.014
A & B	Ma. Lourdes B. Tuason	Asst. Treasurer	37,388,257 / 40,060,862	-do-	0.024 / 0.039
A & B	Odette A. Javier	Asst. Corp. Sec.	15,073,314 / 8,145,126	-do-	0.010 / 0.008
	<i>Aggregate as a group</i>		<i>3,400,598,789 / 2,071,236,408</i>		<i>2.219 / 2.002</i>

\*\* - 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 on July 8, 2010 and by the PSE on October 20, 2010. As of end- 2013, a total of 768,000,000 A and 512,000,000 B common shares have been exercised by the grantees, covering the first, second, third and fourth tranches of the Grant. No further exercises were made until the Grant expired in July 2015 and all remaining shares under the Grant were cancelled accordingly.

**2019 Plan of Operation**

Processing of geologic information will continue, as well as metallurgical tests towards the finalization of ore reserve estimates. Simulation studies on proposed mining approaches and designs based on the known geology of the Placer property and projected economic and market parameters continue towards the objective of establishing the feasibility of resuming operations.

Activities continue to be funded out of the proceeds of the 2014 capital-raising. There is no need to raise additional capital during the year. There is no plan to purchase or sell any plant or equipment or to hire or remove a significant number of employees.

## **Management's Discussion and Analysis of Financial Condition and Results of Operations for 2018, 2017 & 2016**

### **2018**

In 2018, interest income amounted to P52,261 compared with P50,127 in 2017. An interest expense of P735,314 (vs. P661,549 in 2017) was booked as a result of the actuarial valuation of retirement benefit obligations. An impairment provision amounting to P4.88 Million (vs. P17.99 Million in 2017) was made to increase allowance for doubtful recoverability of Input VAT.

This year's Administration and overhead costs (inclusive of depreciation and current service cost/pension cost) amounted to P7.56 Million compared with P6.93 Million last year on account of continuing exploration and maintenance.

A tax benefit amounting to P0.480 Million was recognized compared with the provision for deferred income tax of P0.874 Million in 2017 due to reconciliation of income tax applicable to loss before income tax at the statutory rates.

Net Loss (after provision for deferred income tax) for the year decreased to P12.58 Million from P26.2 Million in 2017.

Year end cash balance decreased by 23% to P8.73 Million from P11.38 Million on account of continuing exploration and care and maintenance activities. Non trade receivables decreased by 53% to P0.267 Million due to settlement of account.

Materials and supplies inventory increased by 12% to P7.78 Million from P6.8 Million in 2017 due to continuing exploration activities. Prepayments decreased by 47% to P67.38 Million as a result of account reclassification.

Available for sale investment (reclassified as financial assets designated at fair value through other comprehensive income) decreased by 16% to P16.22 Million from P19.3 Million in 2017, due to lower market price of quoted instrument at year-end. Accordingly, cumulative changes in fair values of AFS (reclassified as fair value reserve of financial assets designated at FVOCI) amounted to P53.72 Million compared with P50.68 Million in 2017. Also pursuant to actuarial assumptions, Re-measurement of retirement benefit obligations resulted in a gain of 46% to P3.61 Million from P2.46 Million in 2017. The reported Total Comprehensive Loss of P14.48 Million (compared with P28.9 Million in 2017) relate to these two accounts.

Nontrade payable decreased by 7% due to settlement of charges from affiliates.

There are no known trends, events or uncertainties that will impact on the liquidity of, or could trigger direct or contingent financial obligation that is material, to the Company. There are no material off-balance sheet transactions, arrangements or obligations.

## 2017

Interest income amounted to P50,127 in 2017 compared with P47,718 in 2016. An interest expense of P661,549 (vs. P599, 811 in 2016) was incurred, representing the interest cost on the retirement benefits obligation based on actuarial valuation. An impairment provision amounting to P17.99 Million (P27.36 Million in 2016) was booked to provide allowances for doubtful recoverability of Input VAT.

A provision for deferred income tax amounting to P0.874 Million was booked reflecting the decrease in net loss. In 2016, a tax benefit of P0.437 Million was booked.

Net loss (after provision for deferred income tax) for the year decreased to 26.2 Million from P34.4 Million in 2016 due to the impairment provision discussed above.

Changes in fair values of AFS financial assets for the year amounted to P3.5 Million loss versus P1.7 Million gain in 2016. This is shown as Other Comprehensive Income (OCI) in 2017 together with a re-measurement gain on retirement obligations, for a Total Comprehensive Loss of P28.9 Million compared with P32.6 Million in 2016.

The cash balance in 2017 increased by P1.55 Million due to deferred payment of exploration and care and maintenance activities.

Non trade receivables increased by 4% to P0.565 Million due to charges to affiliates.

Materials and supplies inventory decreased by 2% to P6.8 Million due to consumptions for exploration and development and maintenance activities.

Prepayments decreased by 40% to P133 Million on account of exploration activities and impairment provisions.

Available for sale investments decreased by 15% to P19.3 Million from P22.8 Million in 2016, due to lower market price of quoted AFS investments at the end of 2017.

Retirement benefits obligation (Pension Liability) decreased by 2% to P13.08 Million from P13.31 Million in 2016 pursuant to actuarial assumptions.

Cumulative changes in fair values of AFS amounted to (P50.68 Million) compared with (P47.2 Million) in 2016 due to decrease in quoted prices at year end. Also pursuant to actuarial assumptions, Re-measurement of retirement benefits obligations resulted in a gain of 43% to P2.46 Million in 2017 from P1.7 Million in 2016.

There are no known trends, events or uncertainties that will impact on the liquidity of, or could trigger direct or contingent financial obligation that is material, to the Company. There are no material off-balance sheet transactions, arrangements or obligations.

## 2016

Interest income amounted to P47, 718 in 2016 compared with P P108, 347 in 2015. An interest expense of P599, 811 (vs. P501, 745 in 2015) was incurred, representing the interest cost on the

retirement benefits obligation based on actuarial valuation. Impairment provision amounting to P27.36 million was booked to provide allowances for doubtful recoverability of Input VAT.

Administration and overhead costs (inclusive of depreciation and current service cost/pension cost) amounted to P7.04 million, compared with P8.02 million in 2015, a decrease of about 13% on account of efficient spending and many of the fully depreciated property and equipment are still useable.

A tax benefit decreased to P0.437 million from P 10.6 million in 2015, due to the decrease of losses at statutory rates.

Net loss (after provision for income tax) for the year decreased to P34.4 million from P79.6 million in 2015 due to the impairment provision discussed above.

Changes in fair values of AFS financial assets amounted to (P1.7 million) versus (P3.4 million) in 2015. This is shown as Other Comprehensive Income (OCI) in 2016 together with a re-measurement gain on retirement obligations, for a Total Comprehensive Loss of P32.6 million, compared with P82.7 million last year.

The cash balance in 2016 decreased by 45% to P9.83 million on account of the continuing exploration and care and maintenance activities.

Non trade receivables decreased by 73% to P0.174 million due to collection and settlement of accounts.

Materials and supplies inventory decreased by 5% to P6.7 million due to consumptions.

Prepayments decreased by 29% to P220.6 million on account of exploration activities and lower impairment provisions.

Mine exploration costs increased by 5% to P1.53 billion from P1.46 billion as a result of the continuing exploration activities.

Available for sale investments increased by 8.0% to P22.8 million from P21.0 million in 2015, due to slight improvement in exit market price of quoted AFS investments in year end 2016.

Retirement benefits obligation (Pension Liability) increased by 10.74% to P13.0 million pursuant to actuarial assumptions.

Cumulative changes in fair values of AFS amounted to (P47.2 million) compared with (P48.9 million) in 2015 due to slight improvement in quoted prices at year end. Also pursuant to actuarial assumptions, Re-measurement of retirement benefits obligations resulted in a gain of 11.14% to P1.7 million in 2016 from P1.5 million in 2015.

There are no known trends, events or uncertainties that will impact on the liquidity of, or could trigger direct or contingent financial obligation that is material, to the Company. There are no material off-balance sheet transactions, arrangements or obligations.



### 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.

### Financial Statements

Attached as Exhibit “A” hereof, are the Company’s Audited Financial Statements for 2018 covered by the Statement of Management’s Responsibility and the Auditor’s Report signed by Ms. Eleanore A. Layug, with the following exhibits:

Exhibit “B”	-	Schedule A	-	Supplementary Schedules Under Annex 68-E Pursuant to SRC Rule 68, as amended
“C”	-	Schedule B	-	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders
“D”	-	Schedule C	-	Amounts Receivable from Related Parties
“E”	-	Schedule D	-	Intangible Assets – Other Assets
“F”	-	Schedule E	-	Long-Term Debt
“G”	-	Schedule F	-	Indebtedness to Related Parties
“H”	-	Schedule G	-	Guarantees of Securities of Other Issuers
“I”	-	Schedule H	-	Capital Stock


### Reports on Form 17-C

<u>Date of Report</u>	<u>Subject</u>
February 26, 2018	Setting of Annual Stockholders’ Meeting
April 17, 2018	Results of the Annual Stockholders’ Meeting
April 17, 2018	Results of the Organizational Meeting


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, 2019.


Manila Mining Corporation  
Issuer

  
FELIPE U. YAP  
Chairman of the Board &  
Chief Executive Officer  
SSS No. 06-0091101-0

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

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

  
ODETTE A. JAVIER  
Asst. Corporate Secretary  
SSS No. 03-7641344-4

  
JOSEPHINE DC. SUBIDO  
Chief Accountant  
SSS No. 03-5162765-3

**MAKATI CITY**

**APR 12 2019**

SUBSCRIBED AND SWORN TO before me this \_\_\_\_ day of April 2019 at Makati City, affiant, who are personally known to me, exhibiting to me their SSS ID nos. indicated above.

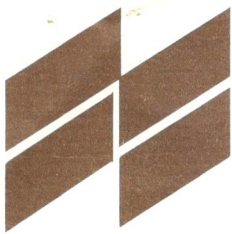
Doc. No. 171:

Page No. 36:

Book No. 11:

Series of 2019.

**ATTY. GERVACIO B. ORTIZ, JR.**  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2020  
PTR NO. 7333104 / 01-03-2019 MAKATI  
IBP NO 656755 LIFETIME MEMBER  
APPT. NO. M104 / 2017 / ROLL NO. 4009  
MCLE COMPLIANCE NO. V-0006934  
UNIT 102 PENINSULA COURT BLDG  
8735 MAKATI AVE., 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

SECURITIES AND EXCHANGE COMMISSION  
Secretariat Building, PICC Complex  
Roxas Boulevard, Metro Manila

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Manila Mining Corporation** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2018 and 2017**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

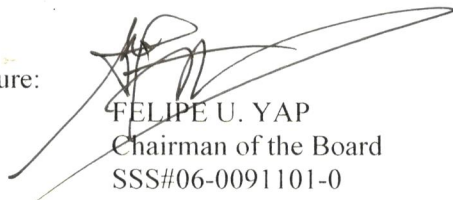
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidated the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

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

Signature:



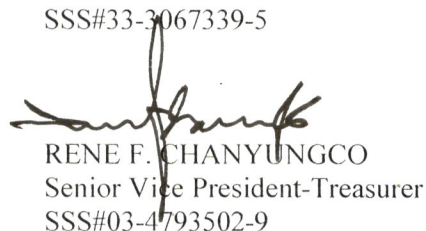
FELIPE U. YAP  
Chairman of the Board  
SSS#06-0091101-0

Signature:



BRYAN U. YAP  
President  
SSS#33-3067339-5

Signature:



RENE F. CHANYUNGCO  
Senior Vice President-Treasurer  
SSS#03-4793502-9

Signed this 18<sup>th</sup> day of March 2019.

MAKATI CITY

MAR 21 2019

SUBSCRIBED AND SWORN TO before me this \_\_\_\_\_ day of March 2019 at Makati City, affiant exhibiting to me their SSS ID nos. indicated above.

Doc. No. 436  
Page No. 89  
Book No. 1111 :  
Series of 2018

ATTY. GERVACIO M. ORTIZ, JR.  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2020  
PTR NO. 7333104 / 01-03-2019 MAKATI  
IBP NO. 656155 LIFETIME MEMBER  
APPT. NO. MCH 12617 / ROLL NO. 4009  
MCLE COMPLIANCE NO. V-0006934  
UNIT 102 PENINSULA COURT BLDG  
8735 MAKATI AVE., MAKATI CITY

# **Manila Mining Corporation and Subsidiary**

Consolidated Financial Statements  
December 31, 2018 and 2017  
and Years Ended December 31, 2018,  
2017 and 2016

and

Independent Auditor's Report



## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
Manila Mining Corporation and Subsidiary

### Opinion

We have audited the consolidated financial statements of Manila Mining Corporation and its subsidiary (“the Group”), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, 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, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

#### *Recoverability of Deferred Mine Exploration Costs*

The ability of the Group to recover its deferred mine exploration costs depends on the commercial viability of extracting the ore reserves. The carrying value of the Group's deferred mine exploration costs as at December 31, 2018 amounting to ₱2.91 billion, which is 92% of the Group's consolidated total assets. Under PFRS 6, Exploration for and Evaluation of Mineral Resources, these mine exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The ability of the Group to recover its mine exploration costs would depend on the commercial viability of extracting the ore reserves. We considered this as a key audit matter because of the materiality of the amount involved, and the significant management judgment required in assessing whether there is any indication of impairment. See Notes 1 and 10 to the consolidated financial statements.

#### *Audit Response*

We obtained management's assessment on whether there are impairment indicators affecting the recoverability of the deferred mine exploration costs and inquired into the validity of their exploration permits. We reviewed contracts and agreements, and the budget for exploration costs. We inspected the licenses, permits and correspondences with regulatory agencies of each exploration project to determine that the period, for which the Group has the right to explore in the specific area, has not expired, will not expire in the near future and will be renewed accordingly. We also inquired about the existing mining areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas. See Note 1 to the consolidated financial statements.

#### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.





## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are





inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Eleanore A. Layug.

SYCIP GORRES VELAYO & CO.



Eleanore A. Layug

Partner

CPA Certificate No. 0100794

SEC Accreditation No. 1250-AR-2 (Group A),

February 28, 2019, valid until February 27, 2022

Tax Identification No. 163-069-453

BIR Accreditation No. 08-001998-97-2018,

February 2, 2018, valid until February 1, 2021

PTR No. 7332561, January 3, 2019, Makati City

March 18, 2019



**MANILA MINING CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Note 4)	<b>₱8,737,477</b>	₱11,377,846
Receivables (Note 5)	<b>10,047,050</b>	10,344,597
Inventories (Note 6)	<b>7,678,893</b>	6,873,805
Prepayments and other current assets (Note 7)	<b>62,388,331</b>	121,897,865
<b>Total Current Assets</b>	<b>88,851,751</b>	150,494,113
<b>Noncurrent Assets</b>		
Financial assets designated at fair value through other comprehensive income (FVOCI) (Note 8)	<b>16,218,793</b>	–
Available-for-sale (AFS) financial assets (Note 8)	–	19,254,801
Property and equipment (Note 9)	<b>119,492,318</b>	125,048,247
Deferred mine exploration costs (Note 10)	<b>2,908,707,619</b>	2,845,643,985
Other noncurrent assets (Note 11)	<b>16,543,011</b>	20,079,791
<b>Total Noncurrent Assets</b>	<b>3,060,961,741</b>	3,010,026,824
<b>TOTAL ASSETS</b>	<b>₱3,149,813,492</b>	₱3,160,520,937
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses (Note 12)	<b>₱140,646,046</b>	₱137,186,397
<b>Noncurrent Liabilities</b>		
Retirement benefits obligation (Note 16)	<b>13,111,070</b>	13,083,876
Deferred tax liability - net (Note 17)	<b>56,796,334</b>	56,787,733
<b>Total Noncurrent Liabilities</b>	<b>69,907,404</b>	69,871,609
<b>Total Liabilities</b>	<b>210,553,450</b>	207,058,006
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital stock (Note 18)	<b>2,595,502,255</b>	2,595,502,255
Additional paid-in capital (APIC)	<b>617,625,955</b>	617,625,955
Equity reserve (Note 18)	<b>954,621,275</b>	954,621,275
Remeasurement gain on retirement benefits obligation	<b>3,605,536</b>	2,464,950
Fair value reserve of financial assets designated at FVOCI (Note 8)	<b>(53,718,471)</b>	–
Cumulative changes in fair values of AFS financial assets (Note 2)	–	(50,682,463)
Deficit	<b>(1,178,735,129)</b>	(1,166,171,523)
	<b>2,938,901,421</b>	2,953,360,449
<b>Non-controlling interest</b>	<b>358,621</b>	102,482
<b>Total Equity</b>	<b>2,939,260,042</b>	2,953,462,931
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱3,149,813,492</b>	₱3,160,520,937

*See accompanying Notes to Consolidated Financial Statements.*



**MANILA MINING CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2018	2017	2016
<b>ADMINISTRATION AND OVERHEAD COSTS</b> (Note 14)	<b>(₱7,561,832)</b>	<b>(₱6,929,010)</b>	<b>(₱7,048,506)</b>
<b>OTHER INCOME (CHARGES) - Net</b>			
Interest expense (Note 16)	(735,314)	(661,549)	(599,811)
Interest income (Note 4)	52,261	50,127	47,718
Others - net (Note 15)	(4,824,053)	(17,787,502)	(27,285,628)
	<b>(5,507,106)</b>	<b>(18,398,924)</b>	<b>(27,837,721)</b>
<b>LOSS BEFORE INCOME TAX</b>	<b>(13,068,938)</b>	<b>(25,327,934)</b>	<b>(34,886,227)</b>
<b>BENEFIT FROM (PROVISION FOR) DEFERRED INCOME TAX</b> (Note 17)	<b>480,221</b>	<b>(874,685)</b>	<b>437,661</b>
<b>NET LOSS</b>	<b>(₱12,588,717)</b>	<b>(₱26,202,619)</b>	<b>(₱34,448,566)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Item that will be reclassified subsequently to other comprehensive income:</i>			
Changes in fair values of AFS financial assets	—	(3,503,086)	1,712,620
<i>Items that will not be reclassified to other comprehensive income:</i>			
Changes in fair values of financial assets designated at FVOCI (Note 8)	(3,036,008)	—	—
Remeasurement gain on retirement benefits obligation (Note 16)	1,629,408	1,067,025	246,065
Income tax effect	(488,823)	(320,108)	(73,819)
	<b>(1,895,423)</b>	<b>746,917</b>	<b>172,246</b>
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>(1,895,423)</b>	<b>(2,756,169)</b>	<b>1,884,866</b>
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>(₱14,484,140)</b>	<b>(₱28,958,788)</b>	<b>(₱32,563,700)</b>
<b>Net loss attributable to:</b>			
Equity holders of the Parent Company	(₱12,563,606)	(₱26,200,641)	(₱34,443,910)
Non-controlling interest	(25,111)	(1,978)	(4,656)
	<b>(₱12,588,717)</b>	<b>(₱26,202,619)</b>	<b>(₱34,448,566)</b>
<b>Total comprehensive loss attributable to:</b>			
Equity holders of the Parent Company	(₱14,459,029)	(₱28,956,810)	(₱32,559,044)
Non-controlling interest	(25,111)	(1,978)	(4,656)
	<b>(₱14,484,140)</b>	<b>(₱28,958,788)</b>	<b>(₱32,563,700)</b>
<b>LOSS PER SHARE</b> (Note 19)			
Basic and diluted loss per share	<b>(₱0.00005)</b>	<b>(₱0.00010)</b>	<b>(₱0.00013)</b>

See accompanying Notes to Consolidated Financial Statements.



**MANILA MINING CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016**

	Attributable to Equity Holders of the Parent Company										Non-controlling Interest NCI (Note 18)	Total
	Capital Stock (Note 18)			APIC	Equity Reserve (Note 18)	Remeasurement Gain on Retirement Obligation (Note 16)	Cumulative Changes in Fair Values of AFS Financial Assets (Note 8)	Fair Value Reserve of Financial Assets Designated at FVOCI (Note 8)	Deficit	Sub-total		
	Issued	Subscribed	Subscription Receivable									
Balances at January 1, 2016	₱2,590,560,436	₱5,307,451	(₱365,632)	₱617,625,955	₱954,621,275	₱1,545,787	(₱48,891,997)	₱—	(₱1,105,526,972)	₱3,014,876,303	₱109,116	₱3,014,985,419
Net loss	—	—	—	—	—	—	—	—	(34,443,910)	(34,443,910)	(4,656)	(34,448,566)
Other comprehensive income (loss), net of tax	—	—	—	—	—	172,246	1,712,620	—	—	1,884,866	—	1,884,866
Total comprehensive income (loss)	—	—	—	—	—	172,246	1,712,620	—	(34,443,910)	(32,559,044)	(4,656)	(32,563,700)
Balances at December 31, 2016	2,590,560,436	5,307,451	(365,632)	617,625,955	954,621,275	1,718,033	(47,179,377)	—	(1,139,970,882)	2,982,317,259	104,460	2,982,421,719
Net loss	—	—	—	—	—	—	—	—	(26,200,641)	(26,200,641)	(1,978)	(26,202,619)
Other comprehensive income, net of tax	—	—	—	—	—	746,917	(3,503,086)	—	—	(2,756,169)	—	(2,756,169)
Total comprehensive income (loss)	—	—	—	—	—	746,917	(3,503,086)	—	(26,200,641)	(28,956,810)	(1,978)	(28,958,788)
Balances at December 31, 2017	2,590,560,436	5,307,451	(365,632)	617,625,955	954,621,275	2,464,950	(50,682,463)	—	(1,166,171,523)	2,953,360,449	102,482	2,953,462,931
Balances at January 1, 2018, as previously stated	2,590,560,436	5,307,451	(365,632)	617,625,955	954,621,275	2,464,950	(50,682,463)	—	(1,166,171,523)	2,953,360,449	102,482	2,953,462,931
Effect of adoption of new accounting standards (Note 2)	—	—	—	—	—	—	50,682,463	(50,682,463)	—	—	—	—
Balances as at January 1, 2018 (as restated)	2,590,560,436	5,307,451	(365,632)	617,625,955	954,621,275	2,464,950	—	(50,682,463)	(1,166,171,523)	2,953,360,449	102,482	2,953,462,931
Net loss	—	—	—	—	—	—	—	—	(12,563,606)	(12,563,606)	(25,111)	(12,588,717)
Increase in non-controlling interest (Note 18)	—	—	—	—	—	—	—	—	—	—	281,250	281,250
Other comprehensive income (loss), net of tax	—	—	—	—	—	1,140,586	—	(3,036,008)	—	(1,895,422)	—	(1,895,422)
Total comprehensive income (loss)	—	—	—	—	—	1,140,586	—	(3,036,008)	(12,563,606)	(14,459,028)	256,139	(14,202,889)
Balances at December 31, 2018	₱2,590,560,436	₱5,307,451	(₱365,632)	₱617,625,955	₱954,621,275	₱3,605,536	₱—	(₱53,718,471)	(₱1,178,735,129)	₱2,938,901,421	₱358,621	₱2,939,260,042

See accompanying Notes to Consolidated Financial Statements.



**MANILA MINING CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax	<b>(₱13,068,938)</b>	(₱25,327,934)	(₱34,886,227)
Adjustments for:			
Provision for impairment losses on Input Value			
Added Tax (VAT) (Notes 11 and 15)	<b>4,879,916</b>	17,987,105	27,362,651
Retirement benefits costs (Note 16)	<b>1,656,602</b>	1,570,346	1,536,647
Depreciation (Notes 9 and 14)	<b>1,371,924</b>	1,315,273	1,545,057
Interest income (Note 4)	<b>(52,261)</b>	(50,127)	(47,718)
Operating loss before working capital changes	<b>(5,212,757)</b>	(4,505,337)	(4,489,590)
Decrease (increase) in:			
Receivables	<b>297,547</b>	(390,464)	460,534
Inventories (Notes 6 and 15)	<b>(805,088)</b>	(147,090)	330,342
Prepayments and other current assets	<b>59,509,534</b>	70,875,468	63,412,294
Increase (decrease) in accounts payable and accrued expenses	<b>3,459,649</b>	(1,340,852)	(812,660)
Cash generated from operations	<b>57,248,885</b>	64,491,725	58,900,920
Interest received	<b>52,261</b>	50,127	47,718
Cash flows provided by operating activities	<b>57,301,146</b>	64,541,852	58,948,638
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Deferred mine exploration costs (Note 10)	<b>(57,586,443)</b>	(58,479,282)	(61,851,121)
Property and equipment (Note 9)	<b>(1,293,186)</b>	(2,500,698)	(3,849,444)
Retirement benefits paid (Note 16)	—	(730,285)	—
Increase in other noncurrent assets (Note 11)	<b>(1,343,136)</b>	(1,283,490)	(1,294,512)
Cash flows used in investing activities	<b>(60,222,765)</b>	(62,993,755)	(66,995,077)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in non-controlling interest (Note 18)	<b>281,250</b>	—	—
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(2,640,369)</b>	1,548,097	(8,046,439)
<b>CASH AT BEGINNING OF YEAR</b>	<b>11,377,846</b>	9,829,749	17,876,188
<b>CASH AT END OF YEAR (Note 4)</b>	<b>₱8,737,477</b>	₱11,377,846	₱9,829,749

*See accompanying Notes to Consolidated Financial Statements.*



# MANILA MINING CORPORATION AND SUBSIDIARY

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 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 June 3, 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, has 20% equity interest in the Parent Company.

The principal office of the Parent Company is located at the 20th Floor, Lepanto Building, Paseo de Roxas, 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 KCGRI is located at 21st Floor, Lepanto Building, Paseo de Roxas, Makati City.

#### Status of Operations

##### Manila Mining Corporation

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 (EO) 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 EO 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 four (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 shut down 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 tailings pond.



On January 29, 2001, after obtaining the necessary permit to increase the height of the tailings 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 shut down 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 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 historical operations and the Philex Boyongan discovery. 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 Parent Company is a holder of a valid and existing Mineral Production Sharing Agreement (MPSA) No. 253-2007-XIII granted on August 10, 2007 for a period of 25 years from issuance thereof or until August 10, 2032, consisting of 211.50 hectares (has.) located in Placer, Surigao del Norte.

In addition, the Parent Company also filed applications for MPSA, designated as Application for Production Sharing Agreement (APSA) No. 0006-X (AMD.) on September 14, 1992 consisting of 1,580.00 has.; and APSA No. 0007(X) filed on November 26, 1992, consisting of 4,793.85 has., located in Cabadbaran City, Agusan del Norte; and applications for conversion covering its mining lease contracts granted under the old mining law namely, APSA No. XIII-083 filed on February 21, 2003 consisting of 530.00 has.; APSA No. 000107-XIII filed February 17, 2011, consisting of 265.50 has., all situated in Placer, Surigao del Norte. All these applications were already endorsed by the Mine and Geosciences Bureau (MGB) Regional Office in Surigao City to the Director of MGB, for final evaluation and approval by the DENR Secretary.

The second renewal of Exploration Permit (EP) No. XIII-014-A under the name of the Parent Company was granted on April 28, 2010 valid until April 28, 2012. Prior to its expiration, an application for another renewal was filed by the Parent Company on April 25, 2012 for the purpose of completing the feasibility study, consisting of 2,176.28 has. also in Placer, Surigao del Norte and is awaiting approval by the Director of MGB.

On January 4, 2017, a second renewal of the two-year Exploration period of MPSA No. 253-2007-XIII was granted by MGB to the Parent Company pursuant to the pertinent provisions of DENR Administrative Order (DAO) No. 2010-21 providing for a Consolidated DAO for Implementing Rules and Regulations of Republic Act No. 7942, otherwise known as the "Philippine Mining Act of 1995" which represents the 5th and 6th years of the Exploration Period of the MPSA. This shall not constitute an extension of the 25-year term of MPSA No. 253-2007-XIII.

On December 5, 2017, the MGB granted the Parent Company an "Authority to Verify Minerals" which will enable the Parent Company to undertake further exploration drilling in the Mapaso Area covered by APSA-000107-XIII. The objective of this drilling program is to lift confidence in present resource estimates which is the basis of financial plans towards resumption of mining activities. The authority is valid for one year.



The Parent Company has actively pursued mineral exploration activities within its tenements in Placer, Surigao del Norte after suspension of its mining activities in 2001. Through these efforts, the Parent Company has further enhanced the value on its mineral resource and potential in terms of gold, silver and copper. As a resident of Surigao del Norte, the Parent Company has engaged in social and environmental projects ranging from continuous revegetation of abandoned pit mining areas to educational and cultural activities and even disaster relief and rescue.

#### *KCGRI*

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 May 11, 2011, the Parent Company, KCGRI and 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.

Prior to the expiration of EP-XIII-014-B, an application for another renewal was filed by KCGRI on April 18, 2012 for the purpose of conducting a more in-depth and detailed exploration in the area and to complete the feasibility study and is awaiting for approval by the Director of MGB.

On April 18, 2017, the BOD of the Parent Company approved a two year extension of Earn-In Period in the Farm-In Agreement (FIA) among KCGRI, the Parent Company and Philex Mining Corporation (Philex) in view of the delay in the approval of the renewal of EP No. XIII-014B.

#### Authorization for Issue of the Consolidated Financial Statements

The Parent Company's BOD has delegated the authority to approve the financial statements to the Audit Committee. Accordingly, the consolidated financial statements were authorized for issuance by the Parent Company's Audit Committee on March 18, 2019.

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## **2. Basis of Preparation, Statement of Compliance, Basis of Consolidation, Changes in Accounting Policies and Disclosures and Summary of Significant Accounting and Financial Reporting Policies**

#### Basis of Preparation

The consolidated financial statements of the Group have been prepared under the historical cost basis, except for financial assets designated at FVOCI, and quoted AFS financial assets 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 when otherwise indicated. The consolidated financial statements provide comparative information in respect of the previous period.

The specific accounting policies followed by the Group are disclosed in the following section.

#### Statement of Compliance

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

#### 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.





Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group controls an investee if and only if the Group has all of the following:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee,
- Rights arising from other contractual arrangements,
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Parent Company's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction in equity reserve. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, NCI and other components of equity, while any gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

#### *Subsidiaries*

Subsidiaries are entities over which the Parent Company has control.

#### *NCI*

NCI represents 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 Company. Where the ownership of a subsidiary is less than 100%, and therefore an NCI exists, any losses of that subsidiary are attributed to the NCI even if that results in a deficit balance. Transactions with NCI are accounted for as equity transactions.



## Changes in Accounting Policies

### New and Amended Standards and Interpretations

The Group applied PFRS 9 *Financial Instruments* for the first time from January 1, 2018. The nature and effect of the changes as a result of the adoption of PFRS 9 are described below. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year. Several other amendments and interpretations applied for the first time in 2018, but did not have an impact on the Group's financial statements and, hence, have not been disclosed. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

#### *PFRS 9, Financial Instruments*

PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied PFRS 9 prospectively, with an initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under PAS 39. Differences arising from the adoption of PFRS 9 have been recognized directly in retained earnings and other components of equity.

There was no impact on hedging as the Group does not apply hedge accounting

The effects of adopting PFRS 9 are set out below.

### Classification and Measurement

Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or FVOCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of PFRS 9 did not have a significant impact to the Group. The Group continued measuring at fair value all financial assets previously held at fair value under PAS 39.

#### *Nontrade Receivables, Mine Rehabilitation Fund (MRF), and Contract Deposits Previously Classified as Loans and Receivables*

These were assessed as being held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured as debt instruments at amortized cost.

#### *Quoted and Unquoted Equity Shares Previously Classified as AFS Financial Assets*

The Group elected to classify irrevocably its quoted and unquoted equity shares under financial assets designated at FVOCI as it intends to hold these investments for the foreseeable future. There were no impairment losses recognized in profit or loss for these investments in prior periods.



As a result of the change in classification of the Group's equity investments, the cumulative changes in fair value of AFS financial assets amounting to P50,682,463 related to those investments that were previously presented under accumulated OCI, was reclassified to fair value reserve of financial assets designated at FVOCI as at January 1, 2018.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

In summary, upon the adoption of PFRS 9, the Group had the following required or elected reclassifications as at January 1, 2018:

	PAS 39	PFRS 9 Measurement Category	
		Amortized Cost	FVOCI
Loans and receivables:			
Nontrade receivables	<b>P564,597</b>	<b>P564,597</b>	<b>P—</b>
MRF	<b>5,407,162</b>	<b>5,407,162</b>	<b>—</b>
Contract deposits	<b>119,172,000</b>	<b>119,172,000</b>	<b>—</b>
AFS financial assets:			
Quoted equity shares	<b>11,754,801</b>	<b>—</b>	<b>11,754,801</b>
Unquoted equity shares	<b>7,500,000</b>	<b>—</b>	<b>7,500,000</b>
	<b>P144,398,560</b>	<b>P125,143,759</b>	<b>P19,254,801</b>

#### Impairment

The adoption of PFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets in the scope of PFRS 15.

As all of the Group's loans and receivable, which the Group measures at amortized cost are short term (i.e., less than 12 months) and the Group's credit rating and risk management policies in place, the change to a forward-looking ECL approach did not have a material impact on the amounts recognized in the consolidated financial statements.

Upon the adoption of PFRS 9, the Group did not recognize additional impairment on the Group's nontrade receivables under 'Receivables' as at January 1, 2018. Impairment losses do not reduce the carrying amount of debt instruments at FVOCI in the consolidated statement of financial position, which remains at fair value.

The amendments and interpretations below apply for the first time in 2018, but do not have an impact on the consolidated financial statements:

- PFRS 15, *Revenue from Contracts with Customers*
- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Considerations*
- Amendments to PAS 40, *Transfers of Investment Property*
- Amendments to PFRS 2, *Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*
- Amendments to PAS 28 Investments in Associates and Joint Ventures, *Clarification that measuring investees at FVPL is an investment-by-investment choice*
- Amendments to PFRS 1, *First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters*



#### Standards and Interpretations Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

#### *Effective beginning on or after January 1, 2019*

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

Under PFRS 9, a debt instrument can be measured at amortized cost or at FVOCI, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

These amendments have no impact on the consolidated financial statements of the Group.

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16.



- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.



The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

This interpretation is not relevant to the Group because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of December 31, 2018 and 2017.

- *Annual Improvements to PFRSs 2015-2017 Cycle*

- Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.



An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

*Effective beginning on or after January 1, 2020*

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

*Effective beginning on or after January 1, 2021*

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of



insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

#### *Deferred effectivity*

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

### Summary of Significant Accounting and Financial Reporting Policies

#### Presentation of Consolidated Financial Statements

The Group has elected to present all items of recognized income and expense in a single consolidated statement of comprehensive income.

#### Cash

Cash includes cash on hand and with banks.

#### Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.





*Accounting policies on the initial recognition and classification, subsequent measurement, and impairment of financial instruments applied before January 1, 2018*

*Date of Recognition*

Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

*Initial Recognition and Classification of Financial Instruments*

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those financial assets and liabilities at Fair Value through Profit or Loss (FVPL), includes transaction cost. On initial recognition, the Group classifies its financial assets as at FVPL, loans and receivables, held-to-maturity (HTM) investments or AFS financial assets, as appropriate. Financial liabilities, on the other hand, are classified as financial liabilities at FVPL or other financial liabilities, as appropriate. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at each reporting period.

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.

As at December 31, 2017, the Group's financial assets and financial liabilities consist of loans and receivables, AFS financial assets, and other financial liabilities.

*Subsequent Measurement*

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

*Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading designated as AFS investments or designated as at FVPL. This accounting policy relates to the consolidated statements of financial position captions "Cash" and "Receivables", which arise primarily from sale and other types of receivables. Loans and receivables are classified as current when these are expected to be realized within twelve (12) months after the end of the reporting period or within the Group's normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent. Receivables are recognized initially at fair value, which normally pertains to the billable amount.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment losses. 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 is included in interest income in the consolidated statement of comprehensive income. The losses arising from impairment are recognized in the consolidated statement of comprehensive income as interest expense for loans and other charges for receivables.



#### *AFS Financial Assets*

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

After initial measurement, AFS financial assets are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are reported as “Cumulative changes in fair values of AFS financial assets” account 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 interest earned on holding AFS financial assets are reported as interest income using the EIR. Any dividends earned on holding AFS financial assets are recognized in the consolidated statement of comprehensive income when the right of payment has been established. Any losses arising from impairment of such investments are recognized in the consolidated statement of comprehensive income.

#### *Other Financial Liabilities*

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized, as well as through the amortization process.

#### *Impairment of Financial Assets*

The Group assesses at each end of reporting period whether a financial asset or group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred “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 indications that the debtors or group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Assets Carried at Amortized Cost*

The Group first assesses whether objective evidence of impairment, such as age analysis and status of counterparty, 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.



The factors in determining whether objective evidence of impairment exist, include, but are not limited to, the length of the Group's relationship with the debtors, their payment behavior and known market factors. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

Impairment losses are estimated by taking into consideration the following information: current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Management is responsible for deciding the length of this period.

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 Financial Assets Carried at Fair Value*

For AFS financial assets, the Group assesses at each reporting period 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 financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. "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 Group treats "Significant" generally as twenty percent (20%) or more and "Prolonged" as greater than twelve (12) months for quoted equity securities. 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 OCI. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

The determination of what is "Significant" or "Prolonged" requires judgment. In making this judgment, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

#### *Financial Assets Carried at Cost*

If there is objective evidence that an impairment loss on an unquoted equity instrument, that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is



linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return of a similar financial asset.

*Accounting policies on the initial recognition and classification, subsequent measurement, and impairment of financial instruments applied on or after January 1, 2018*

#### *Financial Assets*

##### *Initial Recognition and Measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs.

In order for cash and receivables to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI criterion. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

For equity instruments, these are classified and measured at FVOCI.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

##### *Subsequent Measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

##### *Financial Assets at Amortized Cost (Debt Instruments)*

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI criterion

Financial assets at amortized cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.



The Group's financial assets at amortized cost pertains to cash, Receivables, contract deposits under 'Prepayments and other current assets', and MRF under 'Other noncurrent assets'.

*Financial Assets Designated at FVOCI (Equity Instruments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify under this category, its quoted and unquoted equity shares under 'Financial assets designated at FVOCI'.

*Financial Assets at FVPL*

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of comprehensive income.

The Group has no financial assets under this category.

*Impairment*

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).



For cash, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### *Financial Liabilities*

##### *Initial Recognition and Measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities is composed of accounts payable and accrued expenses.

##### *Subsequent Measurement*

The measurement of financial liabilities depends on their classification, as described below:

##### *Loans and borrowings and payables*

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR 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 is included as interest expense in the consolidated statement of comprehensive income. This category generally applies to interest-bearing loans and borrowings.

#### Derecognition of Financial Instruments

##### *Financial Assets*

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

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



When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. 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. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged, 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 statements of comprehensive income. The difference in the respective carrying amount is recognized in the consolidated statement of comprehensive income.

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

#### Fair Value Measurement

The Group measures financial instruments at fair value at each end of the reporting period. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 21.

Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.



All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statement are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at each end of the reporting period.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business on the end of the reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow analysis or other valuation models.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### Inventories

Inventories consists of parts, supplies, fuel and lubricants which are stated at the lower of cost and NRV. Cost of parts and supplies on hand are determined at moving average. Costs of inventories comprise all costs of purchase and other costs incurred in bringing the materials and supplies to their present location and condition. NRV for parts and supplies is the value of the inventories when sold at their condition at the consolidated statements of financial position date. In determining the NRV, the Group considers any adjustments necessary for obsolescence. Provision for obsolescence is determined by reference to specific items of inventories.

The Group determines the NRV of inventories at each reporting period. If the cost of the inventories exceeds its NRV, the asset is written down to its NRV and impairment loss is recognized in the consolidated statements of comprehensive income in the period the impairment incurred. In case the NRV of the inventories increased subsequently, the NRV will increase the carrying amount of inventories but only to the extent of the impairment loss previously recognized.

#### Prepayments and Other Current Assets

The Group's prepayments and other current assets include contract deposits, and miscellaneous deposits. These are classified as current since the Group expects to realize or consume the assets within twelve (12) months after the end of the reporting period.

#### *Contract Deposits*

Contract Deposits are payment to suppliers and contractors before goods or services has been received or rendered. These are classified as current since these are expected to be offset against future short-term billings and are recognized in the books at amounts initially paid.





*Miscellaneous deposits*

Miscellaneous deposits are advance payments made to supplier of services. These are classified as current since these are expected to be offset against future short-term billings and are recognized in the books at amounts initially paid.

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 or construction cost, 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 expense in the period when the costs are incurred.

When a mine construction project moves into production stage, the capitalization of 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.

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, as follows:

<u>Type of Asset</u>	<u>Estimated Useful Life in Years</u>
Machinery and equipment	5 to 20
Building and improvements	20
Furniture, office and other equipment	5

The assets' residual values, if any, useful lives and methods of depletion and depreciation are reviewed at each reporting period and adjusted prospectively, if appropriate. 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.

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.



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

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

#### Deferred 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.

#### Other Noncurrent Assets

Other noncurrent assets of the Group include the excess input value-added tax (VAT), advances to land owners and various deposits. These are classified as noncurrent since the Group expects to utilize the assets beyond twelve (12) months from the end of the reporting period.

#### *Input VAT*

Expenses and assets are recognized, net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable, to the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Input VAT represents the VAT paid on purchases of applicable goods and services, net of output tax, which can be claimed for refund or recovered as tax credit against future tax liability of the Group upon approval by the Philippine Bureau of Internal Revenue (BIR). Input VAT on capitalized goods exceeding ₱1,000,000 is subject to amortization and any excess may be utilized against output VAT, if any, beyond twelve (12) months from the reporting period or can be claimed for refund or as tax credits with the Philippine Department of Finance.

#### *Prepaid Royalties*

Prepaid royalties are advance payments to claim owners and real property taxes.



### Impairment of Nonfinancial Assets

#### *Prepayments and Other Current Assets and Other Noncurrent Assets*

The Group provides allowance for impairment losses on prepayments and 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 Group 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 statements 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 only to the extent that it 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.

#### *Deferred Mine Exploration Costs*

Deferred mine exploration costs are assessed for impairment when facts and circumstances suggest that the carrying amount of the deferred mine exploration costs may exceed its recoverable amount. 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.

An impairment loss recognized in prior periods for an asset other than goodwill must be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset must be increased to its recoverable amount. However, such reversal must not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.



## Provisions

### *General*

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

When 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.

### Capital Stock and APIC

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in the consolidated statements of changes in equity as a deduction from proceeds. The excess of proceeds from issuance of shares over the par value of shares are credited to APIC.

Subscribed capital stock is reported in equity less the related subscription receivable.

### Retained Earnings (Deficit)

Deficit represents accumulated earnings (losses) of the Group, dividend distributions, prior period adjustments, effects of changes in accounting policy and other capital adjustments.

### Equity Reserve

Equity reserve is the difference between the amount by which the NCI are adjusted and the fair value of the consideration paid or received attributable to the owners of the Parent Company.

### 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 as the expense arises.



## Leases

### *Determination of Whether an Arrangement Contains a Lease*

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- (c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- (d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

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

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

## Employee Benefits

The net defined retirement benefits liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined retirement benefits liability or asset
- Remeasurements of net defined retirement benefits liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined retirement benefits liability or asset is the change during the period in the net defined retirement benefits liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined retirement benefits liability or asset. Net interest on the net defined retirement benefits liability or asset is recognized as expense or income in consolidated statement of comprehensive income.

Remeasurements, comprising actuarial gains and losses, are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to consolidated statement of comprehensive income in subsequent periods.



The Group's right to be reimbursed of some or all of the expenditure required to settle a defined retirement benefits liability is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

#### *Termination Benefit*

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

#### *Employee Leave Entitlement*

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve (12) months after the end of the annual reporting period is recognized for services rendered by employees up to the end of reporting period.

#### 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 period. Foreign exchange differences between rate at transaction date and rate at settlement date or at each reporting period are credited to or charged against the consolidated statement of comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

#### 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 authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at reporting period.

##### *Deferred Tax*

Deferred tax is provided using the balance sheet 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 tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred 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 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 tax assets are recognized for all deductible temporary differences, the carryforward benefits of unused tax credits and unused net tax losses, to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences, and carryforward benefits of unused tax credits and unused tax losses can be utilized except:

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

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

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

Deferred 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 taxation authority.

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

#### Earnings (Loss) Per Share

Earnings (loss) per share amounts are calculated by dividing the net 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 loss per share amounts are calculated by dividing the net 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.

#### Operating Segment

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.



#### 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 are disclosed when an inflow of economic benefits is probable.

#### Events After the End of the Reporting Period

Events after the end of the reporting period 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. Events after the end of the reporting period that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

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

The preparation of the consolidated financial statements in accordance with PFRSs requires management to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses, and the disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcome can differ from these 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.

#### *Classification of Financial Instruments*

The Group exercises judgment in classifying financial instruments in accordance with PAS 39. 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 consolidated statements of financial position.

The Group classified its equity investments as AFS financial assets in 2017, since they 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 period.





#### *Assessing 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 ₱119,492,318 and ₱125,048,247 as at December 31, 2018 and 2017, respectively, net of allowance for impairment losses of ₱161,988,540 as at December 31, 2018 and 2017 (see Note 9).

#### *Assessing Recoverability of Deferred Mine Exploration Costs*

Cost related to exploration activities are capitalized as deferred mine exploration costs until the viability of the exploration project is determined. Exploration, evaluation and pre-feasibility costs are charged to operations until such time that 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 ₱2,908,707,619 and ₱2,845,643,985, as at December 31, 2018 and 2017, respectively, net of allowance for impairment loss of ₱92,028,090 as at December 31, 2018 and 2017 (see Note 10).

#### Estimates and Assumptions

The consolidated financial statements prepared in accordance with PFRS require management to make 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 of the date of the Group's consolidated financial statements. Actual results could differ from such estimates.

#### *Estimating Allowance for Impairment Losses on Receivables (prior to adoption of PFRS 9)*

The provision for impairment losses on receivables is based on the Group's assessment of the collectability of payments from employees, related 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 collectability 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. As at December 31, 2017, the carrying value of receivables amounted to ₱10,344,597 (see Note 5). Provision for impairment losses on receivables amounted to ₱828,351 in 2017 and 2016 (see Note 5).

*Provision for ECL for Nontrade Receivables (upon adoption of PFRS 9)*

The Group measures its ECL on non-trade receivables and contract asset in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes and the time value of money. In measuring ECL, the Group consider whether there is a significant increase in credit risk. The Group uses an ECL model that considers the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD). In estimating the ECL, the Group uses all available information in measuring ECL, such as available credit rating of the instruments and the debtor, default assessment on the debtor, and history of experience with the debtor. A forward-looking information, such as interest rate, inflation rate and changes in the gross domestic product, is incorporated and its relationship with the credit loss is analyzed at each reporting date.

The correlation of forecast economic conditions and ECL is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's forecast of economic conditions may also not be representative of the debtor's actual default in the future.

*Estimating Impairment of Input VAT*

The Group assesses impairment on its input VAT whenever events or changes in circumstances indicate that the carrying amount of input VAT may not be recovered. As at December 31, 2018 and 2017, carrying values of input VAT amounted to ₱2,658,616 and ₱6,229,726, respectively (see Note 11). Provision for impairment losses on input VAT amounted to ₱4,879,916, ₱17,987,105 and ₱27,362,651 in 2018, 2017 and 2016, respectively (see Notes 11 and 15).

*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 are originally purchased for 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 ₱7,678,893 and ₱6,873,805 as at December 31, 2018 and 2017, respectively, net of allowance for inventory obsolescence of ₱67,636,023 and ₱67,691,886 as at December 31, 2018 and 2017, respectively (see Note 6).

*Estimating Impairment on AFS Financial Assets*

The Group treats AFS financial assets 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.

For equity instruments, when determining whether the decline in value is significant, the Group considers the historical volatility of share prices (i.e., the higher the historical volatility, the greater the decline in fair value before it is likely to be regarded as significant) and the period of time over which the share price has been depressed (i.e., a sudden decline is less significant than a sustained fall of the same magnitude over a longer period).



For equity investments that do not have quoted price in an active market and whose fair value cannot be reliably measured, when determining the impairment, the amount is measured at the present value of the estimated cash flows discounted at the current market rate of return for a similar financial asset.

The carrying amounts of AFS financial assets amounted to ₱19,254,801 as at December 31, 2017 (see Note 2). The change in the fair value of AFS financial assets is recognized in consolidated statement of comprehensive income and accumulated in the equity section of the consolidated statement of financial position under “Cumulative changes in fair values of AFS financial assets”. As at December 31, 2017, the cumulative changes in fair values of AFS financial assets amounted to ₱50,682,463 (see Note 8).

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

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

The Group has recognized deferred tax assets amounting to ₱73,069,192 and ₱73,077,793 as at December 31, 2018 and 2017, respectively. No deferred tax assets were recognized for temporary differences amounting to ₱209,404,123 and ₱205,126,926 as at December 31, 2018 and 2017, respectively, since management believes that there is no assurance that the Group will generate sufficient future taxable income to allow all or part of its deferred tax assets to be utilized (see Note 17).

#### *Determining Retirement Benefits Obligation*

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 16 to the consolidated financial statements. Retirement benefits obligation amounted to ₱13,111,070 and ₱13,083,876 as at December 31, 2018 and 2017, respectively (see Note 16). Retirement benefits costs amounted to ₱1,656,602, ₱1,570,346, and ₱1,536,647 in 2018, 2017 and 2016, respectively (see Note 16).

#### *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 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 25).

## 4. Cash

	2018	2017
Cash on hand	<b>₱110,000</b>	₱110,000
Cash with banks	<b>8,627,477</b>	11,267,846
	<b>₱8,737,477</b>	<b>₱11,377,846</b>

Cash with banks earn interest at the respective bank deposit rates. Total interest income amounted to ₱52,261, ₱50,127 and ₱47,718 in 2018, 2017 and 2016, respectively.

The Group has United States Dollar (US\$)-denominated cash with banks amounting to US\$8,582 and US\$3,959 as at December 31, 2018 and 2017, respectively (see Note 21).



## 5. Receivables

	2018	2017
Stock options receivable	<b>₱9,780,000</b>	₱9,780,000
Nontrade receivables	<b>1,095,401</b>	1,392,948
	<b>10,875,401</b>	11,172,948
Less allowance for impairment losses	<b>828,351</b>	828,351
	<b>₱10,047,050</b>	₱10,344,597

Stock options receivables are non-interest bearing receivables from employees in respect of stock options exercised under a share-based plan (see Note 20).

Nontrade receivables which are non-interest bearing comprise mainly of receivables from subcontractors and other third parties. Nontrade receivables are collectible on demand. Based on the assessment done by the management, the Group recognized an allowance for specifically identified accounts amounting to ₱828,351 as at December 31, 2017. Receivables which were not individually significant and individually significant receivables for which no specific impairment were recognized were assessed and subjected to collective assessment. Based on assessment done by the management, the Group has not recognized any provision for receivables which were assessed collectively.

Following the adoption of PFRS 9 of the Group starting January 1, 2018, the impairment losses has been retained as this pertains to credit-impaired receivables. No provisions for ECL were recognized in 2018, 2017, and 2016.

## 6. Inventories

	2018	2017
At NRV:		
Machinery and automotive parts	<b>₱7,624,514</b>	₱6,809,013
Mill materials, hardware and other supplies	—	335
At cost:		
Fuel, oil and lubricants	<b>54,379</b>	64,457
	<b>₱7,678,893</b>	₱6,873,805

Cost of inventories carried at NRV are as follows:

	2018	2017
Mill materials, hardware and other supplies	<b>₱55,897,662</b>	₱55,136,615
Machinery and automotive parts	<b>19,362,875</b>	19,364,619
	<b>₱75,260,537</b>	₱74,501,234

Movements in allowance for inventory obsolescence in 2018 and 2017 are as follows:

	2018	2017
Balance at beginning of year	<b>₱67,691,886</b>	₱67,983,475
Reversal	<b>(55,863)</b>	(291,589)
Balance at end of year	<b>₱67,636,023</b>	₱67,691,886



The reversal of the allowance for inventory obsolescence amounting to ₱55,863 and ₱291,589 as at December 31, 2018 and 2017, respectively, pertains to the issuance of various inventory items used in the mining exploration activities of the Group. Reversal of inventory obsolescence resulted to other income of ₱55,863, ₱199,603 and ₱77,023 in 2018, 2017 and 2016, respectively (see Note 15). Adjustment in amount of obsolete items as a result of inventory count amounted to nil, ₱91,986 and ₱749 in 2018, 2017 and 2016, respectively.

There were no provision for inventory obsolescence in 2018 and 2017 (see Note 15).

## 7. Prepayments and Other Current Assets

	2018	2017
Contract deposits (Note 13)	<b>₱60,014,594</b>	₱119,172,000
Miscellaneous deposits	<b>2,373,737</b>	2,725,865
	<b>₱62,388,331</b>	₱121,897,865

Contract deposits pertain to deposits made for future drilling services of its affiliate, Diamond Drilling Corporation of the Philippines (DDCP). This is refundable upon nonperformance of services (see Note 13).

## 8. Financial Assets Designated at FVOCI / AFS Financial Assets

	2018	2017
Quoted instruments	<b>₱8,718,793</b>	₱11,754,801
Unquoted instruments	<b>7,500,000</b>	7,500,000
	<b>₱16,218,793</b>	₱19,254,801

Quoted instruments pertain to investment on common shares of various local public companies. These equity instruments pertain to Lepanto A shares totaling to 77,846,363 as at December 31, 2018 and 2017. The fair value on the quoted instrument is based on the exit market price of ₱0.11 and 0.15 at December 31, 2018 and 2017, respectively.

Unquoted instruments pertains to investment in a private company. These unquoted financial instruments pertain to Manila Peninsula shares totaling to 750,000 as at December 31, 2018 and 2017.

As at December 31, 2018 and 2017, the Group has no intention to dispose its unquoted instruments.

Movement of financial assets designated at FVOCI are as follows:

Balance as at January 1, 2018, as previously stated	₱-
Effect of adoption of PFRS 9 (Note 2)	19,254,801
Balance as at January 1, 2018, as restated	19,254,801
Changes in fair value of financial assets designated at FVOCI	(3,036,008)
Balance as at December 31, 2018	<b>₱16,218,793</b>



Movement of AFS financial assets are as follows:

Balance as at January 1, 2017	₱22,757,887
Changes in fair value of AFS financial assets	(3,503,086)
Balance as at December 31, 2017	₱19,254,801

Movement in the “Fair value reserve of financial assets designated at FVOCI” presented as separate component of equity follow:

Balance as at January 1, 2018, as previously stated	₱–
Effect of adoption of PFRS 9 (Note 2)	50,682,463
Balance as at January 1, 2018, as restated	50,682,463
Valuation loss	3,036,008
Balance as at December 31, 2018	₱53,718,471

Movement in the “Cumulative changes in fair values of AFS financial assets” presented as separate component of equity follow:

Balance as at January 1, 2017	₱47,179,377
Valuation loss	3,503,086
Balance as at December 31, 2017	₱50,682,463

There was no dividend income earned from the quoted equity instruments in 2018, 2017 and 2016.



## 9. Property and Equipment

	2018					
	Machinery and Equipment	Building and Improvements	Furniture, Office and Other Equipment	Land	Construction In-progress	Total
<b>Cost:</b>						
Balances at beginning of year	₱817,931,644	₱111,052,844	₱114,313,639	₱7,270,713	₱104,422,357	₱1,154,991,197
Additions	–	–	1,293,186	–	–	1,293,186
Transfers	–	(133,343)	133,343	–	–	–
<b>Balances at end of year</b>	<b>817,931,644</b>	<b>110,919,501</b>	<b>115,740,168</b>	<b>7,270,713</b>	<b>104,422,357</b>	<b>1,156,284,383</b>
<b>Accumulated depreciation:</b>						
Balances at beginning of year	670,588,372	86,968,587	110,397,451	–	–	867,954,410
Depreciation (Notes 10 and 14)	1,861,002	2,048,319	2,939,794	–	–	6,849,115
<b>Balances at end of year</b>	<b>672,449,374</b>	<b>89,016,906</b>	<b>113,337,245</b>	<b>–</b>	<b>–</b>	<b>874,803,525</b>
<b>Allowance for impairment losses:</b>						
Balances at beginning and end of year	143,720,880	18,086,096	181,564	–	–	161,988,540
<b>Net book values</b>	<b>₱1,761,390</b>	<b>₱3,816,499</b>	<b>₱2,221,359</b>	<b>₱7,270,713</b>	<b>₱104,422,357</b>	<b>₱119,492,318</b>



	2017					
	Machinery and Equipment	Building and Improvements	Furniture, Office and Other Equipment	Land	Construction In-progress	Total
Cost:						
Balances at beginning of year	₱817,381,647	₱110,919,500	₱111,628,035	₱7,270,713	₱105,290,604	₱1,152,490,499
Additions	549,997	133,344	1,817,357	–	–	2,500,698
Transfers	–	–	868,247	–	(868,247)	–
Balances at end of year	817,931,644	111,052,844	114,313,639	7,270,713	104,422,357	1,154,991,197
Accumulated depreciation:						
Balances at beginning of year	668,582,485	84,920,268	106,965,348	–	–	860,468,101
Depreciation (Notes 10 and 14)	2,005,887	2,048,319	3,432,103	–	–	7,486,309
Balances at end of year	670,588,372	86,968,587	110,397,451	–	–	867,954,410
Allowance for impairment losses:						
Balances at beginning and end of year	143,720,880	18,086,096	181,564	–	–	161,988,540
Net book values	₱3,622,392	₱5,998,161	₱3,734,624	₱7,270,713	₱104,422,357	₱125,048,247





Total depreciation of property and equipment charged to operations amounted to ₱1,371,924 ₱1,315,273 and ₱1,545,057 in 2018, 2017 and 2016, respectively (see Note 14). Depreciation of property and equipment, except mill machinery and equipment, amounting to ₱5,477,191, ₱6,171,036 and ₱7,390,355 were capitalized in 2018, 2017 and 2016, respectively, as part of deferred mine exploration costs (see Note 10).

As at December 31, 2018 and 2017, construction in-progress consists mainly of expenditures for the building of the process plant, which will be completed when the Parent Company resumes its mining operations.

#### 10. Deferred Mine Exploration Costs

	2018	2017
Balance at beginning of year	<b>₱2,845,643,985</b>	₱2,780,993,667
Additions	<b>57,586,443</b>	58,479,282
Capitalized depreciation (Note 9)	<b>5,477,191</b>	6,171,036
Balance at end of year	<b>₱2,908,707,619</b>	₱2,845,643,985

Deferred mine exploration costs includes balance of KCGRI amounting to ₱2,664,201, net of allowance for impairment losses amounting to ₱92,028,090, as at December 31, 2018 and 2017, respectively.

As discussed in Note 1, the Parent Company has valid and existing MPSA as at December 31, 2018. Costs incurred pertaining to the exploration activities on the tenements covered by the said permit are expected to be recovered once commercial operations resume.

#### 11. Other Noncurrent Assets

	2018	2017
Input VAT	<b>₱100,473,868</b>	₱99,165,062
MRF	<b>5,380,212</b>	5,407,162
Prepaid royalties	<b>4,987,659</b>	4,926,379
Miscellaneous deposits	<b>1,682,066</b>	1,682,066
Advances to landowners	<b>1,508,341</b>	1,508,341
Others	<b>326,117</b>	326,117
	<b>114,358,263</b>	113,015,127
Less allowance for impairment losses on input VAT	<b>97,815,252</b>	92,935,336
	<b>₱16,543,011</b>	₱20,079,791

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 BIR.

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 MGB. Under the agreement, the Parent Company is mandated to establish and maintain a Monitoring Trust Fund and MRF amounting to ₱5,150,000 recorded as environmental fund. 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.

Miscellaneous deposits pertain to advances made to local government agencies for pending project agreements.

Prepaid royalties are advance payments to claim owners and real property taxes while miscellaneous deposits are advance payments made to suppliers of services.

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 to be purchased in the future.

Others pertain to deposit receivables for electric utility given to Surigao del Norte Electric Cooperative, Inc., a power supplier, in exchange for future services.

Based on the assessment done by the management, the Group recognized provision for impairment losses on input VAT amounting to ₱4,879,916, ₱17,987,105 and ₱27,362,651 in 2018, 2017 and 2016, respectively (see Note 15).

Movements in allowance for impairment losses on input VAT in 2018 and 2017 are as follows:

	2018	2017
Balance at beginning of year	<b>₱92,935,336</b>	₱74,948,231
Provision for impairment losses (Note 15)	<b>4,879,916</b>	17,987,105
Balance at end of year	<b>₱97,815,252</b>	₱92,935,336

## 12. Accounts Payable and Accrued Expenses

	2018	2017
Trade payable	<b>₱128,119,128</b>	₱127,163,387
Accrued expenses and other liabilities	<b>8,537,399</b>	5,702,482
Due to related parties (Note 13)	<b>2,947,806</b>	3,097,049
Payable to government	<b>468,616</b>	650,382
Unclaimed dividends	<b>573,097</b>	573,097
	<b>₱140,646,046</b>	₱137,186,397

Terms and conditions of the aforementioned liabilities are as follows:

- Trade payable includes local purchases of equipment, inventories and various parts. This is non-interest bearing and normally settled demand and on 30 days' terms.
- Accrued expenses includes accrued payroll which are normally payable within five (5) to ten (10) days and other liabilities which are non-interest bearing and have an average term of one (1) to three (3) months.
- Unclaimed dividends pertain to unpaid cash dividends declared by the Parent Company to its stockholders.
- Payable to government pertains to the Group's payable to various regulatory agencies.



### 13. Related Party Disclosures

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and their key management personnel, directors, or its stockholders.

The Parent Company provides cash advance to be used to pay expenses and pays expenses on behalf of its 95%-owned subsidiary, KCGRI.

Intercompany transactions are eliminated in the consolidated financial statements. The Group's related party transactions are as follows:

Related Party	Relationship	Year	Amounts/ Volume	Outstanding Balances	Terms and Conditions
<i>Receivables</i>					
KCGRI	Subsidiary	2018	₱110,224	₱1,308,874	On demand Noninterest-bearing To be collected in cash
		2017	₱95,410	₱1,198,650	Unsecured, no impairment

LCMC holds a 20% equity interest in the Parent Company. It provided cash advances and paid expenses on behalf of the Parent Company.

DDCP, a wholly owned subsidiary of LCMC, provides various drilling services to the Parent Company.

Shipside, Inc. a wholly owned subsidiary of LCMC, provides hauling services to the Parent Company.

The Parent Company, in the normal course of business, enters into transactions with related parties. The consolidated statements of financial position include the following assets and liabilities resulting from the above transactions with related parties:

Related Party	Relationship	Year	Amounts/ Volume	Outstanding Balance	Terms and Conditions
<i>Contract Deposits (Note 7)</i>					
DDCP	Affiliate	2018	₱59,157,406	₱60,014,594	On demand Noninterest-bearing Refundable in cash
		2017	₱—	₱119,172,000	Unsecured, no impairment
<i>Due to Related Parties (Note 12)</i>					
LCMC	Affiliate	2018	₱2,029,054	₱2,610,859	On demand Noninterest-bearing To be settled in cash
		2017	₱581,805	₱2,821,479	Unsecured, no guarantee
Shipside, Inc.	Affiliate	2018	69,428	336,947	On demand Noninterest-bearing To be settled in cash
		2017	267,519	275,570	Unsecured, no guarantee
<b>Totals</b>		<b>2018</b>	<b>₱2,098,482</b>	<b>₱2,947,806</b>	
Totals		2017	₱849,324	₱3,097,049	



Total compensation of the Group's key management personnel in 2018, 2017 and 2016, which pertains to short-term benefits, amounted to ₱484,450, ₱465,950 and ₱475,950, respectively. Key management of the Group are the executive officers and directors. There were no post-employment benefits paid for the Group's key management personnel in 2018, 2017 and 2016.

#### 14. Administration and Overhead Costs

	2018	2017	2016
Salaries, allowances and other benefits:			
Salaries and wages	<b>₱1,561,800</b>	₱1,557,800	₱1,633,800
Retirement benefit cost (Note 16)	<b>921,288</b>	908,797	936,836
Other benefits	<b>464,749</b>	219,257	341,223
Depreciation (Note 9)	<b>1,371,924</b>	1,315,273	1,545,057
Outside services	<b>860,088</b>	724,293	1,091,672
Taxes and licenses	<b>532,865</b>	48,963	121,520
Listing fees	<b>328,188</b>	296,419	269,422
Membership fees and dues	<b>297,000</b>	721,429	211,000
Rent	<b>288,200</b>	284,700	253,200
Stockholders' meeting expenses	<b>245,759</b>	203,586	249,750
Insurance	<b>230,284</b>	163,966	36,375
Repairs and maintenance	<b>128,076</b>	123,712	60,750
Seminar and trainings	<b>9,279</b>	52,583	30,000
Representation and entertainment	—	606	44,837
Other charges	<b>322,332</b>	307,626	223,064
	<b>₱7,561,832</b>	₱6,929,010	₱7,048,506

#### 15. Other Charges (Income) - net

	2018	2017	2016
Provision for impairment losses on input VAT (Note 11)	<b>₱4,879,916</b>	₱17,987,105	₱27,362,651
Reversal of inventory obsolescence (Note 6)	<b>(55,863)</b>	(199,603)	(77,023)
	<b>₱4,824,053</b>	₱17,787,502	₱27,285,628

#### 16. Retirement Benefits Obligation

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 retirement benefits obligation is actuarially determined using the projected unit credit method.

Under the existing regulatory framework, Republic Act (RA) 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.



The amounts of retirement benefits costs recognized in the consolidated statements of comprehensive income follow:

	2018	2017	2016
Current service costs (Note 14)	<b>₱921,288</b>	₱908,797	₱936,836
Interest costs	<b>735,314</b>	661,549	599,811
	<b>₱1,656,602</b>	₱1,570,346	₱1,536,647

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

	2018	2017
Balance at beginning of year	<b>₱13,083,876</b>	₱13,310,840
Current service cost (Note 14)	<b>921,288</b>	908,797
Interest costs	<b>735,314</b>	661,549
Retirement benefit cost charged to profit or loss	<b>1,656,602</b>	1,570,346
Benefits paid	—	730,285
Remeasurement gain on:		
Change in financial assumptions	<b>973,453</b>	511,986
Experience adjustment	<b>655,955</b>	555,039
Retirement benefit cost charged to other comprehensive income	<b>1,629,408</b>	1,067,025
Balance at end of year	<b>₱13,111,070</b>	₱13,083,876

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

	2018	2017
Discount rate	<b>7.24%</b>	5.62%
Salary increase rate	<b>5.00%</b>	5.00%
Expected remaining working lives of employees	<b>13 years</b>	11 years

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined retirement benefits obligation as at the end of the reporting period, assuming all other assumptions were held constant.

	Increase (decrease)	2018	2017
Discount rates	0.50%	<b>(₱263,485)</b>	(₱364,028)
	0.50%	<b>279,626</b>	389,535
Salary increase rate	0.50%	<b>270,758</b>	270,758
	0.50%	<b>(255,943)</b>	(349,221)



Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2018:

Less than one (1) year	₱5,693,610
More than one (1) year to five (5) years	8,621,521
More than five (5) years to ten (10) years	4,511,255
More than ten (10) years to fifteen (15) years	4,742,530
More than fifteen (15) years to twenty (20) years	4,576,294
More than twenty (20) years	35,667,920
	<b>₱63,813,130</b>

The latest actuarial report was made as at December 31, 2018.

## 17. Income Taxes

No provision for current income tax was recognized since the Parent Company and KCGRI are in gross and net taxable position.

A reconciliation of income tax applicable to loss before income tax at the statutory income tax rates to (benefit from) or provision for income tax as shown in the consolidated statements of comprehensive income follows:

	2018	2017	2016
Loss at statutory tax rate	<b>(₱3,920,681)</b>	(₱7,598,381)	(₱10,465,868)
Additions to (reductions in) income tax resulting from:			
Change in unrecognized deferred tax assets	<b>3,456,138</b>	7,421,099	10,026,025
Interest income subjected to final tax	<b>(15,678)</b>	(15,038)	(14,315)
Reclassification of allowance for impairment losses on property and equipment	—	1,039,226	—
Nondeductible expenses	—	27,779	16,497
Provision for (benefit from) income tax	<b>(₱480,221)</b>	₱874,685	(₱437,661)

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

	2018	2017
Deferred tax assets:		
Allowance for:		
Impairment losses on property and equipment and idle assets	<b>₱48,596,562</b>	₱48,596,562
Inventory obsolescence	<b>20,290,806</b>	20,307,565
Impairment losses on receivables	<b>248,505</b>	248,505
Retirement benefits obligation	<b>3,933,319</b>	3,925,161
	<b>₱73,069,192</b>	73,077,793
Deferred tax liability on		
Excess of allowable depletion over depletion per books	<b>₱129,865,526</b>	₱129,865,526
Deferred tax liability - net	<b>₱56,796,334</b>	₱56,787,733



Deferred tax liability is mainly provided on taxable temporary differences arising on the difference between normal depletion and allowed depletion under Presidential Decree 1353, Amending Section 30 of the Tax Code to Allow Accelerated Deduction under Certain Conditions of Exploration and Development Expenditures.

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

	2018	2017
Balance at beginning of year	<b>₱20,163,500</b>	₱25,963,459
Additions	<b>6,640,544</b>	6,749,892
Expirations	<b>(7,243,262)</b>	(12,549,851)
Balance at end of year	<b>₱19,560,782</b>	₱20,163,500

As at December 31, 2018, the Group has NOLCO that can be claimed as deduction from future taxable income as follows:

Parent Company

Year Incurred	Year of Expiry	Amount
2016	2019	₱5,964,311
2017	2020	6,710,027
2018	2021	6,129,298
		<b>₱18,803,636</b>

KCGRI

Year Incurred	Year of Expiry	Amount
2014	2019	₱63,985
2015	2020	48,928
2016	2021	93,122
2017	2022	39,865
2018	2023	511,246
		<b>₱757,146</b>

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

	2018	2017
Allowance for impairment losses on input VAT (Note 11)	<b>₱97,815,251</b>	₱92,935,336
Allowance for impairment losses on deferred mine exploration costs (Note 10)	<b>92,028,090</b>	92,028,090
NOLCO	<b>19,560,782</b>	20,163,500



## 18. Equity

### Capital Stock

As at December 31, 2018 and 2017, details of the Parent Company's capital stock follow:

	No. of shares	Amount
Issued and outstanding		
Class "A"	155,479,944,728	₱1,554,799,447
Class "B"	103,576,098,876	1,035,760,989
	259,056,043,604	2,590,560,436
Subscribed		
Class "A"	316,141,644	3,161,416
Class "B"	214,603,455	2,146,035
	530,745,099	5,307,451
Total shares issued and subscribed	259,586,788,703	2,595,867,887
Less subscriptions receivable	—	365,632
	₱259,586,788,703	₱2,595,502,255

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, 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 18).

On April 30, 2014, the PSE BOD approved the application covering the Offer Shares of 56,926,927,347 at an offer price of ₱0.012 per share, raising a total of ₱683,123,128. The offer period was from June 16, 2014 to June 20, 2014.

Proceeds from the issuance of stock rights were used to fund the drilling program for the period 2014 to 2015, settlement of debts to suppliers, service providers, and to fund the Parent Company's working capital.

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 forty percent (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.

### Equity Reserve

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.





On April 18, 2017, the BOD of the Parent Company approved a two year extension of Earn-In Period in the Farm-In Agreement (FIA) among KCGRI, the Parent Company and Philex Mining Corporation (Philex) in view of the delay in the approval of the renewal of EP No. XIII-014B.

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 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 in an increase in equity amounting to ₱954,621,275 recognized as “Equity reserve” in the equity section of the consolidated statements of financial position.

The Parent Company has 4,238 stockholders as at December 31, 2018 and 2017, and 4,293 as at December 31, 2016.

#### NCI

NCI represents 5% interest of Philex in KCGRI.

The summarized financial information of the subsidiary before intercompany eliminations is provided below:

Statements of comprehensive income as of December 31:

	2018	2017
Administration and overhead costs	(₱511,246)	(₱39,865)
Interest income	9,032	312
Net loss	(502,214)	(39,553)
OCI	—	—
Total comprehensive loss	(₱502,214)	(₱39,553)
Attributable to non-controlling interest	₱25,111	(₱1,978)

Statements of financial position as at December 31:

	2018	2017
Current assets	₱5,289,738	₱128,063
Noncurrent assets	2,735,536	2,664,201
Current liabilities	(1,308,874)	(1,198,650)
Total equity	6,716,400	1,593,614
Attributable to:		
Equity holders of the Parent Company	₱6,380,580	₱1,513,933
NCI	335,820	79,681

The Group did not opt to present the statements of cash flows for the years ended December 31, 2018 and 2017 since it is deemed immaterial relative to the consolidated financial statements.



To meet the DENR-mandated (DENR Memorandum order No. 2013-1) minimum capitalization requirement of Authorized Capital Stock (ACS) and Paid-up-Capital amounting to ₱100,000,000 and ₱6,250,000, respectively, the KCGRI BOD approved on February 12, 2018 an increase in the ACS to ₱100,000,000. Philex and the Parent Company subscribed to additional capital and paid as follows:

Shareholder	Increase (by ₱90,000,000)		Total after Increase	
	Amount Subscribed	Amount Paid-up	Amount Subscribed	Amount Paid-Up
MMC (95%)	₱21,375,000	₱5,343,750	₱23,750,000	₱7,718,750
Philex (5%)	1,125,000	281,250	1,250,000	406,250
	<b>₱22,500,000</b>	<b>₱5,625,000</b>	<b>₱25,000,000</b>	<b>₱8,125,000</b>

The application for such increase and amendment of Articles of Incorporation was filed with the SEC this March 2018 and was properly certified and approved on September 7, 2018.

The additional paid-up capital by Philex resulted to the increase in NCI amounting to ₱281,250.

The Group has no potential dilutive shares as at December 31, 2018, 2017, and 2016.

## 19. Loss Per Share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Parent Company by the weighted average number of common shares in issue during the period.

In computing for the diluted loss per share, the Parent Company considered the effect of its potentially dilutive stock options outstanding as at December 31, 2018, 2017 and 2016. There were no outstanding stock options as of December 31, 2018, 2017 and 2016.

	2018	2017	2016
Net loss attributable to equity holders of the Parent Company	<b>(₱12,563,606)</b>	(₱26,200,641)	(₱34,443,910)
Weighted average number of common shares for basic loss per share	<b>259,056,043,604</b>	259,056,043,604	259,056,043,604
Basic and diluted loss per share	<b>(₱0.00005)</b>	(₱0.00010)	(₱0.00013)

## 20. 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 stock options expired on July 8, 2015.

There were no share based payments made in 2018, 2017 and 2016, respectively.

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## 21. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash 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, AFS financial assets 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, 2018 and 2017.

	2018	2017
Cash with banks	<b>₱8,627,477</b>	₱11,267,846
Stock options receivable	<b>9,780,000</b>	9,780,000
Nontrade receivables	<b>267,050</b>	564,597
MRF	<b>5,380,212</b>	5,407,162
Contract deposits	<b>60,014,594</b>	119,172,000
Financial assets designated at FVOCI/ AFS financial assets:		
Quoted	<b>8,718,793</b>	11,754,801
Unquoted	<b>7,500,000</b>	7,500,000
<b>Total credit risk exposure</b>	<b>₱100,288,126</b>	₱165,446,406

The tables below summarize the aging analysis of the Group's financial assets as at December 31, 2018 and 2017:

2018	Neither past due nor impaired	Past due but not impaired				Total
		Less than 30 days	30 to 60 days	61 to 90 days	Over 90 days	
Cash in banks	<b>₱8,627,477</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱8,627,477</b>
Stock options receivable	9,780,000	-	-	-	-	9,780,000
Nontrade receivables	267,050	-	-	-	-	267,050
MRF	5,380,212	-	-	-	-	5,380,212
Contract deposits	60,014,594	-	-	-	-	60,014,594
Financial assets designated at FVOCI	16,218,793	-	-	-	-	16,218,793
	<b>₱100,288,126</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱100,288,126</b>

2017	Neither past due nor impaired	Past due but not impaired				Total
		Less than 30 days	30 to 60 days	61 to 90 days	Over 90 days	
Cash in banks	₱11,267,846	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	₱11,267,846
Stock options receivable	9,780,000	-	-	-	-	9,780,000
Nontrade receivables	564,597	-	-	-	-	564,597
MRF	5,407,162	-	-	-	-	5,407,162
Contract deposits	119,172,000	-	-	-	-	119,172,000
AFS financial assets	19,254,801	-	-	-	-	19,254,801
	<b>₱165,446,406</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱165,446,406</b>

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

- Cash with banks 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.
- Nontrade receivables which mainly pertain to receivables from subcontractors and are assessed as high grade. These were assessed as such since historical experience shows collection of accounts and offsetting of deposits made by the counterparty.
- MRF pertains to funds to be used once the mined area will be rehabilitated. These were assessed as high grade since these are deposited in reputable bank in the country.
- Contract deposits consist of advances to related parties and various suppliers and are assessed as high grade since these have high probability of collection through application of outstanding amount against future billings.



- 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.

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*

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its consolidated financial statements and consolidated statements of cash flows. 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 Group uses the Philippine Peso as its functional currency and is therefore exposed to foreign exchange movements, primarily in US\$ 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 as at December 31, 2018 and 2017:

	2018		2017	
	United States Dollar	Peso Equivalent	United States Dollar	Peso Equivalent
Cash	US\$8,582	₱451,242	US\$3,959	₱197,673

The exchange rate used for the conversion of the amounts from US\$ to Philippine Peso is ₱52.58 and ₱49.93 as at December 31, 2018 and 2017, respectively.

Since the amounts of above foreign currency denominated financial assets are immaterial relative to the consolidated financial statements, management opted not to disclose the foreign currency risk sensitivity analysis for 2018 and 2017.

#### *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 financial assets designated at FVOCI and AFS financial assets, as at December 31, 2018 and 2017, respectively. The Group's exposure to equity price risk relates primarily to its financial assets designated at FVOCI / AFS financial assets 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 statements of financial position.



The effect on equity (as a result of change in fair value of equity instruments held as financial assets designated at FVOCI and AFS financial assets, as at December 31, 2018 and 2017, respectively) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	2018	2017
Change in basis points	3.14%	2.21%
Effect on equity	₱210,141	₱192,766

#### 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 maturity profile of the Group's financial liabilities which are based on contractual undiscounted payments and financial assets which are used to manage the liquidity risk as at December 31, 2018 and 2017.

2018	On demand	Less than 3 months	Total
<b>Financial Liabilities</b>			
Accounts payable and accrued expenses*	₱139,604,333	₱—	₱139,604,333
Unclaimed dividends	573,097	—	573,097
<b>Total</b>	<b>₱140,177,430</b>	<b>₱—</b>	<b>₱140,177,430</b>
<b>Financial Assets</b>			
Cash	₱8,737,477	₱—	₱8,737,477
Stock options receivable	9,780,000	—	9,780,000
Nontrade receivables	267,050	—	267,050
Contract deposits	60,014,594	—	60,014,594
Financial assets designated at FVOCI	16,218,793	—	16,218,793
<b>Total</b>	<b>₱95,017,914</b>	<b>₱—</b>	<b>₱95,017,914</b>
	<b>(₱45,159,516)</b>	<b>₱—</b>	<b>(₱45,159,516)</b>

\*excluding statutory payables



2017	On demand	Less than 3 months	Total
<b>Financial Liabilities</b>			
Accounts payable and accrued expenses*	₱135,962,918	₱—	₱135,962,918
Unclaimed dividends	573,097	—	573,097
<b>Total</b>	<b>₱136,536,015</b>	<b>₱—</b>	<b>₱136,536,015</b>
<b>Financial Assets</b>			
Cash	₱11,377,846	₱—	₱11,377,846
Stock options receivable	9,780,000	—	9,780,000
Nontrade receivables	564,597	—	564,597
Contract deposits	119,172,000	—	119,172,000
AFS financial assets	19,254,801	—	19,254,801
<b>Total</b>	<b>₱160,149,244</b>	<b>₱—</b>	<b>₱160,149,244</b>
	<b>₱23,613,229</b>	<b>₱—</b>	<b>₱23,613,229</b>

\*excluding statutory payables

#### 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, Nontrade Receivables, Accounts Payable and Accrued Expenses and Nontrade Payables*

The carrying amounts of cash, nontrade receivables, 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 Financial Assets*

Fair values of investments are estimated by reference to their quoted market price at the reporting date. For unquoted shares classified as AFS financial assets, these are carried at cost, since fair value of these AFS financial assets cannot be reliably determined as these securities have no available bid price. As at December 31, 2017, the Company's quoted equity securities fair value is at level 1.

##### *Financial assets designated at FVOCI*

Fair values of investments are estimated by reference to their quoted market price at the reporting date. As at December 31, 2018, the Group's quoted and unquoted equity securities fair value is at level 1 and level 2, respectively.

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, 2018 and 2017, respectively.

There were no purchases, sales, issues and settlements of level 3 financial assets designated at FVOCI and AFS financial assets in 2018 and 2017, respectively.



## 22. 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.

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 2018.

As at December 31, 2018 and 2017, the Group's capital is composed of the following:

	2018	2017
Capital stock	<b>₱2,595,502,255</b>	₱2,595,502,255
Additional paid-in capital	<b>617,625,955</b>	617,625,955
Deficit	<b>(1,178,735,129)</b>	(1,166,171,523)
	<b>₱2,034,393,081</b>	₱2,046,956,687

## 23. Segment Reporting

As discussed in Note 1, the Parent Company and its 95%-owned subsidiary is engaged in the business of mine exploration. 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.

## 24. Supplementary Disclosures to Statements of Cash Flows

The non-cash investing activities arising from the capitalization of depreciation amounted to ₱5,477,191, ₱6,171,036, and ₱7,390,355 in 2018, 2017 and 2016, respectively.

## 25. Other Matters

- a) 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 statements of financial position and consolidated statements of comprehensive income as at and for the years ended December 31, 2018 and 2017.
- b) On July 12, 2012, EO No. 79 was released to lay out the framework for the implementation of mining reforms in the Philippines. The policy highlights several issues that includes area of coverage of mining, small-scale mining, creation of a council, transparency and accountability and reconciling the roles of the national government and local government units. Management believes that EO 79 has no major impact on its current operations since the mine is covered by an existing MPSA with the government. Section 1 of EO No. 79, provides that mining contracts approved before the effectivity of the EO shall continue to be valid, binding, and enforceable so long as they strictly comply with existing laws, rules and regulations and the terms and conditions of their grant.





The EO could delay the processing of the Parent Company's APSAs given the provision of the EO on the moratorium on the granting of new mineral agreements by the government until a legislation rationalizing existing revenue sharing schemes and mechanisms shall have taken effect.

On March 7, 2013, the MGB has recommended with the DENR the lifting of DENR Memorandum Order No. 2011-01 on the suspension of acceptance of all types of mining applications. Effective March 18, 2013, MGB has started accepting mining applications for Exploration Permits (EPs) and Financial or Technical Assistance Agreement (FTAA) pursuant to DENR Administrative Order (DAO) No. 2013-11.



## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Manila Mining Corporation and Subsidiary (the Group) as at December 31, 2018 and 2017, and for each of the three years in the period ended December 31, 2018 included in this Form 17-A, and have issued our report thereon dated March 18, 2019. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, as Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated 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 consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Eleanore A. Layug

Partner

CPA Certificate No. 0100794

SEC Accreditation No. 1250-AR-2 (Group A),

February 28, 2019, valid until February 27, 2022

Tax Identification No. 163-069-453

BIR Accreditation No. 08-001998-97-2018,

February 2, 2018, valid until February 1, 2021

PTR No. 7332561, January 3, 2019, Makati City

March 18, 2019



**MANILA MINING CORPORATION AND SUBSIDIARY**  
**INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY SCHEDULES**  
**DECEMBER 31, 2018**

	<u>Schedule</u>
Financial Statements:	
Reconciliation of Retained Earnings Available for Dividend Declaration	I
Financial Ratios	II
Map of the Relationships of the Companies Within the Group	III
Tabular Schedule of Effective Standards and Interpretations Under the PFRS	IV
Supplementary Schedules under Annex 68-E	V
Financial Assets	A
Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	B
Amounts Receivable from Related Parties which are Eliminated During Consolidation of Financial Statements	C
Intangible Assets - Other Assets	D
Long-term Debt	E
Indebtedness to Related Parties (Long-term Loans from Related Companies)	F
Guarantees of Securities and Other Issues	G
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**SCHEDULE I**  
**RECONCILIATION OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**PURSUANT TO SRC RULE 68, AS AMENDED AND**  
**SEC MEMORANDUM CIRCULAR NO.11**  
**December 31, 2018**

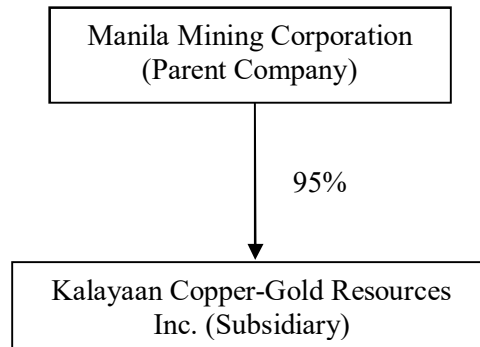
Unappropriated Retained Earnings as at December 31, 2017, <i>as reflected in audited financial statements</i>		(P1,166,171,523)
Unrealized foreign exchange gains - net except those attributable to cash and cash equivalents		—
Unappropriated Retained Earnings, <i>as adjusted to available for dividend distribution, beginning</i>		(1,166,171,523)
<b>Add: Net loss actually incurred during the period</b>		
Net loss during the period closed to Retained Earnings	(12,588,717)	
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)		
Fair value adjustment (mark-to-market gains)		
Fair value adjustment of investment property resulting to gain		
Adjustment due to deviation from PFRS/GAAP – gain		
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS		
Subtotal		—
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)		
Adjustment due to deviation from PFRS/GAAP-loss		
Loss on fair value adjustment of investment property		
Subtotal		—
<b>Net loss actually incurred during the period</b>		
Add (Less):		
Dividend declarations during the period		
Appropriations of retained earnings		
Reversals of appropriations		
Effects of prior period adjustments		
Treasury shares		
Subtotal		— (12,588,717)
<b>TOTAL RETAINED EARNINGS, END</b>		
<b>AVAILABLE FOR DIVIDEND</b>		<b>P— †</b>

†Amount is zero since the reconciliation results to a deficit.

**SCHEDULE II**  
**MANILA MINING CORPORATION AND SUBSIDIARY**  
**SCHEDULE SHOWING FINANCIAL SOUNDNESS**  
**PURSUANT TO SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2018**

	2018	2017
<b>Profitability ratios:</b>		
Return on assets	<b>(0.40%)</b>	(0.83%)
Return on equity	<b>(0.43%)</b>	(0.88%)
<b>Solvency and liquidity ratios:</b>		
Current ratio	<b>0.63:1</b>	1.10:1
Debt to equity ratio	<b>0.07:1</b>	0.07:1
Quick ratio	<b>0.06:1</b>	0.09:1
<b>Financial leverage ratio:</b>		
Asset to equity ratio	<b>1.07:1</b>	1.07:1
Debt to asset ratio	<b>0.07:1</b>	0.07:1

**SCHEDULE III**  
**MANILA MINING CORPORATION AND SUBSIDIARY**  
**A MAP SHOWING THE RELATIONSHIP BETWEEN THE GROUP**  
**AND ITS SUBSIDIARY**  
**PURSUANT TO SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2018**



**SCHEDULE IV**  
**MANILA MINING CORPORATION AND SUBSIDIARY**  
**SCHEDULE OF EFFECTIVE STANDARDS AND**  
**INTERPRETATIONS UNDER PFRS**  
**PURSUANT TO SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2018**

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] and Philippine Interpretations Committee (PIC) Q&As effective as at December 31, 2018:

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>				
<b>Effective as of December 31, 2018</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Philippine Financial Reporting Standards</b>				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers			✓
<b>Philippine Accounting Standards</b>				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs			✓
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements	✓		
PAS 28	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property			✓
	Amendments to PAS 40, Transfers of Investment Property			✓



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
PAS 41	Agriculture			✓
<b>Philippine Interpretations</b>				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
Philippine Interpretation IFRIC-21	Levies			✓
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives			✓
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓

**SCHEDULE V**  
**MANILA MINING CORPORATION AND SUBSIDIARY**  
**Financial Assets**  
**December 31, 2018**

**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
Financial Assets Designated at FVOCI:			
Lepanto Consolidated Mining Corporation	77,846,363	₱8,718,793	₱—
Manila Peninsula	750,000	7,500,000	—
Total	78,596,363	₱16,218,793	₱—

**SCHEDULE V**  
**MANILA MINING CORPORATION AND SUBSIDIARY**  
**Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)**  
**December 31, 2018**

**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
Directors, Officers and Employees	₱9,780,000	₱—	₱—	₱—	₱9,780,000	₱—	₱9,780,000

**SCHEDULE V**  
**MANILA MINING CORPORATION AND SUBSIDIARY**  
**Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements**  
**December 31, 2018**

**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	₱1,198,650	₱—	₱—	₱—	₱110,224	₱—	₱1,308,874

**SCHEDULE V**  
**MANILA MINING CORPORATION AND SUBSIDIARY**  
**Intangible Assets - Other Assets**  
**December 31, 2018**

**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**

**SCHEDULE V**  
**MANILA MINING CORPORATION AND SUBSIDIARY**  
**Long-Term Debt**  
**December 31, 2018**

**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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<b>NOT APPLICABLE</b>
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**SCHEDULE V**  
**MANILA MINING CORPORATION AND SUBSIDIARY**  
**Indebtedness to Related Parties (Long-Term Loans from Related Companies)**  
**December 31, 2018**

**SCHEDULE F**

Name of related party

Balance at beginning of period

Balance at end of period

<b>NOT APPLICABLE</b>
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**SCHEDULE V**  
**MANILA MINING CORPORATION AND SUBSIDIARY**  
**Guarantees of Securities of Other Issuers**  
**December 31, 2018**

**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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<b>NOT APPLICABLE</b>
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**SCHEDULE V**  
**MANILA MINING CORPORATION AND SUBSIDIARY**  
**Capital Stock**  
**December 31, 2018**

**SCHEDULE H**

<u>Title of issue</u>	<u>Number of shares authorized</u>	<u>Total number , issued and outstanding as shown under related balance sheet caption</u>	<u>Number of shares reserved for option warrants, conversions and other rights</u>	<u>Number of shares held by related parties</u>	<u>Directors, officers and employees</u>	<u>Others</u>
Common Stock						
Class "A"	156,000,000,000	155,479,944,728	—	28,918,881,393	3,400,598,789	123,160,464,546
Class "B"	104,000,000,000	103,576,098,876	—	23,153,296,414	2,071,236,408	78,351,566,054