

# COVER SHEET

[illegible]

S.E.C. Registration Number

[illegible]

(Company's Full Name)

[illegible]

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

ODETTE A. JAVIER

Contact Person

815-9447

Company Telephone Number \_\_\_\_\_

1	2
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3	1
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Month

Day

Fiscal Year

A M E N D E D  
D E F I N I T I V E  
S E C I S 2 0

FORM TYPE

Not later than April 30

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Month

Day

Annual Meeting

— — —

Secondary License Type, If Applicable

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Dept. Requiring this Doc.

\_\_\_\_\_

Amended Articles Number/Section

4,288
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Total no. of Stockholders

### Total Amount of Borrowings

	Total / Average

Domestic

\_\_\_\_\_

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

\_\_\_\_\_

LCU

[illegible]

Document I.D.

Cashier

STAMPS



**MANILA MINING CORPORATION**

**NOTICE OF 2020 ANNUAL STOCKHOLDERS' MEETING**

Please be informed that the **Annual Stockholders' Meeting of Manila Mining Corporation** will be held on **Tuesday, July 28, 2020 at 3:00 o'clock p.m.** The Meeting will be conducted virtually via remote access communication and the access link will be provided in the Company's website at [www.manilamining.com](http://www.manilamining.com)

The agenda for the Meeting will be as follows:

1. Call to Order
2. Proof of due notice of the meeting and determination of quorum
3. Approval of the Minutes of the Annual Meeting on April 16, 2019
4. Approval of the Annual Report
5. Election of Directors
6. Appointment of External Auditor
7. Transaction of such other and further business as may properly come before the meeting.

Only stockholders of record as of July 1, 2020 are entitled to notice of, and to vote at, the Meeting.

The Definitive Information Statement and Management Report and SEC Form 17-A and other pertinent documents are posted on the Company's website and PSE Edge. Guidelines for registration and participation in the Meeting shall likewise be posted on the Company's website.

Stockholders who intend to participate in the Meeting via remote communication should email on or before July 20, 2020 the Asst. Corporate Secretary at [oaj@manilamining.com](mailto:oaj@manilamining.com) a scanned copy of a valid government-issued identification card (ID) for registration and verification purposes. Indirect stockholders should include in their email their broker's certification of shareholding.

Stockholders may also be represented and vote at the Meeting by submitting a Proxy via email to [oaj@manilamining.com](mailto:oaj@manilamining.com) together with a government-issued ID. Hardcopies of proxies may also be submitted to the Company's principal office at the 20<sup>th</sup> Fl., Lepanto Building, 8747 Paseo de Roxas, Makati City. Proxies emailed or submitted after July 20, 2020 shall not be recorded for the Meeting.

Makati City, July 6, 2020.

  
**ETHELWOLDO E. FERNANDEZ**  
Corporate Secretary

## **ANNEX “A”**

### **EXPLANATION OF AGENDA ITEMS**

1. **Call to Order** – The Chairman of the Board and CEO, Mr. Felipe U. Yap, will call the meeting to order.
2. **Proof of due notice of the meeting and determination of quorum** – The Corporate Secretary, Atty. Ethelwoldo E. Fernandez, will certify that (a) in accordance with the SEC Notice dated April 20, 2020, notice of the meeting was duly published in two newspapers of general circulation for two consecutive days at least 21 days before the meeting date; and that (b) a quorum exists for the transaction of business.

The said published notice of the meeting advised stockholders that: (a) those who intend to participate in the meeting via remote communication should send by email on or before July 21, 2020 to the Asst. Corporate Secretary at [oaj@manilamining.com](mailto:oaj@manilamining.com) a scanned copy of a valid government-issued identification card (ID) for registration and verification purposes. An Indirect shareholder should include in the email a scanned copy of his/her broker's certification of shareholding. (b) Stockholders may also be represented and vote at the meeting by submitting a Proxy (form attached) via email to [oaj@manilamining.com](mailto:oaj@manilamining.com) together with a scanned copy of a valid government-issued ID. Hardcopies of proxies may also be submitted to the Company's principal office at the 20<sup>th</sup> Fl., Lepanto Building, 8747 Paseo de Roxas, Makati City.

Stockholders who have successfully registered will receive an email with (a) instructions on how to access the Ballot through a secure online portal which will allow them to vote at the meeting. The Ballot gives the stockholder the option not to vote directly, but to allow the Chairman to vote all items (except the election of directors) as his/her Proxy; and (b) the ZOOM meeting link. A stockholder who participates and votes *in absentia* or by remote communication shall be deemed present for purposes of quorum.

3. **Approval of the Minutes of the Annual Meeting held on April 16, 2019**– The minutes of the previous stockholders' meeting may be accessed through the Corporation's website [www.manilamining.com](http://www.manilamining.com). A resolution on this item requires the approval of a majority of the votes of stockholders present and eligible to vote.
4. **Approval of the Annual Report** – The Chairman will deliver a report to the stockholders on the Company's performance in 2019. The President, Mr. Bryan U. Yap, will report on the Outlook for 2020. The Chairman will then open the floor for clarificatory questions. Then, the audited financial statements for the year ended 31 December 2019 (attached to the Information Statement and accessible through the company's website) will be presented for the approval by the stockholders. A resolution on this agenda item requires the approval of a majority of the votes of stockholders present and eligible to vote.

5. **Election of Directors** – The Nomination Committee received nominees for directors within the prescribed period and found such nominees to have all the qualifications and none of the disqualifications to serve as directors. The names of the nominees and their respective personal profiles, including directorships in listed companies, are duly indicated in the Information Statement. Election of directors will be done by plurality of votes.

Each shareholder is entitled to one (1) vote per share multiplied by the number of board seats to be filled, i.e. nine (9), and may cumulate his/her votes by giving as many votes as he/she wants to any candidate provided that the total votes cast shall not exceed the total votes to which he/she is entitled.

In the event that only nine(9) are nominated to fill the nine seats in the Board, the Chairman, unless otherwise instructed by a stockholder, may direct the Corporate Secretary to cast all votes in favor of those nominated.

6. **Appointment of External Auditor** – The Corporation's Audit Committee has recommended the re-appointment of SyCip Gorres Velayo & Co. as external auditors for the current year. A resolution on this agenda item requires the approval of a majority of the votes of stockholders present and eligible to vote.
7. **Transaction of such other and further business as may properly come before the Meeting -**  
Stockholders may propose to discuss other issues and matters.
8. **Adjournment** – After all matters in the agenda have been taken up, the Chairman will entertain a motion to adjourn the meeting.

## PROXY

This undersigned stockholder of **MANILA MINING CORPORATION** (the "Company") hereby appoints \_\_\_\_\_, as attorney-in-fact and proxy, to represent and vote all shares registered in his/her/its name at the Annual Meeting of Stockholders to be held on **28 July 2020 (Tuesday) at 03:00 p.m.** by remote communication and at any adjournments thereof for the purpose of acting on the following matters:

Unless i have indicated my preference or my votes on the issues in the form as provided below, my shares shall be voted in accordance with the recommendation of the Board of Directors or, if there is none, at the discretion of the Proxy, except in the election of directors, on which the Proxy shall vote only the number of shares i have indicated for the candidate i have chosen.

Hereunder are the matters to be taken up during the meeting. Please indicate your vote by firmly placing and "X" in the appropriate box.

- |  |                              |                             |                                  |
|--|------------------------------|-----------------------------|----------------------------------|
| 1. Approval of the Minutes of the Annual Meeting on April 16, 2019 | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> Abstain |
| 2. Approval of the Annual Report                                   | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> Abstain |
| 3. Election of Directors   |                              |                             |                                  |

Vote for nominees listed below:

	No. of Votes
<input type="checkbox"/> Felipe U. Yap	_____
<input type="checkbox"/> Bryan U. Yap	_____
<input type="checkbox"/> Rene F. Chanyungco	_____
<input type="checkbox"/> Ethelwoldo E. Fernandez	_____
<input type="checkbox"/> Douglas John Kirwin	_____
<input type="checkbox"/> Patrick K. Yap	_____
<input type="checkbox"/> Stephen Y. Yap	_____
<i>Independent Directors</i>	
<input type="checkbox"/> Eduardo A. Bangayan	_____
<input type="checkbox"/> Jose Raulito E. Paras	_____

- |  |                              |                             |                                  |
|--|------------------------------|-----------------------------|----------------------------------|
| 4. Appointment of SGV as External Auditor  | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> Abstain |
| 5. Transaction of such other and further business as may properly come before the meeting. | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> Abstain |

IF THE STOCKHOLDER IS A CORPORATION, A SECRETARY'S CERTIFICATE QUOTING THE BOARD RESOLUTION AUTHORIZING THE CORPORATE OFFICER WHO SIGNED THIS PROXY MUST BE SUBMITTED TO THE CORPORATE SECRETARY AT [oaj@manilamining.com](mailto:oaj@manilamining.com).

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS CONSIDERED REVOKED IF THE STOCKHOLDER REGISTERS ON THE VOTING IN ABSENTIA & SHAREHOLDER (VISH) SYSTEM AND/OR NOTIFIES THE COMPANY BY EMAIL BY 21 JULY 2020 OF HIS INTENTION TO PARTICIPATE IN THE MEETING BY REMOTE COMMUNICATION.

STOCKHOLDERS PARTICIPATING BY REMOTE COMMUNICATION WILL NOT BE ABLE TO VOTE UNLESS THEY REGISTER IN THE VISH SYSTEM OR AUTHORIZE THE CHAIRMAN TO VOTE AS PROXY, ON OR BEFORE 21 JULY 2020.

A SCANNED COPY OF THIS PROXY SHOULD BE SENT TO THE CORPORATE SECRETARY AT [oaj@manilamining.com](mailto:oaj@manilamining.com) ON OR BEFORE 20 JULY 2020 WHICH IS THE DEADLINE FOR SUBMISSION OF PROXIES.

## ONLINE BALLOT

Email Address: \_\_\_\_\_

- |   |                              |                             |                                  |
|---|------------------------------|-----------------------------|----------------------------------|
| 1. Approval of the Minutes of the Annual Meeting held on April 16, 2019 | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> Abstain |
| 2. Approval of the Annual Report  | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> Abstain |
| 3. Election of Directors  |                              |                             |                                  |

Vote for nominees listed below:

	No. of Votes
<input type="checkbox"/> Felipe U. Yap	_____
<input type="checkbox"/> Bryan U. Yap	_____
<input type="checkbox"/> Rene F. Chanyungco	_____
<input type="checkbox"/> Ethelwoldo E. Fernandez	_____
<input type="checkbox"/> Douglas John Kirwin	_____
<input type="checkbox"/> Patrick K. Yap	_____
<input type="checkbox"/> Stephen Y. Yap	_____

*Independent Directors*

<input type="checkbox"/> Eduardo A. Bangayan	_____
<input type="checkbox"/> Jose Raulito E. Paras	_____

- |  |                              |                             |                                  |
|--|------------------------------|-----------------------------|----------------------------------|
| 4. Appointment of SGV as External Auditor  | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> Abstain |
| 5. Transaction of such other and further business as may properly come before the meeting. | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> Abstain |

☐ I OPT NOT TO VOTE DIRECTLY AND INSTEAD APPOINT THE CHAIRMAN AS MY PROXY TO VOTE ON ALL MATTERS EXCEPT IN RESPECT OF THE ELECTION OF THE DIRECTORS.

## **ANNEX “B”**

### **REQUIREMENTS AND PROCEDURE FOR VOTING AND PARTICIPATING IN THE 2020 ANNUAL STOCKHOLDERS’ MEETING**

- A. CONDUCT OF THE MEETING** - The 2020 Annual Stockholders’ Meeting of **Manila Mining Corporation** will be conducted virtually on Tuesday, July 28, 2020 via ZOOM. Due to the Covid-19 crisis, there will be no physical venue for the meeting. Stockholders who participate in the meeting by remote communication shall be deemed present for purposes of quorum.
- B. PRE-REGISTRATION** - Stockholders intending to participate **by remote communication or by Proxy** (Annex “A-1”) are required to pre-register by emailing the Asst. Corporate Secretary at [oai@manilamining.com](mailto:oai@manilamining.com) **not later than July 21, 2020**. Following are the requirements for pre-registration:
1. Name of the stockholder
  2. Mailing Address
  3. Contact number (landline or mobile)
  4. email address through which the stockholder will send and receive communication from the Company
  5. Scanned copy of any valid government-issued ID with photo and signature of the stockholder
  6. If attending through a duly-appointed Proxy, the name of the Proxy, together with a scanned copy of the Proxy’s valid government-issued ID with photo and signature (except if the designated Proxy is the Chairman of the meeting)
  7. If the stockholder is a corporation, a scanned copy of the Corporate Secretary’s certification stating the representative’s authority to represent the corporation, and a scanned copy of the government-issued ID with photo and signature of the Company representative and email address of the representative.

THE SUBMISSION OF INCOMPLETE OR INCONSISTENT INFORMATION MAY RESULT IN UNSUCCESSFUL REGISTRATION AND WILL RENDER THE STOCKHOLDER INELIGIBLE TO PARTICIPATE IN THE MEETING.

- C. REGISTRATION PROPER-** Successful registrants will receive a notice by email:

1. confirming their registration status and providing:
  - a. link to the online secure portal where they can vote/accomplish the Ballot (Annex “A-2”), which should be accomplished not later than July 24, 2020;
  - b. ZOOM meeting link to enable them to participate at the meeting.
2. for those who submitted a PROXY, a confirmation of the validity of the PROXY.

#### **D. VOTIN**

1. A stockholder who chooses to vote electronically should vote on the agenda items by accessing the Ballot through the secure online portal.
2. A stockholder who does not wish to vote electronically can only appoint the Chairman of the meeting as Proxy.
3. The Office of the Corporate Secretary will tabulate all votes received and an independent third party will validate the results.
4. The Corporate Secretary will report the results of the voting during the meeting.

#### **E. MEETING PROPER**

1. During the meeting, each proposed resolution will be shown on the screen as the relevant agenda item is taken up.
2. Participating stockholders can send questions or comments on any item on the agenda through the chat facility of ZOOM.
4. The meeting proceedings will be recorded in audio and video format. A copy of the recorded proceedings will be made available to a stockholder upon request.



**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 20-IS**

**INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box :

\_\_\_\_\_ Preliminary Information Statement

X  AMENDED Definitive Information Statement

2. Name of Registrant as specified in its charter: **MANILA MINING CORPORATION**

3. Province, country or other jurisdiction of incorporation or organization : Makati City, Philippines

4. SEC Identification Number : 4429

5. BIR Tax Identification Code : 050-000-164-442V

6. Address of principal office : 20<sup>th</sup> Floor, Lepanto Building  
8747 Paseo de Roxas  
1229 Makati City, Philippines

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

8. Date, time and place of the meeting of security holders :

**Tuesday, July 28, 2020 at 3:00 o'clock p.m.** The meeting will be conducted virtually via remote access communications and the access link will be provided in the Company's website at [www.manilamining.com](http://www.manilamining.com)

9. Approximate date on which the Information Statement is first to be sent or given to security holders :  
July 7, 2020

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA :

Title of Each Class	Number of Shares of Common Stock Outstanding
Class "A"	155,796,086,372
Class "B"	103,790,702,331

The Company has no preferred shares.

11. Are any or all of registrant's securities listed on a Stock Exchange?

Yes  X  No \_\_\_\_\_

If yes, disclose the name of Stock Exchange and the class of securities listed therein.

Philippine Stock Exchange

Classes "A" & "B"

## GENERAL INFORMATION

### **WE ARE NOT REQUESTING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.**

#### **Date, time and place of meeting of security holders.**

The Annual Meeting of Stockholders of Manila Mining Corporation will be conducted virtually via remote access communications on **Tuesday, July 28, 2020 at 3:00 o'clock p.m.** The access link will be provided in the Company's website at [www.manilamining.com](http://www.manilamining.com) and emailed to stockholders who pre-register. The complete mailing address of the offices of the Company is 20<sup>th</sup> Floor, Lepanto Building, 8747 Paseo de Roxas, Makati City, Philippines. This Information Statement will be posted on the Company's website on or before July 7, 2020.

#### **Dissenters' Right of Appraisal**

A stockholder has the right to dissent and demand payment of the fair value of his share: (1) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or of authorizing preference over the outstanding shares or of extending or shortening the term of corporate existence; (2) in case of any sale, lease, mortgage or disposition of all or substantially all the corporate property or assets; and (3) in case of any merger or consolidation.

The appraisal right may be exercised by a stockholder who has voted against the proposed corporate action, by making a written demand on the corporation for the payment of the fair market value of his shares within thirty (30) days after the date on which the vote was taken.

There is no matter for discussion in the **July 28, 2020** meeting that may give rise to the exercise of the Dissenters' Right of Appraisal.

#### **Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

None of the directors, officers, nominees for director, or any of the associates of the foregoing persons have any substantial interest in the Matters to be Acted Upon in the Annual Meeting nor has any of them informed the Company in writing of any opposition to the matters to be acted upon.

## CONTROL AND COMPENSATION INFORMATION

#### **Voting Securities and Principal Holders Thereof**

Of the 259,586,788,703 outstanding shares of the Company, 259,056,043,604 shares, as of July 1, 2020, are entitled to one (1) vote each. Said outstanding shares, all of which are common shares, are broken down as follows:

Class "A"	155,479,944,728
Class "B"	103,576,098,876

A stockholder entitled to vote at the meeting shall have the right to vote in person or by proxy (which need not be notarized) the number of shares of stock held in his name on the stock books of the Company as of July 1, 2020 and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit.

There is no provision in the Company's charter or by-laws that would delay, defer or prevent a change in the control of the Company.

### Security Ownership of Certain Record and Beneficial Owners

Owners of more than 5% of the Company's securities, as of June 30, 2020, were as follows:

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

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

\* - 100% owned subsidiary of LCMC.

### Equity Ownership of Foreigners

As of July 1, 2020, the record date, none of the "A" shares and 1.72% of the "B" shares were held by foreigners.

### 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 of Management (as of June 30, 2020)

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	Jose Raulito E. Paras	Director	33,056,179 / 3,202,247	Filipino	0.021 / 0.003
A & B	Eduardo A. Bangayan***	Director	7,566,975 / 35,441,945	-do-	0.005 / 0.034
A & B	Patrick K. Yap	Director/SVP	60,551,930 / 32,791,011	-do-	0.039 / 0.032
A & B	Stephen Y. Yap	Director	1,280,898 / -	-do-	nil
A & B	Pablo T. Ayson, Jr.	Vice President	15,728,270 / 14,513,370	-do-	0.010 / 0.014
A & B	Ma. Lourdes B. Tuason	Asst. Treasurer	37,388,257 / 40,060,862	-do-	0.024 / 0.039
A & B	Odette A. Javier	Asst. Corp. Sec.	15,073,314 / 8,145,126	-do-	0.010 / 0.008
	<i>Aggregate as a group</i>		<i>3,400,598,789 / 2,071,236,408</i>		<i>2.219 / 2.002</i>

- \*\* - All of record and directly owned.
- \*\*\* - Independent Directors

There is no arrangement which may result in a change in the control of the Company and there has been no such change since January 2020.

### **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.

### **Directors and Executive Officers**

**The Directors of the Company are elected at the Regular Annual Meeting of Stockholders to hold office until the next succeeding annual meeting or until their respective successors have been elected and qualified.**

<u>Directors</u>	<u>Age</u>	<u>Citizenship</u>	<u>Period Served</u>
FELIPE U. YAP	83	Filipino	Since 1976
EDUARDO A. BANGAYAN (Independent)	68	-do-	Since 1989
ETHELWOLDO E. FERNANDEZ	92	-do-	Since 2001
JOSE RAULITO E. PARAS (Independent)	48	-do-	Since 2019
BRYAN U. YAP	47	-do-	Since 1994
RENE F. CHANYUNGCO	68	-do-	Since 2004
DOUGLAS JOHN KIRWIN	69	Australian	Since 2014
PATRICK K. YAP	41	Filipino	Since 2005
STEPHEN Y. YAP	50	-do-	Since 2013

#### Nominees

Following are the names of the Candidates for election to the Board of Directors with the names of the shareholders who nominated them, in the case of the candidates for independent directors:

	<u>Age</u>	<u>Citizenship</u>
FELIPE U. YAP	83	Filipino
ETHELWOLDO E. FERNANDEZ	92	-do-
RENE F. CHANYUNGCO	68	-do-
DOUGLAS JOHN KIRWIN	69	Australian
PATRICK K. YAP	41	Filipino
BRYAN U. YAP	47	-do-
STEPHEN Y. YAP	50	-do-

#### For Independent Directors:

EDUARDO A. BANGAYAN	68	Filipino - nominated by Ms. Ma. Theresa B. Tuason with whom he has no relations
JOSE RAULITO E. PARAS	48	Filipino - nominated by Mr. Gerard I. Consolacion with whom he has no relations

## **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 Ayala Land Logistics Holdings Corporation; Chairman of the Board of Zeus Holdings, Inc. and a Director of, among others, Manila Peninsula Hotel, Inc., and Philippine Associated Smelting and Refining Corp. (PASAR). He was the Chairman of the Board of Governors of the Philippine Stock Exchange from March 2000 to March 2002.

Mr. **Bryan U. Yap** has been the President and Chief Operating Officer of LCMC since 2003. He has been a Director of LCMC and of Far Southeast Gold Resources, Inc. (FSGRI) since 1994. In February 2011, he was elected President of Manila Mining Corporation. He is also the President of Kalayaan Copper-Gold Resources, Inc.; Lepanto Investment and Development Corporation (LIDC); Shipside, Inc.; Diamond Drilling Corporation of the Philippines and Diamant Manufacturing and Trading Corporation (DMTC).

Mr. **Eduardo A. Bangayan** has been involved in real estate and coconut oil/copra production for the past five (5) years. He is currently a Director of the Davao City Water District; Summit World Group of Companies, First Tagum Rural Bank, Inc. and Fuji Oil Philippines. He is the Chairman of Summit World Ventures, Inc. He was elected director of Chelsea Logistics Corporation in 2017. He is also a Member of the Board of Governors of the Philippine National Red Cross.

Atty. **Ethelwoldo E. Fernandez** rejoined the Company as Corporate Secretary and Director in 2001, the same year he was reappointed Corporate Secretary of LCMC. He was, from 1993 to 2003, Of Counsel to the law firm Sycip Salazar Hernandez & Gatmaitan, which is the principal retained counsel of the Company. He was elected to the Board of LCMC in 2007.

Mr. **Rene F. Chanyungco** joined the Company in 1977 as Executive Assistant to the President. He eventually became Asst. Treasurer, then Vice President-Treasurer, until his promotion in 1997 as Senior Vice President-Treasurer. He is a Vice President of LCMC and Kalayaan Copper-Gold Resources, Inc.

Mr. **Patrick K. Yap** is the President of BA-Lepanto Condominium Corporation and Yapster e-Conglomerate, Inc. He is the Executive Vice President of Zamcore Realty Corporation and Vice President of Alliance Textile Mills, Inc.

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

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

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

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

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

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

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.

There is no director who has resigned or declined to stand for re-election since the last annual meeting because of a disagreement with the Company.

#### Nomination of Independent Directors

##### Criteria for Independent Directors

In compliance with existing rules, the following are the Criteria for Independent Directors

1. Not a director or officer or substantial stockholder of the corporation or of its related companies or any of its substantial shareholders (other than as an independent director of any of the foregoing);
2. Not a relative of any director, officer or substantial shareholder of the corporation, any of its related companies or any its substantial shareholders. For this purpose, relative included spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
3. Not acting as a nominee or representative of a substantial shareholder of the corporation, any of its related companies or any of its substantial shareholders;
4. Not been employed in any executive capacity by that public company, any of its related companies or any of its substantial shareholders within the last five (5) years;
5. Not retained as professional adviser by that public company, any of its related companies or any of its substantial shareholders within the last five (5) years, either personally or through his firm;
6. Not engaged and does not engage in any transaction with the corporation, or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms-length and are immaterial or insignificant.

The Nomination Committee of the Board of Directors is composed of: Mr. Bryan U. Yap, Chairman; and Mr. Eduardo A Bangayan and Mr. Ethelwoldo E. Fernandez, members. In pre-screening the qualifications of the nominees, the Nomination Committee considered nomination letters for independent directors submitted on or before March 16, 2020, by shareholders of record. With due regard to the qualifications and disqualifications set forth in the Company's Manual for Corporate Governance, the Securities Regulation Code and its Implementing Rules and the criteria prescribed in SRC Rule 38, the Nomination Committee has determined that Mr. Eduardo A. Bangayan and Atty. Jose Raulito E. Paras are qualified to sit in the Board as independent directors.

#### Executive Officers:

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

### 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 Y. Yap are nephews of Mr. Felipe U. Yap.

### Certain Relationships and Related Party 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.

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

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

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

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

Related Party	Relationship	Year	Amounts/ Volume	Outstanding Balance	Terms and Conditions
<i>Contract Deposits (Note 7)</i>					
DDCP	Affiliate under common control	2019		<b>P60,014,594</b>	On demand Noninterest-bearing Refundable in cash Unsecured, no impairment
		2018	P59,157,406	P60,014,594	
<i>Due to Related Parties (Note 12)</i>					
LCMC	Stockholder	2019	<b>P2,263,664</b>	<b>P 4,874,523</b>	On demand Noninterest-bearing To be settled in cash
		2018	P2,029,054	P2,610,859	Unsecured, no guarantee On demand
Shipside, Inc.	Affiliate under common	2019		<b>336,947</b>	On demand Noninterest-bearing To be settled in cash

Related Party	Relationship	Year	Amounts/ Volume	Outstanding Balance	Terms and Conditions
	control				Unsecured, no guarantee
		2018	69,428	336,947	
<b>Totals</b>		<b>2019</b>		<b>P5,211,470</b>	
Totals		2018		P2,947,806	

Total compensation of the Group's key management personnel in 2019, 2018 and 2017, which pertains to short-term benefits, amounted to P484,450, P484,450 and P465,950, respectively. Key management of the Group are the executive officers and directors. There were no post-employment benefits paid for the Group's key management personnel in 2019, 2018 and 2017.

### Summary Compensation Table

	2018 Total (All Cash)	Basic Salary	Bonus (13th month In the case of executive officers)	Others (Per Diem of Directors)
Felipe U. Yap, Chairman ) Bryan U. Yap, President ) Rene F. Chanyungco, Sr. Vice Pres./Treasurer ) Patrick K. Yap, Sr. Vice Pres. ) Stephen Y. Yap , Vice Pres. )	P467,950	P421,800	P35,150	P11,000
All officers and directors	P484,450	P421,800	P35,150	P27,500
	<b>2019 (Total)</b>			
Felipe U. Yap, Chairman ) Bryan U. Yap, President ) Rene F. Chanyungco, Sr. Vice Pres./Treasurer ) Patrick K. Yap, Sr. Vice Pres. ) Stephen Y. Yap , Vice Pres. )	P467,950	P421,800	P35,150	P11,000
All officers and directors	P484,450	P421,800	P35,150	P27,500
	<b>2020 (Estimate)</b>			
Executive officers listed above	P467,950	P421,800	P35,150	P11,000
All officers and directors	P484,450	P421,800	P35,150	P27,500

### 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.

### Warrants, Options, Compensation Plans

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. The last Grant expired in 2015.



### **Authorization or Issuance of Securities Other than for Exchange**

There are no authorization or issuance of securities other than for exchange of outstanding securities of the Company.

### **Modification or Exchange of Securities**

No action is to be taken by the Company with respect to the modification of any class of securities of the Company or the issuance or authorization for issuance of one class of securities of the Company in exchange for outstanding securities of another class.

### **Independent Public Accountant**

In November 2006, Sycip Gorres Velayo & Co. (“SGV”) was designated by the Board as the independent public accountant. There has not been any disagreement between the Company and said accounting firm with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure. For the 2006 financial statements, SGV’s certifying partner was Mr. J. Carlitos G. Cruz. In compliance with SRC Rule 68(30) (b) (iv), Mr. Jaime F. del Rosario became the certifying partner from 2007 to 2011 and from 2014 to 2017. Ms. Eleanore A. Layug, certifying partner from 2012- 2013, is also the certifying partner for 2018 to 2019.

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

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

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

For the audit of the financial statements for year 2018, SGV & Co. billed the Company the sum of P400,000. The agreed amount for the audit of the 2019 financial statements is P440,000.

### **Tax Fees**

No other professional services, whether for taxes or otherwise, were rendered by SGV to the Company in the last two years.

### **Other Fees**

No services other than the audit referred to in the foregoing paragraph were rendered by SGV to the Company in the last two years.

### **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; Atty. Jose Raulito E. Paras, 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.

## FINANCIAL AND OTHER INFORMATION

### Action with Respect to Reports

At the last Annual Stockholders Meeting held on April 16, 2019, the Chairman and CEO updated the stockholders of the Company on the results of exploration and the Company's environmental projects. Thereafter, the Chairman opened the floor for clarificatory questions. There were no questions from the floor.

The following matters were taken up/approved by the stockholders present/represented at the meeting:

1. Minutes of the 2018 Annual Stockholders Meeting;
2. 2018 Annual Report, including the audited financial statements for 2018;
3. election of members of the Board for 2019-2020, as follows:

Name

FELIPE U. YAP

BRYAN U. YAP

RENE F. CHANYUNGCO

ETHELWOLDO E. FERNANDEZ

DOUGLAS JOHN KIRWIN

PATRICK U. YAP

STEPHEN Y. YAP

Independent Directors:

EDUARDO A. BANGAYAN

JOSE RAULITO E. PARAS

4. appointment of SGV as External Auditor.

The following Directors attended the April 16, 2019 Annual Stockholders' Meeting: Chairman Felipe U. Yap; Bryan U. Yap, Rene F. Chanyungco, Ethelwoldo E. Fernandez, Patrick K. Yap, Stephen Y. Yap. The following officers were also in attendance: Pablo T. Ayson, Jr., Ma. Lourdes B. Tuason, Knestor Jose Y. Godino, and Odette A. Javier.

Stockholders in attendance or represented at the meeting represented 144,236,469,421 shares constituting 55.56% of the outstanding shares of the Company.

For the Annual Stockholders Meeting scheduled on July 27, 2020, the Chairman will report on the results of exploration of the Company in 2019 while the President will report on the Outlook for the rest of 2020.

The Company will submit to the shareholders for approval the following:

1. Minutes of the Regular Stockholders' Meeting held on April 16, 2019, reflecting the matters discussed/set forth above;
2. 2019 Annual Report with Audited Financial Statements; and
3. Re-appointment of SGV as External Auditor.

## **Voting Procedures**

Items 1 to 4 above will require the affirmative vote of a majority of the shares of the Company present or represented and entitled to vote at the Annual Meeting. Likewise, directors shall be elected upon the majority vote of the shares present or represented and entitled to vote at the Annual Meeting. The Voting Procedure is set forth in the Requirements and Procedure for Voting and Participating in the 2020 Annual Stockholders' Meeting attached to the Notice and Agenda as Annex "B".

### **Incorporated herein are the following:**

General Nature and Scope of Business:

1. 2020 Plan of Operation;
2. Management's Discussion and Analysis of Financial Condition and Results of Operations for the First quarter of 2020; 2019, 2018 and 2017;
3. Quarterly Market Prices of Securities from 2018 to 2019 and June 30, 2020;
4. Audited Financial Statements for 2019 with Management's Responsibility for Financial Statements.
5. Interim Financial Statements for the Quarter ended March 31, 2020.

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report was signed on July 6, 2020 at Makati City, Philippines.

MANILA MINING CORPORATION  
(Issuer)

For and in behalf of the Board of Directors:

  
**ODETTE A. JAVIER**  
Assistant Corporate Secretary

## ANNUAL REPORT TO SECURITY HOLDERS

### General Nature and Scope of 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, own 20.05% 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 95%-owned subsidiary, the Kalayaan Copper-Gold Resources, Inc. ("KCGRI"), subject of a Farm-In Agreement with Philex Mining Corporation.

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

Company	Date of Incorporation	Authorized Capital Stock	Subscribed Capital	Ownership of the Company
Manila Mining Corporation (MMC)	June 3, 1949	P2.6 Billion	P2.59 Billion	4,662 Stockholders
Kalaya-an Copper-Gold Resources, Inc.	May 31, 2007	P100 Million	P8,125 million	95% owned by MMC; 5% owned by Philex Mining Corporation

### Marketability of Products

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

### 2020 Plan of Operation

The company is on care-and-maintenance status, supported by a skeletal work force following the lay-off of 24 employees early this year. Exploration activities have been suspended and efforts are limited to maintenance of assets; protection/enhancement of the environment; and community development. Expenses will therefore be minimal and advances from shareholders may be resorted to for such expenses.

### Management's Discussion and Analysis of Financial Condition and Results of Operations for the First Quarter ended March 31, 2020; Years 2019, 2018 & 2017

#### As of 31 March 2020

With no operations, revenue was nil, except for interest earnings. Expenses, consisting of depreciation and administration costs, totaled P0.67 million, compared with P1.73 million in 2019. The decrease was due to the full depreciation of some items. Net loss for the first quarter amounted to P0.67 million compared with P1.72 million last year.

Cash and Cash Equivalents amounted to P1.09 million, 49% lower than 2019 year-end balance of P2.14 million. Non Trade receivables increased by 8% in relation to an SSS benefit of an employee.

## 2019

In 2019, interest income amounted to P16,115 compared with P52,261 in 2018. An interest expense of P949,241 (vs. P735,314 in 2018) was booked as a result of actuarial valuation of retirement benefits obligations. An impairment provision amounting to P1.28 Million was recognized in 2019 (vs. P4.88 Million in 2018) to increase allowance for doubtful recoverability of Input VAT. Other charges increased from P4.82 Million to P11.06 Million on account of a provision for impairment losses on receivables.

This year's Administration and overhead costs (inclusive of depreciation and current service cost/pension cost) decreased to P6.37 Million from P7.56 Million last year on account of lower salaries and other costs.

A tax benefit amounting to P0.44 Million was recognized in 2019 compared with the P0.48 Million in 2018 due to reconciliation of income tax applicable to loss before income tax at the statutory rates.

Net Loss (after provision for deferred income tax) for the year increased to P17.93 Million from P12.59 Million in 2018.

Total Comprehensive Loss increased to P19.94 Million from P14.48 Million in 2018 as a result of the increase in the net loss plus a re-measurement loss on retirement benefits obligation and changes in fair values of quoted instrument.

Year end cash balance decreased by 76% to P2.14 Million from P8.74 Million on account of continuing exploration and care and maintenance activities. Receivables decreased by 97.4% to P0.26 Million due to the provision for impairment discussed above.

Materials and supplies inventory decreased by 7% to P7.12 Million from P7.67 Million in 2018 due to continuing exploration activities.

Available for sale investment (reclassified as financial assets designated at fair value through other comprehensive income) decreased by 10% to P14.58 Million from P16.22 Million in 2018 due to lower market price of quoted instrument at year-end.

Accounts payable and accrued expenses increased to P178.48 Million in relation to exploration and maintenance expenses. Pursuant to actuarial assumptions, Re-measurement of retirement benefits obligations resulted in a decrease of 10% to P3.24 Million from P3.61 Million in 2018.

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.

## 2018

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

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

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

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

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

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

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

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

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

## **2017**

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

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

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

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

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

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

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

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

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

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

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

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

#### 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.

#### **Securities and Shareholders**

As of June 20, 2020, the company had 4,175 shareholders. There were approximately 3,992 and 183 holders of common "A" and common "B" shares, respectively.

The company's securities are listed with the Philippine Stock Exchange. Following are the quarterly average prices of these securities for the last two years.

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

	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	June 25, 2020
Low	0.0090	0.0079	0.0070	0.0070	0.0083	0.0076	0.0091	0.0078	0.0061	0.0068	0.0066
High	0.0090	0.0080	0.0070	0.0070	0.0090	0.0080	0.0091	0.0079	0.0061	0.0069	0.0066

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

	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	June 25, 2020
Low	0.0094	0.0081	0.0070	0.0065	0.0090	0.0079	0.010	0.0080	0.0084	0.0069	0.0066
High	0.0095	0.0081	0.0073	0.0065	0.0090	0.0080	0.010	0.0080	0.0084	0.0079	0.0067

#### **Top 20 "A" and "B" Stockholders of the Company (as of June 30, 2020)**

	Name	"A" Shares	%
1	<i>F. Yap Securities, Inc.</i>	32,290,372,946	20.77
2	<i>Lepanto Consolidated Mining Company</i>	20,479,027,104	13.17
3	<i>Paulino Yap</i>	1,955,669,495	1.26
4	<i>Bryan Yap</i>	1,945,977,139	1.25
5	<i>Christine Yap</i>	1,861,557,111	1.20
6	<i>Lepanto Investment &amp; Dev. Corp.</i>	1,481,975,190	0.95
7	<i>Emma Yap</i>	1,478,067,401	0.95
8	<i>Patrick Resources Corporation</i>	1,301,152,163	0.84
9	<i>Paul Yap Jr.</i>	1,113,677,703	0.72
10	<i>Christine Karen Yap</i>	886,334,939	0.57
11	<i>Coronet Property Holdings Corp.</i>	833,093,546	0.54

12	<i>A/C-CKY FYSI</i>	754,994,507	0.49
13	<i>Ventura Resources Corporation</i>	718,565,954	0.46
14	<i>Zamcore Resources Corporation</i>	707,395,421	0.45
15	<i>Lindsay Resources Corporation</i>	651,542,763	0.42
16	<i>A/C B. Y. FYSI</i>	524,193,274	0.34
17	<i>Arlene K. Yap</i>	457,065,671	0.29
18	<i>David Go Securities Corp.</i>	436,519,534	0.28
19	<i>Shipside, Inc.</i>	360,082,672	0.23
20	<i>Pacita Yap</i>	351,786,420	0.23

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

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

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

### **Dividends Policy**

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

No dividends were declared in the last two years.



## **Compliance with Leading Practices on Corporate Governance**

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

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

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

**The Company undertakes to send a copy of its Annual Report on Form 17-A free of charge to any stockholder who makes a written request for it. The request should be addressed to the Corporate Secretary, 21<sup>st</sup> Floor, Lepanto Building, Paseo de Roxas, Makati City, Philippines.**

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, EDUARDO A. BANGAYAN, Filipino, of legal age and a resident of Davao City, after having been duly sworn in accordance with the law do hereby declare that

1. I am a nominee for Independent Director of Manila Mining Corporation and have been an independent director since April 21, 2003.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
Davao City Water District	Director	27 years
Summit World Group of Co.	Director	22 years
Summit World Ventures, Inc.	Chairman	17 years
Fuji Oil Philippines	Director	4 years
First Tagum Rural Bank, Inc.	Independent Director	4 years
Philippine National Red Cross	Member, Board of Governors	3 years
Chelsea Logistics Corporation	Director	2 year

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Manila Mining Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following direct/officer/substantial shareholders of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

Name of Director/Officer/ Substantial Shareholder	Company	Nature of Relationship
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/ I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

Offense Charged/ Investigated	Tribunal or Agency Involved	Status

6. I have the required written permission or consent from the Davao City Water District to be an independent director in Manila Mining Corporation, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and Other SEC issuances.
8. I shall inform the Corporate Secretary of Manila Mining Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this JUL 06 2020 day of June 2020 at Makati City.

  
EDUARDO A. BANGAYAN  
Affiant

**MAKATI CITY**

SUBSCRIBED AND SWORN to before me this JUL 06 2020 day of June 2020 at Makati City, affiant personally appeared before me and exhibited to me his Driver's License No. \_\_\_\_\_ expires on \_\_\_\_\_.

Doc. No. 149 :  
Page No. 31 :  
Book No. 11 :  
Series of 2020.

  
**ATTY. GERVASIO B. ORTIZ, JR.**  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2020  
PTR NO. 7533104/01-03-2019 MAKATI  
IBP NO. 656155 LIFETIME MEMBER  
APPT. NO. M104/2017/ROLL NO. 4009  
MCLE COMPLIANCE NO. V-0006934  
GROUND FLOOR 8747 PASEO DE  
ROXAS, LEPANTO BLDG.

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, JOSE RAULITO E. PARAS, Filipino, of legal age and a resident of 1300 Batangas St., San Isidro, Makati City, after having been duly sworn in accordance with the law do hereby declare that:

1. I am a nominee for Independent Director of Manila Mining Corporation;
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
Zeus Holdings, Inc.	Director	4 years
Benguet Corporation	Director	3 years

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Manila Mining Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following direct/officer/substantial shareholders of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

Name of Director/Officer/ Substantial Shareholder	Company	Nature of Relationship
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/ I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

Offense Charged/ Investigated	Tribunal or Agency Involved	Status
N/A		

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the N/A to be an independent director in N/A, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.



7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and Other SEC issuances.
8. I shall inform the Corporate Secretary of Manila Mining Corporation of any changes in the abovementioned information within five days from its occurrence.

JUL 01 2020

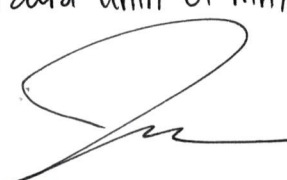
Done, this \_\_\_ day of July, 2020 at Makati City.


JOSE RAULITO E. PARAS  
Affiant

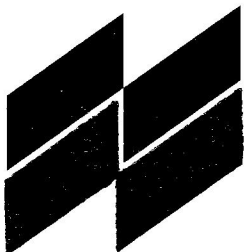
JUL 01 2020

SUBSCRIBED AND SWORN to before me this \_\_\_ day of JULY 2020 at Makati City,  
affiant personally appeared before me and exhibited to me his I.D No. /Passport # : P2079922B  
valid until 01 MAY 2029

Doc. No. 109 :  
Page No. 23 :  
Book No. III :  
Series of 2020.



JORDAN ANDREW Q. LIM  
Notary Public for Makati City until 31 December 2020  
Appointment No. M-212 (2019-2020)  
Unit 8A 8/F Sagittarius Office Condominium  
111 H.V dela Costa Street, Saicedo Village  
Brgy. Bel-Air 1209 Makati City  
Tel No. 553-0889  
PTR No. 8125451/01-08-2020/Makati City  
IBP No. 103736/01-07-2020/Makati City  
MCLE No. VI-0022211/4-2-2019/Pasig City  
Admission to the Bar 2017  
Roll No. 68881



# Manila Mining Corporation

20th Floor, Lepanto Bldg., 8747 Paseo de Roxas  
Makati City, Philippines 1226  
P.O. Box 1460, MCPO, 1226, Makati City  
Telephone: +63(2) 815-9447  
Fax: +63(2) 894-6265

July 6, 2020

Corporate Governance and Finance Department  
Securities and Exchange Commission  
HEAD OFFICE Secretariat Building  
PICC Complex, Roxas Boulevard  
Pasay City

Gentlemen:

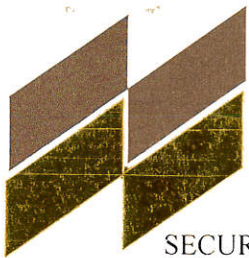
Subject: DEFINITIVE INFORMATION STATEMENT (IS)

Gentlemen:

This certifies that none of the nominees for Directors this year or incumbent officers of Manila Mining Corporation are government employees.

Very truly yours,

  
ODETTE A. JAVIER  
Asst. Corporate Secretary



# Manila Mining Corporation

20th Floor, Lepanto Bldg., 8747 Paseo de Roxas  
Makati City, Philippines 1226  
P.O. Box 1460, MCPO 1254, Makati City  
Telephones: +63(2) 815-9447, +63(2) 812-7241  
Fax: +63(2) 894-6265

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, 2019 and 2018**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

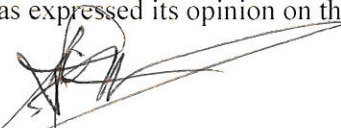
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidated the Company or to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

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

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

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

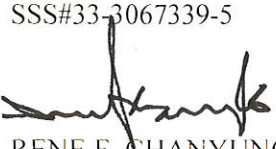
Signature:

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

Signature:

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

Signature:

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

Signed this 15<sup>th</sup> day of June 2020.

**MAKATI CITY**

**JUN 25 2020**

SUBSCRIBED AND SWORN TO before me this \_\_\_\_\_ day of June 2020 at Makati City, affiant exhibiting to me their SSS ID nos. indicated above.

Doc. No. 329  
Page No. 67  
Book No. 5:  
Series of 2020.

**ATTY. GERVASIO B. ORTIZ, JR.**  
**NOTARY PUBLIC FOR MAKATI CITY**  
**UNTIL DECEMBER 31, 2020**  
**PTR NO. 7335104/01-05-2019 MAKATI**  
**IBP NO 656155 LIFETIME MEMBER**  
**APPT. NO. M104/2017/ROLL NO. 4008**  
**MCLE COMPLIANCE NO. V-0006934**  
**GROUND FLOOR 8747 PASEO DE**  
**ROXAS, LEPANTO BLDG**



# **Manila Mining Corporation and Subsidiary**

Consolidated Financial Statements  
December 31, 2019 and 2018  
and Years Ended December 31, 2019,  
2018 and 2017

and

Independent Auditor's Report

# 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

inquiry@lepantomining.com
---------------------------

Company's Telephone Number

(632) 8815-9447
-----------------

Mobile Number

N/A
-----

No. of Stockholders

4,194
-------

Annual Meeting (Month / Day)

4/16
------

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) 8815-9447
-----------------

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

### Opinion

We have audited the consolidated financial statements of Manila Mining Corporation and Subsidiary (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 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 Matter

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 the 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 this matter. 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 matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



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

The ability of the Group to recover its deferred mine exploration and evaluation costs depends on the commercial viability of extracting the ore reserves. The carrying value of the Group's deferred mine exploration and evaluation costs as at December 31, 2019 amounted to P2.95 billion, which is 93% of the Group's consolidated total assets. Under PFRS 6, *Exploration for and Evaluation of Mineral Resources*, these mine exploration and evaluation costs shall be assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The ability of the Group to recover its mine exploration and evaluation costs would depend on the commercial viability of extracting the ore reserves. We considered this as a key audit matter because of the materiality of the amount involved, and the significant management judgment required in assessing whether there is any indication of impairment. The related disclosures are presented in Notes 1 and 10 to the consolidated financial statements.

### *Audit Response*

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

### **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, 2019, 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, 2019 are expected to be made available to us after the date of this auditor's report.

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

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

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

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



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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

SYCIP GORRES VELAYO & CO.



Eleanore A. Layug

Partner

CPA Certificate No. 0100794

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

February 28, 2019, valid until February 27, 2022

Tax Identification No. 163-069-453

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

February 2, 2018, valid until February 1, 2021

PTR No. 8125246, January 7, 2020, Makati City

June 17, 2020



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

	December 31	
	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Note 4)	P2,138,335	P8,737,477
Receivables (Note 5)	263,663	10,047,050
Inventories (Note 6)	7,128,985	7,678,893
Prepayments and other current assets (Note 7)	63,119,641	62,388,331
<b>Total Current Assets</b>	<b>72,650,624</b>	<b>88,851,751</b>
<b>Noncurrent Assets</b>		
Financial assets designated at fair value through other comprehensive income (FVOCI; Note 8)	14,584,018	16,218,793
Property and equipment (Note 9)	114,868,934	119,492,318
Deferred mine exploration and evaluation costs (Note 10)	2,951,585,749	2,908,707,619
Other noncurrent assets (Note 11)	15,437,202	16,543,011
<b>Total Noncurrent Assets</b>	<b>3,096,475,903</b>	<b>3,060,961,741</b>
<b>TOTAL ASSETS</b>	<b>P3,169,126,527</b>	<b>P3,149,813,492</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses (Note 12)	P178,482,402	P140,646,046
<b>Noncurrent Liabilities</b>		
Retirement benefits obligation (Note 16)	15,119,563	13,111,070
Deferred tax liability - net (Note 17)	56,202,527	56,796,334
<b>Total Noncurrent Liabilities</b>	<b>71,322,090</b>	<b>69,907,404</b>
<b>Total Liabilities</b>	<b>249,804,492</b>	<b>210,553,450</b>
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital stock (Note 18)	2,595,502,255	2,595,502,255
Equity reserve (Note 18)	954,621,275	954,621,275
Additional paid-in capital	617,625,955	617,625,955
Remeasurement gain on retirement benefits obligation	3,236,287	3,605,536
Fair value reserve of financial assets designated at FVOCI (Note 8)	(55,353,246)	(53,718,471)
Deficit	(1,196,638,647)	(1,178,712,328)
	2,918,993,879	2,938,924,222
<b>Non-controlling interest</b>	<b>328,156</b>	<b>335,820</b>
<b>Total Equity</b>	<b>2,919,322,035</b>	<b>2,939,260,042</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P3,169,126,527</b>	<b>P3,149,813,492</b>

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2019	2018	2017
<b>ADMINISTRATION AND OVERHEAD COSTS</b> (Note 14)	<b>(P6,370,637)</b>	<b>(P7,561,832)</b>	<b>(P6,929,010)</b>
<b>OTHER INCOME (CHARGES) - Net</b>			
Interest expense (Note 16)	(949,241)	(735,314)	(661,549)
Interest income (Note 4)	16,115	52,261	50,127
Other charges - net (Note 15)	(11,065,778)	(4,824,053)	(17,787,502)
	<b>(11,998,904)</b>	<b>(5,507,106)</b>	<b>(18,398,924)</b>
<b>LOSS BEFORE INCOME TAX</b>	<b>(18,369,541)</b>	<b>(13,068,938)</b>	<b>(25,327,934)</b>
<b>BENEFIT FROM (PROVISION FOR) DEFERRED INCOME TAX</b> (Note 17)	<b>435,558</b>	<b>480,221</b>	<b>(874,685)</b>
<b>NET LOSS</b>	<b>(17,933,983)</b>	<b>(12,588,717)</b>	<b>(26,202,619)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Item that will be reclassified subsequently to other comprehensive income:</i>			
Changes in fair values of available-for-sale (AFS) financial assets	—	—	(3,503,086)
<i>Items that will not be reclassified to other comprehensive income:</i>			
Changes in fair values of financial assets designated at FVOCI (Note 8)	(1,634,775)	(3,036,008)	—
Remeasurement gain (loss) on retirement benefits obligation (Note 16)	(527,498)	1,629,408	1,067,025
Income tax effect	158,249	(488,823)	(320,108)
	<b>(2,004,024)</b>	<b>(1,895,423)</b>	<b>746,917</b>
<b>TOTAL OTHER COMPREHENSIVE LOSS</b>	<b>(2,004,024)</b>	<b>(1,895,423)</b>	<b>(2,756,169)</b>
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>(P19,938,007)</b>	<b>(P14,484,140)</b>	<b>(P28,958,788)</b>
<b>Net loss attributable to:</b>			
Equity holders of the Parent Company	(P17,926,319)	(P12,563,606)	(P26,200,641)
Non-controlling interest (Note 18)	(7,664)	(25,111)	(1,978)
	<b>(P17,933,983)</b>	<b>(P12,588,717)</b>	<b>(P26,202,619)</b>
<b>Total comprehensive loss attributable to:</b>			
Equity holders of the Parent Company	(P19,930,343)	(P14,459,027)	(P28,956,810)
Non-controlling interest (Note 18)	(7,664)	(25,111)	(1,978)
	<b>(P19,938,007)</b>	<b>(P14,484,138)</b>	<b>(P28,958,788)</b>
<b>LOSS PER SHARE</b> (Note 19)			
Basic /Diluted loss per share	<b>(P0.00008)</b>	<b>(P0.00005)</b>	<b>(P0.00010)</b>

See accompanying Notes to Consolidated Financial Statements.





# MANILA MINING CORPORATION AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

	Attributable to Equity Holders of the Parent Company													
	Capital stock (Note 18)				Equity reserve (Note 18)	Additional paid-in capital	Remeasurement gain on retirement obligation (Note 16)	Cumulative changes in fair values of AFS financial assets (Note 8)	Fair value reserve of financial assets designated at FVOCI (Note 8)	Deficit	Sub-total	Non-controlling Interest	Total	
	Issued	Subscribed	Subscription receivable	Total										
Balances at January 1, 2017	P2,590,560,436	P5,307,451	(P365,632)	P2,595,502,255	P954,621,275	P617,625,955	P1,718,033	(P47,179,377)	P-	(P1,139,948,081)	P2,982,340,060	P81,659	P2,982,421,719	
Net loss	-	-	-	-	-	-	-	-	-	(26,200,641)	(26,200,641)	(1,978)	(26,202,619)	
Other comprehensive income (loss), net of tax	-	-	-	-	-	-	746,917	(3,503,086)	-	-	(2,756,169)	-	(2,756,169)	
Total comprehensive income (loss)	-	-	-	-	-	-	746,917	(3,503,086)	-	(26,200,641)	(28,956,810)	(1,978)	(28,958,788)	
Balances at December 31, 2017	P2,590,560,436	P5,307,451	(P365,632)	P2,595,502,255	P954,621,275	P617,625,955	P2,464,950	(P50,682,463)	P-	(P1,166,148,722)	P2,953,383,250	P79,681	P2,953,462,931	
Balances at January 1, 2018, as previously stated	2,590,560,436	P5,307,451	(P365,632)	P2,595,502,255	P954,621,275	P617,625,955	P2,464,950	(P50,682,463)	P-	(P1,166,148,722)	P2,953,383,250	P79,681	P2,953,462,931	
Effect of adoption of PFRS 9 (Note 8)	-	-	-	-	-	-	-	50,682,463	(50,682,463)	-	-	-	-	
Balances as at January 1, 2018, as restated	2,590,560,436	5,307,451	(365,632)	2,595,502,255	954,621,275	617,625,955	2,464,950	-	(50,682,463)	(1,166,148,722)	2,953,383,250	79,681	2,953,462,931	
Net loss	-	-	-	-	-	-	-	-	-	(12,563,606)	(12,563,606)	(25,111)	(12,588,717)	
Increase in non-controlling interest (Note 18)	-	-	-	-	-	-	-	-	-	-	-	281,250	281,250	
Other comprehensive income (loss), net of tax	-	-	-	-	-	-	1,140,586	-	(3,036,008)	-	(1,895,422)	-	(1,895,422)	
Total comprehensive income (loss)	-	-	-	-	-	-	1,140,586	-	(3,036,008)	(12,563,606)	(14,459,028)	256,139	(14,202,889)	
Balances at December 31, 2018	P2,590,560,436	P5,307,451	(P365,632)	P2,595,502,255	P954,621,275	P617,625,955	P3,605,536	P-	(P53,718,471)	(P1,178,712,328)	P2,938,924,222	P335,820	P2,939,260,042	
Balances at January 1, 2019	P2,590,560,436	P5,307,451	(P365,632)	P2,595,502,255	P954,621,275	P617,625,955	P3,605,536	P-	(P53,718,471)	(P1,178,712,328)	P2,938,924,222	P335,820	P2,939,260,042	
Net loss	-	-	-	-	-	-	-	-	-	(17,926,319)	(17,926,319)	(7,664)	(17,933,983)	
Other comprehensive loss, net of tax	-	-	-	-	-	-	(369,249)	-	(1,634,775)	-	(2,004,024)	-	(2,004,024)	
Total comprehensive income (loss)	-	-	-	-	-	-	(369,249)	-	(1,634,775)	(17,926,319)	(19,930,343)	(7,664)	(19,938,007)	
Balances at December 31, 2019	P2,590,560,436	P5,307,451	(P365,632)	P2,595,502,255	P954,621,275	P617,625,955	P3,236,287	P-	(P55,353,246)	(P1,196,638,647)	P2,918,993,879	P328,156	P2,919,322,035	

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2019	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax	(P18,369,541)	(P13,068,938)	(P25,327,934)
Adjustments for:			
Net changes in retirement benefits obligation (Note 16)	1,480,995	1,656,602	840,061
Depreciation (Notes 9 and 14)	1,287,996	1,371,924	1,315,273
Provision for impairment losses input value-added tax (Notes 11 and 15)	1,286,260	4,879,916	17,987,105
Interest income (Note 4)	(16,115)	(52,261)	(50,127)
Operating loss before working capital changes	(14,330,405)	(5,212,757)	(5,235,622)
Decrease (increase) in:			
Receivables	9,783,387	297,547	(390,464)
Inventories	549,908	(805,088)	(147,090)
Prepayments and other current assets	(731,310)	59,509,534	70,875,468
Increase (decrease) in accounts payable and accrued expenses	37,836,356	3,459,649	(1,340,852)
Cash generated from operations	33,107,936	57,248,885	63,761,440
Interest received	16,115	52,261	50,127
Net cash flows provided by operating activities	33,124,051	57,301,146	63,811,567
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Deferred mine exploration and evaluation costs (Note 10)	(39,419,081)	(57,586,443)	(58,479,282)
Property and equipment (Note 9)	(123,661)	(1,293,186)	(2,500,698)
Increase in other noncurrent assets	(180,451)	(1,343,136)	(1,283,490)
Cash flows used in investing activities	(39,723,193)	(60,222,765)	(62,263,470)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>			
Increase in non-controlling interest (Note 18)	–	281,250	–
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(6,599,142)</b>	<b>(2,640,369)</b>	<b>1,548,097</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>8,737,477</b>	<b>11,377,846</b>	<b>9,829,749</b>
<b>CASH AT END OF YEAR (Note 4)</b>	<b>P2,138,335</b>	<b>P8,737,477</b>	<b>P11,377,846</b>

*See accompanying Notes to Consolidated Financial Statements.*



# MANILA MINING CORPORATION AND SUBSIDIARY

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 1. Corporate Information, Status of Operations and Authorization for Issuance of the Financial Statements

#### Manila Mining Corporation

Manila Mining Corporation (the “Parent Company”) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on June 3, 1949, primarily to carry on the business of mining, milling, concentrating, converting, smelting, treating, preparing for market, manufacturing, buying, selling, exchanging and otherwise producing and dealing in precious and semi-precious metals, ores, minerals and their by-products. The Parent Company’s shares are listed and traded on the Philippine Stock Exchange (PSE). On April 16, 1999, the SEC approved the extension of the Parent Company’s corporate term for another 50 years upon expiration of its original term on May 30, 1999. Lepanto Consolidated Mining Company (LCMC), a publicly listed Company, has 20% equity interest in the Parent Company.

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

#### Kalayaan Copper-Gold Resources, Inc. (KCGRI)

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

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

#### Status of Operations

##### Manila Mining Corporation

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

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

The two BOI certificates of registration are currently suspended in view of the suspension of the Parent Company’s operations.

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



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

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

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

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

The Parent Company is a holder of a valid and existing Mineral Production Sharing Agreement (MPSA) No. 253-2007-XIII granted on August 10, 2007 for a period of 25 years from issuance thereof or until August 10, 2032, consisting of 211.50 hectares (has.) located in Placer, Surigao del Norte.

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

The second renewal of Exploration Permit (EP) No. XIII-014-A under the name of the Parent Company was granted on April 28, 2010 valid until April 28, 2012. Prior to its expiration, an application for another renewal was filed by the Parent Company on April 20, 2012 for the purpose of completing the feasibility study, consisting of 2,176.28 has. also in Placer, Surigao del Norte and is awaiting approval by the Director of MGB. On April 24, 2013, the Parent Company paid the amount of ₱653,100 representing payment for renewal fee for EP No. XIII-014-A, pursuant to DENR Administrative Order (DAO) No. 2013-10.

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



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

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

#### *KCGRI*

Exploration drilling activities on the Kalayaan 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 Kalayaan Project located in Placer, Surigao del Norte.

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

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

On April 18, 2017, the BOD of the Parent Company approved a two-year extension of Earn-In Period in the Farm-In Agreement (FIA) among KCGRI, the Parent Company and Philex in view of the delay in the approval of the renewal of EP No. XIII-014B. On January 8, 2019, the Parent Company agreed for another two-year extension of the Earn-in Period. The new Earn-in Period will now be 10 years following the execution of the Farm-In Agreement and will expire on May 10, 2021.

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

The Parent Company’s BOD has delegated the authority to approve the financial statements to the Audit Committee. Accordingly, the consolidated financial statements were authorized for issuance by the Parent Company’s Audit Committee on June 17, 2020.

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

### Basis of Preparation

The consolidated financial statements of the Group have been prepared under the historical cost basis, except for financial assets designated at fair value through other comprehensive income (FVOCI) that have been measured at fair value. The consolidated financial statements are presented in Philippine Peso, the Parent Company’s and the Subsidiary’s functional and presentation currency. All amounts are rounded to the nearest peso, except when otherwise indicated. The consolidated financial statements provide comparative information in respect of the previous period.



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

#### Statement of Compliance

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

#### Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and the Subsidiary. 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 OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Parent Company's accounting policies.

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

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

#### *Subsidiaries*

Subsidiaries are entities over which the Parent Company has control.



### *NCI*

NCI represents the interests in the subsidiary not held by the Parent Company and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity attributable to equity holders of the Parent Company. Where the ownership of a subsidiary is less than 100%, and therefore an NCI exists, any losses of that subsidiary are attributed to the NCI even if that results in a deficit balance. Transactions with NCI are accounted for as equity transactions.

### Changes in Accounting Policies

#### New and Amended Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to PFRSs 2015-2017 Cycle*
  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
- PFRS 16, *Leases*

PFRS 16 supersedes Philippine Accounting Standard (PAS) 17, *Leases*, International Financial Reporting Interpretations Committee (IFRIC)-4, *Determining whether an Arrangement contains a Lease*, Standards Interpretation Committee (SIC)-15, *Operating Leases-Incentives*, and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from PAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted PFRS 16 in 2019 and elected to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. The Group, therefore, did not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4.

The Group applied a single recognition and measurement approach for leases except for short-term leases and leases of low-value assets.

As at January 1, 2019, the Group has an existing lease agreement as a lessee and elected to apply the low-value recognition exemption for this lease. On January 1, 2019 the Group did not recognize any transition adjustments and accounted for the lease expense on a straight-line basis during the year.



*It is not clear to me whether PFRS 16 has any impact or none at all.*

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

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

The Interpretation specifically addresses the following:

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

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Based on the Group's assessment, it has no material uncertain tax treatments, accordingly, the adoption of this Interpretation has no significant impact on the consolidated financial statements.

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

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements.

#### *Effective beginning on or after January 1, 2020*

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

#### *Effective beginning on or after January 1, 2021*

- PFRS 17, *Insurance Contracts*

#### *Deferred effectivity*

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





## Summary of Significant Accounting and Financial Reporting Policies

### Presentation of Consolidated Financial Statements

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

### Current versus Noncurrent Classification

The Group presents assets and liabilities in statement of financial position based on current/noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the financial reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the financial reporting period.

The Group classifies all other assets as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the financial reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the financial reporting period.

The Group classifies all other liabilities as noncurrent.

### Cash

Cash includes cash on hand and in banks.

### Financial Instruments

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

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

#### *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 12 months after the end of the reporting period or within the Group's normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent. Receivables are recognized initially at fair value, which normally pertains to the billable amount.



After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the consolidated statement of comprehensive income. The losses arising from impairment are recognized in the consolidated statement of comprehensive income as interest expense for loans and other charges for receivables.

#### *AFS Financial Assets*

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

After initial measurement, AFS financial assets are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are reported as “Cumulative changes in fair values of AFS financial assets” account in the equity section of the consolidated statement of financial position.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated statement of comprehensive income. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in first-out basis. Any interest earned on holding AFS financial assets are reported as interest income using the EIR. Any dividends earned on holding AFS financial assets are recognized in the consolidated statement of comprehensive income when the right of payment has been established. Any losses arising from impairment of such investments are recognized in the consolidated statement of comprehensive income.

#### *Other Financial Liabilities*

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

#### *Impairment of Financial Assets*

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



#### *Assets Carried at Amortized Cost*

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

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

If there is objective evidence that an impairment loss on financial assets carried at amortized cost (e.g., receivables) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original EIR. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced through use of an allowance account. The amount of the loss shall be recognized in the consolidated statements of comprehensive income. Receivables together with the associated allowance are written-off when there is no realistic prospect of future recovery. If a future write-off is later recovered, the recovery is recognized in the consolidated statement of comprehensive income.

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

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

#### *AFS Financial Assets Carried at Fair Value*

For AFS financial assets, the Group assesses at each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. "Significant" is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

The Group treats "Significant" generally as 20% or more and "Prolonged" as greater than 12 months for quoted equity securities. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of comprehensive income is



removed from OCI. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

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

#### *Financial Assets Carried at Cost*

If there is objective evidence that an impairment loss on an unquoted equity instrument, that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the current market rate of return of a similar financial asset.

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

##### *Financial Assets*

##### *Initial Recognition and Measurement*

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

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

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

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

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

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

##### *Subsequent Measurement*

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

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



*Financial Assets at Amortized Cost (Debt Instruments)*

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

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

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

The Group's financial assets at amortized cost pertains to cash, receivables, contract deposits under 'Prepayments and other current assets', and mine rehabilitation fund (MRF) under 'Other noncurrent assets'.

*Financial Assets Designated at FVOCI (Equity Instruments)*

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

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

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

*Financial Assets at FVPL*

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

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

The Group has no financial assets under this category.

*Impairment*

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an



approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

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

#### *Financial Liabilities*

##### *Initial Recognition and Measurement*

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

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

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

##### *Subsequent Measurement*

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

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

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as interest expense in the consolidated statement of comprehensive income. This category generally applies to interest-bearing loans and borrowings.



### Derecognition of Financial Instruments

#### *Financial Assets*

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

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

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

#### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated 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 statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### Fair Value Measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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



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

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

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

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

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

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

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

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

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

#### Inventories

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

The Group determines the NRV of inventories at each reporting period. If the cost of the inventories exceeds its NRV, the asset is written down to its NRV and inventory 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 the carrying amount of inventories but only to the extent of the inventory loss previously recognized.





#### Prepayments and Other Current Assets

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

#### *Contract Deposits*

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

#### *Miscellaneous deposits*

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

#### Property and Equipment

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

The initial cost of property and equipment comprises its purchase price or construction cost, including import duties and nonrefundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met.

Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to expense in the period when the costs are incurred.

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

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

Land is recorded at cost less any impairment in value.

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

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, 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 and Evaluation 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 to be realized. These costs include materials and fuels used, surveying costs, drilling costs and payments made to contractors. The Group capitalizes any further evaluation costs incurred to exploration and evaluation assets up to the point when a commercial reserve is established.

In evaluating if expenditures meet the criteria to be capitalized, several different sources of information are utilized. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed. Once commercial reserves are established, exploration and evaluation assets are tested for impairment and transferred to mine and mining properties. No amortization is charged during the exploration and evaluation phase. If the area is found to contain no commercial reserves, the accumulated costs are expensed.

#### Other Noncurrent Assets

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

#### *Input VAT*

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

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



any, beyond 12 months from the reporting period or can be claimed for refund or as tax credits with the Philippine Department of Finance.

#### *Prepaid Royalties*

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

#### Impairment of Nonfinancial Assets

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

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

#### *Property and Equipment*

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash generating unit (CGU) is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the consolidated 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 it does not exceed the carrying amount that would have been determined (net of depletion and depreciation) had no impairment loss been recognized for that asset in prior years.

#### *Deferred Mine Exploration and Evaluation Costs*

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

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

An impairment loss recognized in prior periods for an asset other than goodwill must be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset



must be increased to its recoverable amount. However, such reversal must not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

### Provisions

#### *General*

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

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense in the consolidated statement of comprehensive income.

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

### Capital Stock and APIC

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in the consolidated statement 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.

### Deficit

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

### Share-based Payments

The Parent Company has equity-settled, share-based compensation plans with its officers and employees.

#### *Stock Option Plan*

The Parent Company has stock option plan which allows the grantees to purchase the Parent Company's shares. The Parent Company recognizes stock compensation expense over the holding period. The Parent Company treats its stock option plan as option exercisable within a given period. Dividends paid on the awards that have vested are deducted from equity and those paid on awards that are unvested are charged to profit or loss. For the unsubscribed shares where the grantees still have the option to subscribe in the future, these are accounted for as options.

### Equity Reserve

Equity reserve represents the effect of the transaction of the Parent Company arising from change in ownership interest in a subsidiary without loss of control.



### 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 the 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

*Accounting policies on the initial recognition and classification of leases applied before January 1, 2019*

### *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 fulfilment 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 fulfilment 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.

*Accounting policies on the initial recognition and classification of leases applied on or after January 1, 2019*

The Group assesses at contract inception, all arrangements to determine whether they are, or contain, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company is not a lessor in any transactions, it is only a lessee.



#### *Group as a Lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### *Leases of Low-value Assets*

The Group applies the leases of low-value assets recognition exemption to lease of office space that is considered to be of low value. Lease payments on leases of low-value assets are recognized as expense 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 12 months after the end of the annual reporting period is recognized for services rendered by employees up to the end of reporting period.

#### Foreign Currency Transactions

Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the closing rate at the reporting period. Foreign exchange differences between rate at transaction date and rate at settlement date or at each reporting period are credited to or charged against the consolidated statement of comprehensive income.

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

#### Income Taxes

##### *Current Income Tax*

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

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

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

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

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



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

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

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

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

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

#### Earnings (Loss) Per Share

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

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

#### Operating Segment

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

#### Contingencies

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

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

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





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

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

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

#### Judgments

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

#### *Assessing Impairment of Property and Equipment*

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

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

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

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

The aggregate net book values of property and equipment amounted to ₱114,868,934 and ₱119,492,318 as at December 31, 2019 and 2018, respectively, net of allowance for impairment losses of ₱161,988,540 as at December 31, 2019 and 2018 (see Note 9).



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

Cost related to exploration activities are capitalized as deferred mine exploration and evaluation costs until the viability of the exploration project is determined. Exploration, evaluation and pre-feasibility costs are charged to operations until such time that it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized. The Group reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. Mine exploration costs amounted to P2,951,585,749 and P2,908,707,619, as at December 31, 2019 and 2018, respectively, net of allowance for impairment loss of P92,028,090 as at December 31, 2019 and 2018 (see Note 10).

#### Estimates and Assumptions

The consolidated financial statements prepared in accordance with PFRSs 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.

#### *Measurement of ECLs*

ECLs are derived from unbiased and probability-weighted estimates of expected loss. The ECLs for the Group's financial assets which are not credit-impaired at the reporting date are measured as the present value of all cash shortfalls over the expected life of the financial asset discounted by the EIR. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

The Group leverages existing risk management indicators, credit risk rating changes and reasonable and supportable information which allows the Group to identify whether the credit risk of financial assets have significantly increased.

ECLs are the discounted product of the PD, LGD, and EAD, defined as follows:

- *Probability of default (PD)*

The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors.

Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

The 12 months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.

- *Loss given default (LGD)*

LGD represents the Group's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and



lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the financial asset.

- *Exposure at default (EAD)*

EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime. For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

No provision for ECL was recognized in 2019 and 2018 since the impact is immaterial.

*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, 2019 and 2018, carrying values of input VAT amounted to ₱1,707,909 and ₱2,658,616 respectively (see Note 11).

Provision for impairment losses on input VAT amounted to ₱1,286,260, ₱4,879,916 and ₱17,987,105 in 2019, 2018 and 2017, respectively (see Notes 11 and 15).

*Estimating Allowance for Inventory Losses*

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

Inventories, at lower of cost or NRV, amounted to ₱7,128,985 and ₱7,678,893 as at December 31, 2019 and 2018, respectively, net of allowance for inventory losses of ₱67,751,318 and ₱67,636,023 as at December 31, 2019 and 2018, respectively (see Note 6).

*Estimating Realizability of Deferred Tax Assets*

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

The Group has recognized deferred tax assets amounting to ₱73,796,773 and ₱73,069,192 as at December 31, 2019 and 2018, respectively. No deferred tax assets were recognized for temporary differences amounting to ₱210,083,722 and ₱209,404,123 as at December 31, 2019 and 2018, respectively, since management believes that there is no assurance that the Group will generate sufficient future taxable income to allow all or part of its deferred tax assets to be utilized (see Note 17).

*Determining Retirement Benefits Obligation*

The determination of the Group's obligation and cost for retirement and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. These assumptions are described in Note 16 to the consolidated financial statements. Retirement



benefits obligation amounted to ₱15,119,563 and ₱13,111,070 as at December 31, 2019 and 2018, respectively (see Note 16). Retirement benefits costs amounted to ₱1,782,467, ₱1,656,602, and ₱1,570,346 in 2019, 2018 and 2017, respectively (see Note 16).

#### *Estimating Contingencies*

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

#### 4. Cash

	2019	2018
Cash on hand	<b>₱110,000</b>	₱110,000
Cash in banks	<b>2,028,335</b>	8,627,477
	<b>₱2,138,335</b>	₱8,737,477

Cash in banks earn interest at the respective bank deposit rates. Total interest income amounted to ₱16,115, ₱52,261 and ₱50,127 in 2019, 2018 and 2017, respectively.

The Group has United States Dollar (US\$)-denominated cash in banks amounting to US\$6,163 and US\$8,582 as at December 31, 2019 and 2018, respectively (see Note 21).

#### 5. Receivables

	2019	2018
Stock options receivable	<b>₱9,780,000</b>	₱9,780,000
Nontrade receivables	<b>1,092,014</b>	1,095,401
	<b>10,872,014</b>	10,875,401
Less allowance for expected credit losses	<b>10,608,351</b>	828,351
	<b>₱263,663</b>	₱10,047,050

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

Nontrade receivables which are non-interest bearing comprise mainly of receivables from subcontractors and other third parties. Nontrade receivables are collectible on demand.

Based on the assessment by management, the Group recognized an allowance for expected credit losses on specifically identified credit-impaired accounts amounting to ₱10,608,351 as at December 31, 2019 and 2018. 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. Provisions for expected credit losses amounted to ₱9,780,000 in 2019 and nil in 2018 and 2017.



## 6. Inventories

	2019	2018
At NRV:		
Machinery and automotive parts	<b>P7,076,111</b>	P7,624,514
Mill materials, hardware and other supplies	–	–
At cost:		
Fuel, oil and lubricants	<b>52,874</b>	54,379
	<b>P7,128,985</b>	P7,678,893

Cost of inventories carried at NRV are as follows:

	2019	2018
Mill materials, hardware and other supplies	<b>P55,465,395</b>	P55,897,662
Machinery and automotive parts	<b>19,362,034</b>	19,362,875
	<b>P74,827,429</b>	P75,260,537

Movements in allowance for inventory losses in 2019 and 2018 are as follows:

	2019	2018
Balance at beginning of year	<b>P67,636,023</b>	P67,691,886
Adjustment	<b>115,777</b>	–
Reversal	<b>(482)</b>	(55,863)
Balance at end of year	<b>P67,751,318</b>	P67,636,023

The reversal of the allowance for inventory losses amounting to P482 and P55,863 as at December 31, 2019 and 2018, respectively, pertains to the issuance of various inventory items used in the mining exploration activities of the Group. Reversal of inventory losses resulted to other income of P482, P55,863 and P199,603 in 2019, 2018 and 2017, respectively (see Note 15).

Adjustment in the number of obsolete items as a result of inventory count amounted to nil in 2019 and 2018 P91,986 in 2017.

Provisions for inventory losses amounted to nil in 2019, 2018 and 2017.

## 7. Prepayments and Other Current Assets

	2019	2018
Contract deposits (Note 13)	<b>P60,014,594</b>	P60,014,594
Miscellaneous deposits	<b>3,105,047</b>	2,373,737
	<b>P63,119,641</b>	P62,388,331

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



## 8. Financial Assets Designated at FVOCI

	2019	2018
Quoted instruments	<b>₱7,084,018</b>	₱8,718,793
Unquoted instruments	<b>7,500,000</b>	7,500,000
	<b>₱14,584,018</b>	₱16,218,793

Quoted instruments pertain to investment on common shares of LCMC. These equity instruments pertain to Lepanto A shares totaling to 77,846,363 as at December 31, 2019 and 2018. The fair value on the quoted instrument is based on the exit market price of ₱0.09 and ₱0.11 at December 31, 2019 and 2018, respectively.

Unquoted instruments pertain to investment in a private company. These unquoted financial instruments pertain to Manila Peninsula shares totaling to 750,000 as at December 31, 2019 and 2018.

As at December 31, 2019 and 2018, the Group has no intention to dispose its unquoted instruments.

Movement of financial assets designated at FVOCI in 2019 is as follows:

Balance as at January 1, 2019	₱16,218,793
Change in fair value of financial assets designated at FVOCI	(1,634,775)
Balance as at December 31, 2019	<b>₱14,584,018</b>

Movement of financial assets designated at FVOCI in 2018 is as follows:

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

In 2018, upon adoption of PFRS 9, the Parent Company elected to irrevocably classify its quoted and unquoted equity shares under financial assets designated at FVOCI as it intends to hold these investments for the foreseeable future. The classification and measurement requirements of PFRS 9 did not have a significant impact to the Parent Company. The Parent Company continued measuring at fair value all financial assets previously held at fair value under PAS 39.

Movement in the "Fair value reserve of financial assets designated at FVOCI" presented as separate component of equity as at December 31, 2019 follow:

Balance as at January 1, 2019	<b>₱53,718,471</b>
Valuation loss	<b>1,634,775</b>
Balance as at December 31, 2019	<b>₱55,353,246</b>



Movement in the “Fair value reserve of financial assets designated at FVOCI” presented as separate component of equity as at December 31, 2018 follow:

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

There was no dividend income earned from the quoted equity instruments in 2019, 2018 and 2017.



## 9. Property and Equipment

	2019					
	Machinery and Equipment	Building and Improvements	Furniture, Office and Other Equipment	Land	Construction In-progress	Total
<b>Cost:</b>						
Balances at beginning of year	P817,931,644	P110,919,501	P115,740,168	P7,270,713	P104,422,357	P1,156,284,383
Additions	–	–	123,661	–	–	123,661
Balances at end of year	817,931,644	110,919,501	115,863,829	7,270,713	104,422,357	1,156,408,044
<b>Accumulated depreciation:</b>						
Balances at beginning of year	672,449,374	89,016,906	113,337,245	–	–	874,803,525
Depreciation (Notes 10 and 14)	1,700,023	2,048,302	998,720	–	–	4,747,045
Balances at end of year	674,149,397	91,065,208	114,335,965	–	–	879,550,570
<b>Allowance for impairment losses:</b>						
Balances at beginning and end of year	143,720,880	18,086,096	181,564	–	–	161,988,540
<b>Net book values</b>	<b>P61,367</b>	<b>P1,768,197</b>	<b>P1,346,300</b>	<b>P7,270,713</b>	<b>P104,422,357</b>	<b>P114,868,934</b>

	2018					
	Machinery and Equipment	Building and Improvements	Furniture, Office and Other Equipment	Land	Construction In-progress	Total
<b>Cost:</b>						
Balances at beginning of year	P817,931,644	P111,052,844	P114,313,639	P7,270,713	P104,422,357	P1,154,991,197
Additions	–	–	1,293,186	–	–	1,293,186
Transfers	–	(133,343)	133,343	–	–	–
Balances at end of year	817,931,644	110,919,501	115,740,168	7,270,713	104,422,357	1,156,284,383
<b>Accumulated depreciation:</b>						
Balances at beginning of year	670,588,372	86,968,587	110,397,451	–	–	867,954,410
Depreciation (Notes 10 and 14)	1,861,002	2,048,319	2,939,794	–	–	6,849,115
Balances at end of year	672,449,374	89,016,906	113,337,245	–	–	874,803,525
<b>Allowance for impairment losses:</b>						
Balances at beginning and end of year	143,720,880	18,086,096	181,564	–	–	161,988,540
<b>Net book values</b>	<b>P1,761,390</b>	<b>P3,816,499</b>	<b>P2,221,359</b>	<b>P7,270,713</b>	<b>P104,422,357</b>	<b>P119,492,318</b>





Total depreciation of property and equipment charged to operations amounted to ₱1,287,996, ₱1,371,924 and ₱1,315,273 in 2019, 2018 and 2017, respectively (see Note 14). Depreciation of property and equipment, except mill machinery and equipment, amounting to ₱3,459,049, ₱5,477,191 and ₱6,171,036 were capitalized in 2019, 2018 and 2017, respectively, as part of deferred mine exploration and evaluation costs (see Note 10).

As at December 31, 2019 and 2018, construction in-progress consists mainly of expenditures incurred on land preparation in the mine site, the establishment of roads and the construction of the processing plant, which will be completed when the Parent Company resumes its mining operations.

#### 10. Deferred Mine Exploration and Evaluation Costs

	2019	2018
Balance at beginning of year	<b>₱2,908,707,619</b>	₱2,845,643,985
Additions	<b>39,419,081</b>	57,586,443
Capitalized depreciation (Note 9)	<b>3,459,049</b>	5,477,191
Balance at end of year	<b>₱2,951,585,749</b>	₱2,908,707,619

Deferred mine exploration and evaluation costs includes balance of KCGRI amounting to ₱2,664,201, net of allowance for impairment losses amounting to ₱92,028,090, as at December 31, 2019 and 2018.

As discussed in Note 1, the Parent Company has valid and existing MPSA as at December 31, 2019. 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

	2019	2018
Input VAT	<b>₱100,809,421</b>	₱100,473,868
MRF	<b>5,213,830</b>	5,380,212
Prepaid royalties	<b>4,998,939</b>	4,987,659
Miscellaneous deposits	<b>2,008,183</b>	2,008,183
Advances to landowners	<b>1,508,341</b>	1,508,341
	<b>114,538,714</b>	114,358,263
Less allowance for impairment losses on input VAT	<b>99,101,512</b>	97,815,252
	<b>₱15,437,202</b>	₱16,543,011

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

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



Prepaid royalties are advance payments to claim owners and real property taxes of land where the mine site operations were located and are expensed as incurred.

Miscellaneous deposits pertain to advances made to local government agencies for pending project agreements which will be offset against future billings and deposit receivables for electric utility given to Surigao del Norte Electric Cooperative, Inc., a power supplier, in exchange for future services.

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

Based on the assessment done by the management, the Group recognized provision for impairment losses on input VAT amounting to ₱1,286,263, ₱4,879,916 and ₱17,987,105 in 2019, 2018 and 2017, respectively (see Note 15).

Movements in allowance for impairment losses on input VAT in 2019 and 2018 are as follows:

	2019	2018
Balance at beginning of year	<b>₱97,815,252</b>	₱92,935,336
Provision for impairment losses (Note 15)	<b>1,286,260</b>	4,879,916
Balance at end of year	<b>₱99,101,512</b>	₱97,815,252

## 12. Accounts Payable and Accrued Expenses

	2019	2018
Trade payable	<b>₱122,901,338</b>	₱128,119,128
Accrued expenses and other liabilities	<b>48,001,982</b>	8,537,399
Due to related parties (Note 13)	<b>5,211,470</b>	2,947,806
Payable to government	<b>1,794,515</b>	468,616
Unclaimed dividends	<b>573,097</b>	573,097
	<b>₱178,482,402</b>	₱140,646,046

Terms and conditions of the aforementioned liabilities are as follows:

- Trade payable includes local purchases of equipment, inventories and various parts. This is non-interest bearing and normally settled demand and on 30 days' terms.
- Accrued expenses include accrued payroll which are normally payable within five to 10 days and other liabilities which are non-interest bearing and have an average term of one to three months.
- Payable to government pertains to the Group's payable to various regulatory agencies such as payables for withholding taxes, Social Security System and Home Development and Mutual Fund premiums and PhilHealth contributions.
- Unclaimed dividends pertain to unpaid cash dividends declared by the Parent Company to its stockholders.



### 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.

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

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

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

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

Related Party	Relationship	Year	Amounts/ Volume	Outstanding Balance	Terms and Conditions
<i>Contract Deposits</i> (Note 7)					
DDCP	Affiliate under common control	2019	P–	P60,014,594	On demand Noninterest-bearing Refundable in cash Unsecured, no impairment
		2018	P59,157,406	P60,014,594	
<i>Due to Related Parties</i> (Note 12)					
LCMC	Stockholder	2019	P2,263,664	P 4,874,523	On demand Noninterest-bearing To be settled in cash
		2018	P2,029,054	P2,610,859	Unsecured, no guarantee
Shipside, Inc.	Affiliate under common control	2019	–	336,947	On demand Noninterest-bearing To be settled in cash
		2018	69,428	336,947	Unsecured, no guarantee
<b>Totals</b>		<b>2019</b>		<b>P5,211,470</b>	
Totals		2018		P2,947,806	

Total compensation of the Group's key management personnel in 2019, 2018 and 2017, which pertains to short-term benefits, amounted to P484,450, P484,450 and P465,950, respectively. Key management of the Group are the executive officers and directors. There were no post-employment benefits paid for the Group's key management personnel in 2019, 2018 and 2017.



#### 14. Administration and Overhead Costs

	2019	2018	2017
Outside services	<b>₱1,430,274</b>	₱860,088	₱724,293
Salaries, allowances and other benefits:			
Salaries and wages	<b>1,332,575</b>	1,561,800	1,557,800
Retirement benefit cost (Note 16)	<b>833,226</b>	921,288	908,797
Other benefits	<b>220,483</b>	464,749	219,257
Depreciation (Note 9)	<b>1,287,996</b>	1,371,924	1,315,273
Rent	<b>253,200</b>	288,200	284,700
Listing fees	<b>251,120</b>	328,188	296,419
Stockholders' meeting expenses	<b>248,059</b>	245,759	203,586
Repairs and maintenance	<b>112,445</b>	128,076	123,712
Insurance	<b>93,555</b>	230,284	163,966
Taxes and licenses	<b>39,562</b>	532,865	48,963
Seminar and trainings	<b>15,999</b>	9,279	52,583
Membership fees and dues	—	297,000	721,429
Others	<b>252,143</b>	322,332	308,232
	<b>₱6,370,637</b>	₱7,561,832	₱6,929,010

#### 15. Other Charges (Income)

	2019	2018	2017
Provision for expected credit losses on receivables (Note 5)	<b>₱9,780,000</b>	₱—	₱—
Provision for impairment losses on input VAT (Note 11)	<b>1,286,260</b>	4,879,916	17,987,105
Reversal of inventory losses (Note 6)	<b>(482)</b>	(55,863)	(199,603)
	<b>₱11,065,778</b>	₱4,824,053	₱17,787,502

Provision for impairment losses on input VAT recognized pertains to input VAT recorded that are assessed to be doubtful of its recoverability.

Income from reversal of inventory losses pertains to the issuance of various inventory items used in the mining exploration activities of the Parent Company that were previously ascertained to be obsolete.

#### 16. Retirement Benefits Obligation

The Parent Company has an unfunded defined benefit retirement plan covering substantially all regular employees. Benefits are dependent on the years of service and the respective employee's compensation. The defined retirement benefits obligation is actuarially determined using the projected unit credit method.

Under the existing regulatory framework, RA No. 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:

	2019	2018	2017
Current service costs (Note 14)	<b>₱833,226</b>	₱921,288	₱908,797
Interest costs	<b>949,241</b>	735,314	661,549
	<b>₱1,782,467</b>	₱1,656,602	₱1,570,346

The amounts of remeasurement gain (loss) on retirement benefits liability, net of tax, recognized in other comprehensive income follow:

	2019	2018	2017
Remeasurement gain (loss) on retirement benefits liability	<b>(₱527,498)</b>	₱1,629,408	₱1,067,025
Income tax effect	<b>158,249</b>	(488,822)	(320,108)
	<b>(₱369,249)</b>	₱1,140,586	₱746,917

The table below shows the movement analysis of remeasurement loss on retirement benefits liability as at December 31, 2019 and 2018:

	2019	2018
Balance at beginning of year	<b>₱3,605,536</b>	₱2,464,950
Remeasurement gain (loss) on retirement benefits liability - net	<b>(369,249)</b>	1,140,586
Balance at end of year	<b>₱3,236,287</b>	₱3,605,536

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

	2019	2018
Balance at beginning of year	<b>₱13,111,070</b>	₱13,083,876
Current service cost (Note 14)	<b>833,226</b>	921,288
Interest costs	<b>949,241</b>	735,314
Retirement benefit cost charged to profit or loss	<b>1,782,467</b>	1,656,602
Benefits paid	<b>(301,472)</b>	–
Remeasurement loss (gain) on:		
Change in financial assumptions	<b>1,507,407</b>	(973,453)
Experience adjustment	<b>(979,909)</b>	(655,955)
Retirement benefit cost charged to OCI	<b>527,498</b>	(1,629,408)
Balance at end of year	<b>₱15,119,563</b>	₱13,111,070

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

	2019	2018
Discount rate	<b>4.65%</b>	7.24%
Salary increase rate	<b>5.00%</b>	5.00%
Expected remaining working lives of employees	<b>14 years</b>	16 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)	2019	2018
Discount rates	0.50%	<b>(P337,636)</b>	(P263,485)
	(0.50%)	<b>364,744</b>	279,626
Salary increase rate	0.50%	<b>343,295</b>	270,758
	(0.50%)	<b>(320,783)</b>	(255,943)

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2019:

Less than one year	P5,510,296
More than one year to five years	8,423,577
More than five years to 10 years	3,669,309
More than 10 years to 15 years	4,516,845
More than 15 years to 20 years	4,358,521
More than 20 years	24,735,691
	<b>P51,214,239</b>

The latest actuarial report was made as at December 31, 2019.

## 17. Income Taxes

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

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

	2019	2018	2017
Benefit from income tax at statutory tax rate	<b>(P5,510,862)</b>	(P3,920,681)	(P7,598,381)
Additions to (reductions in) income tax resulting from:			
Change in unrecognized deferred tax assets	<b>5,078,639</b>	3,456,138	7,421,099
Interest income subjected to final tax	<b>(4,835)</b>	(15,678)	(15,038)
Reclassification of allowance for impairment losses on property and equipment	—	—	1,039,226
Nondeductible expenses	<b>1,500</b>	—	27,779
Provision for (benefit from) income tax	<b>(P435,558)</b>	(P480,221)	P874,685



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

	2019	2018
Deferred tax assets:		
<i>Recognized directly in profit or loss</i>		
Allowance for:		
Impairment losses on property and equipment	<b>P48,596,561</b>	P48,596,562
Inventory losses	<b>20,290,662</b>	20,290,807
Expected credit (?) losses on receivables	<b>248,503</b>	248,505
Retirement benefits obligation	<b>5,605,927</b>	5,161,625
	<b>74,741,653</b>	74,297,499
Deferred tax liability:		
<i>Recognized directly in profit or loss</i>		
Excess of allowable depletion over depletion per books	<b>129,865,526</b>	129,865,526
Unrealized foreign exchange gains	<b>8,596</b>	—
<i>Recognized directly in OCI</i>		
Retirement benefits obligation	<b>1,070,058</b>	1,228,307
	<b>130,944,180</b>	131,093,833
Deferred tax liability - net	<b>P56,202,527</b>	56,796,334

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:

	2019	2018
Balance at beginning of year	<b>P19,560,782</b>	P20,163,500
Additions	<b>5,862,534</b>	6,640,544
Expirations	<b>(6,170,345)</b>	(7,243,262)
Balance at end of year	<b>P19,252,971</b>	P19,560,782

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

	2019	2018
Allowance for impairment losses on input VAT (Note 11)	<b>P99,101,512</b>	P97,815,251
Allowance for impairment losses on deferred mine exploration and evaluation costs (Note 10)	<b>92,028,090</b>	92,028,090
NOLCO	<b>19,252,971</b>	19,560,782
Provision for expected credit losses on receivables (Note 5)	<b>9,780,000</b>	
	<b>P220,162,573</b>	P209,404,123



As at December 31, 2019, the Group has NOLCO that can be claimed as deduction from future taxable income as follows:

Parent Company

Year Incurred	Year of Expiry	Amount
2017	2020	₱6,710,028
2018	2021	6,129,298
2019	2022	5,704,931
		<b>₱18,544,257</b>

KCGRI

Year Incurred	Year of Expiry	Amount
2017	2022	₱39,865
2018	2023	511,246
2019	2024	157,603
		<b>₱708,714</b>

## 18. Equity

Capital Stock

As at December 31, 2019 and 2018, details of the Parent Company's capital stock follow:

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

In April 2010, the Parent Company offered to its shareholders as of record date of March 10, 2010, the right to subscribe to one share for every eight 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. On April 30, 2014, the PSE BOD approved the application covering the Offer Shares of 56,926,927,347 at an offer price of ₱0.012 per share, raising a total of ₱683,123,128. The offer period was from June 16, 2014 to June 20, 2014.





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

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

The Parent Company has 4,194, 4,238, and 4,293 stockholders as at December 31, 2019, 2018, and 2017.

#### Equity Reserve

On May 11, 2011, the Parent Company, KCGRI and Philex entered into a Farm-in agreement (Agreement) for the exploration and joint development of the Kalayaan Project located in Placer, Surigao del Norte. The pre-feasibility study of the project may be completed by Philex within the three 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 were accounted for as an equity transaction and resulted in an increase in equity amounting to ₱954,621,275 recognized as "Equity reserve" in the equity section of the consolidated statements of financial position.

#### NCI

NCI represents 5% interest of Philex in KCGRI.

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

Statements of comprehensive income as of December 31:

	2019	2018
Administration and overhead costs	(₱149,103)	(₱511,246)
Other income (charges)	(4,180)	9,032
Net loss	(153,283)	(502,214)
Other comprehensive income	—	—
Total comprehensive loss	(₱153,283)	(₱502,214)
Attributable to NCI	₱7,664	₱25,111



Statements of financial position as at December 31:

	2019	2018
Current assets	<b>₱3,879,553</b>	₱5,289,738
Noncurrent assets	<b>2,743,564</b>	2,735,536
Current liabilities	<b>(60,000)</b>	(1,308,874)
Total equity	<b>₱6,563,117</b>	₱6,716,400

Attributable to:	2019	2018
Equity holders of the Parent Company	<b>₱6,234,961</b>	₱6,380,580
NCI	<b>328,156</b>	335,820

The Group did not opt to present the statements of cash flows for the years ended December 31, 2019 and 2018 since it is deemed immaterial relative to the consolidated financial statements.

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

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

The application for such increase and amendment of Articles of Incorporation was filed with the SEC on March 9, 2018 and was properly certified and approved on September 7, 2018.

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

The Group has no potential dilutive shares as at December 31, 2019, 2018, and 2017.



## 19. Loss Per Share

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

In computing for the diluted loss per share, the Parent Company considered the effect of its potentially dilutive stock options outstanding as at December 31, 2019, 2018 and 2017. There were no outstanding stock options as of December 31, 2019, 2018 and 2017.

	2019	2018	2017
Net loss attributable to equity holders of the Parent Company	(P8,012,548)	(P12,563,606)	(P26,200,641)
Weighted average number of common shares for basic and diluted loss per share	259,056,043,604	259,056,043,604	259,056,043,604
Basic and diluted loss per share	(P0.00003)	(P0.00005)	(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 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 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 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 P0.02 per share, within 5 years from the date of SEC approval of the same. The option price of P0.02 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 10 trading days immediately preceding the date of the approval of the Grant by the BOD as determined from quotations in the PSE.

The SEC approved the Awards and the RSOP on July 9, 2010; the pertinent listing application was approved by the PSE on October 20, 2010. The stock options expired on July 8, 2015.

There were no share-based payments made in 2019, 2018 and 2017, respectively.



## 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, financial assets designated at FVOCI 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 agreement on 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, 2019 and 2018.

	2019	2018
Cash in banks	<b>P2,028,335</b>	P8,627,477
Stock options receivable	<b>9,780,000</b>	9,780,000
Nontrade receivables	<b>1,092,015</b>	1,095,401
Contract deposits	<b>60,014,594</b>	60,014,594
MRF	<b>5,213,830</b>	5,380,212
	<b>P78,128,774</b>	<b>P79,517,472</b>

The tables below summarize the aging analysis of the Group's financial assets as at December 31, 2019 and 2018:

2019	Neither past due nor impaired	Past due but not Impaired				Impaired	Total
		Less than 30 days	30 to 60 days	61 to 90 days	Over 90 days		
Cash in banks	<b>P2,028,335</b>	P-	P-	P-	P-	P-	<b>P2,028,335</b>
Stock options receivable	-	-	-	-	-	<b>9,780,000</b>	<b>9,780,000</b>
Nontrade receivables	<b>263,664</b>	-	-	-	-	<b>828,351</b>	<b>1,092,015</b>
Contract deposits	<b>60,014,594</b>	-	-	-	-	-	<b>60,014,594</b>
MRF	<b>5,213,830</b>	-	-	-	-	-	<b>5,213,830</b>
	<b>P67,520,423</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P10,608,351</b>	<b>P78,128,774</b>

2018	Neither past due nor impaired	Past due but not impaired				Impaired	Total
		Less than 30 days	30 to 60 days	61 to 90 days	Over 90 days		
Cash in banks	<b>P8,627,477</b>	P-	P-	P-	P-	P-	<b>P8,627,477</b>
Stock options receivable	<b>9,780,000</b>	-	-	-	-	-	<b>9,780,000</b>
Nontrade receivables	<b>267,050</b>	-	-	-	-	<b>828,351</b>	<b>1,095,401</b>
Contract deposits	<b>60,014,594</b>	-	-	-	-	-	<b>60,014,594</b>
MRF	<b>5,380,212</b>	-	-	-	-	-	<b>5,380,212</b>
	<b>P78,689,121</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P828,351</b>	<b>P79,517,472</b>



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

- Cash in 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. Nontrade receivables which are not foreseen to be collected have already been impaired and are classified as substandard grade.
- 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.
- MRF pertains to funds to be used once the mined area will be rehabilitated. These were assessed as high grade since these are deposited in reputable bank in the country.

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, 2019 and 2018:

	2019		2018	
	United States Dollar	Peso Equivalent	United States Dollar	Peso Equivalent
Cash	US\$6,163	P312,078	US\$8,582	P451,242

The exchange rate used for the conversion of the amounts from US\$ to Philippine Peso is P50.64 and P52.58 as at December 31, 2019 and 2018, respectively.

Since the amounts of above foreign currency denominated financial assets are immaterial relative to the consolidated financial statements, management opted not to disclose the foreign currency risk sensitivity analysis for 2019 and 2018.



### *Equity Price Risk*

Equity price risk is the risk that the fair values of equity securities will fluctuate because of changes in the level of indices and the value of individual stocks. The Group is exposed to equity securities price risk because of investments held by the Group, which are classified in the consolidated statements of financial position as financial assets designated at FVOCI as at December 31, 2019 and 2018, respectively. The Group's exposure to equity price risk relates primarily to its financial assets designated at FVOCI in LCMC.

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

The effect on equity (as a result of change in fair value of equity instruments held as financial assets designated at FVOCI as at December 31, 2019 and 2018, respectively) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	<b>Market Index</b>	<b>Change in Variables</b>	<b>Effect on Equity Increase (Decrease)</b>
<b>2019</b>	<b>PSEi</b>	<b>1.79%</b>	<b>₱43,523</b>
		<b>-1.79%</b>	<b>(₱43,523)</b>
<b>2018</b>	<b>PSEi</b>	<b>3.14%</b>	<b>₱147,099</b>
		<b>-3.14%</b>	<b>(₱147,099)</b>

### Liquidity Risk

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

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



The tables below summarize the maturity profile of the Group's financial liabilities which are based on contractual undiscounted payments and financial assets which are used to manage the liquidity risk as at December 31, 2019 and 2018.

2019	On demand	Less than 3 months	Total
<b>Financial Liabilities</b>			
Accounts payable and accrued expenses*	₱176,114,794	₱—	₱176,114,794
Unclaimed dividends	573,097	—	573,097
<b>Total</b>	<b>176,687,891</b>	<b>—</b>	<b>176,687,891</b>
<b>Financial Assets</b>			
Cash	2,138,335	—	2,138,335
Stock options receivable	9,780,000	—	9,780,000
Nontrade receivables	408,006	—	408,006
Contract deposits	60,014,594	—	60,014,594
Financial assets designated at FVOCI	14,584,019	—	14,584,019
<b>Total</b>	<b>86,924,954</b>	<b>—</b>	<b>86,924,954</b>
<b>Net Financial Liabilities</b>	<b>₱89,762,937</b>	<b>₱—</b>	<b>₱89,762,937</b>

\*excluding statutory payables

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

\*excluding statutory payables

### Fair Values

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

#### *Cash, Receivables, Accounts Payable and Accrued Expenses*

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

#### *Financial assets designated at FVOCI*

Fair values of investments are estimated by reference to their quoted market price at the reporting date. The fair value of the Group's unquoted equity securities is determined using market approach. As at December 31, 2019, the Group's quoted and unquoted equity securities fair value is at Level 1 and Level 2, respectively.



There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements as at December 31, 2019 and 2018, respectively.

There were no purchases, sales, issues and settlements of level 3 financial assets designated at FVOCI in 2019 and 2018, respectively.

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## 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 2019. The Group has complied with all externally imposed capital requirements in 2019 and 2018.

As at December 31, 2019 and 2018, the Group's capital is composed of the following:

	2019	2018
Capital stock	<b>P2,595,502,255</b>	P2,595,502,255
Additional paid-in capital	<b>617,625,955</b>	617,625,955
Deficit	<b>(1,196,638,647)</b>	(1,178,735,129)
	<b>P2,026,380,533</b>	P2,034,393,081

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## 23. Segment Reporting

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

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## 24. Supplementary Disclosures to the Consolidated Statements of Cash Flows

The non-cash investing activities arising from the capitalization of depreciation amounted to P3,459,049, P5,477,191, and P6,171,036 in 2019, 2018 and 2017, respectively.

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## 25. Subsequent Events

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, which was subsequently extended to May 15, 2020. On May 11, 2020, Resolution No. 35 was issued by the Inter-Agency Task Force (IATF) for the Management of Emerging Infectious Disease placing moderate-risk provinces, highly urbanized cities (HUCs), and independent





component cities (ICCs) under General Community Quarantine (GCQ) and high-risk provinces, HUCs, and ICCs under Modified ECQ (MECQ) from May 16, 2020 to May 31, 2020. The National Capital Region shifted to MECQ from May 16, 2020 to May 31, 2020. On May 29, 2020, Resolution No. 41 was issued placing NCR under GCQ until June 15, 2020, which was subsequently extended to June 30, 2020 on June 15, 2020 following Resolution No. 46-A.

These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. The imposition of the community quarantine resulted to the temporary cessation of the business activities of the Group until it was subsequently lifted by the government.

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Group cannot determine at this time the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation.

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## 26. Other Matters

- a) The Parent Company is either a defendant or co-defendant in certain civil and administrative cases which are now pending before the courts and other governmental bodies. In the opinion of management and the Parent Company's legal counsel, any adverse decision on these cases would not materially affect the consolidated statements of financial position and consolidated statements of comprehensive income as at and for the years ended December 31, 2019 and 2018.
- b) On July 12, 2012, EO No. 79 was released to lay out the framework for the implementation of mining reforms in the Philippines. The policy highlights several issues that includes area of coverage of mining, small-scale mining, creation of a council, transparency and accountability and reconciling the roles of the national government and local government units. Management believes that EO 79 has no major impact on its current operations since the mine is covered by an existing MPSA with the government. Section 1 of EO No. 79, provides that mining contracts approved before the effectivity of the EO shall continue to be valid, binding, and enforceable so long as they strictly comply with existing laws, rules and regulations and the terms and conditions of their grant.

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

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



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

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Manila Mining Corporation and Subsidiary (the "Group") as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, included in this Form 17-A, and have issued our report thereon dated June 17, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Eleanore A. Layug

Partner

CPA Certificate No. 0100794

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

February 28, 2019, valid until February 27, 2022

Tax Identification No. 163-069-453

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

February 2, 2018, valid until February 1, 2021

PTR No. 8125246, January 7, 2020, Makati City

June 17, 2020



## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors  
Manila Mining Corporation  
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 Corporation and Subsidiary (the "Group") as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated June 17, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Eleanore A. Layug

Partner

CPA Certificate No. 0100794

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

February 28, 2019, valid until February 27, 2022

Tax Identification No. 163-069-453

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

February 2, 2018, valid until February 1, 2021

PTR No. 8125246, January 7, 2020, Makati City

June 17, 2020



**INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY SCHEDULES  
DECEMBER 31, 2019**

**MANILA MINING CORPORATION AND SUBSIDIARY**  
20th Floor, Lepanto Building, Paseo de Roxas, Makati City

**Financial Statements:**

- Statements of Management's Responsibility
- Independent Auditors' Report
- Consolidated Statements of Financial Position
- Consolidated Statements of Comprehensive Income
- Consolidated Statements of Changes in Equity
- Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements

**Supplementary Schedules:**

- Independent Auditors' Report on Supplementary Schedules
- Schedule I: Reconciliation of Retained Earnings Available for Declaration
- Schedule II: Financial Soundness Indicators
- Schedule III: Map of the Relationships of the Companies Within the Group
- Supplementary Schedules under Annex 68-J
  - Schedule A: Financial Assets
  - Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related parties).
  - Schedule C: Amounts Receivable from Related Parties which are eliminated during Consolidation of Financial Statements
  - Schedule D: Long-term Debt
  - Schedule E: Indebtedness to Related Parties (Long-Term Loans from Related Companies)
  - Schedule F: Guarantees of Securities of Other Issuers
  - Schedule G: Capital Stock

## SCHEDULE I

### RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

As of December 31, 2019

MANILA MINING CORPORATION AND SUBSIDIARY  
20th Floor, Lepanto Building, Paseo de Roxas, Makati City

Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, beginning of the year* (P1,178,735,129)

---

Add: **Net loss actually incurred during the period**

Net loss during the period closed to Retained Earnings (8,020,212)

Less: **Non-actual/unrealized income net of tax:**

Equity in net income of associate/joint venture —

Unrealized foreign exchange gain – after tax  
(except those attributable to Cash and Cash Equivalents)

Unrealized actuarial gain —

Fair value adjustment (mark-to-market gains)

Fair value adjustment of investment property resulting  
to gain —

Adjustment due to deviation from PFRS – gain —

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

Subtotal —

Add: **Non-actual losses**

Depreciation on revaluation increment (after tax) —

Adjustment due to deviation from PFRS – loss —

Loss on fair value adjustment of investment property  
(after tax) —

Subtotal —

**Net loss actually incurred during the period** (8,020,212)

Add (Less):

Dividend declarations during the period —

Appropriations of Retained Earnings during the period —

Reversals of appropriations —

Effects of prior period adjustments —

Treasury shares —

**Subtotal** —

**TOTAL RETAINED EARNINGS, END OF THE YEAR  
AVAILABLE FOR DIVIDEND**

**P—**

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

## SCHEDULE II

### SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

MANILA MINING CORPORATION AND SUBSIDIARY  
As of December 31, 2019

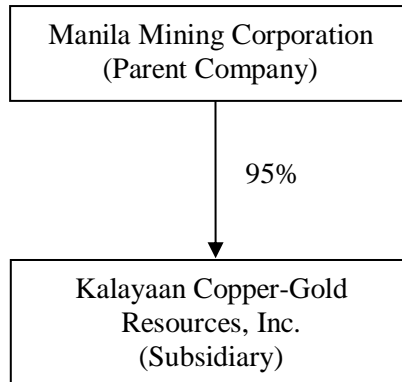
Ratio	Formula	2019	2018
Current ratio	Total Current Assets divided by Total Current Liabilities	0.46:1	0.63:1
Acid test ratio	Quick assets ( <i>Total Current Assets less Stock Options Receivable, Inventories and Other Current Assets</i> ) divided by Total Current Liabilities	0.01:1	0.06:1
Solvency ratio	Net income plus Noncash expenses divided by Short term liabilities plus Long term liabilities	(0.01):1	(0.02):1
Debt to equity ratio	Total Liabilities divided by Total Shareholder's Equity	0.09:1	0.07:1
Asset to equity ratio	Total Assets divided by Total Shareholder's Equity	1.09:1	1.07:1
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense	(8.05):1	(16.77):1
Return on equity	Net Income (Loss) divided by Average Shareholder's Equity	(0.27%)	(0.43%)
Return on assets	Net Income divided by Average Total Assets	(0.25%)	(0.40%)
Net profit margin	Net Income divided by Revenue	0%	0%
Operating profit margin	Gross Profit divided by Revenue	0%	0%

### **SCHEDULE III**

#### **MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP**

As of December 31, 2019

MANILA MINING CORPORATION AND SUBSIDIARY  
20th Floor, Lepanto Building, Paseo de Roxas, Makati City



**SCHEDULE V**  
**SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-J**  
As of December 31, 2019

MANILA MINING CORPORATION AND SUBSIDIARY  
20th Floor, Lepanto Building, Paseo de Roxas, Makati City

**SCHEDULE A: Financial Assets**

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the Statement of Financial Position	Income received and accrued
Financial Assets Designated at FVOCI:			
Lepanto Consolidated Mining Corporation	<b>77,846,363</b>	<b>P7,084,019</b>	<b>P—</b>
Manila Peninsula Hotel, Inc.	<b>750,000</b>	<b>7,500,000</b>	<b>—</b>
<b>Total</b>	<b>78,596,363</b>	<b>P14,584,019</b>	<b>P—</b>



As of December 31, 2019

**SCHEDULE B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)**

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Directors, Officers and Employees	P—	P—	P—	P—	P—	P—	P—

**SCHEDULE V**  
**SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-J**  
As of December 31, 2019

MANILA MINING CORPORATION AND SUBSIDIARY  
20th Floor, Lepanto Building, Paseo de Roxas, Makati City

**SCHEDULE C: Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements**

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	<b>P1,308,874</b>	<b>P–</b>	<b>P1,308,874</b>	<b>P–</b>	<b>P–</b>	<b>P–</b>	<b>P–</b>

**SCHEDULE V**  
**SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-J**  
As of December 31, 2019

MANILA MINING CORPORATION AND SUBSIDIARY  
20th Floor, Lepanto Building, Paseo de Roxas, Makati City

**SCHEDULE D: Long-Term Debt**

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption “Current Portion of Long-Term Debt” in related Statement of Financial Position	Amount shown under caption “Long-Term Debt” in related Statement of Financial Position
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<b>NOT APPLICABLE</b>
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**SCHEDULE V**  
**SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-J**  
As of December 31, 2019

MANILA MINING CORPORATION AND SUBSIDIARY  
20th Floor, Lepanto Building, Paseo de Roxas, Makati City

**SCHEDULE E: Indebtedness to Related Parties (Long-Term Loans from Related Companies)**

<u>Name of related party</u>	<u>Balance at beginning of period</u>	<u>Balance at end of period</u>
------------------------------	---------------------------------------	---------------------------------

<b>NOT APPLICABLE</b>
-----------------------

**SCHEDULE V**  
**SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-J**  
As of December 31, 2019

MANILA MINING CORPORATION AND SUBSIDIARY  
20th Floor, Lepanto Building, Paseo de Roxas, Makati City

**SCHEDULE F: Guarantees of Securities of Other Issuers**

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
--	---	--	--	---------------------

<b>NOT APPLICABLE</b>
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**SCHEDULE V**  
**SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-J**  
As of December 31, 2019

MANILA MINING CORPORATION AND SUBSIDIARY  
20th Floor, Lepanto Building, Paseo de Roxas, Makati City

**SCHEDULE G: Capital Stock**

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related Statement of Financial Position caption	Number of shares reserved for options, 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	155,479,944,728	—	28,918,881,393	3,400,598,789	123,160,464,546
Class "B"	104,000,000,000	103,576,098,876	—	23,153,296,414	2,070,393,711	78,352,408,751

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended: **March 31, 2020**
2. Commission identification number: **4429**      3. BIR Tax Identification No.: **000-164-442**
4. Exact name of issuer as specified in its charter:

**MANILA MINING CORPORATION**

5. Province, country or other jurisdiction of incorporation or organization:  
**Makati City, Philippines**
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office:  
**20<sup>th</sup> Floor, Lepanto Building  
8747 Paseo de Roxas, Makati City, Philippines**
8. Issuer'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 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class

Number of shares of common  
stock outstanding:

**Class "A"**  
**Class "B"**

**155,796,086,372**  
**103,790,702,331**

Amount of Debt Outstanding: **Please refer to the attached Balance Sheet (Annex "B")**

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

Yes [**x**]

No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein.

**Philippine Stock Exchange**

**Classes "A" and "B"**

12. Indicate by check mark whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes ☒

No ☐

- (b) has been subject to such filing requirements for the past ninety (90) days.

Yes ☐

No ☒

## PART 1- FINANCIAL INFORMATION

- Item 1. Financial Statements:** *Income Statement* - Annex "A"  
*Balance Sheet* - Annex "B"  
*Statement of Cash Flow* - Annex "C"  
*Stockholders' Equity* - Annex "D"  
*Notes to Financial Statements* - Annex "E"  
*Aging of Accounts Receivable-Trade* - Annex "F"
- Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations** - Annex "G"
- Item 3. Impact of Current Global Financial Condition** - Annex "H"
- Item 4. Financial Ratios** - Annex "I"

## PART II- OTHER INFORMATION (None)

### SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer : **Manila Mining Corporation**

Signature :   
**RENE F. CHANYUNGCO**

Title : Treasurer

Date : June 30, 2020

Signature :   
**ODETTE A. JAVIER**

Title : Assistant Corporate Secretary

Date : June 30, 2020



**MANILA MINING CORPORATION**  
**CONSOLIDATED QUARTERLY INCOME STATEMENT**  
**FOR THE FIRST QUARTER OF 2020**  
**(WITH COMPARATIVE FIGURES FOR THE FIRST QUARTER OF 2019)**

**ANNEX "A"**

		<b>MARCH 31</b>	
		<b>2020</b>	<b>2019</b>
		<hr/>	<hr/>
<b>REVENUE</b>			
Copper	P	-	P -
Gold		-	-
Silver		-	-
Interest and Other income		1,823	7,457
		-	-
		<hr/>	<hr/>
		1,823	7,457
		<hr/>	<hr/>
<b>COST AND EXPENSES</b>			
Mining, milling, refining and other		-	-
related charges and administrative		-	-
expenses including depreciation,		-	-
depletion and amortizations		671,299	1,728,581
		<hr/>	<hr/>
		671,299	1,728,581
		<hr/>	<hr/>
<b>NET INCOME BEFORE INCOME TAX</b>		<hr/> (669,476) <hr/>	<hr/> (1,721,124) <hr/>
<b>PROVISION FOR INCOME TAX</b>			
Current			
Deferred			
		<hr/>	<hr/>
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	P	<hr/> (669,476) <hr/>	P <hr/> (1,721,124) <hr/>
<b>EARNINGS (LOSS) PER SHARE</b>	P	<hr/> (0.000003) <hr/>	P <hr/> (0.000007) <hr/>
<b>Formula:</b>			
<b>Net Loss</b>		(669,476)	(1,721,124)
<b>divided by Total shares subscribed, issued and outstanding</b>		259,056,043,604	259,056,043,604
		<hr/> (0.000003) <hr/>	<hr/> (0.000007) <hr/>
		<hr/>	<hr/>

MANILA MINING CORPORATION  
**CONSOLIDATED BALANCE SHEET**  
As of March 31, 2020  
(With Comparative Figure for December 31, 2019)

ANNEX "B"

A S S E T S				LIABILITIES AND STOCKHOLDERS' EQUITY			
		<b>**March 2020</b>	<b>*December 2019</b>			<b>**March 2020</b>	<b>*December 2019</b>
<b>CURRENT ASSETS</b>				<b>CURRENT LIABILITIES</b>			
Cash & cash equivalents	P	1,092,459	P 2,138,335	Accounts payable and accruals	P	179,404,228	P 173,034,780
Short-term investments		-	-	Dividends payable		573,097	573,097
Receivables		-	-	Non-trade payables		4,955,071	4,874,523
Trade		-	-	Notes Payable		-	-
Non-trade ( net )		(9,494,313)	(9,516,336)				
Subscription Receivables		9,780,000	9,780,000			184,932,396	178,482,400
Inventories		-	-	<b>NON-CURRENT LIABILITIES</b>			
Bullion		-	-	Notes Payable		-	-
Copper concentrate		-	-	Deferred Tax Liability		56,202,529	56,202,529
Gold in process - CIP		-	-	Pension Liability		15,119,563	15,119,563
Ore		-	-	Provision for mine rehabilitation & decommissioning		-	-
Materials and		-	-				
supplies (net)		7,091,711	7,128,984				
Prepayments		63,150,630	63,119,640				
						71,322,091	71,322,091
		<u>71,620,487</u>	<u>72,650,622</u>	<b>STOCKHOLDERS' EQUITY</b>			
<b>NON-CURRENT ASSETS</b>				Capital Stock			
Deferred Mine Exploration and Evaluation Costs		2,958,741,854	2,951,585,750	Authorized - 260,000,000,000 shares divided			
Property, Plant and Equipment (net)		114,505,018	114,868,933	into 156,000,000,000 shares of Class "A"			
Financial assets designated at FVOCI		14,584,019	14,584,019	and 104,000,000,000 shares of Class "B"			
Other Assets (net)		15,455,668	15,437,201	at P0.01 par value each - P2,600,000,000			
				Issued and outstanding-259,056,043,604 shares			
				- December 2018-259,056,043,604 shares		2,590,560,436	2,590,560,436
				Subscribed capital stock - 530,745,099 shares			
				- December 2018- 530,745,099)			
				subscriptions receivable of P365,632		4,941,819	4,941,819
				Share Premium		617,625,955	617,625,955
				Deposit for future subscriptions		-	-
						3,213,128,210	3,213,128,210
				Fair Value Reserve		(55,353,245)	(55,353,245)
				Retained earnings, beginning		(1,196,661,448)	(1,178,735,128)
				Add: Net income (loss) for the period		(669,476)	(17,933,984)
				Retained earnings, end		(1,197,330,925)	(1,196,669,112)
				Gain/Loss on RBO Remeasurement		3,236,288	3,236,288
				Effects of changes with non-controlling interest		954,621,275	954,621,275
				Equity Attributable to NCI		350,957	358,621
				Net stockholders' equity		2,918,652,559	2,919,322,035
<b>TOTAL ASSETS</b>	<b>P</b>	<b><u>3,174,907,046</u></b>	<b><u>P 3,169,126,526</u></b>	<b>LIABILITIES AND</b>			
				<b>STOCKHOLDERS' EQUITY</b>	<b>P</b>	<b><u>3,174,907,046</u></b>	<b><u>P 3,169,126,526</u></b>

\*\* - UNAUDITED

\* - AUDITED

**MANILA MINING CORPORATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2020**

**ANNEX "C"**

**(WITH COMPARATIVE FIGURES FOR THE FIRST QUARTER ENDED MARCH 31, 2019)**

	<b>MARCH 31</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income/(loss) for the period	(669,476)	(1,721,124)
Add/(deduct) year-to-date adjustments	-	-
	<u>(669,476)</u>	<u>(1,721,124)</u>
<b>Adjustment to reconcile net income to net cash provided by operating activities:</b>		
Depreciation	34,355	470,595
Impairment loss	-	-
	<u>(635,121)</u>	<u>(1,250,529)</u>
<b>Changes in assets and liabilities</b>		
(Increase) decrease in receivables	(22,023)	(79,095)
(Increase) decrease in inventories	37,273	(244,367)
(Increase) decrease in prepayments	(30,990)	(40,859)
Increase (decrease) in accounts payable & accruals	6,369,448	8,577,587
Increase (decrease) in notes payable/dividends payable	-	-
Net cash provided by operating activities	<u>5,718,586</u>	<u>6,962,738</u>
<b>CASH USED IN INVESTING ACTIVITIES:</b>		
(Increase) decrease of property, plant and eqpt	(6,826,544)	(8,658,164)
(Increase) decrease in investments available for sale	-	-
(Increase) decrease in other assets	(18,467)	(170,864)
Net cash used in investing activities	<u>(6,845,010)</u>	<u>(8,829,028)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Increase (decrease) in subscribed capital stock	-	-
Increase (decrease) in Deposit for Future Subscription	-	-
Increase (decrease) in Deposit for Future Subscription	-	-
Increase (decrease) in Fair Value Reserve	-	-
Receipts from ( payment to ) related parties	-	(497,963)
Increase (decrease) in deferred tax liability	80,548	840,274
Increase (decrease) gain/loss on Rbo remeasurement	-	4
Net cash provided by (used in) financing activities	<u>80,548</u>	<u>342,315</u>
<b>NET INCREASE (DECREASE) IN CASH FOR THE YEAR</b>	<b>(1,045,876)</b>	<b>(1,523,976)</b>
<b>CASH</b>		
Beginning of the period	<u>2,138,335</u>	<u>8,737,477</u>
End of the period	<u><b>1,092,459</b></u>	<u><b>7,213,501</b></u>

**MANILA MINING CORPORATION**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**  
**FOR THE PERIOD ENDED MARCH 31, 2020**  
**(WITH COMPARATIVE FIGURES FOR THE FIRST QUARTER ENDED MARCH 31, 2019)**

**ANNEX "D"**

	<b>MARCH 31</b>	
	<b>2020</b>	<b>2019</b>
<b>STOCKHOLDERS' EQUITY</b>		
Capital Stock		
Authorized - 260B shares @ P.01 par value each (P 2,600,000,000)		
Issued and outstanding	2,590,560,436	2,590,560,436
Subscribed capital stock (net of subscriptions receivable)	4,941,819	4,941,819
Share premium	617,625,955	617,625,955
Deposit for future subscriptions		
Deficit		
Operations		
Beginning balance	(1,196,661,448)	(1,178,735,128)
Net income (loss) for the period	(669,476)	(1,721,124)
	(1,197,330,925)	(1,180,456,252)
Fair Value Reserve	(55,353,245)	(53,718,471)
Gain/Loss on RBO Remeasurement	3,236,288	3,605,536
Effects of changes with non-controlling interest	954,621,275	954,621,275
Equity Attributable to NCI	350,957	358,621
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>P <u>2,918,652,559</u></b>	<b>P <u>2,937,538,918</u></b>

**MANILA MINING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS****Note 1 – General Information and Status of Operations**

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, and its subsidiaries, has 20% equity interest in the Company.

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

The parent company had a total of twenty three (23) regular employees as of 31 March 2019.

On May 11, 2011, the Parent Company, Kalayaan Copper-Gold Resources Inc. (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.

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

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 development of the Project shall be undertaken jointly by the Parent Company and Philex.

**Note 2 – Basis of Preparation, Statement of Compliance, and Changes in Accounting Policies and Disclosures**

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

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

The accounting policies adopted in the preparation of the financial statements are consistent with the most recent annual financial statements.

The Group applied PFRS 9 Financial Instruments for the first time from January 1, 2018. PFRS 9 replaces PAS 39, Financial Instruments: Recognition and Measurement for annual periods

beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group applied it prospectively and has not restated the comparative information, which continues to be reported under PAS 39. Differences arising from the adoption have been recognized directly in retained earnings and other components of equity. Other than the said changes, the accounting policies adopted are consistent with those of the previous financial year.

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

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

### **Note 3– Cash**

This includes cash on hand and cash with banks. Cash with banks earn interest at the respective bank deposit rates.

### **Note 4– Receivables**

This account consists of other nontrade receivables which is non-interest bearing comprise mainly of receivables from sub-contractors and third parties.

### **Note 5– Inventories**

This account consists of parts and supplies which are stated at the lower of cost and net Realizable Value and fuel and lubricants which are valued at cost.

### **Note 6– Pre-payments**

This account represents contract deposits & miscellaneous deposit.

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.

### **Note 7– Property, Plant and Equipment and Deferred Mine Exploration and Evaluation Costs**

Property, plant and equipment, except land, are carried at cost less accumulated depletion, depreciation and impairment, if any. This includes exploration costs which are materials and fuels used, surveying costs, drilling costs and payments made to contractors. Exploration costs are

capitalized up to the point when a commercial reserve is established and are assessed for impairment.

#### **Note 8 – Other Assets**

This account consists mainly of Mine rehabilitation fund (MRF), Advances to landowners, miscellaneous deposit, input VAT, and prepaid royalties.

MRF is 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.

Advances to landowners pertain to advances made to certain landowners for future purchases of parcels of lands.

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

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

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

#### **Note 9 – Financial Assets Designated at FVOCI / AFS Financial Assets**

These include quoted and unquoted equity instruments.

Available for sale investment was reclassified as financial assets designated at fair value through other comprehensive income (FVOCI) in application for the new PFRS 9 Financial Instruments implemented for the first time.

Quoted AFS financial assets pertain to investment on common shares of various local public companies and are carried at fair value on the exit market price. Unquoted AFS financial assets pertain to investment in private company which have no fixed maturity date or coupon rate and are carried at cost.

Movement in the “Fair value reserve of financial assets designated at FVOCI” presented as separate component of equity amounted to -P55.353 Million.

#### **Note 10– Accounts Payable and Accrued Expenses**

These represent Trade payable and accrued expenses. Trade payable include local purchases of equipment, inventories and various parts while accrued expenses includes accrued payroll which are normally payable within five (5) to ten (10) days.

#### **Note 11 – Non-trade Payables**

This account represents payables to affiliates.

## **Note 12 – Retirement Benefits Obligation**

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 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 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 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.

## **Note 13 - Earnings (loss) per share**

Following are the basis for the computation of earnings (loss) per share:

	1st qtr 2019	1st qtr 2019
Numerator:		
Net (loss) income for The quarter	P(669,476)	P(1,721,124)
Denominator:		
Weighted average Total shares subscribed, issued and outstanding	259,056,043,604	259,056,043,604



**MANILA MINING CORPORATION**

**AGING OF ACCOUNTS RECEIVABLE TRADE**

As of March 31, 2020

NONE

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

As of 31 March 2020

With no operations, revenue was nil, except for interest earnings. Expenses, consisting of depreciation and administration costs, totaled P0.67 million, compared with P1.73 million in 2019. The decrease was due to the full depreciation of some items. Net loss for the first quarter amounted to P0.67 million compared with P1.72 million last year.

Cash and Cash Equivalents amounted to P1.09 million, 49% lower than 2019 year-end balance of P2.14 million. Non Trade receivables increased by 8% in relation to an SSS benefit of an employee.

**Manila Mining Company**  
Impact of Current Global Financial Condition

**Credit Risk**

Not applicable

**Market Risk**

The value of financial instruments may change as a result of changes in interest rates, foreign currency exchange rates and equity prices. The Company has Financial Assets Designated at FVOCI in the amount of P14.58 Million which is subject to fluctuations in market prices.

**Foreign Exchange Risk**

Not applicable

**Interest Rate Risk**

Not applicable as the Company has no interest-bearing payables.

**Liquidity Risk**

Not applicable

**Fair Values**

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

*Cash, Receivables, Trade Payables and Accrued Expenses*

The carrying amounts of cash, receivables, trade payables and accrued expenses are all subject to normal trade credit terms and are short term in nature, approximate their fair values.

*AFS Investments*

Fair values of investments are estimated by reference to their quoted market values made during the balance sheet date as of the end of last year. Unquoted equity securities are carried at cost net of impairment in value, since fair value of these AFS securities cannot be reliably determined as these securities are not listed and have no available bid price. The Company has no investments in foreign securities.

*Loans Payable and Borrowings*

Not applicable

**MANILA MINING CORPORATION AND SUBSIDIARY**  
**FINANCIAL RATIOS**  
**PURSUANT TO SRC RULE 68, AS AMENDED**  
(With Comparative Annual Figures for 2019)

**ANNEX "I"**

	<b>1ST QUARTER</b>	<b>YEAR END</b>
	<b>March 2020</b>	<b>December 2019</b>
<b>Profitability Ratios:</b>		
Return on assets	<b>-0.02%</b>	<b>-0.57%</b>
Return on equity	<b>-0.02%</b>	<b>-0.61%</b>
Net Profit Margin	<b>N/A</b>	<b>N/A</b>
<b>Solvency and liquidity ratios:</b>		
Current Ratio	<b>0.39</b>	<b>0.41</b>
Debt to equity	<b>0.09</b>	<b>0.09</b>
Quick Ratio	<b>0.01</b>	<b>0.01</b>
<b>Financial Leverage ratio:</b>		
Asset to equity	<b>1.09</b>	<b>1.09</b>
Debt to Asset ratio	<b>0.08</b>	<b>0.08</b>
Interest rate coverage ratio	<b>N/A</b>	<b>N/A</b>