



Manila Mining Corporation

A N N U A L R E P O R T 2 0 0 5

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CORPORATE DIRECTORY

ANNUAL MEETING:

The Annual Meeting of Stockholders of Manila Mining Corporation will be held on April 17, 2006, Monday, at 10:00 a.m. at the Penthouse, Lepanto Building, Paseo de Roxas, Makati City.



Manila Mining Corporation

A MESSAGE FROM THE CHAIRMAN

Your management remains steadfast in pursuing the objectives mentioned last year. It is relentless in finding ways and means to finally nurse the company back into operation and ultimately regain the productive and profitable status we once enjoyed in the early 1990s.

As part of these efforts, we have initiated partnership venture discussions with three international mining and exploration companies focusing mainly on MMC's Kalaya-an Property in Surigao del Norte. However, full-blown discussions cannot proceed smoothly as we are experiencing delay in the release of the renewal Exploration Permit (EP Renewal) over the Kalaya-an Property. Together with our prospective foreign partners, we have been awaiting the release by the DENR of this Permit as it is indispensable for the purpose of advancing negotiations with the prospective partners. Needless to say, sizable investments are the key to the vigorous resumption of our exploration to grow our reserves significantly and eventually bring us to meaningful production.

Actually, the EP Renewal was approved by the Director of the Mines and Geosciences Bureau (MGB) on November 30, 2005 and was notarized on the same day. In fact, the same EP Renewal has already the acceptance signature of MMC's duly authorized representative. With a little more patience, we believe this Permit will in no time be in our hands as MMC had complied with all the requirements of law and regulations.

With no revenue, we continue to incur administrative, depreciation and depletion costs. For 2005, we registered a net loss of P154.42 million because of those costs, versus P133.87 million in 2004.

Mr. Artemio F. Disini resigned as Director in February 2005 to join the government. We express our thanks to him for his valuable contributions to the company during his stint. In his place, we welcomed Mr. Patrick K. Yap as our new Director. We also wish to express our appreciation of the efforts and contributions of Mr. Lyndon Bradish as President from May 2004 to December 2005.

The ingredients for a turnaround are present. With foreign mining companies having shown keen and serious interest in our mining properties, there is every reason to be optimistic.

In closing my message, let me convey my expression of great thanks and appreciation to our loyal employees, shareholders, and banks and suppliers for persevering with us in our common goal of putting our company back on track.

FELIPE U. YAP

Chairman of the Board
and Chief Executive Officer

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

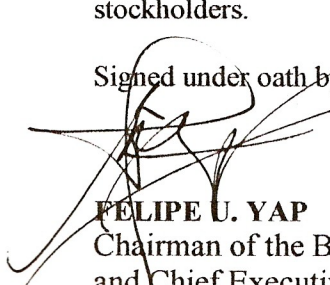
The management of **Manila Mining Corporation** is responsible for all information and representations contained in the financial statements for the years ended **December 31, 2005 and 2004**. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines (or Philippine Financial Reporting Standards) and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the company's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

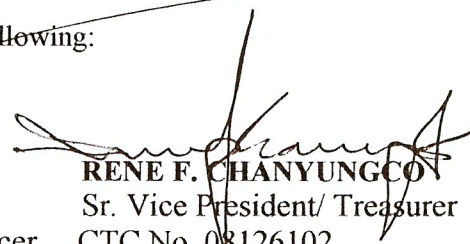
The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the company.

Isla Lipana & Co., the independent auditors appointed by the stockholders, has examined the financial statements of the company in accordance with generally accepted auditing standards in the Philippines (or Philippine Standards on Auditing) and has expressed its opinion on the fairness of presentation in accordance with generally accepted accounting principles in the Philippines (or Philippine Financial Reporting Standards) upon completion of such examination, in its report to the Board of Directors and stockholders.


Signed under oath by the following:



FELIPE U. YAP
Chairman of the Board
and Chief Executive Officer
CTC No. 20545225
Jan 04, 2006 / Davao City



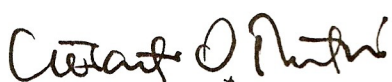
RENE F. CHANYUNGCO
Sr. Vice President/ Treasurer
CTC No. 08126102
Jan 05, 2006 / Pasig City



MARIO L. LAVENTE
Financial Controller
CTC No. 12813330
Mar 21, 2006 / Q.C.

SUBSCRIBE AND SWORN to before me this 22nd day of March 2006 at Makati City.

Doc. No. 134
Page No. 28
Book No. 5
Series of 2006.



CRISANTO O. MARTINEZ
Notary Public Until Dec.31, 2006
PTR No. 4186960/ Jan.05, 2006
IBP No. 660172 / Nov. 16, 2005/ Manila

Isla Lipana & Co.

Formerly Joaquin Cunanan & Co.

A member firm of

PRICEWATERHOUSECOOPERS 

Report of Independent Auditors

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

Isla Lipana & Co.
29th Floor Philamlife Tower
8767 Paseo de Roxas
1226 Makati City, Philippines
Telephone + 63 (2) 845 2728
Facsimile + 63 (2) 845 2806
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We have audited the accompanying balance sheets of Manila Mining Corporation as of December 31, 2005 and 2004, and the related statements of income, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Manila Mining Corporation as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with the Philippine Financial Reporting Standards.

Isla Lipana & Co.

Formerly Joaquin Cunanan & Co.

Report of Independent Auditors To the Board of Directors and Stockholders of Manila Mining Corporation

Without qualifying our opinion, we draw attention to Note 1 to the financial statements, which indicates that the Company incurred continuing losses from operations resulting in accumulated deficit of P936,543,157 in 2005 (2004 - P782,126,077) and working capital deficiency of P729,068,305 in 2005 (2004 - P683,251,383). These matters including the factors mentioned in Note 1 to the financial statements raise substantial doubts as to the Company's ability to continue as a going concern for a reasonable period of time. Management's plans with regard to these matters are also discussed in Note 1 to the financial statements. The accompanying financial statements do not include any adjustments relating to the recoverability and classifications of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Isla Lipana & Co.

Makati City
March 20, 2006

Rodelio C. Acosta

RODELIO C. ACOSTA

(Signing on behalf of Isla Lipana & Co.)

CPA Cert. No. 53756

PTR No. 0529301; January 19, 2006, Makati City

SEC A.N. (Individual) as general auditors 0054-A

SEC A.N. (Firm) as general auditors 0009-F

T.I.N. No. 182-934-430

BIR A.N. 08-000745-18-2004; issued on October 12, 2004; effective until October 11, 2007

BOA/PRC Reg. No. 0142; issued on October 25, 2004

MANILA MINING CORPORATION

BALANCE SHEETS DECEMBER 31, 2005 AND 2004 (All amounts in Philippine Peso)

	Notes	2005	2004
<u>ASSETS</u>			
CURRENT ASSETS			
Cash		P 463,092	P 666,992
Marketable securities	10	-	15,000,000
Receivables, net	6	4,607,243	4,512,119
Inventories, net	7	44,549,175	54,595,893
Prepayments and other current assets	8	10,177,154	9,780,637
Total current assets		59,796,664	84,555,641
NON-CURRENT ASSETS			
Available-for-sale financial assets	10	7,875,000	-
Deferred income tax assets	11	26,281,927	6,553,809
Property, plant and equipment, net	9	1,597,681,135	1,683,107,412
Other assets	12	18,625,211	39,962,743
Total non-current assets		1,650,463,273	1,729,623,964
Total assets		P1,710,259,937	P1,814,179,605
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	13	P 566,697,136	P 541,849,807
Non-trade payables		28,154,758	31,943,806
Borrowings	14	193,439,896	193,439,896
Unclaimed dividends		573,179	573,515
Total current liabilities		788,864,969	767,807,024
NON-CURRENT LIABILITIES			
Non-trade payables	16	504,910,669	489,264,780
Retirement benefit obligation	15	3,681,188	3,249,163
Deferred income tax liability	11	151,509,780	138,523,227
Total non-current liabilities		660,101,637	631,037,170
Total liabilities		1,448,966,606	1,398,844,194
EQUITY			
Share capital	19	1,193,231,314	1,193,231,314
Share premium		4,230,174	4,230,174
Fair values and other reserves	20	375,000	-
Deficit		(936,543,157)	(782,126,077)
Total equity		261,293,331	415,335,411
Total liabilities and equity		P1,710,259,937	P1,814,179,605

The notes on pages 1 to 28 are integral part of these financial statements.

MANILA MINING CORPORATION

STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004 (All amounts in Philippine Pesos)

	Notes	2005	2004
OTHER OPERATING INCOME	20	P 375,000	P -
ADMINISTRATION, SELLING, OVERHEAD AND OTHER CHARGES	17	(140,778,236)	(109,131,292)
LOSS FROM OPERATIONS		(140,403,236)	(109,131,292)
FINANCE COST, net	18	(20,755,409)	(24,890,531)
LOSS BEFORE INCOME TAX		(161,158,645)	(134,021,823)
BENEFIT FROM DEFERRED INCOME TAX	11	6,741,565	148,710
NET LOSS FOR THE YEAR		P(154,417,080)	P(133,873,113)
LOSS PER SHARE - Basic and diluted	22	P 0.00129	P 0.00112

The notes on pages 1 to 28 are integral part of these financial statements.

MANILA MINING CORPORATION

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004 (All amounts in Philippine Pesos)

Notes	Share capital 19	Share premium 20	Fair values and other reserves 20	Deficit	Total equity 5
Balances at January 1, 2004					
as previously reported	P1,193,231,314	P4,230,174	P -	P(646,359,543)	P 551,101,945
Effects of adoption of PAS 19	-	-	-	(1,893,421)	(1,893,421)
Balances at January 1, 2004	1,193,231,314	4,230,174	-	(648,252,964)	549,208,524
Net loss for the year	-	-	-	(133,873,113)	(133,873,113)
Balances at December 31, 2004	1,193,231,314	4,230,174	-	(782,126,077)	415,335,411
Effects of adoption of PAS 32 and PAS 39	-	-	750,000	-	750,000
Balances at January 1, 2005	1,193,231,314	4,230,174	750,000	(782,126,077)	416,085,411
Fair value transferred to profit and loss	-	-	(375,000)	-	(375,000)
Net loss for the year	-	-	-	(154,417,080)	(154,417,080)
Balance at December 31, 2005	P1,193,231,314	P4,230,174	P 375,000	P(936,543,157)	P 261,293,331

The notes on pages 1 to 28 are integral part of these financial statements.

MANILA MINING CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004 (All amounts in Philippine Pesos)

	Notes	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		P(161,158,645)	P(134,021,823)
Adjustments for:			
Depreciation and amortization	9	66,294,524	89,939,918
Provision for:			
Impairment of property, plant and equipment	9	45,046,615	-
Impairment of inventories	7	9,131,927	-
Retirement benefit costs	15	432,025	464,720
Unrealized foreign exchange gain from restatement of monetary items, net	18	7,094	(58,775)
Gain from sale of available-for-sale securities	10, 20	(375,000)	-
Interest income	18	(6,919)	(11,394)
Operating loss before changes in working capital		(40,628,379)	(43,687,354)
Changes in:			
Receivables	6	(95,124)	8,040,043
Inventories	7	914,791	19,021,483
Prepayments and other current assets	8	(396,517)	5,736,514
Accounts payable and accrued expenses	13	21,589,162	11,601,057
Cash (absorbed by) generated from operations		(18,616,067)	711,743
Interest received	18	6,919	11,394
Net cash (used in) provided by operating activities		(18,609,148)	723,137
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	9	(35,000)	-
Proceeds from disposal of investment	10	7,875,000	-
Decrease (increase) in other assets	12	(4,542,330)	157,066
Net cash provided by investing activities		3,297,670	157,066
CASH FLOWS FROM FINANCING ACTIVITIES			
Payable to related parties	16	15,114,672	11,738,205
Payment of borrowings, net	14	-	(12,868,660)
Net cash provided by (used in) financing activities		15,114,672	(1,130,455)
NET DECREASE IN CASH FOR THE YEAR		(196,806)	(250,252)
EFFECT OF EXCHANGE RATES CHANGES IN CASH	18	(7,094)	58,775
CASH			
January 1		666,992	858,469
December 31		P 463,092	P 666,992

The notes on pages 1 to 28 are integral part of these financial statements.

MANILA MINING CORPORATION

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

(In the Notes, all amount are shown in Philippine Pesos unless otherwise stated.)

Note 1 - General information and status of operation

Manila Mining Corporation (the "Company") was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on May 20, 1949 primarily to carry on the business of mining, milling, concentrating, converting, smelting, treating, preparing for market, manufacturing, buying, selling, exchanging, and otherwise producing and dealing in precious and semi-precious metals, ores, minerals and their by-products. The Company's shares are listed and traded in the Philippine Stock Exchange (PSE). On April 16, 1999, the SEC approved the extension of the Company's corporate term for another 50 years upon expiration of its original term on May 30, 1999. Lepanto Consolidated Mining Company has 20.15% equity interest in the Company.

The Company has its principal office at the 20th Floor Lepanto Building, Paseo de Roxas, Makati City, Philippines and has a total of 33 active regular employees as of December 31, 2005 and 2004. Total staff costs during the year amounted to P3,772,829 (2004 - P4,348,542) (see Note 17).

On May 22, 1996, the Company's Board of Directors 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 SAG mill unit with the original 48-inch pit conveyor project. The expansion was registered with the BOI under E.O. No. 226 on October 6, 1996.

On November 5, 1997, the Board of Investments (BOI) approved the Company's application for registration of its copper flotation project under E.O. No. 226 on a non-pioneer status. On June 9, 2000, the BOI likewise approved the Company's application for the modernization program of the copper flotation project under a preferred non-pioneer status. As a registered enterprise, the 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 Company's operations.

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

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

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

On July 26, 2001, the Company's Board of Directors, in its meeting on July 26, 2001, resolved to shut down the Company's mining operations due to the expiration of its temporary authority to construct and operate its tailings dam issued by the DENR. As a consequence, the Company implemented a selective employee retrenchment program in order to minimize its losses. Operations of the Company were concentrated to exploration works in order to enhance its existing ore reserves which are deemed critical in sustaining a continuous and profitable operations. Furthermore, the Company's prospects during this period were affected by the general slow down in the economy and the volatile price of copper. Also, the Company did not meet its maturing debt obligations and certain financial ratios required in its loan agreements (see also Note 14). These matters raise significant uncertainties as to the Company's ability to continue as a going concern and recover its mine and mining properties.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the accompanying financial statements, the Company incurred net losses of P154,417,080 for the year ended December 31, 2005 (December 31, 2004 - P133,873,113) and as of December 31, 2005 has a deficit of P936,543,157 (2004 - P782,126,077) and working capital deficiency of P729,068,305 (2004 - P683,251,383).

The Company's operations remain suspended for 2005. Notwithstanding this, several companies have expressed interest in the area that lies between the Kalaya-an district at the extreme southwest end of the Company's tenement holdings and immediately north of the Anglo-American/Philex Boyongan discovery, and the historical operations. This area has been named the "Corridor" as it covers important geology and structures that connect two significantly mineralized areas. Discussions with the interested parties will continue to determine if a suitable agreement can be developed. The Corridor also hosts several small gold deposits that are not currently economic to develop and operate. However, with additional investment and operation, it is expected that the reserves would grow significantly.

In 2005, the Company received written proposals from two offshore international mining companies for the exploration and development of the property within the Corridor. The salient terms of the proposals include the payment of certain sum of money, and shares of stock of the proponent, in consideration of the option to explore in the Kalaya-an assets; and rights to subscribe to a substantial portion of the capital stock of a new company to which the Kalaya-an assets shall be transferred. Aside from these proponents, the Company continues to be in discussion with another offshore international mining company and other interested foreign investors. A foreign deal would ensure exploration for at least four (4) years on the Kalaya-an assets. Funds received from the investor may also be used to revive the old operations.

The investment and mining climate has improved significantly over the past several months as a result of the 2004 Supreme Court ruling upholding the validity of the Philippine Mining Act of 1995 and the escalating copper and gold commodity prices. The Company holds excellent properties and should be able to realize significant benefits over the long term. The Company's Kalaya-an project is among the mineral exploration projects under the Ten Point Legacy of the President of the Philippines for year 2004 - 2010.

The Company's ability to continue as a going concern and recover its mine and mining properties is dependent upon the successful completion of the restructuring negotiations with the creditor banks, the ability to obtain the necessary financing, the conduct of successful exploration/drilling work and ability to achieve profitable operations. The ultimate outcome of these uncertainties cannot presently be determined. The accompanying financial statements do not include any adjustments relating to the recoverability and classifications of the Company's recorded asset amounts and classification of liabilities that might result from the outcome of these uncertainties.

The Board of Directors approved for issuance the financial statements on March 20, 2006.

Note 2 - Summary of significant accounting policies

The significant accounting policies and practices adopted by the Company in the preparation of the financial statements are set out below:

2.1 Basis of preparation

These financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), Philippine Accounting Standards (PAS), International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) Interpretations issued and effective at the time of the preparation of these statements, and are covered by PFRS 1, First-time Adoption of Philippine Financial Reporting Standards. These financial statements are the first financial statements of the Company to be prepared in accordance with PFRS. The term PFRS, in general, includes all applicable PFRS, SIC Interpretations, IFRIC Interpretations, PAS and Philippine Interpretations Committee (PIC) Interpretations which have been approved by the Accounting Standards Council (soon to be called Financial Reporting Standards Council or FRSC) and adopted by the Securities and Exchange Commission (SEC) including SEC pronouncements to take effect starting annual accounting periods beginning January 1, 2005.

The policies set out below have been consistently applied to all the years presented except for those relating to the classification and measurement of financial instruments. The Company has made use of the exemptions available under PFRS 1 as described in 5.1.1. The policies applied to financial statements for 2004 and 2005 are disclosed separately below.

The Company's financial statements were prepared in accordance with generally accepted accounting principles in the Philippines (GAAP) until December 31, 2004. GAAP differs in some areas from PFRS. In preparing the 2005 financial statements, management has amended certain accounting and valuation methods applied in the GAAP financial statements to comply with PFRS. The comparative figures in respect of 2004 were restated to reflect these adjustments, except as described in the accounting policies.

Reconciliations and descriptions of the effect of the transition from previous GAAP to PFRS on the Company's equity, net income and cash flows are provided in Note 5.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets.

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Adoption of new accounting standards effective in 2005

The ASC approved the issuance of new and revised accounting standards which are based on revised International Accounting Standards (IAS) and new International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) which are effective for annual periods beginning on or after January 1, 2005. These new Standards have been renamed PASs to correspond to adopted IASs while the PFRSs correspond to adopted IFRSs.

The Company adopted the following applicable PASs and PFRSs effective January 1, 2005:

PAS

- PAS 1 Presentation of Financial Statements
- PAS 2 Inventories
- PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- PAS 10 Events after the Balance Sheet Date
- PAS 16 Property, Plant and Equipment
- PAS 17 Leases
- PAS 19 Employee Benefits
- PAS 21 The Effects of Changes in Foreign Exchange Rates
- PAS 24 Related Party Disclosures
- PAS 32 Financial Instruments: Disclosure and Presentation
- PAS 33 Earnings per Share
- PAS 36 Impairment of Assets
- PAS 37 Provisions, Contingent Liabilities and Contingent Assets
- PAS 38 Intangible Assets
- PAS 39 Financial Instruments: Recognition and Measurement

PFRS

- PFRS 1 First - time adoption of PFRS
- PFRS 2 Share-based Payments

SIC

- SIC 15 Operating Lease - Incentives
- SIC 21 Income Taxes - Recovery of Revalued Non Depreciable Assets
- SIC 25 Income Taxes - Changes in Tax Status of an Enterprise or Its Shareholders
- SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

IFRIC

- IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities

The discussion of the above standards are included in the respective sections of the notes to financial statements.

New accounting standards, amendments and IFRIC interpretations effective in 2006 and after

Certain new accounting standards and IFRIC interpretations have been published that are mandatory for accounting periods beginning on or after January 1, 2006. The Company's assessment of the impact of these new standards and interpretations is set out below.

- PFRS 6, Exploration for and Evaluation of Mineral Resources. The standard requires an entity engaged in extractive activities the following: (a) to develop an accounting policy for exploration and evaluation assets; (b) to conduct an assessment of such assets for impairment when circumstances suggest that the carrying amount of the assets may exceed their recoverable amount; and (c) to disclose, identify and explain the amount in the entity's financial statements arising from the exploration for and evaluation of mineral resources. The Company will apply PFRS 6 beginning January 1, 2006. The adoption of this standard will not materially affect the Company's financial statements.
- PFRS 7, Financial Instruments: Disclosures, and a complementary amendment to PAS 1, Presentation of Financial Statements - Capital Disclosures. PFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk, and market risk, including sensitivity analysis to market risk. It replaces PAS 30, Disclosure in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in PAS 32, Financial Instruments: Disclosure and Presentation. The amendment to PAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The adoption of this standard will require additional disclosures in the notes.
- IFRIC 4, Determining whether an Arrangement Contains a Lease. IFRIC 4 is applicable to annual periods beginning on or after January 1, 2006. The Company will apply IFRIC 4 in its 2006 financial statements and the IFRIC 4 transition provisions. The Company will therefore apply IFRIC 4 on the basis of facts and circumstances that existed at January 1, 2005. Implementation of IFRIC 4 is not expected to change the accounting for any of the Company's current arrangements.
- IFRIC 5, Rights to interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds. The standard sets out the accounting treatment of any resulting interest from funds established for the purpose of decommissioning, restoration and environmental rehabilitation; and requires the recognition of a contingent liability if it is probable that additional contributions will be made. The interpretation will not affect the Company's financial statements. The Company's rehabilitation fund (see Note 23) does not meet the features provided under IFRIC 5.
- PAS 19 (Amendment), Employee Benefits. As the Company does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plan, adoption of this amendment will only impact the extent of disclosures presented in the accounts.
- PAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions. This amendment is not relevant to the Company's operations, as the Company does not have any intragroup transactions that would qualify as a hedged item in the financial statements.
- PAS 39 (Amendment), The Fair Value Option. This amendment is not relevant as yet to the Company's operations since there are no financial assets at fair value through profit or loss as of December 31, 2005.

2.2 Cash

Cash is carried in the balance sheet at face value. For the purposes of cash flow statement, cash consists of cash on hand and deposits held at call with banks.

2.3 Financial assets

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management at inception. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months from the balance sheet date. As of December 31, 2005, the Company does not hold any financial assets in this category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and where Company management has no intention of trading. These are included in current assets, except for maturities greater than 12 months after the balance sheet date, in which case, these are classified as non-current assets. Loans and receivables are included in the receivables account in the balance sheet.

Held-to-maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. The Company did not hold any financial assets in this category during the year.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the balance sheet date. Included in this category are equity investments in publicly listed and private companies other than subsidiaries and associates, which is shown as a separate line item in the balance sheet (see Note 10).

Purchases and sales of financial assets are recognized on trade date - the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer's specific circumstances.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, 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 profit or loss - is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

2.4 Inventories

Bullion inventory is valued at estimated realizable value based on the current free market quotations at the London Gold Market, less certain deductions as agreed upon between the Company and the buyers.

Gold in-process inventory is valued at cost per tonne of ore treated.

Copper concentrate and ore inventories are valued at cost per tonne of ore mined.

Materials, hardware and other supplies are stated at the lower of cost or net realizable values. Cost is determined using the moving average method. In-transit items are valued at invoice cost. The excess of the inventories' carrying value against net realizable value is charged to operations and credited to provision for impairment of inventories.

2.5 Property, plant and equipment

Mine exploration and development costs for existing ore bodies of mineral properties are capitalized as mine and mining properties and are included in property, plant and equipment account. Depletion of mine and mining properties is computed based on the volume of ore extracted and treated at the plant over the estimated volume of proved and probable ore reserves as certified by the Company's geologists. No depletion is provided during the period when extraction is suspended.

Land and buildings comprise mainly factories and offices. All property, plant and equipment is shown at cost less subsequent depreciation and impairment, except for land, which is shown at cost. Cost includes expenditure that is directly attributable to the acquisition of the items. The initial cost of property, plant and equipment comprises its purchase price, including import duties, non-refundable purchases taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation and amortization are computed using the straight-line method to write off the cost of each asset to their residual values over the following estimated useful lives:

Name of assets	Number of years
Machinery and equipment	5 - 20
Buildings and improvements	20
Furniture, office and other equipment	5
Tailings dam	14

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.6).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement. Borrowing costs incurred for the construction of any qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

2.6 Impairment of assets

Property, plant and equipment and other non-current assets that are subject to depreciation and depletion are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Value in use requires the Company to make estimates of future cash flows to be derived from the particular asset, and discount them using a pre-tax market rate that reflects current assessments of the time value of money and the risks specific to the asset.

2.7 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT), to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

The Company reassesses at each balance sheet date the need to recognize a previously unrecognized deferred income tax asset.

2.8 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.9 Provisions

Provisions are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability.

2.10 Leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statements of income on a straight-line basis over the period of the lease.

2.11 Employee benefits

Pension obligations

Pension cost and obligation is computed in accordance with Republic Act 7641, Retirement Pay Law, which is similar to that computed under a defined benefit pension plan. A defined benefit plan is a retirement plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on certain factors such as age, years of credited service, and salary.

The liability recognized in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with any adjustments for unrecognized gains or losses and past service costs. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity which approximates the terms of the related pension liability. The defined benefit obligation is calculated on a regular periodic basis by an independent actuary using the "Projected Unit Credit Cost" method.

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

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

Termination benefits

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

Share-based plans

The Company grants its officers and employees options to purchase shares of stock of the Company. The aggregate number of shares to be granted under the plan should not exceed 5% of the total number of shares of the Company's outstanding capital stock (see Note 21).

Proceeds from the exercise of stock options issued under the stock option plan from the inception up to the last expiry in 2001 were credited to share capital. The excess of the option price over the plan value is credited to share premium. With the effectivity of PFRS 2 on January 1, 2005, these employee benefits, if any, will be recognized at fair value at grant date but over the vesting period.

2.13 Revenue, cost and expense recognition

Income from gold and silver bullion is recognized at the time of production because its sale is both assured and measurable. Income from sale of copper is recognized upon shipment and in accordance with the pricing and other terms of the covering agreements with the buyer. Interest and other income are recognized when earned.

Cost and expenses are recorded when incurred.

2.14 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in Philippine peso, which is the Company's functional and presentation currency.

Functional currency is the currency of the primary economic environment in which the entity operates or in which it primarily generates and expends cash, while presentation currency is the currency in which the financial statements are presented.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity from January 1, 2005.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds. The excess of proceeds from issuance of share over par value of share are credited to share premium.

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

2.16 Dividend distribution

Dividend distribution to the Company's stockholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared by the Company's Board of Directors.

2.17 Earnings (loss) per share

Basic earnings (loss) per share is computed based on the weighted average number of shares outstanding and subscribed for each respective periods with retroactive adjustments for stock dividends declared, if any. When shares are dilutive, the unexercised portion of stock options is included as stock equivalents in computing diluted earnings (loss) per share.

2.18 Related party transactions and relationships

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 enterprises and its key management personnel, directors, or its stockholders.

2.19 Segment reporting

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

2.20 Comparatives

When necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

Note 3 - Financial risk management

3.1 Financial risk factor

When in active operations Company's activities expose it to a variety of financial risks: market risks including foreign exchange risk and price risk, credit risk, liquidity risk, cash flow risk and fair value interest-rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Presently, the Company is exposed to liquidity, cash flow and interest rate risk mainly due to the continued suspension of operations. The Company addresses these risks by obtaining advances from stockholders to support the day to day working capital requirement and maintaining good relationship with suppliers and banks to allow the Company extension of payment terms and temporary suspension of interest charges. The Company is also dependent on other operating income. The Company expects to fully address risks once a deal with foreign investors is completed and operation is resumed.

3.2 Fair value estimation

Fair market values of financial instruments that are not actively traded are established by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique.

Note 4 - Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Deferred tax assets and liabilities

The Company performs an annual evaluation of the likelihood that deferred tax assets will be realized. The assessment is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary differences that give rise to deferred tax liabilities.

Impairment of inventories of parts and materials

Inventories of parts and supplies, which are used in the Company's operations, are stated at the lower of cost or net realizable value. Provision for impairment due to obsolescence and other factors is established when there is evidence that the equipment where the parts and supplies were originally purchased were no longer in service. Materials which are non-moving or have become unusable are priced at their recoverable amount.

Impairment of assets

Long-lived, idle assets and mine and mining properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset 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. The recoverable amount of mine and mining properties is assessed by obtaining the higher of the asset's fair value less cost to sell and value in use. If there is no binding sales agreement or active market for the sale of an asset, fair value less costs to sell is based on the best information available. Value in use is derived from cash flow projections, based on reasonable and supportable assumptions, of the expected cash inflows and outflows to be derived from the continuing use of the asset and from its ultimate disposal and discounting the expected future cash flows using a discount factor that reflects the risk-free rate of interest for a term consistent with the period of expected cash flows.

An impairment loss is recognized and charged to earnings if the recoverable amount is less than the carrying amount.

Depreciation and depletion

Estimated useful lives of the related assets are determined based on the assessment by the end user and the parameters of usage indicated in the Company's manual. Changes in ore reserve estimates are generally calculated at the end of each year that cause depletion rate to increase or decrease.

Note 5 - Transition to PFRS

5.1 Basis of transition to PFRS

5.1.1 Application of PFRS 1

The Company's financial statements for the year ended December 31, 2005 will be the first annual financial statements that comply with PFRS. These financial statements have been prepared as described in Note 2.1. The Company has applied PFRS 1 in preparing these financial statements.

The Company's transition date is January 1, 2004. The Company prepared its opening PFRS balance sheet at that date. The reporting date of these financial statements is December 31, 2005. The Company's PFRS adoption date is January 1, 2005.

In preparing the financial statements in accordance with PFRS 1, the Company has applied certain exemptions from full retrospective application of PFRS.

5.1.2 Exemptions from full retrospective application - elected by the Company

The Company has elected to apply the following optional exemptions from full retrospective application.

5.1.2.1 *Employee benefits exemption*

The Company has elected to recognize all cumulative actuarial gains and losses as at January 1, 2004. The application of this exemption is detailed in Note 5.2.1.

5.1.2.2 Exemption from restatement of comparatives for PAS 32 and PAS 39

The Company elected to apply this exemption. It applies previous GAAP rules to financial assets and financial liabilities for the 2004 comparative information. The adjustments required for differences between the previous GAAP and PAS 32 and PAS 39 are determined and recognized at January 1, 2005. The adjustments are detailed in Note 5.2.4.

5.1.2.3 Designation of financial assets and financial liabilities exemption

The Company has designated its equity investment in private companies as available-for-sale investment at January 1, 2005.

5.1.3 Comparative Financial Statements

Under the rules issued by the Philippine SEC for public companies, which include listed companies, for fiscal year ending December 31, 2005 up to November 30, 2006, a comparative format of only two years may be filed for the Statements of Income, Statements of Cash Flow, and Statements of Changes in Equity to give temporary relief for covered companies as the more complex PFRSs will be applied for the first time in these year-end periods. After this first time application, the requirement of three-year comparatives on these financial statements shall resume for year-end reports December 31, 2006 and onwards.

5.2 Reconciliations between PFRS and GAAP

The following reconciliations provide a quantification of the effect of the transition to PFRS.

- equity at January 1, 2004 (Note 5.2.1)
- equity at December 31, 2004 (Note 5.2.2)
- net loss for the year ended December 31, 2004 (Note 5.2.3)
- equity at January 1, 2005 (Note 5.2.4)
- cash flows for the year ended December 31, 2004 (Note 5.2.5)

5.2.1 Reconciliation of equity at January 1, 2004

	Notes	Previous GAAP	Effect of transition to PFRS	PFRS
<u>ASSETS</u>				
CURRENT ASSETS				
Cash		P 858,469	P -	P 858,469
Marketable securities		15,000,000	-	15,000,000
Receivables, net		25,271,321	-	25,271,321
Inventories, net		73,617,376	-	73,617,376
Prepayments and other current assets		4,087,482	-	4,087,482
Total current assets		118,834,648	-	118,834,648
NON-CURRENT ASSETS				
Deferred income tax assets	5.2.1.1	5,514,077	891,022	6,405,099
Property, plant and equipment, net		1,744,003,903	-	1,744,003,903
Other assets		69,163,236	-	69,163,236
Total non-current assets		1,818,681,216	891,022	1,819,572,238
Total assets		P1,937,515,864	P 891,022	P1,938,406,886
<u>LIABILITIES AND EQUITY</u>				
CURRENT LIABILITIES				
Accounts payable and accrued expenses		P 536,345,320	P -	P 536,345,320
Borrowings		206,308,556	-	206,308,556
Unclaimed dividends		573,515	-	573,515
Total current liabilities		743,227,391	-	743,227,391
NON-CURRENT LIABILITY				
Non-trade payables		504,663,301	-	504,663,301
Retirement benefit obligation	5.2.1.2	-	2,784,443	2,784,443
Deferred income tax liability		138,523,227	-	138,523,227
Total non-current liabilities		643,186,528	2,784,443	645,970,971
Total liabilities		1,386,413,919	2,784,443	1,389,198,362
EQUITY				
Share capital		1,193,231,314	-	1,193,231,314
Share premium		4,230,174	-	4,230,174
Deficit		(646,359,543)	(1,893,421)	(648,252,964)
Total equity		551,101,945	(1,893,421)	549,208,524
Total liabilities and equity		P1,937,515,864	P 891,022	P1,938,406,886

Explanation of the effect of the translation to PFRS

The following explains the material adjustment to the balance sheet and income statement.

5.2.1.1 Deferred income tax assets

Tax effect on the difference between transitional retirement liability and recorded accrued retirement cost	P891,022
Total impact in deferred income tax	P891,022

A deferred income tax asset representing the 32% tax effect of the difference between transitional retirement liability and recorded accrued retirement cost was recognized.

5.2.1.2 Retirement benefit obligation

Recognition of actuarial gains and losses not recognized under previous GAAP at the date of transition for consistent application of the employee benefit exemption	P2,784,443
Total impact - increase in retirement obligation	P2,784,443

Based on the actuarial valuation obtained from an independent actuary, transitional liability as of January 1, 2004 amounts to P2,784,443.

5.2.2 Reconciliation of equity at December 31, 2004

	Notes	Previous GAAP	Effect of transition to PFRS	PFRS
ASSETS				
CURRENT ASSETS				
Cash		P 666,992	P -	P 666,992
Marketable securities		15,000,000	-	15,000,000
Receivables, net		4,512,119	-	4,512,119
Inventories, net		54,595,893	-	54,595,893
Prepayments and other current assets		9,780,637	-	9,780,637
Total current assets		84,555,641	-	84,555,641
NON-CURRENT ASSETS				
Deferred income tax assets	5.2.2.1	5,514,077	1,039,732	6,553,809
Property, plant and equipment, net		1,683,107,412	-	1,683,107,412
Other assets		39,962,743	-	39,962,743
Total non-current assets		1,728,584,232	1,039,732	1,729,623,964
Total assets		P1,813,139,873	P 1,039,732	P1,814,179,605
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Accounts payable and accrued expenses		P 541,849,807	P -	P 541,849,807
Non-trade payables		31,943,806	-	31,943,806
Borrowings		193,439,896	-	193,439,896
Unclaimed dividends		573,515	-	573,515
Total current liabilities		767,807,024	-	767,807,024
NON-CURRENT LIABILITIES				
Non-trade payables		489,264,780	-	489,264,780
Retirement benefit obligation	5.2.2.2	-	3,249,163	3,249,163
Deferred income tax liability		138,523,227	-	138,523,227
Total non-current liabilities		627,788,007	3,249,163	631,037,170
Total liabilities		1,395,595,031	3,249,163	1,398,844,194
EQUITY				
Share capital		1,193,231,314	-	1,193,231,314
Share premium		4,230,174	-	4,230,174
Deficit		(779,916,646)	(2,209,431)	(782,126,077)
Total equity		417,544,842	(2,209,431)	415,335,411
Total liabilities and equity		P1,813,139,873	P 1,039,732	P1,814,179,605

5.2.2.1 *Deferred income tax*

Tax effect on the difference between accrued retirement benefit cost per books and per retirement plan	P1,039,732
Total impact in deferred income tax	P1,039,732

An increase in deferred income tax asset representing the 32% tax effect of the difference between retirement benefit cost per books and per retirement plan was recognized.

5.2.2.2 *Retirement benefit obligation*

Recognition of pension obligation based on actuarial valuation	P3,249,163
Total impact in accrued retirement cost	P3,249,163

Based on the actuarial valuation obtained from an independent actuary, accrued retirement benefit cost as of December 31, 2004 amounted to P3,249,163.

5.2.3 Reconciliation of net loss for the year ended December 31, 2004

	Notes	Previous GAAP	Effect of transition to PFRS	PFRS
Other operating income		P -	P -	P -
Administration, selling, overhead and other charges	5.2.3.1	(108,666,572)	(464,720)	(109,131,292)
Loss from operations		(108,666,572)	(464,720)	(109,131,292)
Finance cost, net		(24,890,531)	-	(24,890,531)
Loss before income tax		(133,557,103)	(464,720)	(134,021,823)
Benefit from deferred income tax	5.2.3.2	-	148,710	148,710
Net loss for the year		P(133,557,103)	P(316,010)	P(133,873,113)

5.2.3.1 *Administration, Selling, Overhead and Other Charges*

Recognition of the provision for retirement cost	P464,720
Total impact in the administrative, selling, overhead and other charges	P464,720

Based on the actuarial valuation obtained from an independent actuary, accrued retirement benefit cost as of December 31, 2004 amounted to P464,720.

5.2.3.2 *Benefit from deferred income tax*

Tax effect on the difference between accrued retirement benefit cost per books and per retirement plan	P148,710
Total impact in provision for income tax deferred	P148,710

A deferred income tax asset representing the 32% tax effect of the difference between transitional retirement liability and recorded accrued retirement cost was recognized.

5.2.4 Reconciliation of equity at January 1, 2005

	Notes	PFRS December 31, 2004	Effect of adoption of PAS 32 and PAS 39	PFRS January 1, 2005
<u>A S S E T S</u>				
CURRENT ASSETS				
Cash		P 666,992	P -	P 666,992
Marketable securities	5.2.4.1	15,000,000	(15,000,000)	-
Receivables, net		4,512,119	-	4,512,119
Inventories, net		54,595,893	-	54,595,893
Prepayments and other current assets		9,780,637	-	9,780,637
Total current assets		84,555,641	(15,000,000)	69,555,641
NON-CURRENT ASSETS				
Available-for-sale financial assets	5.2.4.2	-	15,750,000	15,750,000
Deferred income tax assets		6,553,809	-	6,553,809
Property, plant and equipment, net		1,683,107,412	-	1,683,107,412
Other assets		39,962,743	-	39,962,743
Total non-current assets		1,729,623,964	15,750,000	1,745,373,964
Total assets		P1,814,179,605	750,000	P1,814,929,605
<u>LIABILITIES AND EQUITY</u>				
CURRENT LIABILITIES				
Accounts payable and accrued expenses		P541,849,807	-	P541,849,807
Non-trade payables		31,943,806	-	31,943,806
Borrowings		193,439,896	-	193,439,896
Unclaimed dividends		573,515	-	573,515
Total current liabilities		767,807,024	-	767,807,024
NON-CURRENT LIABILITIES				
Non-trade payable		489,264,780	-	489,264,780
Retirement benefit obligation		3,249,163	-	3,249,163
Deferred income tax liability		138,523,227	-	138,523,227
Total non-current liabilities		631,037,170	-	631,037,170
Total liabilities		1,398,844,194	-	1,398,844,194
EQUITY				
Share capital		1,193,231,314	-	1,193,231,314
Share premium		4,230,174	-	4,230,174
Fair values and other reserves	5.2.4.3	-	750,000	750,000
Deficit		(782,126,077)	-	(782,126,077)
Total equity		415,335,411	750,000	416,085,411
Total liabilities and stockholders' equity		P1,814,179,605	750,000	P1,814,929,605

The following notes explain the adjustments made at January 1, 2005 to the Company's balance sheet:

5.2.4.1 Marketable securities

Reclassification to available for sale securities	P15,000,000
Total adjustment to marketable securities	P15,000,000

Reclassification of investment form GAAP to PFRS.

5.2.4.2 *Available for sale securities*

Reclassification from marketable securities	P15,000,000
Remeasurement to fair value	750,000
Total adjustment to marketable securities	P15,750,000

5.2.4.3 *Fair value and other reserves*

Revaluation of available-for-sale financial assets	P750,000
Total adjustment to marketable securities	P750,000

5.2.5 Reconciliation of cash flows for the year ended December 31, 2004

	Note	Previous GAAP	Effect of transition to PFRS	PFRS
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax		P(133,557,103)	P(464,720)	P(134,021,823)
Adjustments for:				
Depreciation and amortization		89,939,918	-	89,939,918
Retirement benefit costs	5.2.4.1		464,720	464,720
Unrealized foreign exchange gain from restatement of monetary items, net		(58,775)	-	(58,775)
Interest income		(11,394)	-	(11,394)
Operating loss before changes in working capital		(43,687,354)	-	(43,687,354)
Changes in:				
Receivables		8,040,043	-	8,040,043
Inventories		19,021,483	-	19,021,483
Prepayments and other current assets		5,736,514	-	5,736,514
Accounts payable and accrued expenses		11,601,057	-	11,601,057
Cash generated from operations		711,743	-	711,743
Interest received		11,394	-	11,394
Net cash provided by operating activities		723,137	-	723,137
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease in other assets		157,066	-	157,066
Net cash provided by investing activities		157,066	-	157,066
CASH FLOWS FROM FINANCING ACTIVITIES				
Payable to related parties		11,738,205	-	11,738,205
Payment of borrowings, net		(12,868,660)	-	(12,868,660)
Net cash used in financing activities		(1,130,455)	-	(1,130,455)
NET DECREASE IN CASH FOR THE YEAR		(250,252)	-	(250,252)
EFFECT OF EXCHANGE RATES CHANGES				
IN CASH		58,775		58,775
CASH				
January 1		858,469	-	858,469
December 31		P 666,992	P -	P 666,992

5.2.5.1 Retirement expense

Restatement of the provision for retirement benefits cost in projected unit credit method basis	P	464,720
Total adjustment to retirement expense	P	464,720

Based on the actuarial valuation obtained from an independent actuary, accrued retirement benefit cost as of December 31, 2004 amounted to P464,720.

Note 6 - Receivables

Receivables at December 31 consist of:

	2005	2004
Non-trade	P 5,062,777	P 4,967,653
Less provision for impairment	(455,534)	(455,534)
	P 4,607,243	P 4,512,119

Note 7 - Inventories

Inventories at December 31 consist of:

	2005	2004
Mill materials, hardware and other supplies	P 51,770,542	P52,664,255
Machinery and automotive parts	18,056,171	18,077,249
Fuel, oil and lubricants	200,346	200,346
	70,027,059	70,941,850
Less provision for impairment		
January 1	(16,345,957)	(16,345,957)
Provision for impairment during the year	(9,131,927)	-
December 31	(25,477,884)	(16,345,957)
	P 44,549,175	P54,595,893

Note 8 - Prepayments and other current assets

Prepayments and other current assets at December 31 consist of:

	2005	2004
Value added tax (VAT)	P 6,385,155	P5,714,836
Miscellaneous deposits	3,791,999	4,065,801
	P10,177,154	P9,780,637

Note 9 - Property, plant and equipment

Property, plant and equipment at December 31 consist of:

	Note	Mine and mining properties	Machinery and equipment	Building and improvements	Furniture, office and other equipment	Land	Total
Cost							
January 1 and December 31, 2004		P2,362,611,759	P859,733,420	P121,571,303	P68,563,074	P7,270,713	P3,419,750,269
Accumulated depreciation and depletion							
January 1, 2004		1,000,794,550	564,181,584	45,917,289	64,852,943	-	1,675,746,366
Depreciation and amortization during the year	17	21,509,924	30,528,630	6,071,380	2,786,557	-	60,896,491
December 31, 2004		1,022,304,474	594,710,214	51,988,669	67,639,500	-	1,736,642,857
Net book value at December 31, 2004		P1,340,307,285	P265,023,206	P 69,582,634	P 923,574	P7,270,713	P1,683,107,412
Cost							
January 1, 2005		P2,362,611,759	P859,733,420	P121,571,303	P68,563,074	P7,270,713	P3,419,750,269
Additions		-	-	-	35,000	-	35,000
December 31, 2005		2,362,611,759	859,733,420	121,571,303	68,598,074	7,270,713	3,419,785,269
Accumulated depreciation and depletion							
January 1, 2005		1,022,304,474	594,710,214	51,988,669	67,639,500	-	1,736,642,857
Depreciation and amortization during the year	17	21,509,924	11,964,852	6,071,379	868,507	-	40,414,662
December 31, 2005		1,043,814,398	606,675,066	58,060,048	68,508,007	-	1,777,057,519
		1,318,797,361	253,058,354	63,511,255	90,067	7,270,713	1,642,727,750
Provision for impairment losses	17	-	41,890,864	3,091,325	64,426	-	(45,046,615)
Net book value at December 31, 2005		P1,318,797,361	P211,167,490	P 60,419,930	P 25,640	P7,270,713	P1,597,681,135

Total depreciation of Property, plant and equipment and certain idle assets (see Note 12) charged to operations in 2005, including amortization of tailings dam, amounted to P66,294,524 (2004 - P89,939,918).

In 2005, the Company recorded impairment loss amounting to P45 million representing the net book value of assets which were identified as damaged and obsolete.

Fully depreciated property and equipment that still can be used by the Company has a total gross carrying amount of P584,460,389 at December 31, 2005 and 2004.

Note 10 - Available-for-sale financial assets/Marketable securities

At December 31, 2004	P -
Impact of PAS 32/39 adoption	15,750,000
At January 1, 2005	15,750,000
Disposals	(7,875,000)
At December 31, 2005	P 7,875,000

The available-for-sale financial asset consists of investment on unlisted securities of a domestic corporation.

The balance of the account at January 1, 2005 were previously classified as marketable securities from January 1, 2004 to December 31, 2004. The classification of marketable securities is no longer used from January 1, 2005, the PAS 32/29 adoption date (Note 5.2.4.1).

Note 11 - Deferred income tax; provision for income tax

Deferred income tax assets and liability at December 31 consist of:

	2005	2004
Deferred income tax assets		
Provision for impairment loss on property, plant and equipment	P 15,766,315	P -
Provision for impairment of inventories	8,917,259	5,230,706
Accrued pension liability	1,288,416	1,039,732
Provision for impairment of receivables	159,437	145,771
Allowance for probable loss	150,500	137,600
	P 26,281,927	P 6,553,809
Deferred income tax liability		
Excess of allowable depletion over depletion per books	P(151,509,780)	P(138,523,227)

Republic Act 9337, (the “Act”) otherwise known as “Expanded Value Added Tax (EVAT) of 2005”, was passed into law and became effective on November 1, 2005. The more salient provisions of the new Act are the following:

- Change in normal corporate income tax rate; increasing from 32% to 35% effective November 1, 2005 and then reducing the 35% to 30% effective January 1, 2009;
- Imposition of 70% cap on the input tax credit which a taxpayer could claim against output tax in the event that total input tax credits are higher than the output tax. In such case, the taxpayer is required to remit a minimum of 30% of the total output tax due; and
- Granting the President of the Republic of the Philippines, under certain conditions, the authority to increase the VAT tax rate from 10% to 12%, subject to formal declaration upon meeting certain economic data. The rate was subsequently increased to 12% effective February 1, 2006.

Accordingly, deferred income tax assets and liabilities as of December 31, 2005 are determined using the income tax rates 35% in the period the temporary differences are expected to be recovered or settled.

Realization of the future tax benefits related to the deferred income tax assets is dependent on many factors including the Company’s ability to generate taxable income within the carryover period of the related deferred income tax assets. The Company’s management has considered these factors in not recognizing deferred income tax asset when it is not probable that future taxable profit will be available against which the temporary difference can be utilized. Deferred income tax assets are recognized for net operating loss carryover (NOLCO) arising from the Company’s non-BOI registered activities to the extent that the realization of the related tax benefit through the future taxable profits is probable. The Company did not recognize deferred income tax assets of P37,294,249 in respect of NOLCO amounting to P106,554,996 that may not be realized in the future due to its history of operating losses.

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

The details of the unused tax losses not recognized in the balance sheet as realization of the related tax benefit through future taxable income is not probable within the carryover period as of the date of this report consist of:

Years incurred	2005	2004
2005	P106,554,996	P -
2004	133,563,086	133,563,086
2003	223,690,553	223,690,553
2002	-	279,492,107

The reconciliation of the benefit from income tax for the years ended December 31 computed at the statutory income tax rate to actual benefit in the statement of income is shown below:

	2005	2004
Tax at weighted average rate of 32.5% (2004 - 32%)	P 52,376,560	P 42,886,983
Addition (reduction) in income taxes resulting from tax effects of:		
Movement in deferred tax assets not recognized during the year	(34,630,374)	-
Non-deductible expenses	-	(42,740,187)
Change in tax rate from 32% to 35% effective November 1, 2005	(11,006,870)	-
Interest income subject to final tax	2,249	1,914
Actual tax benefit	P 6,741,565	P 148,710

Note 12 - Other assets

Other assets at December 31 consist of:

	Note	2005	2004
Idle assets, net of accumulated depreciation	9	P 11,898,637	P 37,778,499
Environmental fund and others	23	6,726,574	2,184,244
		P 18,625,211	P 39,962,743

Total depreciation of idle heap leaching plant and equipment and certain old mill machinery and equipment charged to operations in 2005 amounted to P25,879,862 (2004 - P29,043,426).

Note 13 - Accounts payable and accrued expenses

Accounts payable and other accrued expenses at December 31 consist of:

	Note	2005	2004
Accounts payable	16	P531,044,361	P530,956,312
Accrued payroll		5,531,325	4,248,380
Other liabilities		30,121,450	6,645,115
		P566,697,136	P541,849,807

Note 14 - Borrowings

In 2002, the Company had loans payable to Equitable PCI Bank (EPCIB), Metropolitan Bank and Trust Company (MBTC) and International Exchange Bank (IEB) of P115,938,429; P103,282,946 and P35,381,177, respectively. During 2004, the Company made payments to the creditor banks reducing the total loans payable to P193,439,896.

The loans payable account represents what were originally foreign currency denominated loans from EPCIB, MBTC and IEB for the importation of various mining equipment. Importations were made through existing credit lines maintained with the local banks. The loans were restructured and were converted into peso loans fixed at certain amounts at various dates in 2002. These loans bear annual interest rates ranging from 10% to 15.25%. As a result of the conversions, deferred foreign exchange losses realized and charged to operations in 2002 amounted to P43,432,338. As of December 31, 2005 and 2004, there were no foreign exchange losses deferred in the balance sheet.

The loan agreements also provide certain restrictions such as maintenance of a ratio of current assets to current liabilities of at least 0.50:1 and a debt to equity ratio of not more than 1:1, among others.

A portion of the Company's buildings, machinery and equipment, heavy equipment, parcels of land and materials and supplies with a carrying value of P142,767,450 as well as authority to sell mining concessions, were covered by the collateral security agreement with certain bank.

The Company did not meet its maturing debt obligations and the financial ratios required by the loan agreements. In the absence of a waiver from the creditor banks, long-term portions of the loans were classified as current liabilities in 2005 and 2004. At present, management is negotiating with the creditor bank for the restructuring of the said loans.

During 2005, in accordance with the Special Purpose Vehicle Act of 2002, otherwise known as Republic Act No. 9182, EPCIB assigned to Cameron Granville Asset Management (SPV-AMC), Inc. ("Cameron") all its rights, titles and interest in the receivable from the Company in the amount of P101,796,828. Cameron subsequently further assigned the receivable to Asia Surplus Limited ("Asia"). Neither Cameron nor Asia has yet taken steps to collect the amount owing from the Company. In 2005, MBTC, initiated a legal action against the Company to collect the principal amount of P72,184,588 plus interest. The Company filed a motion to dismiss the MBTC case based on alleged defects on the complaint. The motion is now pending resolution by the Regional Trial Court of Makati.

Note 15 - Retirement plan

The Company provides retirement benefits to its employees in accordance with RA 7641. Actuarial valuation is sought from an independent actuary as of December 31, 2005. The pension obligation is determined using the "Projected Unit Credit Cost" (PUC) method. Under the PUC method, the annual normal cost for the portion of the retirement is determined as the amount necessary to provide for the portion of the retirement benefit accruing during the year. The annual normal cost is calculated as the value of the change in the member's accrued benefit in the ensuing year allowing for salary increase and discount rate.

The amounts of defined benefit liability recognized in the balance sheets are determined as follows:

	2005	2004
Present value of defined benefit liability	P3,070,969	P2,607,172
Actuarial gains not recognized	610,219	641,991
	P3,681,188	P3,249,163

Movement in the liability recognized in the balance sheets is as follow:

	2005	2004
January 1	P 3,249,163	P 2,784,443
Expense recognized for the year	432,025	464,720
December 31	P 3,681,188	P 3,249,163

The amounts of pension expense recognized in the statements of income under cost and expenses are determined as follows:

	2005	2004
Current service cost	P 177,009	P 200,198
Interest cost	286,789	264,522
Actuarial (gains)/loss recognized	(31,773)	-
	P 432,025	P 464,720

The principal annual actuarial assumptions used for years 2005 and 2004 are as follows:

	2005	2004
Discount rate	11.00%	9.50%
Salary increase rate	8.00%	8.00%

Note 16 - Related party transactions

In the normal course of business, the Company transacts with companies which are considered related parties under PAS 24, "Related Party Disclosures". The significant related party transactions and balances for the years ended December 31 with the stockholder and affiliated companies are as follow:

	Note	2005	2004
Balances			
Payables to Lepanto Consolidated Mining Company (LCMC)		P504,910,669	P489,264,780
Payables to affiliated companies	13	215,818,474	216,827,723
Transactions			
Finance charges from LCMC	18	20,750,321	24,987,902
Administrative charges from LCMC		6,068,996	1,269,864

Compensations of key management personnel for the years ended December 31, 2005 and 2004 amounted to P84,000 and P123,450 respectively.

Note 17 - Administration, selling, overhead and other charges

The account consist of the following administration, selling, overhead and other charges for the years ended December 31:

	Notes	2005	2004
Provision for impairment loss on property, plant and equipment	9	P 45,046,615	P -
Depreciation and amortization	9	44,784,601	68,429,994
Amortization of tailings dam	9	21,509,923	21,509,924
Provision for impairment of inventories	7	9,131,927	-
Outside services		3,394,777	3,233,551
Repairs and maintenance		2,457,239	211,763
Salaries, allowances and other benefits	1	3,340,804	3,883,822
Taxes and licenses		464,381	377,725
Retirement benefit cost	1, 15	432,025	464,720
Representation and entertainment		283,711	425,418
Supplies		283,420	395,991
Electricity		247,103	1,744,121
Transportation and travel		200,760	333,249
Communication		162,828	151,103
Insurance		-	132,872
Rental		-	100,000
Water		14,794	16,071
Other charges		9,023,328	7,720,968
		P140,778,236	P109,131,292

Note 18 - Finance costs (income)

Details of finance costs (income), net for the years ended December 31 consist of:

	Notes	2005	2004
Finance charges	16	P20,750,321	P24,987,902
Interest income		(6,919)	(11,394)
Foreign exchange (gain) loss, net	24	7,094	(85,977)
Others		4,913	-
		P20,755,409	P24,890,531

Note 19 - Share capital

The Company has authorized capital stock consisting of 120 billion shares at P.01 par value each, divided into 72 billion Class "A" and 48 billion Class "B" common shares.

Only Philippine nationals are qualified to acquire, own or hold Class "A" common shares of stock of the Company. The total number of Class "B" common shares of stock subscribed, issued or outstanding at any given time shall in no case exceed two-thirds (2/3) of the number of Class "A" common shares of stock or 40% of the aggregate number of Class "A" and Class "B" common shares of stock then subscribed, issued or outstanding.

The details of subscribed, issued and outstanding capital stock at December 31, 2005 and 2004 are shown below:

	Class	No. of shares	Par Value
Issued and outstanding	"A"	71,608,561,984	P 716,085,620
	"B"	47,707,456,936	477,074,569
		119,316,018,920	1,193,160,189
Subscribed	"A"	13,528,685	135,287
	"B"	6,666,532	66,665
		20,195,217	201,952
Total shares issued and subscribed		119,336,214,137	1,193,362,141
Less subscriptions receivable			(130,827)
			P1,193,231,314

Note 20 - Fair value and other reserves

Fair value reserve as of December 31, 2005, consist of revaluation of available-for-sale financial assets.

At December 31, 2004	P -
Impact of PAS 32/39 adoption	750,000
At January 1, 2005	750,000
Disposals	(375,000)
At December 31, 2005	P 375,000

Note 21 - Share-based plan

Under the Company's Revised Stock Option Plan ("Plan"), as amended on September 25, 1995, employees selected by the Stock Option Committee to be important for the success or continued growth of the Company based on their past performance and/or potential, are eligible for the grant. The grantees are given the option to purchase collectively not more than 5% of the total number of shares of the Company's outstanding stock at a price not less than the par value and representing 80% of the average closing price of the stock for the 10 trading days immediately following the SEC's approval of the grant, as determined from the quotations in the PSE. The Plan was further amended by the Company's Board of Directors on August 25, 1997 to enable the Board to reduce the option price in the event that the market price of the stock should fall to such a level as would dissuade the optionees from exercising their respective option provided that: (1) the reduced price shall not be lower than 80% of the closing price of the stock on the reference date; (2) any reduction in option price should be applied prospectively; and, (3) the option price could not be reduced by more than two times during the effectivity of any grant. The stock options are valid for a period of five years and are exercisable upon approval by the SEC.

There were no stock options granted nor stock options activities after the last award granted by the Company, the Seventh Stock Option Award, expired on January 31, 2001.

Note 22 - Loss per share

Following are the basis for the computation of loss per share:

	Note	2005	2004
Net loss as shown in the statements of income		P 154,417,080	P 133,873,113
Weighted average common shares	19	119,336,214.137	119,336,214.137

The basic and diluted loss per share are the same for the years presented as there are no dilutive stock options outstanding (see Note 21).

Note 23 - Commitments and contingent liabilities

On November 13, 1998, the Company entered into a separate Memorandum of Agreement with the Office of Municipal Mayor and Sangguniang Bayan of Placer, Surigao del Norte, DENR and Mine and Geoscience Bureau. Under the agreement, the Company is mandated to establish and maintain a Monitoring Trust Fund and a Mine Rehabilitation Fund (MRF) amounting to P50,000 and P5 million, respectively. 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 rehabilitation fund to be maintained by the Company in a mutually acceptable bank is subject to annual review of the MRF committee. As of December 31, 2005, the rehabilitation fund of P5,106,013 (2004 - P570,184), which does not meet the features provided under IFRIC 5, is included in "Other assets" in the balance sheet (see Note 12).

The 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 Company's legal counsel, any adverse decision on these cases would not materially affect the Company's financial position and results of operations for the year ended December 31, 2005.

Note 24 - Foreign currency denominated monetary asset

As of December 31, 2005 and 2004, the Company's foreign currency denominated monetary asset pertains only to cash which amounts to P117,329 and P126,632 (\$2,210 and \$1,601), respectively.

At December 31, 2005 and 2004, the exchange rates were P53.09 per US\$1.00 and P56.28 per US\$1.00, respectively.

CORPORATE DIRECTORY



Manila Mining Corporation

DIRECTORS	PLACER STAFF	MAKATI - BASED STAFF	
<p>FELIPE U. YAP EDUARDO A. BANGAYAN CHARLES L. BRADISH RENE F. CHANYUNGCO ETHELWOLDO E. FERNANDEZ PATRICIO L. LIM AUGUSTO C. VILLALUNA BRYAN U. YAP PATRICK K. YAP</p>	<p>ALEXANDER M. DACYON Admin. Group Manager</p> <p>ISAGANI C. SULAPAS Finance Group Manager</p> <p>HONORIO F. DE LEON Mine Group Manager</p>	<p>RANIL B. ORABA Tailings Dam Supt.</p> <p>JAIME B. BOAQUIÑA OIC Security Dept</p> <p>CESAR B. BUTRON Mine Production Supt.</p>	<p>JOSEPHINE DC. SUBIDO Chief Accountant</p> <p>EDMUND C. MEER SAMUEL G. ZUÑIGA Accountants</p> <p>TYRONE R. CHANCO Purchasing Officers</p>
CORPORATE OFFICERS	<p>MILES E. TROCIO Acting CMMD Manager</p> <p>JOSE S. GARCIA, JR. Chief Geologist</p> <p>ROBERTO B. ZAGADO Medical Superintendent</p> <p>FEDERICO B. LAGAZO Inventory Management Supt.</p> <p>TESSIE T. SARDOVIA Acting Chief Accountant</p> <p>EMMA P. GONZALES Land Nego. & Doc. Officer</p> <p>HENRITO L. ABELLA Chief Assayer</p> <p>JON FELIPE S. AGCOL Personnel Dept. Head</p> <p>REYNALDO A. ALGARME Safety & Loss Control Supt.</p> <p>LOWITO R. AMOR Water Supply Supt.</p> <p>ROGELIO A. ARROYO Chief Surveyor</p> <p>VERNIE S. REYES Environment Supt. & PCO</p>	<p>ABELARDO F. MAGPILI, JR. Mine Engineering Supt.</p> <p>RAPUL T. DUMORAN Mobile Superintendent</p> <p>SERAPIO B. PAGAR, JR. Mill Superintendent</p> <p>JOSE A. RICAÑA Grinding Plant Supt.</p> <p>ROGELIO A. VILLANUEVA Sr. Geologist</p> <p>FAUSTINO C. ORTUYO, JR. Acting PED Supt.</p> <p>DIOSDADO R. PARAISO Mill Shift Supt.</p> <p>JOEL J. DALAGAN Asst. Mine Mech'l. Supt.</p> <p>NEIL J. RUBILLOS Asst. Planning Supt.</p> <p>BILLY S. REYES Mill Shift Supt.</p> <p>Minesite Office: Barangay Magsaysay Placer, Surigao del Norte Tel No. (086) 826-1416</p>	<p>TERESITA D. LAGMAN JONATHAN P. ARANETA Purchasing Assistants</p> <p>AUDITORS Isla Lipana & Co. A member firm of Price Waterhouse Coopers</p> <p>TRANSFER AGENT Bank of the Phil. Islands</p> <p>GENERAL COUNSEL Sycip, Salazar, Hernandez & Gatmaitan Law Offices</p> <p>BANKS Bank of the Phil. Islands Metropolitan Bank & Trust Co. China Banking Corp. Equitable-PCI Banking Corp.</p> <p>EXECUTIVE OFFICES 20th Floor, Lepanto Bldg. 8747 Paseo de Roxas Makati City 3117 Tel. 815-9447 Fax: 819-3786</p> <p>MAILING ADDRESSES Domestic Surface Mail P.O. Box 1460, Makati Central Post Office Makati City 1254</p> <p>Domestic & Foreign Air Mail P.O. Box 7507 Domestic Airport Post Office, Domestic Road 1300 Pasay City, Philippines</p>
<p>FELIPE U. YAP Chairman of the Board and Chief Executive Officer</p> <p>* CHARLES L. BRADISH President and Chief Operating Officer</p> <p>RENE F. CHANYUNGCO Sr. Vice President-Treasurer Compliance Officer – Good Governance</p> <p>** PATRICK K. YAP Senior Vice President</p> <p>BRYAN U. YAP Vice President</p> <p>MA. LOURDES B. TUASON Asst. Treasurer</p> <p>ETHELWOLDO E. FERNANDEZ Corporate Secretary</p> <p>ODETTE A. JAVIER Asst. Corporate Secretary</p> <p>MARIO L. LAVENTE Financial Controller</p> <p>CRISANTO O. MARTINEZ HR Manager</p> <p>RONALD REX RECIDORO VLADIMIR B. BUMATAY Legal Officers</p>			

* Resigned Dec. 13, 2005

** Effective Dec. 13, 2005