

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, 2016**
2. SEC Identification Number : **4429**
3. BIR Tax Identification number : **050-000-164-442V**
4. Exact name of registrant as specified in its charter



MANILA MINING CORPORATION

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

Mining

7. Address of registrant's principal office:
**20th Floor, Lepanto Building
8747 Paseo de Roxas, Makati City, Philippines**

8. Registrant's telephone number, including area code:
(632) – 815-9447

9. Former name, former address and former fiscal year, if changed since last report: **N/A**

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

Title of each Class	Number of shares of common stock outstanding:
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Class "A"	155,796,086,372
Class "B"	103,790,702,331

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

Yes [☒] No [☐]

If yes, state the name of such stock exchange and the 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, 2016 was P2,959,245,378.06

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	P10 Million	P2.5 million	95% owned by MMC; 5% by Philex Mining Corporation

Marketability of Products

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

The Company has no new products or services. As stated above, the Company 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 P5,096,246.74 in 2016 (P4,471,111.43 in 2015) 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 P2,939,061.16 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 72 employees, 5 employees in Makati and 62 employees at Placer, Surigao del Norte as of the end of 2016; 9 of them were managerial employees, 14 were supervisors, 26 were rank-and-file and 18 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 2014-2016:

Manila Mining "A"

	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	April 10, 2017
Low	0.014	0.013	0.0098	0.010	0.012	0.012	0.011	0.011	
High	0.014	0.013	0.0099	0.011	0.012	0.013	0.011	0.011	

Manila Mining “B”

	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	April 10, 2017
Low	0.015	0.014	0.011	0.011	0.012	0.013	0.011	0.012	
High	0.015	0.014	0.011	0.011	0.013	0.013	0.011	0.012	

Securities, Shareholders and Public Ownership

As of December 31, 2016, the company had 4,238 shareholders. There were approximately 4,053 and 185 holders of common “A” and common “B” shares, respectively. As of the same date, Total Public Ownership constituted 77.89% of the outstanding shares.

Top 20 “A” and “B” Stockholders of the Company (as of March 31, 2017)

	<u>Name</u>	<u>“A” Shares</u>	<u>%</u>
1	<i>F. Yap Securities, Inc.</i>	29,015,966,955	18.62
2	<i>Lepanto Consolidated Mining Company</i>	20,479,027,104	13.14
3	<i>F. Yap Securities</i>	3,274,405,991	2.10
4	<i>Lepanto Investment & Dev. Corp.</i>	1,390,313,541	0.89
5	<i>Bryan Yap</i>	1,945,977,139	1.25
6	<i>Christine Yap</i>	1,861,557,111	1.20
7	<i>Patrick Resources Corporation</i>	1,301,152,163	0.84
8	<i>Paulino Yap</i>	1,064,905,731	0.68
9	<i>Coronet Property Holdings Corp.</i>	833,093,546	0.53
10	<i>Paulino Yap</i>	890,763,764	0.57
11	<i>Emma Yap</i>	799,516,109	0.51
12	<i>Christine Karen Yap</i>	886,334,939	0.57
13	<i>A/C-CKY FYSI</i>	754,994,507	0.48
14	<i>Ventura Resources Corporation</i>	718,565,954	0.46
15	<i>Zamcore Resources Corporation</i>	707,395,421	0.45
16	<i>Emma Yap</i>	678,551,292	0.44
17	<i>Lindsay Resources Corporation</i>	651,542,763	0.42
18	<i>Paul Yap Jr.</i>	580,769,812	0.37
19	<i>Paul Yap Jr.</i>	532,907,891	0.34
20	<i>A/C B. Y. FYSI</i>	524,193,274	0.34

	<u>Name</u>	<u>“B” Shares</u>	<u>%</u>
1	<i>F. Yap Securities, Inc.</i>	15,252,270,464	14.73
2	<i>F. Yap Securities, Inc.</i>	12,477,721,842	12.05
3	<i>Lepanto Consolidated Mining Company</i>	12,045,531,915	11.63
4	<i>F. Yap Securities</i>	9,495,835,411	9.17
5	<i>Lepanto Investment & Dev. Corp.</i>	5,037,619,533	4.86
6	<i>F. Yap Securities</i>	1,665,206,615	1.61
7	<i>Bryan Yap</i>	1,124,317,007	1.09
8	<i>Paulino Yap</i>	1,019,720,824	0.98
9	<i>Cresencio Yap</i>	950,612,016	0.92

10	<i>Coronet Property Holdings Corp.</i>	851,662,573	0.82
11	<i>Pacita Yap</i>	824,539,227	0.80
12	<i>Paulino Yap</i>	787,396,304	0.76
13	<i>David Go Securities Corp.</i>	590,574,844	0.57
14	<i>Emma Yap</i>	529,116,591	0.51
15	<i>Cresencio Yap</i>	504,155,049	0.49
16	<i>Christine Karen Yap</i>	492,917,544	0.48
17	<i>Christine Yap</i>	461,919,918	0.45
18	<i>Emma Yap</i>	433,448,272	0.42
19	<i>Quality Investments & Securities Corp.</i>	415,011,235	0.40
20	<i>Martasio Perez</i>	251,735,175	0.24

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 1:8 preemptive rights offer in April, 2010, totaling 13,429,141,954 “A” and 8,946,398,197 “B” common shares at P0.15 per share, raising P335 million.

During the period July 2012 to December 2013, a total of 768,000,000 “A” and 512,000,000 “B” common shares were exercised by the grantees, covering the first, second, third and fourth tranches of the 8th Stock Option Awards.

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 Ms. Eleanore A. Layug took over as certifying partner in 2012 and 2013. Mr. Jaime del Rosario is the certifying partner for 2014 to 2016.

Representatives of SGV & Co. will be present at the Annual Meeting on April 18, 2017 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 2015, SGV & Co. billed the Company the sum of P350,000. The agreed fee for services rendered in 2016 was P350,000 plus vat and out of pocket expenses.

SGV & Co. also reviewed the utilization of the proceeds of the Company's 1:3.56 SRO 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	80	Filipino	Since 1976
EDUARDO A. BANGAYAN (Independent)	65	-do-	Since 1989
ETHELWOLDO E. FERNANDEZ	89	-do-	Since 2001
RODOLFO S. MIRANDA (Independent)	73	-do-	Since 2009
BRYAN U. YAP	44	-do-	Since 1994
RENE F. CHANYUNGO	64	-do-	Since 2004
DOUGLAS JOHN KIRWIN	66	Australian	Since 2014
PATRICK K. YAP	38	-do-	Since 2005
STEPHEN Y. YAP	47	-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); Shippside, 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 President of the Summit World Group of Companies.

Atty. **Ethelwoldo E. Fernandez** rejoined the Company as Corporate Secretary and Director in 2001, the same year he was reappointed Corporate Secretary of 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.

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.

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

Mr. **Stephen Y. Yap** since 2002 has been the vice president for operations of Tutuban Properties, Inc.

Atty. **Pablo Ayson, Jr.** was appointed Vice President in November 2006. He is also a Vice President of LCMC.

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.

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 LIDC and of 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.

Certain Relationships and Related Transactions

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 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, which are under terms that are no less favorable than those arranged with third parties, are as follows:

		Amount/ Volume	Outstanding Balance	Terms	Conditions
<i>Receivables</i>					
KCGRI;	2016				
<i>Subsidiary</i>					
	2015	₱53,686	₱1,000,140	On demand; non-interest bearing	Unsecured, no impairment, no guarantee

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.

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:

	2016			
	Amount/ Volume	Outstanding Balance	Terms	Conditions
<i>Contract deposits</i>				
<i>DDCP, Affiliate</i>				
<i>Due to a related party</i>				
<i>LCMC; Shareholder</i>				
	2015			
	Amount/ Volume	Outstanding Balance	Terms	Conditions

	Volume	Balance		
<i>Contract deposits</i>				
DDCP, <i>Affiliate</i>	₱10,923,751	₱ 255,000,000	On demand; non-interest bearing	Refundable
<i>Due to a related party</i>				
LCMC; <i>Shareholder</i>	₱1,258,721	₱1,482,946	On demand; non-interest bearing	Unsecured, no guarantee

Total compensation of the Group's key management personnel in 2016, 2015 and 2014, which pertains to short-term benefits, amounted to ₱485,450, ₱485,450 and ₱2,262,450, respectively. There were no post-employment benefits for the Group's key management personnel in 2016, 2015 and 2014.

Summary Compensation Table

	2015 Total (All Cash)	Basic Salary	Bonus (13 th month In the case of executive officers)	Others (Per Diem of Directors)
Felipe U. Yap, Chairman Bryan U. Yap, President Rene F. Chanyungco, Sr. Vice Pres./Treasurer Teodoro Ablang, Jr. Vice Pres./Resident Manager Pablo Ayson, Jr. Vice Pres.	P483,950	P421,800	P35,150	P1,500
	P485,450	P421,800	P35,150	P28,500
	2016 (Total)			
Felipe U. Yap, Chairman Bryan U. Yap, President Rene F. Chanyungco, Sr. Vice Pres./Treasurer Pablo Ayson, Jr. Vice Pres.	P468,950	P421,800	P35,150	P12,000
All officers and directors	P475,950	P421,800	P35,150	P19,000
	2017 (Estimate)			
Executive officers listed above	P468,950	P421,800	P35,150	P12,000
All officers and directors	P588,950	P421,800	P35,150	P132,000

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

Compensation of Directors/Committee Members

Directors are paid a per diem of 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, 2017:

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. Unit 2301/2302 Tektite Tower I, Exchange Rd., Ortigas Center, Pasig City	Substantial Stockholder	same	Filipino	32,290,372,946	20.73	23,638,763,868	22.78
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-	1,390,313,541	0.89	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 14, 2017, the record date, none of the "A" shares and 2.12% of the "B" shares were held by foreigners.

****Directors and Executive Officers** (as of March 31, 2017)

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
	Aggregate as a group		3,400,598,789 / 2,071,236,408		2.219 / 2.002

** - 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.

2017 Plan of Operation

Following the certification by a Competent Person of the Exploration Results and Mineral Resources of the Placer Project, processing of all geologic information and validation of database, as well as metallurgical tests, will continue towards the finalization of an Ore Reserve Report. Further drilling in newly found areas may also commence within the year, funded out of the capital-raising activity undertaken in 2014.

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.

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 2016, 2015 & 2014

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.

2015

Interest income amounted to P108,347 compared with P382,713 in 2014 when the company had a higher cash balance from the proceeds of the 1:3.56 stock rights offering. An interest expense of P501,745 (vs. P617,201 in 2014) was incurred, representing the interest cost on the retirement benefits obligation based on actuarial valuation. Impairment provisions amounting to P81.7 million were booked to provide allowances for doubtful recoverability of Input VAT (P47.6 million) and property and equipment (P14.5 million) and for inventory obsolescence (P19.4 million).

Administration and overhead costs (inclusive of depreciation and current service cost/pension cost) amounted to P8.2 million, compared with P11.5 million in 2014, a decrease of about 29% due to attrition.

A tax benefit of P10.6 million in relation to deferred income tax was booked, from a tax expense of P169,656 in 2014.

Net loss (after provision for income tax) for the year increased to P79.6 million from P11.8 million in 2014 largely due to the impairment provisions discussed above.

Changes in fair values of AFS financial assets amounted to (P3.4 million) versus (P5.9 million) in 2014, and shown as Other Comprehensive Income (OCI) in 2015 together with a re-measurement gain on retirement obligations, for a Total Comprehensive Loss of P82.7 million, compared with P16.5 million last year.

Cash balance in 2015 decreased by 75% to P17.9 million on account of the continuing exploration and care and maintenance activities. Receivables decreased by 19% to P10.4 million due to settlement. Materials and supplies inventory decreased by 74% to P7.1 million due to utilization and on account of the impairment discussed above. Prepayments decreased by 16% to P310.2 million on account of exploration activities and impairment provisions.

Mine exploration costs increased by 5% to P1.371 billion as a result of the continuing exploration activities.

Available for sale investments increased by 10.9% before changes in fair value due to acquisition of financial assets, but fair value decreased by 5% to P21.1 million from P22.1 million in 2014.

Retirement benefits obligation increased by 9% to P12.0 million pursuant to actuarial assumptions.

Cumulative changes in fair values of AFS amounted to (P48.9 million) compared with (P45.5 million) in 2014 due to a decrease in quoted prices. Also pursuant to actuarial assumptions, Re-measurement of retirement benefits obligations resulted in a gain of 23.8% to P1.5 million from P1.2 million in 2014.

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.

2014

The Company undertook a 1:3.56 stock rights offering in June 2014 ("2014 SRO") which raised P683 million to fund the company's exploration projects, working capital and settlement of payables.

In 2014, total income amounted to P464,052 compared with P713,863 in 2013. The 2014 income consisted of interest income of P382,713 and proceeds from the sale of obsolete materials and spare parts, amounting to P81,339. However, there was an interest cost on retirement benefits obligation of P617,201 which was booked as a deduction from Income in 2014; and of P873,632 booked similarly as a deduction from Income in 2013.

Administration and overhead costs (inclusive of depreciation) amounted to P11,466,316 in 2014, compared with P12,823,111 in 2013. Net loss (after provision for income tax) for the year amounted to P11.80 million, versus P12.30 million for 2013.

Cash balance in 2014 amounted to P71,314,681, much higher than the 2013 balance on account of the 2014 SRO. Prepayments increased to P370.88 million from P97.09 million on account of contract deposits for drilling services and advance payment to claim owners and miscellaneous deposits.

Mine exploration costs increased to P1,302.81 million from P1,206.58 million, an increase of 8% as a result of the continuing exploration activities.

Available for sale investments decreased by 21% to P22.06 million from P27.92 million due to a decrease in the fair value of quoted securities.

Accounts payables and accruals decreased by 64% to P140.97 million from P387.25 million as a result of payments made to suppliers/contractors out of the SRO proceeds. Nontrade payables increased to P3.76 from P1.73 million due to unpaid charges for the year. Pension liability decreased by 16% to P11.05 from P13.13 million pursuant to actuarial assumptions.

As a result of the 2014 SRO, the company's stockholders' equity increased by 27% to P3,097.71 million from P2,435.97 last year.

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.

CORPORATE GOVERNANCE

Item 13. Corporate Governance Program - Per SEC Circular Memorandum No. 20 paragraph 3 – publicly-listed companies shall not be required to post on their websites the Consolidated Changes in the ACGR for 2016 on or before January 10, 2017. Likewise, they shall not be required to attach the same to their 2016 Annual Report (SEC Form 17-A).

Financial Statements

Attached as Exhibit “A” hereof, are the Company’s Audited Financial Statements for 2015 covered by the Statement of Management’s Responsibility and the Auditor’s Report signed by Mr. Jaime F. Del Rosario, with the following exhibits:


Exhibit “B”	-	Schedule A	-	Supplementary Schedules Under Annex 68-E Pursuant to SRC Rule 68, as amended
“C”	-	Schedule 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 10, 2016	Annual Stockholders’ Meeting
April 21, 2016	Results of the Annual Stockholders’ Meeting
April 21, 2016	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 7, 2017.



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

SUBSCRIBED AND SWORN TO before me this 10th day of April 2017 at Makati City, affiant, who are personally known to me, exhibiting to me their SSS ID nos. indicated above.

Doc. No. 178 :
Page No. 36 :
Book No. I :
Series of 2017.


MARVIN LESTER N. DE PAZ
Notarial Appointment No. M-459
Notary Public for Makati City
Until 31 December 2017
21st Floor Lepanto Building
8747 Paseo de Roxas, 1226 Makati City
Roll No. 63424
IBP No. 1055074; 12-28-16; PPLM
PTR No. 5918342; 01-11-17 Makati City
MCLE Compliance No. V-0021547; 05-13-16



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, 2016 and 2015**, 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.

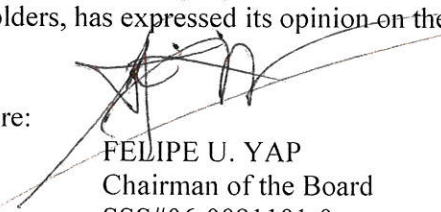
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidated the Company or to 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
Chief Finance Officer
SSS#03-4793502-9

Signed this 21st day of March 2017.

SUBSCRIBED AND SWORN TO before me this 21st day of March 2017 at Makati City, affiant exhibiting to me their SSS ID nos. indicated above.

Doc. No. 139 :
Page No. 19 :
Book No. I :
Series of 2017.



MARVIN LESTER N. DE PAZ
Notarial Appointment No. M-459
Notary Public for Makati City
Until 31 December 2017
21st Floor Lepanto Building
3747 Paseo de Roxas, 1226 Makati City
Roll No. 63424
IBP No. 1055074; 12-28-16; PPLM
PTR No. 5918342; 01-11-17 Makati City
MCLE Compliance No. V-0021547; 05-13-16

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

4	4	2	9						
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COMPANY NAME

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

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

2	0	t	h		F	l	o	o	r	,		L	e	p	a	n	t	o		B	u	i	l	d	i	n	g	,	
P	a	s	e	o		d	e		R	o	x	a	s	,		M	a	k	a	t	i		C	i	t	y			

Form Type

1	7	-	A
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Department requiring the report

C	R	M
---	---	---

Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

Company's Email Address

mis@manilamining.com

Company's Telephone Number

(632) 815-9447

Mobile Number

N/A

No. of Stockholders

4,293

Annual Meeting (Month / Day)

4/18

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Rene F. Chanyungco

Email Address

rfc@lepantomining.com

Telephone Number/s

(632) 815-9447

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

20th Floor Lepanto Building, Paseo de Roxas, Makati City

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITOR'S REPORT

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

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, 2016 and 2015, 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, 2016, 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, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 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 Property and Equipment

The Group's operations have been suspended since 2001. This triggers the risk on recovering the Group's property and equipment, which amounted to ₱1.47 billion as at December 31, 2016, which is 46% of the Group's consolidated total assets, which will be recovered through production. The Group is required to perform an impairment testing of its property and equipment if there are indicators of impairment. The Group's property and equipment belongs to the Parent Company cash generating unit. The Group can be adversely affected by the continued decline in prices of precious metals in the market once its operation resumes. In the event that an impairment indicator is identified, the assessment of the recoverable amount, specifically the value-in-use, of the property and equipment requires significant judgment and involves estimation and assumptions about future production levels and costs, as well as external inputs such as commodity prices, discount rate and foreign currency exchange rates. Hence, such assessment is a key audit matter in our audit. See Note 9 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's impairment assessment process and the related controls. We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include future production levels and costs as well as external inputs such as commodity prices, discount rates, and foreign currency exchange rates. We compared the key assumptions used against external data such as analysts' reports, benchmarks and ore reserves estimates. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of property and equipment.

Recoverability of Deferred Mine Exploration Costs

The ability of the Group to recover its deferred mine exploration costs would depend on the commercial viability of the reserves. The carrying values of deferred mine exploration costs amounted to ₱1.44 billion, which is 45% of the of the Group's consolidated total assets as at December 31, 2016. The substantial amount of this account, the level of additions during the year and the significant management judgment required in assessing whether there is any indication that the deferred mine exploration costs may be impaired are key areas of focus in our audit. See Notes 1 and 10 to the consolidated financial statements.



Audit Response

We obtained an understanding of the Group's capitalization policy and tested whether the policy has been applied consistently. We obtained management's assessment on whether there are impairment indicators affecting the recoverability of the deferred mine exploration costs and inquired into the status of these projects and their plans on operations. We obtained the summary of the status of each exploration project as of December 31, 2016, as certified by the Group's technical group head. We reviewed contracts and agreements, and the budget for exploration costs. We inspected the licenses, permits and correspondences with regulatory agencies (see Note 1 to the consolidated financial statements) 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 concession areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas.

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, 2016, 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, 2016 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 Jaime F. del Rosario.

SYCIP GORRES VELAYO & CO.



Jaime F. del Rosario

Partner

CPA Certificate No. 56915

SEC Accreditation No. 0076-AR-4 (Group A),

May 1, 2016, valid until May 1, 2019

Tax Identification No. 102-096-009

BIR Accreditation No. 08-001998-72-2015,

March 24, 2015, valid until March 23, 2018

PTR No. 5908689, January 3, 2017, Makati City

March 21, 2017



MANILA MINING CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash (Note 4)	₱9,829,749	₱17,876,188
Receivables (Note 5)	9,954,133	10,414,667
Inventories (Note 6)	6,726,715	7,057,057
Prepayments and other current assets (Note 7)	220,615,354	310,168,619
Total Current Assets	247,125,951	345,516,531
Noncurrent Assets		
Available-for-sale (AFS) financial assets (Note 8)	22,757,887	21,045,267
Property and equipment (Note 9)	1,471,210,056	1,476,296,024
Deferred mine exploration costs (Note 10)	1,439,817,469	1,370,575,993
Other noncurrent assets (Note 11)	8,941,385	8,868,553
Total Noncurrent Assets	2,942,726,797	2,876,785,837
TOTAL ASSETS	₱3,189,852,748	₱3,222,302,368
LIABILITIES AND EQUITY		
Current Liability		
Accounts payable and accrued expenses (Note 12)	₱138,527,249	₱139,339,909
Noncurrent Liabilities		
Retirement benefits obligation (Note 16)	13,310,840	12,020,258
Deferred tax liability - net (Note 17)	55,592,940	55,956,782
Total Noncurrent Liabilities	68,903,780	67,977,040
Total Liabilities	207,431,029	207,316,949
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 18)	2,595,502,255	2,595,502,255
Additional paid-in capital (APIC)	617,625,955	617,625,955
Deficit	(1,139,970,882)	(1,105,526,972)
Equity reserves (Note 18)	954,621,275	954,621,275
Cumulative changes in fair values of AFS financial assets (Note 8)	(47,179,377)	(48,891,997)
Remeasurement gain on retirement benefits obligation (Note 16)	1,718,033	1,545,787
	2,982,317,259	3,014,876,303
Non-controlling interest (Note 18)	104,460	109,116
Total Equity	2,982,421,719	3,014,985,419
TOTAL LIABILITIES AND EQUITY	₱3,189,852,748	₱3,222,302,368

See accompanying Notes to Consolidated Financial Statements.



MANILA MINING CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2016	2015	2014
COST AND EXPENSES			
Administration and overhead costs (Note 14)	(P7,048,506)	(P8,179,398)	(P11,466,316)
OTHER CHARGES			
Interest expense (Note 16)	(599,811)	(501,745)	(617,201)
Interest income (Note 4)	47,718	108,347	382,713
Others (Note 15)	(27,285,628)	(81,695,443)	81,339
	(27,837,721)	(82,088,841)	(153,149)
LOSS BEFORE INCOME TAX	(34,886,227)	(90,268,239)	(11,619,465)
PROVISION FOR (BENEFIT FROM) DEFERRED INCOME TAX (Note 17)	(437,661)	(10,650,353)	169,656
NET LOSS	(P34,448,566)	(P79,617,886)	(P11,789,121)
Net loss attributable to:			
Equity holders of the Parent Company	(P34,443,910)	(P79,615,440)	(P11,785,922)
Non-controlling interest	(4,656)	(2,446)	(3,199)
	(P34,448,566)	(P79,617,886)	(P11,789,121)
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Item that may be reclassified subsequently to consolidated statements of comprehensive income:</i>			
Changes in fair values of AFS financial assets (Note 8)	P1,712,620	(P3,407,275)	(P5,862,430)
<i>Item that will not be reclassified to consolidated statements of comprehensive income:</i>			
Remeasurement gain on retirement obligations, (Note 16)	246,065	424,929	1,623,733
Income tax effect (Note 16)	(73,819)	(127,479)	(487,120)
	172,246	297,450	1,136,613
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	P1,884,866	(P3,109,825)	(P4,725,817)
TOTAL COMPREHENSIVE LOSS	(P32,563,700)	(P82,727,711)	(P16,514,938)
Total comprehensive loss attributable to:			
Equity holders of the Parent Company	(P32,559,044)	(P82,725,265)	(P16,511,739)
Non-controlling interest	(4,656)	(2,446)	(3,199)
	(P32,563,700)	(P82,727,711)	(P16,514,938)
LOSS PER SHARE (Note 19)			
Basic and diluted loss per share	(P0.00013)	(P0.00031)	(P0.00010)

See accompanying Notes to Consolidated Financial Statements.



MANILA MINING CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 and 2014

	Attributable to Equity Holders of the Parent Company									Non-controlling Interest NCI (Note 18)	Total
	Capital Stock (Note 18)			APIC	Remeasurement Gain on Retirement Obligation (Note 16)	Equity Reserves (Note 18)	Cumulative Changes in Fair Values of AFS Financial Assets (Note 8)	Deficit	Sub-total		
	Issued	Subscribed	Subscription Receivable								
Balances at January 1, 2014	₱2,021,211,162	₱5,387,451	(₱366,405)	₱508,636,853	₱111,724	₱954,621,275	(₱39,622,292)	(₱1,014,125,610)	₱2,435,854,158	₱114,761	₱2,435,968,919
Issuance and subscription of shares (Note 18)	569,349,274	(80,000)	773	108,989,102	—	—	—	—	678,259,149	—	678,259,149
Net loss	—	—	—	—	—	—	—	(11,785,922)	(11,785,922)	(3,199)	(11,789,121)
Other comprehensive income (loss), net of tax	—	—	—	—	1,136,613	—	(5,862,430)	—	(4,725,817)	—	(4,725,817)
Total comprehensive income (loss)	—	—	—	—	1,136,613	—	(5,862,430)	(11,785,922)	(16,511,739)	(3,199)	(16,514,938)
Balances at December 31, 2014	2,590,560,436	5,307,451	(365,632)	617,625,955	1,248,337	954,621,275	(45,484,722)	(1,025,911,532)	3,097,601,568	111,562	3,097,713,130
Net loss	—	—	—	—	—	—	—	(79,615,440)	(79,615,440)	(2,446)	(79,617,886)
Other comprehensive income (loss), net of tax	—	—	—	—	297,450	—	(3,407,275)	—	(3,109,825)	—	(3,109,825)
Total comprehensive income (loss)	—	—	—	—	297,450	—	(3,407,275)	(79,615,440)	(82,725,265)	(2,446)	(82,727,711)
Balances at December 31, 2015	2,590,560,436	5,307,451	(365,632)	617,625,955	1,545,787	954,621,275	(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, 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	₱1,718,033	₱954,621,275	(₱47,179,377)	(₱1,139,970,882)	₱2,982,317,259	₱104,460	₱2,982,421,719

See accompanying Notes to Consolidated Financial Statements.



MANILA MINING CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	(₱34,886,227)	(₱90,268,239)	(₱11,619,465)
Adjustments for:			
Provision for impairment losses on:			
Input Value Added Tax (VAT) (Note 7)	27,362,651	47,585,580	—
Inventories (Notes 6)	—	19,365,776	—
Property and equipment (Note 9)	—	14,539,440	—
Receivables (Note 5)	—	254,454	—
Depreciation (Notes 9 and 14)	1,545,057	2,537,394	4,110,909
Retirement benefits costs (Note 16)	1,536,647	1,393,528	1,816,315
Interest income (Note 4)	(47,718)	(108,347)	(382,713)
Operating loss before working capital changes	(4,489,590)	(4,700,414)	(6,074,954)
Decrease (increase) in:			
Receivable	460,534	2,147,360	(32,974)
Inventories	330,342	339,878	71,501
Prepayments and other current assets	62,190,614	13,123,018	(273,784,170)
Decrease in accounts payable and accrued expenses	(812,660)	(3,443,834)	(244,248,826)
Net cash generated from (used in) operations	57,679,240	7,466,008	(524,069,423)
Interest received	47,718	108,347	382,713
Net cash flows from (used in) operating activities	57,726,958	7,574,355	(523,686,710)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Deferred mine exploration costs (Notes 9 and 10)	(61,851,121)	(57,071,053)	(84,392,234)
Property and equipment (Note 9)	(3,849,444)	(1,569,035)	(3,163,333)
AFS financial asset (Note 8)	—	(2,395,272)	—
Retirement benefits paid (Note 16)	—	—	(2,272,859)
Decrease (increase) in other noncurrent assets (Note 11)	(72,832)	22,512	(346)
Net cash flows used in investing activities	(65,773,397)	(61,012,848)	(89,828,772)
CASH FLOWS FROM FINANCING ACTIVITY			
Proceeds from issuance of shares (Note 18)	—	—	678,259,148
NET INCREASE (DECREASE) IN CASH	(8,046,439)	(53,438,493)	64,743,666
CASH AT BEGINNING OF YEAR	17,876,188	71,314,681	6,571,015
CASH AT END OF YEAR	₱9,829,749	₱17,876,188	₱71,314,681

See accompanying Notes to Consolidated Financial Statements.



MANILA MINING CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General Information, Status of Operations and Authorization for Issue of the Consolidated Financial Statements

Manila Mining Corporation

Manila Mining Corporation (the Parent Company; the 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 the 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.

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

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).

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 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 Company on April 25, 2012 for the purpose of completing the feasibility study, consisting of 2,176.2810 has. also in Placer, Surigao del Norte and is awaiting approval by the Director of MGB.



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 Company's working capital.

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 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.

KCGRI

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.

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 Mining Corporation (Philex), finalized an agreement for the exploration and joint development of the Kalaya-an Project located in Placer, Surigao del Norte.

The Kalaya-an Project, which is registered under KCGRI, is covered by EP No. XIII-014B.

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.

Authorization for Issue of the Consolidated Financial Statements

The consolidated financial statements of the Parent Company and Subsidiary (the Group) as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016 were authorized for issue by the BOD on March 21, 2017.

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

Basis of Preparation

The consolidated financial statements of the Group have been prepared under the historical cost basis, except for 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 (PFRS).

Basis of Consolidation

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

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 statement of subsidiaries to bring their accounting policies into 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. 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

The accounting policies adopted are consistent with those of the previous financial year, except that the Group adopted the following new accounting pronouncements starting January 1, 2016. The adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Presentation of Financial Statements - Disclosure Initiative*
- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture - Agriculture: Bearer Plants*
- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*
- Annual Improvements to PFRSs 2012 - 2014 Cycle
 - Amendment to PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
 - Amendment to PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
 - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
 - Amendment to PAS 19, *Employee Benefits - Discount Rate: Regional Market Issue*
 - Amendment to PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*

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 to have a significant impact on its financial statements. The Group intends to adopt the following pronouncements when they become effective.



Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The Group will include the required disclosures in its 2017 consolidated financial statements.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.



On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

- Amendments to PFRS 4, *Insurance Contracts*, Applying PFRS 9, *Financial Instruments*, with PFRS 4

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Group is currently assessing the impact of adopting this standard on its consolidated financial statements.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.



The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss (FVPL). They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.



Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

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

Deferred effectivity

- Amendments to PFRS 10 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, *Business Combinations*. 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 postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed 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 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.

Date of Recognition

Financial instruments are recognized in the consolidated statements 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 FVPL, includes transaction cost. On initial recognition, the Group classifies its financial assets as at FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS financial assets, or derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial liabilities, on the other hand, are classified as financial liabilities at FVPL and loans and borrowings, trade and other payables or as derivatives designated as hedging instruments in an effective hedge, 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, 2016 and 2015, the Group does not have financial instruments at FVPL and HTM.

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 finance income in the consolidated statement of comprehensive income. The losses arising from impairment are



recognized in the consolidated statement of comprehensive income in finance costs for loans and other operating expenses 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 statements 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 statements of financial position.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated statements 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 statements of comprehensive income when the right of payment has been established. Any losses arising from impairment of such investments are recognized in the consolidated statements of comprehensive income.

Trade and Other Payables

Trade and other payables are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, trade and other payables 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.

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.

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 determination of what is "Significant" or "Prolonged" requires judgment. 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 and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.



Derecognition of Financial Instruments

Financial Asset

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

- the rights to receive cash flows from the asset have expired; 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 statement 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 statement 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.

Inventories

Parts and supplies are stated at the lower of cost and net realizable value (NRV). Cost of parts and supplies on hand are determined at moving average. Parts and supplies in-transit are valued at invoice cost. NRV is the value of the inventories when sold at their condition at the end of the reporting period. In determining the NRV, the Group considers any adjustments necessary for obsolescence.



Prepayments and Other Current Assets and Other Noncurrent Assets

The Group's prepayments and other current assets include contract deposits, miscellaneous deposits, excess creditable VAT and prepaid royalties. 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. Otherwise, these are classified as other noncurrent assets.

Input VAT

Input VAT represents VAT imposed on the Group by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations. Deferred input VAT represents input VAT on purchase of capital goods exceeding one (1) million pesos. The related input VAT is recognized over five (5) years or the useful life of the capital goods, whichever is shorter. Input VAT is stated at cost less allowance for impairment losses.

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.

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.

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

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

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

Land is recorded at cost less any impairment in value.



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

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

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

The assets' residual values, if any, and useful lives and methods of depletion and depreciation are reviewed 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.



Impairment of Nonfinancial Assets

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

The Group provides allowance for impairment losses on nonfinancial receivables, 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.

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 statement of comprehensive income in the period the impairment incurred. In case the NRV of the inventories increased subsequently, the NRV will increase carrying amount of inventories but only to the extent of the impairment loss previously recognized.

Property and Equipment

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

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

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 finance cost in the consolidated 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.

Provision for Mine Rehabilitation Cost and Decommissioning

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

The provision is discounted using a current market-based pre-tax discount rate and the unwinding of the discount is classified as interest accretion in the consolidated statements of comprehensive income. At the time of establishing the provision, a corresponding asset is capitalized, where it gives rise to a future benefit, and depreciated over future production from the operations to which it relates.

The provision is reviewed on an annual basis for changes to obligations or legislation or discount rates that affect change in cost estimates or life of operations. The cost of the related asset is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate, and the adjusted cost of the asset is depreciated prospectively.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each financial reporting date and the cost is charged to the consolidated statement of comprehensive income.

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



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 not collectible currently.

Deficit

Deficit represents accumulated losses of the Group.

Equity Reserves

Equity reserves 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.

Dividend Distribution

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

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.

Share-based Payment Transactions

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

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

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

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

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

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.

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 Income Tax

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

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

Deferred income tax assets are recognized for all deductible temporary differences, 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 income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and sufficient future taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient 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 income tax asset to be recovered.

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

Deferred income 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.



Loss Per Share

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.

Segment Reporting

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

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.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements in accordance with PFRS 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 statement of financial position.

The Group classified its equity investments as AFS financial assets, 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.

Estimates and Assumptions

The Group's 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

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, 2016 and 2015, the carrying value of receivables amounted to ₱9,954,133 and ₱10,414,667, respectively. Provision for impairment losses on receivables amounted to nil, ₱254,454 and nil in 2016, 2015 and 2014, respectively (see Note 5).

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, 2016 and 2015, carrying values of input VAT amounted to ₱22,926,922 and ₱49,079,172, respectively (see Note 7). Provision for impairment losses on input VAT amounted to ₱27,362,651, ₱47,585,580 and nil in 2016, 2015 and 2014, respectively (see Notes 7 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 ₱6,726,715 and ₱7,057,057 as at December 31, 2016 and 2015, respectively, net of allowance for inventory obsolescence of ₱67,983,475 and ₱68,061,247 as at December 31, 2016 and 2015, 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).

The carrying amounts of AFS financial assets amounted to ₱22,757,887 and ₱21,045,267 as at December 31, 2016 and 2015, respectively (see Note 8). The change in the fair value of AFS financial assets is recognized in consolidated OCI and is 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, 2016 and 2015, the cumulative changes in fair values of AFS financial assets amounted to ₱47,179,377 and ₱48,891,997, respectively (see Note 8).

Assessing Impairment on 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 ₱1,471,210,056 and ₱1,476,296,024 as at December 31, 2016 and 2015, respectively, net of allowance for impairment losses of ₱157,811,883 as at December 31, 2016 and 2015 (see Note 9).

The impairment losses recognized on the Group's property and equipment amounted to nil, ₱14,539,440 and nil in 2016, 2015 and 2014, respectively (see Note 15).



Estimating Recoverability of Deferred Mine Exploration Costs

Mineral property acquisition costs are capitalized until the viability of the mineral interest is determined. Exploration, evaluation and pre-feasibility costs are charged to operations until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized. The Group reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. Mine exploration costs amounted to ₱1,439,817,469 and ₱1,370,575,993, as at December 31, 2016 and 2015, respectively, net of allowance for impairment loss of ₱92,028,090 as at December 31, 2016 and 2015 (see Note 10).

Estimating Mineral Reserves and Resources

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

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

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

As at December 31, 2016 and 2015, mine and mining properties included in property and equipment account amounted to ₱1,341,176,196 (see Note 9).

Estimating Realizability of Deferred Income Tax Assets

The Group reviews the carrying amounts of deferred income 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 income tax assets amounting to ₱74,272,586 and ₱73,908,744 as at December 31, 2016 and 2015, respectively. No deferred income tax assets were recognized for temporary differences amounting to ₱192,939,780 and ₱170,945,812 as at December 31, 2016 and 2015, 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 income tax assets to be utilized (see Note 17).



Estimating Provision for Mine Rehabilitation and Decommissioning

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

The provision for mine rehabilitation and decommissioning costs is based on estimated future costs using information available at the reporting date. To the extent the actual costs differ from these estimates, adjustments will be recorded and the consolidated statement of comprehensive income may be impacted. As at December 31, 2016 and 2015, the Group is in the evaluation phase, as such, no provision for mine rehabilitation and decommissioning was recorded.

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 ₱13,310,840 and ₱12,020,258 as at December 31, 2016 and 2015, respectively (see Note 16). Retirement benefits costs amounted to ₱1,536,647, ₱1,393,528, and ₱1,816,315 in 2016, 2015 and 2014, respectively (see Note 16).

Estimating Fair Values of Financial Assets and Liabilities

PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of accounting judgment and estimates. While significant components of fair value measurement are determined using verifiable objective evidence (e.g. foreign exchange rates, interest rates, volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would directly affect the consolidated statement of comprehensive income (Note 21).

Estimating Contingencies

The Group evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsels do not believe that any current proceedings will have material adverse effects on its financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings (see Note 25).

4. **Cash**

	2016	2015
Cash on hand	₱110,000	₱110,000
Cash with banks	9,719,749	17,766,188
	₱9,829,749	₱17,876,188

Cash with banks earn interest at the respective bank deposit rates. Total interest income amounted to ₱47,718, ₱108,347 and ₱382,713 in 2016, 2015 and 2014, respectively.

The Group has US Dollar (US\$)-denominated cash with banks amounting to US\$4,609 and US\$4,604 as at December 31, 2016 and 2015, respectively (see Note 21).



5. Receivables

	2016	2015
Stock options receivable	₱9,780,000	₱9,780,000
Nontrade	1,002,484	1,463,018
	10,782,484	11,243,018
Less allowance for impairment losses	828,351	828,351
	₱9,954,133	₱10,414,667

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

Nontrade receivables which is 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, 2016 and 2015. 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.

Movement of allowance for impairment losses are as follows:

	2016	2015
Balance at beginning of year	₱828,351	₱573,897
Provision for impairment loss on receivables (Note 15)	—	254,454
Balance at end of year	₱828,351	₱828,351

6. Inventories

	2016	2015
At NRV:		
Machinery and automotive parts	₱6,642,770	₱6,886,059
At cost:		
Fuel, oil and lubricants	83,945	170,998
	₱6,726,715	₱7,057,057

Cost of inventories carried at NRV are as follows:

	2016	2015
Mill materials, hardware and other supplies	₱55,223,197	₱55,577,131
Machinery and automotive parts	19,403,048	19,370,175
	₱74,626,245	₱74,947,306



Movements in allowance for inventory obsolescence in 2016 and 2015 are as follows:

	2016	2015
Balance at beginning of year	₱68,061,247	₱48,747,492
Provision for inventory obsolescence (Note 15)	–	19,365,776
Reversal	(77,772)	(52,021)
Balance at end of year	₱67,983,475	₱68,061,247

The reversal on impairment of inventories amounting to ₱77,772 and ₱52,021 as at December 31, 2016 and 2015, 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 ₱77,023, ₱49,807 and ₱81,339 in 2016, 2015 and 2014, respectively. Adjustment in amount of obsolete items as a result of inventory count amounted to ₱749, ₱2,214 and ₱1,127 in 2016, 2015 and 2014, respectively.

Provision for impairment losses on inventory obsolescence in 2016, 2015 and 2014 amounted to nil, ₱19,365,776 and nil, respectively (see Note 15).

7. Prepayments and Other Current Assets

	2016	2015
Contract deposits	₱191,072,000	₱255,000,000
Input VAT	97,875,153	96,664,752
Prepaid royalties	4,915,099	4,903,819
Miscellaneous deposits	1,701,333	1,185,628
	295,563,585	357,754,199
Allowance for impairment losses (Note 15)	(74,948,231)	(47,585,580)
	₱220,615,354	₱310,168,619

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).

Input VAT represents VAT paid on purchases of goods and services which can be recovered as tax credit against future tax liability of the Parent Company upon approval by the Philippine Bureau of Internal Revenue.

Prepaid royalties are advance payments to claim owner while miscellaneous deposits are advance payments made to suppliers of services.

Based on the assessment done by the management, the Group recognized provision for impairment losses on input VAT amounting to ₱27,362,651, ₱47,585,580 and nil as at 2016, 2015 and 2014, respectively (see Note 15).



8. AFS Financial Assets

	2016	2015
Quoted instruments	₱15,257,887	₱13,545,267
Unquoted instruments	7,500,000	7,500,000
	₱22,757,887	₱21,045,267

Quoted AFS financial assets pertain to investment on common shares of various local public companies. These quoted AFS financial assets pertain to Lepanto A shares totaling to 77,846,363 as at December 31, 2016 and 2015. The fair value on the quoted instrument is based on the exit market price of ₱0.20 and ₱0.17 at December 31, 2016 and 2015, respectively.

Unquoted AFS financial assets pertain to investment in private company which have no fixed maturity date or coupon rate and are carried at cost. These unquoted AFS financial assets pertain to Manila Peninsula shares totaling to 750,000 as at December 31, 2016 and 2015. Fair values of these investments cannot be reliably determined as they have no available exit market price.

As at December 31, 2016 and 2015, the Group has no intention to dispose its unquoted equity shares.

Movement of AFS financial assets are as follows:

	2016	2015
Balance at beginning of year	₱21,045,267	₱22,057,270
Additions	—	2,395,272
Changes in fair value of AFS financial assets	1,712,620	(3,407,275)
Balance at end of year	₱22,757,887	₱21,045,267

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

	2016	2015
Balance at beginning of year	₱48,891,997	₱45,484,722
Valuation (gain) loss	(1,712,620)	3,407,275
Balance at end of year	₱47,179,377	₱48,891,997

There was no dividend income earned from the quoted equity instruments in 2016, 2015 and 2014.



9. Property and Equipment

	2016						
	Mine and Mining Properties	Machinery and Equipment	Building and Improvements	Furniture, Office and Other Equipment	Land	Construction In-progress	Total
Cost:							
Balances at beginning of year	₱2,406,500,518	₱815,596,647	₱110,520,402	₱109,850,621	₱7,270,713	₱105,402,674	₱3,555,141,575
Additions	—	1,785,000	98,303	1,777,414	—	188,727	3,849,444
Transfers	—	—	300,795	—	—	(300,795)	—
Balances at end of year	2,406,500,518	817,381,647	110,919,500	111,628,035	7,270,713	105,290,606	3,558,991,019
Accumulated depreciation:							
Balances at beginning of year	1,065,324,322	671,546,837	83,903,221	100,259,288	—	—	1,921,033,668
Depreciation	—	1,212,159	1,017,047	6,706,206	—	—	8,935,412
Balances at end of year	1,065,324,322	672,758,996	84,920,268	106,965,494	—	—	1,929,969,080
Allowance for impairment losses:							
Balances at beginning and end of year	—	139,544,369	18,086,096	181,418	—	—	157,811,883
Net book values	₱1,341,176,196	₱5,078,282	₱7,913,136	₱4,481,123	₱7,270,713	₱105,290,606	₱1,471,210,056



	2015						
	Mine and Mining Properties	Machinery and Equipment	Building and Improvements	Furniture, Office and Other Equipment	Land	Construction In-progress	Total
Cost:							
Balances at beginning of year	₱2,406,500,518	₱817,720,570	₱110,520,402	₱108,390,013	₱7,270,713	₱105,294,247	₱3,555,696,463
Additions	—	—	—	1,460,608	—	108,427	1,569,035
Disposals	—	(2,123,923)	—	—	—	—	(2,123,923)
Balances at end of year	2,406,500,518	815,596,647	110,520,402	109,850,621	7,270,713	105,402,674	3,555,141,575
Accumulated depreciation:							
Balances at beginning of year	1,065,324,322	667,411,394	82,398,020	92,848,204	—	—	1,907,981,940
Depreciation	—	4,312,437	1,505,201	7,411,084	—	—	13,228,722
Disposals	—	(176,994)	—	—	—	—	(176,994)
Balances at end of year	1,065,324,322	671,546,837	83,903,221	100,259,288	—	—	1,921,033,668
Allowance for impairment losses:							
Balances at beginning of year	—	125,501,962	17,706,056	64,425	—	—	143,272,443
Provisions (Note 15)	—	14,042,407	380,040	116,993	—	—	14,539,440
Balances at end of year	—	139,544,369	18,086,096	181,418	—	—	157,811,883
Net book values	₱1,341,176,196	₱4,505,441	₱8,531,085	₱9,409,915	₱7,270,713	₱105,402,674	₱1,476,296,024



Total depreciation of property and equipment charged to operations amounted to ₱1,545,057 ₱2,537,394 and ₱4,110,909 in 2016, 2015 and 2014, respectively (see Note 14). Depreciation of property and equipment, except mill machinery and equipment, amounting to ₱7,390,355 ₱10,691,328 and ₱11,839,908 were capitalized in 2016, 2015 and 2014, respectively, as part of deferred mine exploration costs.

Construction in-progress consists mainly of expenditures for the preparation of commercial operations of the Company. The projects are intended for the building of process plant. Construction in-progress includes cost of various projects at different percentages of completion as at December 31, 2016 and 2015.

Fully-depreciated property and equipment are retained in the books until they are no longer in use. The cost of fully depreciated property and equipment still being used in operation amounted to ₱995,310,657 and ₱956,857,130 as at December 31, 2016 and 2015, respectively.

10. Deferred Mine Exploration Costs

Deferred mine exploration costs amounted to ₱1,439,817,469 and ₱1,370,575,993, net of allowance for impairment losses amounting to ₱92,028,090, as at December 31, 2016 and 2015, respectively.

As discussed in Note 1, the Company has valid and existing MPSA as at December 31, 2016. 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

	2016	2015
Mine rehabilitation funds (MRF)	₱5,424,861	₱5,352,029
Miscellaneous deposits	1,682,066	1,682,066
Advances to landowners	1,508,341	1,508,341
Others	326,117	326,117
	₱8,941,385	₱8,868,553

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.

Advances to landowners pertain to advances made to certain landowners for future purchases of parcels of land. The same will be deducted from the total acquisition cost of parcels of land purchased in the future.



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

12. Accounts Payable and Accrued Expenses

	2016	2015
Trade payable	₱126,528,790	₱128,316,959
Accrued expenses and other liabilities	8,382,561	8,400,947
Due to related parties (Note 13)	2,405,881	1,484,000
Payable to government	636,920	564,906
Unclaimed dividends	573,097	573,097
	₱138,527,249	₱139,339,909

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 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 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, which are under terms that are no less favorable than those arranged with third parties, are as follows:

		Amount/ Volume	Outstanding Balance	Terms	Conditions
<i>Receivables</i>					
KCGRI; <i>Subsidiary</i>	2016	₱103,100	₱1,103,240	On demand; non-interest bearing and are normally collectible in cash	Unsecured, no impairment, no guarantee
	2015	₱53,686	₱1,000,140	On demand; non-interest bearing and are normally collectible in cash	Unsecured, no impairment, no guarantee



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:

2016				
	Amount/ Volume	Outstanding Balance	Terms	Conditions
<i>Contract deposits</i>				
DDCP, <i>Affiliate</i> (see Note 7)	₱3,572,000	₱191,072,000	On demand; non-interest bearing and are normally collectible in cash	Refundable
<i>Due to related parties</i>				
LCMC; <i>Shareholder</i> (see Note 12)	₱756,728	₱2,239,674	On demand; non-interest bearing and are normally settled in cash	Unsecured, no guarantee
Shipside, Inc., <i>Affiliate</i> (see Note 12)	₱165,027	₱166,207	On demand; non-interest bearing and are normally settled in cash	Unsecured, no guarantee
2015				
	Amount/ Volume	Outstanding Balance	Terms	Conditions
<i>Contract deposits</i>				
DDCP, <i>Affiliate</i> (see Note 7)	₱10,923,751	₱255,000,000	On demand; non-interest bearing and are normally collectible in cash	Refundable
<i>Due to related parties</i>				
LCMC; <i>Shareholder</i> (see Note 12)	₱1,258,721	₱1,482,946	On demand; non-interest bearing and are normally settled in cash	Unsecured, no guarantee
Shipside, Inc., <i>Affiliate</i> (see Note 12)	₱1,054	₱1,054	On demand; non-interest bearing and are normally settled in cash	Unsecured, no guarantee

Total compensation of the Group's key management personnel in 2016, 2015 and 2014, which pertains to short-term benefits, amounted to ₱475,950, ₱485,450 and ₱2,262,450, respectively. There were no post-employment benefits paid for the Group's key management personnel in 2016, 2015 and 2014.



14. Administration and Overhead Costs

	2016	2015	2014
Depreciation (Note 9)	₱1,545,057	₱2,537,394	₱4,110,909
Salaries, allowances and other benefits:			
Salaries and wages	1,633,800	1,365,680	1,660,680
Pension cost (Note 16)	936,836	891,783	1,199,114
Other benefits	341,223	314,459	476,065
Outside services	1,091,672	1,258,546	1,461,679
Listing fees	269,422	391,596	276,728
Rent	253,200	253,200	253,200
Stockholders' meeting and expenses	249,750	237,523	189,300
Membership fees and dues	211,000	149,500	232,000
Taxes and licenses	121,520	29,118	24,443
Repairs and maintenance	60,750	236,181	208,620
Representation and entertainment	44,837	73,107	28,654
Other charges	289,439	441,311	1,344,924
	₱7,048,506	₱8,179,398	₱11,466,316

15. Others

	2016	2015	2014
Provision for impairment losses on:			
Input VAT (Note 7)	₱27,362,651	₱47,585,580	₱—
Inventory obsolescence (Note 6)	—	19,365,776	—
Property and equipment (Note 9)	—	14,539,440	—
Receivables (Note 5)	—	254,454	—
Income from inventory obsolescence (Note 6)	(77,023)	(49,807)	(81,339)
	₱27,285,628	₱81,695,443	(₱81,339)

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 determined using the projected unit credit method. There was no planned termination, curtailment or settlement for the years ended December 31, 2016, 2015 and 2014.

Under the existing regulatory framework, Republic Act 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:

	2016	2015	2014
Current service costs (Note 14)	₱936,836	₱891,783	₱1,199,114
Interest costs	599,811	501,745	617,201
	₱1,536,647	₱1,393,528	₱1,816,315

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

	2016	2015
Balance at beginning of year	₱12,020,258	₱11,051,659
Current service cost (Note 14)	936,836	891,783
Interest costs	599,811	501,745
Pension cost charged to profit or loss	1,536,647	1,393,528
Remeasurement loss (gain) on:		
Change in financial assumptions	16,310	(383,841)
Experience adjustment	(262,375)	(41,088)
Pension cost charged to other comprehensive income	(246,065)	(424,929)
Balance at end of year	₱13,310,840	₱12,020,258

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

	2016	2015
Discount rate	4.97%	4.99%
Salary increase rate	5.00%	5.00%
Expected remaining working lives of employees	10 years	10 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)	2016	2015
Discount rates	0.50%	(₱390,920)	(₱396,243)
	(0.50%)	421,857	427,936
Salary increase rate	0.50%	395,344	401,656

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2016:

Less than one (1) year to five (5) years	₱7,452,769
More than five (5) years to ten (10) years	12,165,257
More than ten (10) years to fifteen (15) years	2,079,457
Sixteen years (16) and up	36,965,978
	₱58,663,461



17. Income Taxes

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

	2016	2015	2014
Loss at statutory tax rates	(P10,465,868)	(P27,080,472)	(P3,485,840)
Additions to (reductions in) income tax resulting from:			
Change in unrecognized deferred income taxes	6,598,190	13,283,977	3,401,022
Expired Net Operating Loss Carry-Over (NOLCO)	3,427,835	3,153,650	182,636
Interest income subjected to final tax	(14,315)	(32,504)	(114,814)
Expired excess MCIT	—	—	178,361
Other nondeductible expenses	16,497	24,996	8,291
	(P437,661)	(P10,650,353)	P169,656

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

	2016	2015
Deferred tax assets:		
Allowance for:		
Impairment losses on property and equipment and idle assets	P49,635,788	P49,635,788
Inventory obsolescence	20,395,041	20,418,374
Impairment losses on receivables	248,505	248,505
Retirement benefits obligation	3,993,252	3,606,077
	74,272,586	73,908,744
Deferred tax liability:		
Excess of allowable depletion over depletion per books	129,865,526	129,865,526
Deferred tax liability - net	P55,592,940	P55,956,782

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:

	2016	2015
Balance at beginning of year	P31,332,142	P34,637,800
Additions	6,057,433	7,206,509
Expirations	(11,426,116)	(10,512,167)
Balance at end of year	P25,963,459	P31,332,142



As at December 31, 2016, the Group has NOLCO that can be claimed as deduction from future taxable income as follows:

Year Incurred	Year of Expiry	Amount	Tax Effect
2012	2017	₱73,775	₱22,133
2013	2018	85,681	25,704
2014	2019	63,985	19,196
2014	2017	12,476,076	3,742,823
2015	2020	48,928	14,678
2015	2018	7,157,581	2,147,274
2016	2021	93,122	27,937
2016	2019	5,964,311	1,789,293
		₱25,963,459	₱7,789,038

No deferred income 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 income tax assets to be utilized.

	2016	2015
Allowance for impairment losses on deferred mine exploration costs	₱92,028,090	₱92,028,090
Allowance for impairment losses on input VAT	74,948,231	47,585,580
NOLCO	25,963,459	31,332,142
	₱192,939,780	₱170,945,812

18. Equity

Capital Stock

As at December 31, 2016, details of the Parent Company's Capital stock follow:

	2016		2015	
	No. of shares	Amount	No. of shares	Amount
Issued and outstanding				
Class "A"	155,479,944,728	₱1,554,799,447	155,479,944,728	₱1,554,799,447
Class "B"	103,576,098,876	1,035,760,989	103,576,098,876	1,035,760,989
	259,056,043,604	2,590,560,436	259,056,043,604	2,590,560,436
Subscribed				
Class "A"	316,141,644	3,161,416	316,141,644	3,161,416
Class "B"	214,603,455	2,146,035	214,603,455	2,146,035
	530,745,099	5,307,451	530,745,099	5,307,451
Total shares issued and subscribed	259,586,788,703	2,595,867,887	259,586,788,703	2,595,867,887
Less subscriptions receivable	—	365,632	—	365,632
	259,586,788,703	₱2,595,502,255	259,586,788,703	₱2,595,502,255

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.

Stock Rights Offering

On April 30, 2014, the PSE BOD approved the application covering the Offer Shares of 56,926,927,347 at ₱0.012 per share, consisting of the following:

	No. of Shares	Offer Price
Class "A"	34,165,808,415	₱409,989,701
Class "B"	22,761,118,932	273,133,427
	56,926,927,347	₱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 drilling program for the period 2014 to 2015, settlement of debts to suppliers, service providers, and to fund the Company's working capital.

Equity Reserves

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

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

The 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 "Effect of transaction with non-controlling interests" in the equity section of the consolidated statement of financial position.

As at December 31, 2016, 2015 and 2014, the Parent Company has 4,293, 4,315 and 4,389 stockholders, respectively.

NCI

NCI represents interest of Philex in KCGRI. Financial information of the subsidiary that has material non-controlling interests are provided below:

	Principal Place of Business	2016	2015
KCGRI	Philippines	5%	5%

Loss allocated to material non-controlling interest:

	2016	2015
KCGRI	(₱4,656)	(₱2,446)



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

Statement of comprehensive income as of December 31:

	2016	2015
Administration and overhead costs	(P93,122)	(P48,928)
Loss before income tax	(93,122)	(48,928)
Net loss	(93,122)	(48,928)
Other comprehensive income	—	—
Total comprehensive loss	(93,122)	(48,928)
Attributable to non-controlling interest	(P4,656)	(P2,446)

Statement of financial position as at December 31:

	2016	2015
Current assets	P122,206	P112,228
Noncurrent assets	2,664,201	2,664,201
Current liabilities	(1,153,240)	(1,050,140)
Noncurrent liabilities	—	—
Total equity	1,633,167	1,726,289
Attributable to:		
Equity holders of the Parent Company	P1,551,509	P1,639,975
Non-controlling interests	81,658	86,314

The Group did not opt to present the statement of cash flows for the years ended December 31, 2016 and 2015 since it is deemed immaterial relative to the consolidated financial statements.

19. Loss Per Share

Basic loss per share is calculated by dividing the profit 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, 2016, 2015 and 2014. There were no outstanding stock options as of December 31, 2016, 2015 and 2014.

	2016	2015	2014
Net loss attributable to equity holders of the Parent Company	(P34,443,910)	(P79,615,440)	(P11,785,922)
Weighted average number of common shares for basic loss per share	259,056,043,604	259,056,043,604	116,597,354,870
Adjusted weighted average number of common shares for diluted loss per share	259,056,043,604	259,056,043,604	116,597,354,870
Basic loss per share	(P0.00013)	(P0.00031)	(P0.00010)
Diluted loss per share	(P0.00013)	(P0.00031)	(P0.00010)



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.

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

	2016		2015	
	Class A	Class B	Class A	Class B
Outstanding at beginning of year	—	—	142,800,000	95,200,000
Cancellation during the year	—	—	(142,800,000)	(95,200,000)
Outstanding at end of year	—	—	—	—

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, 2016 and 2015.

	2016	2015
Cash with banks	₱9,719,749	₱17,766,188
Nontrade receivables	174,133	634,667
Mine rehabilitation fund	5,424,861	5,352,029
Contract deposits	191,072,000	255,000,000
AFS financial assets		
Quoted	15,257,887	13,545,267
Unquoted	7,500,000	7,500,000
Total credit risk exposure	₱229,148,630	₱299,798,151

The tables below summarize the aging analysis of the Group's financial assets as at December 31, 2016 and 2015:

2016	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 with banks	₱9,719,749	₱-	₱-	₱-	₱-	₱9,719,749
Nontrade receivables	174,133	-	-	-	-	174,133
Mine rehabilitation fund	5,424,861	-	-	-	-	5,424,861
Contract deposits	191,072,000	-	-	-	-	191,072,000
AFS financial assets	22,757,887	-	-	-	-	22,757,887
	₱229,148,630	₱-	₱-	₱-	₱-	₱229,148,630

2015	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 with banks	₱17,766,188	₱-	₱-	₱-	₱-	₱17,766,188
Nontrade receivables	634,667	-	-	-	-	634,667
Mine rehabilitation fund	5,352,029	-	-	-	-	5,352,029
Contract deposits	255,000,000	-	-	-	-	255,000,000
AFS financial assets	21,045,267	-	-	-	-	21,045,267
	₱299,798,151	₱-	₱-	₱-	₱-	₱299,798,151

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.
- Mine rehabilitation fund 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 banks 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, 2016 and 2015:

	2016		2015	
	United States Dollar	Peso Equivalent	United States Dollar	Peso Equivalent
Cash	\$4,609	₱229,159	\$4,604	₱216,664

The exchange rate of the Philippine peso to the US dollar is ₱49.72 and ₱47.06 as at December 31, 2016 and 2015, respectively.

Since the amounts of above foreign currency denominated financial assets are immaterial relative to the financial statements, management opted not to disclose the foreign currency risk sensitivity analysis for 2016 and 2015.

Equity Price Risk

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



The effect on equity (as a result of change in fair value of equity instruments held as AFS financial assets at December 31, 2016 and 2015) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	2016	2015
Change in basis points	3.62%	2.45%
Effect on fund balance	₱385,708	₱150,710

Liquidity Risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of advances from related parties. The Group considers its available funds and its liquidity in managing its long-term financial requirements. For its short-term funding, the Group's policy is to ensure that there are sufficient capital inflows to match repayments of short-term debt. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include bank loans and capital market issues. Accordingly, its loan maturity profile is regularly reviewed to ensure availability of funding through an adequate amount of credit facilities with financial institutions. Also, the Group only places funds in money markets which are exceeding the Group's requirements. Placements are strictly made based on cash planning assumptions and covers only a short period of time.

The tables below summarize the aging analysis of the Group's financial assets as at December 31, 2016 and 2015 that are used to manage the liquidity risk of the Group:

2016	On demand	Less than 3 months	Total
Cash	₱9,829,749	₱—	₱9,829,749
Nontrade receivables	174,133	—	174,133
Mine rehabilitation fund	5,424,861	—	5,424,861
Contract deposits	191,072,000	—	191,072,000
AFS financial assets	22,757,887	—	22,757,887
Total	₱229,258,630	₱—	₱229,258,630

2015	On demand	Less than 3 months	Total
Cash	₱17,876,188	₱—	₱17,876,188
Nontrade receivables	634,667	—	634,667
Mine rehabilitation fund	5,352,029	—	5,352,029
Contract deposits	255,000,000	—	255,000,000
AFS financial assets	21,045,267	—	21,045,267
Total	₱299,908,151	₱—	₱299,908,151



The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2016 and 2015 based on contractual undiscounted payments:

2016	On demand	Less than 3 months	Total
Accounts payable and accrued expenses*	₱137,483,440	₱-	₱137,483,440
Unclaimed dividends	573,097	-	573,097
Total	₱138,056,537	₱-	₱138,056,537

*excluding statutory payables

2015	On demand	Less than 3 months	Total
Accounts payable and accrued expenses	₱138,202,960	₱-	₱138,202,960
Unclaimed dividends	573,097	-	573,097
Total	₱138,776,057	₱-	₱138,776,057

*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, 2016 and 2015, the Company's quoted equity securities fair value is at level 1.

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, 2016 and 2015, respectively.

There were no purchases, sales, issues and settlements of level 3 AFS financial assets in 2016 and 2015.

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 2016.

As at December 31, 2016 and 2015, the Group's capital is composed of the following:

	2016	2015
Capital stock	₱2,595,502,255	₱2,595,502,255
Additional paid-in capital	617,625,955	617,625,955
	₱3,213,128,210	₱3,213,128,210

23. Segment Reporting

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

24. Notes to Statements of Cash Flow

Noncash financing activities pertain to disposal of property and equipment amounting to nil and ₱1,946,929 as at December 31, 2016 and 2015, respectively.

25. Other Matters

- 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, 2016 and 2015.
- 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 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 EPs and Financial or Technical. Assistance Agreement (FTAA) pursuant to DAO No. 2013-11.



26. Events After End of Reporting Period

DENR Issues on Mine Rehabilitation Fund

On February 17, 2017, the Parent Company received a letter from DENR Secretary Regina Lopez directing MMC to show cause why it should not be held liable for violating Section 71 of the Mining Act for failure to deposit the required amount for the Final Mine Rehabilitation /Decommissioning Fund. MMC replied that i) it had complied with the said requirement; ii) MMC had been under Care and Maintenance since 2001 and its Care and Maintenance Program has been approved by the Mine Rehabilitation Committee of the MGB Regional Office No. XIII.; and iii) the bank accounts of MMC to which the rehabilitation funds are deposited are monitored quarterly by the Multi-partite Monitoring Team (MMT) and found compliant. During her Confirmation Hearing at the Philippine Senate on March 8, 2017, Sec. Lopez stated that MMC had not been taking care of its pits and had no rehab funds. MMC clarified the matter through a press release, stating that it properly maintains its facilities; it is compliant with environmental regulations as confirmed by the quarterly monitoring reports of the MMT; it has in place sufficient rehabilitation funds which are subject to quarterly monitoring by the MMT; and the open pits referred to by Sec. Lopez contain ore and are programmed for mining prior to rehabilitation.

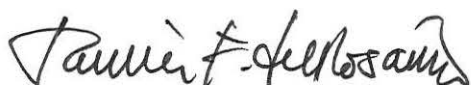


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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 as at December 31, 2016 and 2015, and for each of the three years in the period ended December 31, 2016 included in this Form 17-A, and have issued our report thereon dated March 21, 2017. 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 Parent Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, as Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic 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.



Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-4 (Group A),
May 1, 2016, valid until May 1, 2019
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2015,
March 24, 2015, valid until March 23, 2018
PTR No. 5908689, January 3, 2017, Makati City

March 21, 2017



MANILA MINING CORPORATION AND SUBSIDIARY
ANNUAL AUDITED FINANCIAL REPORT
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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, 2016

Unappropriated Retained earnings as at December 31, 2015, *as reflected in audited financial statements*

Unrealized foreign exchange gains - net except those attributable to cash and cash equivalents

Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, beginning*

Add: Net loss actually incurred during the period

Net loss during the period closed to Retained Earnings

Less: Non-actual/unrealized income net of tax

Equity in net income of associate/joint venture

Unrealized foreign

attributable to Cash

NOT APPLICABLE

Unrealized actuarial gain

Fair value adjustment (M2M gains)

Fair value adjustment of Investment Property resulting to gain

Adjustment due to deviation from PFRS/GAAP-gain

Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS

Subtotal

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

Net loss actually incurred during the period

Add (Less):

Dividend declarations during the period

Appropriations of retained earnings

Reversals of appropriations

Effects of prior period adjustments

Treasury shares

Subtotal

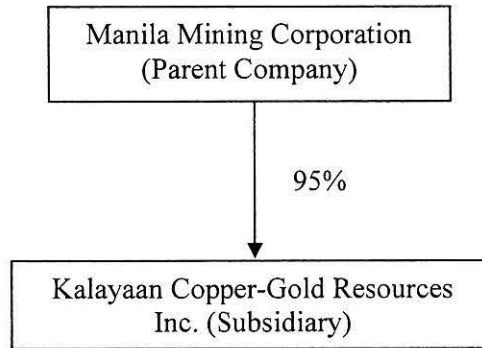
TOTAL RETAINED EARNINGS, END
AVAILABLE FOR DIVIDEND

†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, 2016

	2016	2015
Profitability ratios:		
Return on assets	(1.07%)	(2.47%)
Return on equity	(1.15%)	(2.60%)
Solvency and liquidity ratios:		
Current ratio	1.78:1	2.48:1
Debt to equity ratio	0.07:1	0.07:1
Quick ratio	0.07:1	0.13:1
Financial leverage ratio:		
Asset to equity ratio	1.07:1	1.07:1
Debt to asset ratio	0.07:1	0.06:1

SCHEDULE III
MANILA MINING CORPORATION AND SUBSIDIARY
A MAP SHOWING THE RELATIONSHIP BETWEEN THE PARENT COMPANY
AND ITS SUBSIDIARY
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2016



SCHEDULE IV
MANILA MINING CORPORATION AND SUBSIDIARY
SCHEDULE OF EFFECTIVE STANDARDS AND
INTERPRETATIONS UNDER PFRS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2016

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, 2016:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments: Classification and Measurement of Financial Assets	Not early adopted		
	Financial Instruments: Classification and Measurement of Financial Liabilities	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
	Amendments to PFRS 9: Hedge Accounting	Not early adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 1 and PAS28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10: Investment Entities			✓
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities: Applying Consolidation Exceptions			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contract with Customers	Not early adopted		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Agriculture Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28	Investments in Associates			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 39 (cont'd)	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14: Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

SCHEDULE V
MANILA MINING CORPORATION AND SUBSIDIARY
Financial Assets
December 31, 2016

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
AFS Financial Assets:			
Lepanto Consolidated Mining Corporation	77,846,363	₱15,257,887	₱-
Manila Peninsula	750,000	7,500,000	-
Total	78,596,363	₱22,757,887	₱-

SCHEDULE V
MANILA MINING CORPORATION AND SUBSIDIARY
Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2016

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
Pablo T. Ayson Jr.	₱40,000	₱15,000	₱—	₱—	₱55,000	₱—	₱55,000

SCHEDULE V
MANILA MINING CORPORATION AND SUBSIDIARY
Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
December 31, 2016

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	₱1,000,140	₱103,100	₱—	₱—	₱1,103,240	₱—	1,103,240

SCHEDULE V
MANILA MINING CORPORATION AND SUBSIDIARY
Intangible Assets - Other Assets
December 31, 2016

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, 2016

SCHEDULE E

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

SCHEDULE V
MANILA MINING CORPORATION AND SUBSIDIARY
Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2016

SCHEDULE F

Name of related party

Balance at beginning of period

Balance at end of period

NOT APPLICABLE

SCHEDULE V
MANILA MINING CORPORATION AND SUBSIDIARY
Guarantees of Securities of Other Issuers
December 31, 2016

SCHEDULE G

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

SCHEDULE V
MANILA MINING CORPORATION AND SUBSIDIARY
Capital Stock
December 31, 2016

SCHEDULE H

Title of issue	Number of shares authorized	Total number of shares subscribed, issued and outstanding as shown under related balance sheet caption	Number of shares reserved for option warrants, conversions and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common Stock						
Class "A"	156,000,000,000	155,796,086,372	—	28,918,881,393	3,400,598,789	—
Class "B"	104,000,000,000	103,790,702,331	—	23,153,296,414	2,071,236,408	—