

COVER SHEET

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S.E.C. Registration Number

M A N I L A M I N I N G C O R P O R A T I O N

(Company's Full Name)

2 0 T H F L O O R L E P A N T O B U I L D I N G
8 7 4 7 P A S E O D E R O X A S
M A K A T I C I T Y

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

ODETTE A. JAVIER

Contact Person

815-9447

Company Telephone Number

Not later than April 30

1 2 3 1

Month

Day

Fiscal Year

S E C 1 7 A

FORM TYPE

Month

Day

Year

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total no. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = please use black ink for scanning purposes

SEC No. 4429

MANILA MINING CORPORATION

*20th Floor, Lepanto Building
8747 Paseo de Roxas
City of Makati*

Tel. No. 815-9447

Fax No. 812-0451

**ANNUAL REPORT
(SEC 17-A)**

For the year ended December 31, 2008

April 14, 2009

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended **December 31, 2008**
2. SEC Identification Number : **4429**
3. BIR Tax Identification number : **050-000-164-442V**
4. Exact name of registrant as specified in its charter

MANILA MINING CORPORATION

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

Mining

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

8. Registrant's telephone number, including area code:

(632) – 815-9447

9. Former name, former address and former fiscal year, if changed since last report: **N/A**
10. Securities registered pursuant to Sections 4 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding:
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Class "A"	107,433,136,003
Class "B"	71,571,185,202

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

Yes ☒ No ☐

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

Philippine Stock Exchange

Classes "A" & "B"

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

The aggregate market value of the voting stock held by non-affiliates of the Company as of December 24, 2008 was P1,163,302,139.03.

Business and General Information

Business

MMC was incorporated in 1949 to engage in the mining and exploration of metals. It is an affiliate of Lepanto Consolidated Mining Company. MMC started mining operations in Placer, Surigao del Norte in 1981. Until 2001, it was producing gold bullion through a Carbon-In-Pulp (CIP) Plant. MMC was producing copper concentrates (containing gold, silver and copper) from its copper flotation plant until July, 2001 when it suspended mining and milling operations. Manila Mining Corporation has no parent company. It has a wholly-owned subsidiary, the Kalayaan Copper-Gold Resources, Inc.

Products and Competitive Business Conditions

The Company has no products or services as it is not in operation. It completed an Exploration Programme in 2008.

Government Approvals/Cost and Effects of Compliance with Environmental Laws

Operations are currently suspended, as discussed above, pending receipt of the permit from the DENR to further elevate and operate tailings pond no. 7. Nonetheless, the Company, in compliance with Environmental Regulations, spent a total of P5,133,530.48 in 2008 (P2,916,578 in 2007) for tailings pond and mine rehabilitation.

The Company obtained on January 29, 2007 the release of its Renewed Exploration Permit No. XIII-014, covering 2,462.9 has. in Surigao del Norte.

Subsidiary

Kalayaan Copper-Gold Resources, Inc, holder of Exploration Permit No. EP-XIII-014B covering an area of 286.6342 hectares located in Tubod and Placer, Sugirao del Norte

Research and Development Activities

There were no research and development costs in the last three years.

Employees

MMC had a total of 41 active employees as of the end of 2008. The Company does not intend to hire additional employees in the next 12 months. In the meantime, no supplemental benefits or incentive arrangements are given to the employees.

Mining Properties

The Company has two (2) existing Mining Lease Contracts with the Government covering a total of 484.4 has. located in Placer, Surigao del Norte. The first, MLC MRD No. 324, will expire in 2011 and the second, MLC MRD No. 480, will expire a year later. Both are currently the site of mapping and sampling works. The Company also has three (3) MPSA applications, namely, APSA No. 000006-X in Surigao del Norte; APSA No. 000007-X covering 4,793.85 has. and APSA No. 000047-X covering 1,539 has., all located in Agusan del Norte. Data compilation study are on-going in the areas covered by APSA No. 000006-X, APSA 00007-X and APSA No. 000047-X. Also, MMC has existing Operating Agreements ("OA") with holders of Mining Lease Contract or application for an MPSA with the Government. The MLC MRD No. 67, covering 198 has. expired on April 16, 2003 and is now covered by a pending Application for MPSA No. XIII-083 in Placer, Surigao del Norte, filed prior to said expiration date. MMC has an existing OA with NORSUMICO covering three (3) mining lease contracts of the latter, covering a total of 495 hectares in Placer, Surigao del Norte. The first MLC No. V-1128 expired last September 23, 2000 and is now covered by a pending Application for MPSA No. 000078-XIII while the other two namely, MLC No. MRD-322 and MRD-323 will expire in 2011. A portion of the area covered by APSA No. 00006(X), consisting of 2,462.9 has., is now covered by Exploration Permit No. XIII-014, pending renewal by the Mines and Geoscience Bureau.

Description of Property

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

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

The land referred to above house the offices and housing quarters of the Company in Surigao del Norte. The rest were acquired by the Company for its tailings pond and other mining purposes. The land, buildings and improvements, machineries and heavy and transportation equipment were covered by a mortgage in favor of Metrobank and Equitable PCIBank. As of end-2006, the loans had been fully paid.

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

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

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

Market for Registrant's Common Equity and Related Matters

The Company's securities are listed in the Philippine Stock Exchange. Hereunder are the quarterly market prices of said securities from 2007-2008:

Manila Mining "A"

	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	3/02/09
Low	0.023	0.029	0.017	0.024	0.0019	0.013	0.017	0.01	0.0075
High	0.034	0.038	0.033	0.032	0.021	0.013	0.01	0.0065	0.0075

Manila Mining "B"

	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	3/02/09
Low	0.025	0.033	0.020	0.028	0.021	0.013	0.021	0.0065	0.0075
High	0.039	0.041	0.035	0.035	0.022	0.014	0.012	0.0065	0.0075

Securities and Shareholders

As of end-2008, the company had 4,249 shareholders. There were approximately 2,550 and 1,699 holders of common "A" and common "B" shares, respectively.

Top 20 "A" and "B" Stockholders of the Company (as of December 31, 2008)

	<u>Name</u>	<u>"A" Shares</u>	<u>%</u>
1	<i>F. Yap Securities, Inc.</i>	19,199,959,764	17.91
2	<i>Lepanto Consolidated Mining Company</i>	18,097,056,076	16.94
3	<i>Bryan Yap</i>	1,945,977,139	1.81
4	<i>Christine Yap</i>	1,861,557,111	1.73
5	<i>Lepanto Investment and Dev. Corp.</i>	1,390,313,541	1.29
6	<i>Patrick Resources Corp.</i>	1,301,152,163	1.21
7	<i>Coronet Property Holdings Corp.</i>	1,235,209,029	1.15
8	<i>Paul Gerard B. del Rosario</i>	1,218,800,000	1.13
9	<i>Paulino Yap</i>	1,064,905,731	0.99
10	<i>F. Yap Securities, Inc. (PCD)</i>	936,413,744	0.87
11	<i>Paulino Yap</i>	890,763,764	0.83
12	<i>Christine Karen Yap</i>	886,334,939	0.83
13	<i>Emma Yap</i>	799,516,109	0.74
14	<i>FYSI A/C-CKY</i>	754,994,507	0.70
15	<i>Tomas Yap</i>	724,151,221	0.67
16	<i>Ventura Resources Corporation</i>	718,565,954	0.67
17	<i>Zamcore Resources Corporation</i>	707,395,421	0.66
18	<i>Emma Yap</i>	678,551,292	0.63
19	<i>Lindsay Resources Corporation</i>	651,542,763	0.61
20	<i>Paul Yap, Jr.</i>	580,769,812	0.54

	<u>Name</u>	<u>"B" Shares</u>	<u>%</u>
1	<i>Lepanto Consolidated Mining Company</i>	10,707,139,480	14.96
2	<i>F. Yap Securities, Inc.</i>	7,332,559,695	10.25
3	<i>Lepanto Investment and Dev. Corp.</i>	5,037,619,533	7.04
4	<i>F. Yap Securities, Inc.</i>	1,665,206,615	2.33
5	<i>Abigail K. Yap</i>	1,403,451,933	1.96

6	Bryan Yap	1,124,317,007	1.57
7	Paul Gerard B. del Rosario	1,074,000,000	1.50
8	Paulino Yap	1,019,720,824	1.42
9	Cresencio Yap	950,612,016	1.33
10	Coronet Property Holdings Corp.	851,662,573	1.19
11	Pacita Yap	824,539,227	1.15
12	Paulino Yap	787,396,304	1.10
13	David Go Securities Corp.	590,574,844	0.83
14	Emma Yap	529,116,591	0.74
15	Cresencio Yap	504,917,544	0.70
16	Christine Karen Yap	492,917,544	0.69
17	Christine Yap	461,919,918	0.65
18	Emma Yap	433,448,272	0.61
19	Manuel Yap	312,797,851	0.44
20	Martasio Perez	309,854,155	0.43

Submission of Matters to a Vote of Security Holders

No matter was submitted by the Company during the fourth quarter of 2007 to a vote of security holders.

Recent Sales of Unregistered or Exempt Securities

The Company sold shares pursuant to a 1:2 preemptive rights offer in September 2006, totaling 35,811,045,334 "A" and 23,857,061,734 "B" common shares.

Limitation on Payment of Dividends

There are no restrictions on the issuance of dividends. No dividends were issued in the last five years.

Independent Public Accountant

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

Representatives of SGV & Co. will be present at the Annual Meeting on April 21, 2009 to give statements in response to queries on issues they can shed light on.

Audit and Audit Related Fees

For the audit of the financial statements for year 2007, SGV & Co. billed the Company the sum of P550,000. The agreed fee for services rendered in 2008 was P300,000. No other services, for tax or otherwise, was provided by SGV & Co.

Audit Committee's Approval Policies and Procedures

Prior to commencement of audit services, the external auditors submit their Audit Plan to the Audit Committee, indicating the applicable accounting standards, audit objectives, scope,

approvals, methodology, needs and expectations and timetable, among others. A presentation on the same Plan is made by the external auditors before all the members of the Committee. All the items in the Plan are considered by the Committee, along with industry standards, in approving the services and fees of the external auditors.

Directors and Executive Officers of the Company

<u>Directors</u> (each with term of office of 1 year)	<u>Age</u>	<u>Citizenship</u>	<u>Period Served</u>
FELIPE U. YAP	71	Filipino	Since 1976
EDUARDO A. BANGAYAN*	57	-do-	Since 1989
JOSE G. CERVANTES	74	-do-	Since 2006
RENE F. CHANYUNGCO	55	-do-	Since 2004
ETHELWOLDO E. FERNANDEZ	81	-do-	Since 2001
PATRICIO L. LIM*	93	-do-	Since 2000
BRYAN U. YAP	36	-do-	Since 1994
AUGUSTO C. VILLALUNA	58	-do-	Since 2003
PATRICK K. YAP	30	-do-	Since 2005

<u>Executive Officers:</u>	<u>Citizenship</u>	<u>Position</u>
FELIPE U. YAP	Filipino	Chairman of the Board and Chief Executive Officer
RENE F. CHANYUNGCO	-do-	Senior Vice President and Treasurer
PATRICK K. YAP	-do-	Senior Vice President
BRYAN U. YAP	-do-	Vice President
PABLO T. AYSON, JR.	-do-	Vice President

* - Independent Directors.

Business Experience in the Last Five (5) Years

Mr. Felipe U. Yap became the Chairman of the Company in 1988. He was the Chairman of the Board of Governors of the Philippine Stock Exchange from March 2000 to March 2002. He is likewise the Chairman and Chief Executive Officer of Manila Mining Corporation and Far Southeast Gold Resources, Inc. He is the Chairman of the Board of Prime Orion Philippines, Inc. and Zeus Holdings, Inc. and a Director of, among others, Cyber Bay Corporation and Philippine Associated Smelting and Refining Corp. (PASAR).

Mr. Eduardo A. Bangayan's major business interests are in Davao City. For the past five (5) years, he has been involved in real estate and coconut oil/copra production. He is currently the President of the Summit World Group of Companies.

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

Atty. Ethelwoldo E. Fernandez rejoined the Company as Corporate Secretary in 2001, the same year he was reappointed Corporate Secretary of Lepanto Consolidated Mining Company. 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.

Mr. Patricio L. Lim has been the Chairman and Chief Executive Officer of The Peninsula Manila since 1999. Since 1998, he has been serving as Chairman of the Beneficial-

PNB Life Insurance Company, Inc. He is also the Chairman and Chief Executive Officer of the Philippine Fire and Marine Insurance Corporation, a position which he has been holding since 1995.

Mr. Bryan U. Yap was the Senior Vice President-Chief Finance Officer of Lepanto Consolidated Mining Company from 1997 to February 2003, when he was promoted as President and Chief Operating Officer effective March 1, 2003.

Engr. Augusto C. Villaluna is the Senior Vice President of Lepanto Consolidated Mining Company. He was Resident Manager of the Lepanto Mine Division from 1994 to 2000, and rejoined the Company to assume the same position in 2003.

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

Mr. Patrick K. Yap is the President of Philippine Fire and Marine Insurance Corporation, Commonwealth Knitting Mills, Inc. and Alliance Textile Mills, Inc. He is a Director of Yapster e-Conglomerate, Inc.

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

Significant Employees

The significant employees expected to contribute significantly to the business other than the executive officers are Josephine C. Subido, Chief Accountant, Isagani C. Sulapas, Finance and Administrative Manager, Roberto Mabini, Chief Geologist, and Ray Tailan, Geologist.

Family Relationships

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

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

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

There is no material pending legal proceeding against the Company.

Certain Relationships and Related Transactions

In the normal course of business, MMC has the following significant transactions with its related parties:

- Cash advances received from and expenses paid on behalf of MMC by Lepanto Consolidated Mining Company ("LCMC"). For these advances, total finance charges

amounted to ₱24,233,053 in 2006 (see Note 16). Interest rates for these advances ranged from 7.50% to 16.50% in 2006. In 2008 and 2007, the Parent Company partially paid these advances to LCMC. For the remaining amount of ₱139,311,139 and ₱169,161,400 as of December 31, 2008 and 2007, respectively, no interest was charged by LCMC to MMC. The amount is due and demandable.

- Various drilling and hauling services rendered by its affiliates to MMC.

The consolidated balance sheets include the following asset and liabilities resulting from the above transactions with related parties:

	2008	2007
Payables:		
LCMC	₱139,311,139	₱169,161,400
Diamond Drilling Corporation of the Philippines	84,547,496	46,260,834
Others	16,084,896	6,976,554
Miscellaneous deposits (see Note 7)	—	30,000,000

Payable to LCMC is classified under current liabilities. Payables to other related parties are presented under accounts payable and accrued expenses under current liabilities (see Note 11).

Executive Compensation

	2007 Total (All Cash)	Basic Salary	Bonus (13 th month In the case of executive officers)	Others (Per Diem of Directors)
Felipe U. Yap, Chairman)	P471,450	P421,800	P35,150	P14,500
Rene F. Chanyungco,)				
Sr. Vice Pres./Treasurer)				
Patrick K. Yap, SVP)				
Bryan U. Yap, Vice Pres.)				
Pablo T. Ayson, Jr., Vice Pres.)				
All officers and directors	P471,450	P421,800	P35,150	P14,500
	2008 (Total)			
Felipe U. Yap, Chairman)	P359,500	P351,500		P8,000
Rene F. Chanyungco,)				
Sr. Vice Pres./Treasurer)				
Patrick K. Yap, SVP)				
Bryan U. Yap, Vice Pres.)				
Pablo T. Ayson, Jr., Vice Pres.)				
All officers and directors	P359,500	P351,500		P8,000
	2009 (Estimate)			
Executive officers listed above	P359,500	P351,500		P8,000
All officers and directors	P359,500	P351,500		P8,000

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

Compensation of Directors/Committee Members

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

Voting Trusts and Change in Control

There are no voting trusts involving the Company's shares nor has there been any change in the control of the Company in the last five (5) years.

*Security Ownership

Following are the holders of more than 5% of the outstanding capital stock as of December 31, 2008:

Title of Class	Name/Address of Record Owner**	Relationship to Issuer	Name of Beneficial Owner	Citizenship	A Shareholdings	%	B Shareholdings	%
A & B	F. Yap Securities, Inc. Unit 2301/2302 Tektite Tower I, Exchange Rd., Ortigas Center, Pasig City	Principal Stockholder	same	Filipino	19,199,959,764	17.91	7,332,559,695	10.25
A & B	Lepanto Cons. Mining Co. 21/F Lepanto Bldg., Paseo de Roxas, Makati City	Principal Stockholder	same	-do-	18,097,056,076	16.88	10,707,139,480	14.97
A & B	*Lepanto Investment & Development Corporation 21/F Lepanto Bldg., Paseo de Roxas, Makati City	Subsidiary of Principal Stockholder	same	-do-	1,390,313,541	1.30	5,037,619,533	7.04

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

**Directors and Executive Officers (as of December 31, 2008)

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	140,155,975 / 125,035,206	Filipino	0.13 / 0.17
A & B	Eduardo A. Bangayan***	Director	5,907,551 / 27,669,589	-do-	0.01 / 0.04
B	Jose G. Cervantes	Director	1	-do-	nil
B	Ethelwoldo E. Fernandez	Director/Corp. Sec.	1	-do-	nil
A & B	Patricio L. Lim***	Director	9,000,000 / 21,000,000	-do-	0.01 / 0.03
A & B	Bryan U. Yap	Director/Vice President	1,945,977,139 / 1,124,317,007	-do-	1.81 / 1.57
"A"	Patrick K. Yap	Director/SVP	7,814,221	-do-	0.01
A	Augusto C. Villaluna	Director	808,350	-do-	nil
A & B	Rene F. Chanyungco	Director/SVP/Treasurer	2,692,501	-do-	nil
A & B	Pablo T. Ayson, Jr.	Vice President	1,599,962 / 416,057	-do-	nil
	Aggregate as a group		2,111,263,198 / 1,301,130,362		1.97 / 1.61

** - All of record and directly owned.

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

The last stock option award expired on January 31, 2001. There are thus no outstanding stock options. No action will be taken with request to any compensation plan or issuance or modification of securities.

2009 Plan of Operation

Having completed its Exploration Program, the Geology team will now concentrate on converting the ore resource into reserve to justify the re-opening of the Placer Mine. Funds for this undertaking will be internally generated. To raise funds for further studies and, if warranted, mine development, the Company is increasing its authorized capital stock from P1.8 billion to up to P3.0 billion and is proposing to the stockholders that the Board be authorized to take appropriate steps and means to implement the said increase.

Management's Discussions and Analysis of Financial Conditions for 2008, 2007 & 2006

2008

The Company's Exploration program in its historical operations site was completed in 2008. A total of 51 holes were drilled in 2008 in addition to the 20 holes drilled the previous year for an aggregate depth of 15.9 km. The results of the drilling are now being studied with a view to converting the ore resource into reserves and ultimately justifying the re-opening of the mine.

Other income of P555,521 was earned this year, compared with last year's P337,905,306. The latter amount included the equivalent of the US\$7 million that was paid by Anglo American to MMC as its entry cost into the Kalayaan Project.

Total expenses for the year amounted to P146.8 million compared with last year's P74.8 million, both consisting of administrative expenses, depreciation and impairment. Impairment Losses on Properties and Inventories amounted to P92 million (compared with P58.4 million last year), as discussed below in relation to the Balance Sheet. Depreciation cost dropped to P8.7 million from P10.225 million last year due to the impairment in value of some idle equipment. Net Loss for the year was P132 million versus an income of P276.9 million in 2007.

There were 40 active employees as at the end of the year compared with 31 active employees last year. The additional employees were hired in connection with the Company's exploration program.

Cash & Cash Equivalents decreased by P117.7 million due to exploration program for the year and payments made to suppliers. Receivables decreased from P403 thousand to P306 thousand on account of reclassification. Inventories went down from P40.3 million to P33.8 million due mainly to the additional allowance of P8.3 million provided for mill materials, hardware and other supplies. Prepayments decreased to P27.5 million as the Miscellaneous Deposit of P30 million was applied to the drilling contractor's service fees. Available for Sale Financial Assets decreased by 71% due to the decline in the market value of shares of stock held by the Company. The increase in Property Plant & Equipment by P135 million represents principally the capitalized cost of exploration at the historical operations site.

The Mine Exploration costs of P92 million recorded in 2007 represents the exploration expenses directly incurred by Anglo American pursuant to the Farm-In Agreement with the Company. The Agreement was terminated in November 2008 and exploration discontinued; the Company thus provided an allowance for an impairment loss of P92 million in 2008 considering that the data derived from the pertinent exploration work is far from sufficient to declare the project feasible. Pursuant to the terms of the Farm-In Agreement, the "Deposit for Future Stock Subscriptions" in the same amount has been reclassified to "additional paid-in capital."

Accounts Payable and Accruals increased by P83.178 million from P200.2 million on account of drilling expenses. Non-trade Payables decreased by 18% to P139.3 million due to settlement of accounts. Income Tax Payable registered nil due to the losses incurred. Deferred Income Tax Liability decreased from P85.8 million to P71.6 million due to impairment losses. The Pension Liability increased by P0.7 million due to an increase in the actuarial valuation.

2007

The Company's Exploration program continued; there were no mining operations.

Other income for the year amounted to P337.9 million, principally on account of the US\$7 million received from Anglo-American Investments BV (renamed Anglo American Philippines (Kalayaan) Holdings B.V) as its initial entry cost into the Kalayaan Project. Other income in 2006 amounted to P1.3 million. Total expenses in 2007 was P74.8 million, consisting mainly of administrative expenses, depreciation and impairment loss and amortization of the tailings dam. The tailings dam was fully amortized as of 2006, thus the big drop in this year's expenses. The impairment in value of some idle equipment resulted in lower depreciation cost, contributing to the reduction in expenses. Net income for the period was P277 million as against last year's net loss of P112.7 million.

There were 31 active employees this year compared with 32 active employees last year. No significant changes in the number of employees is expected during the year.

Cash & Cash Equivalents amounted to P119.5 million. With these balances, the Company will be able to meet all its requirements for the year, principally exploration expenses amounting P67 million. Receivables decreased from P1.4 million to P0.40 million due to payments received. Prepayments increased to P50.4 million due to an increase in input tax.

Trade and other payables were settled to the extent of P78.7 million. Non-trade payables in 2006 amounted to P316 million and were classified as a non-current liability. This has been reclassified to 'current liability' and decreased by P146.8 million due to settlement of accounts. Retirement benefit obligation increased by P483 thousand due to an increase in the actuarial valuation. The Income Tax Payable of P6.7 relates to the Other Income discussed above. The Deferred Income Tax Liability dropped from P106.4 million to P85.8 million largely as a result of the impairment of idle assets to the extent of P58.4 million.

2006

In the fourth quarter of 2006, the Company made a 1:2 stock rights offering (SRO) of 59.67 billion common shares at P0.015 per share which was fully subscribed. The proceeds supported the increase in the Company's authorized capital stock from P1.2 billion to P1.8 billion, which was approved by the SEC on November 30, 2006.

During the year, an interest income amounting to P1.34 million was realized from the deposit accounts in relation to the SRO. The income however was offset against other financing charges, hence no income appears in the Income Statement. Last year's other operating income amounted to P375,000 arising from a sale of marketable securities. There was no other source of revenue due to non-operation.

Expenses during the year amounted to P108.64 million, representing salaries of the remaining employees and administrative costs (including impairment loss, depreciation expense and amortization of tailings pond no.7). This year's expenses were lower as against last year of P133.78 million due to decrease in depreciation expense. As a result, current year's losses was, at P112.30 million, 24% lower vs. 2005. The lower loss was also partly due to the increase in deferred tax assets of P18.85 million, compared with P6.74 million last year.

There were 30 active employees at the end of the year.

Cash and cash equivalent increased by P117.89 million on account of the SRO. Last year's cash balance was only P0.463 million. Non-trade receivables increased by P4.0 million or 165% due to accrual of interest on time deposit and reclassification of 2 accounts, prepaid royalties and prepaid income tax. Inventories, net of Allowance for inventory losses, dropped to P40.37 million on account of a 13% increase in provision for losses during the year. Prepayments increased by P28.30 million on account of a downpayment made for a drilling contract and reclassification of accounts.

Total current assets improved by 244% from P59 million to P205 million due mainly to a time deposit balance of P110 million and contract deposit of P30 million.

The decrease of 5% in Property, Plant and Equipment, (net) represents depreciation, amortization and impairment loss recognized during the year. Other Assets, which consist of idle heap-leaching equipment and advances to suppliers, dropped by 62% on account of enhanced depreciation and provision for impairment losses.

Accounts Payable & Accrued expenses decreased by 50% to P278.60 million due to settlement of accounts. Borrowings of P193.44 million and Non-trade payable – current of P28.15 million were also fully settled. Non-trade Payable-non current, comprising mainly of advances from Lepanto Consolidated Mining Company, was partially settled, thus the decrease to P315.96 million. The settlements were made possible by the SRO proceeds.

Retirement benefit obligation increased by 13% due to actuarial valuation set-up.

Deferred income tax liability decreased by 30% due to the increase in deferred tax assets amounting to P18.85 million.

The increase in Total Equity to P969.4 million was on account of the 1:2 SRO.

On November 9, 2006, the Company and Anglo American Exploration (Philippines), Inc. ("AMEXP"), a wholly-owned subsidiary of Anglo-American PLC, signed a Letter of Intent which, subject to finalizing definitive agreements, confirms the participation of AMEXP in the exploration and potential development of the Kalaya-an Property which is part of the contract area of the Exploration Permit of MMC pending final renewal with the DENR. The prospective partners are currently finalizing the said definitive agreements.

The Company is setting aside P28 million this year for exploration, with a view to converting resource to reserve. This and other financial requirements will come from the proceeds of the SRO in 2006

Since the Company is non-operational, there is no applicable performance indicator.

Compliance with Leading Practices on Corporate Governance

To monitor and evaluate compliance with the adopted leading practices in good governance, the Compliance Officer, who is also the Company Treasurer, attends board, staff and occasionally, committee meetings and confers with the responsible persons of the various departments within the Company. Furthermore, the Audit Committee meets regularly, conferring with internal auditors and management to discuss or otherwise resolve risk issues. The HR Department is involved in the monitoring of Compliance with the Code of Conduct. With the Code of Conduct and various guidelines in place, which are available to all concerned directors, officers and employees, parameters have been set for purposes of monitoring compliance and imposition of appropriate sanctions upon erring officers or employees. There were no deviations from the Company's Manual on Corporate Governance.

Financial Statements

Attached as Exhibit "A" hereof, are the Company's Audited Financial Statements for 2008 covered by the Statement of Management's Responsibility and the Auditor's Report signed by Mr. Jaime F. Del Rosario, with the following exhibits:

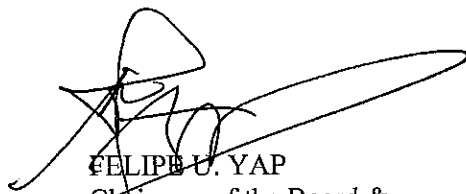
Exhibit "B" - Schedule E - Other Noncurrent Assets
"C" - Schedule I - Capital Stock

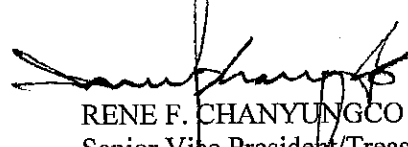
Reports on Form 17-C

<u>Date of Report</u>	<u>Subject</u>
February 29, 2008	Annual Stockholders' Meeting, etc
April 22, 2008	Election of Directors
May 20, 2008	(Re)-Appointed of Officers and Committee Members
November 10, 2008	Update on the Exploration of Kalayaan Project


SIGNATURES


Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in Makati City on April 14, 2009.


FELIPE U. YAP
Chairman of the Board &
Chief Executive Officer
CTC No. 17800234/Davao City/1-6-09

Manila Mining Corporation
Issuer

RENE F. CHANYUNGCO
Senior Vice President/Treasurer
CTC No. 106958543/Pasig City/1-15-09

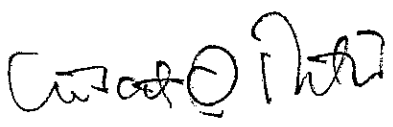

MARIO L. LAVENTE
Financial Controller
LTO N04-88-072822-2/21/08

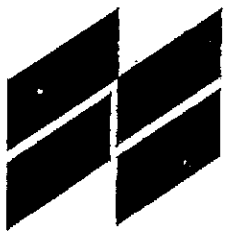

JOSEPHINE DC. SUBIDO
Chief Accountant
CTC No. 06142885/Manila/1-8-08


ODETTE A. JAVIER
Assistant Corporate Secretary
CTC No. 19211726/Manila/3-18-09

SUBSCRIBED AND SWORN TO before me this 14 day of April 2009 at Makati City.

Doc. No. 31 :
Page No. 8 :
Book No. X :
Series of 2009.


CRISANTO O. MARTINEZ
Notary Public Until Dec. 31, 2010
PTR No. 1567955/Jan. 5, 2009/Makati
IBP No. 761922/Nov. 12, 2008/Manila
Roll of Attorney No. 36153
MCLE Compliance No. II-0003961



Manila Mining Corporation

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

16 March 2009

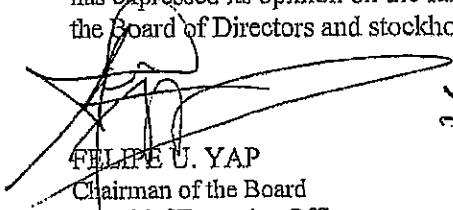
To the Securities and Exchange Commission
Securities and Exchange Commission Building
EDSA, Mandaluyong City


The management of **Manila Mining Corporation** is responsible for all information and representations contained in the financial statements for the years ended **December 31, 2008, 2007 and 2006**. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines 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 weakness in the internal controls; and (iii) any fraud that involves management or other employees who have 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.

Sycip, Gorres, Velayo & Co., the independent auditors appointed by the Board, has examined the financial statements of the company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.


FELIPE U. YAP
Chairman of the Board
and Chief Executive Officer
CTC No. 17800234-1/06/09-Davao City


RENE F. CHANYUNGCO
Senior Vice President/Treasurer
CTC No. 10203232-1/17/08-Pasig


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

SUBSCRIBED AND SWORN to before me this 16th day of March 2009 at Makati City.

Doc. No. 487
Page No. 99
Book No. IX
Series of 2009.

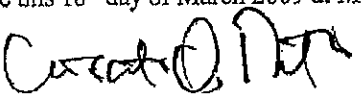

CRISANTO O. MARTINEZ
Notary Public Until Dec. 31, 2010
PTR No. 1567955/Jan. 5, 2009/Makati
IBP No. 761922/Nov. 12, 2008/Manila
Roll of Attorney No. 36153
MCLE Compliance No. II-0003961

EXHIBIT "A"

Manila Mining Corporation And Subsidiary

Consolidated Financial Statements
December 31, 2008 and 2007
and Years Ended December 31, 2008, 2007 and 2006

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.

SGV&Co
ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT

To the Stockholders and the Board of Directors
Manila Mining Corporation and Subsidiary

We have audited the accompanying financial statements of Manila Mining Corporation and Subsidiary (the Group), which comprise the consolidated balance sheets as of December 31, 2008 and 2007, and the consolidated statements of 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, 2008, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Manila Mining Corporation and Subsidiary as of December 31, 2008 and 2007, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2008 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jaime F. del Rosario

Jaime F. del Rosario

Partner

CPA Certificate No. 56915

SEC Accreditation No. 0076-AR-1

Tax Identification No. 102-096-009

PTR No. 1566422, January 5, 2009, Makati City

March 17, 2009



MANILA MINING CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	December 31	
	2008	2007
ASSETS		
Current Assets		
Cash (Notes 4 and 24)	₱1,813,976	₱119,505,020
Receivables - net (Notes 5 and 24)	306,942	403,753
Inventories - net (Note 6)	33,789,194	40,312,494
Prepayments and other current assets (Note 7)	27,523,671	50,350,591
Total Current Assets	63,433,783	210,571,858
Noncurrent Assets		
Available-for-sale (AFS) investments (Notes 8 and 24)	12,665,571	43,875,000
Property, plant and equipment - net (Note 9)	1,601,999,004	1,467,138,562
Mine exploration costs - net (Note 23)	2,664,201	92,028,090
Other noncurrent assets (Note 10)	6,881,504	6,956,990
Total Noncurrent Assets	1,624,210,280	1,609,998,642
TOTAL ASSETS	₱1,687,644,063	₱1,820,570,500
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 11 and 24)	₱283,427,083	₱200,248,773
Nontrade payables (Notes 13 and 24)	139,311,139	169,161,400
Income tax payable	—	6,734,557
Total Current Liabilities	422,738,222	376,144,730
Noncurrent Liabilities		
Deferred income tax liability - net (Note 19)	71,527,937	85,766,176
Retirement benefit obligation (Note 18)	5,438,973	4,645,173
Total Noncurrent Liabilities	76,966,910	90,411,349
Equity		
Capital stock (Note 20)	1,789,741,922	1,789,938,502
Additional paid-in capital	388,801,666	296,576,996
Deposit for future stock subscriptions (Note 23)	—	92,028,090
Cumulative changes in fair values of AFS investments (Note 8)	(17,903,000)	16,135,000
Deficit	(972,701,657)	(840,664,167)
Total Equity	1,187,938,931	1,354,014,421
TOTAL LIABILITIES AND EQUITY	₱1,687,644,063	₱1,820,570,500

See accompanying Notes to Consolidated Financial Statements.



MANILA MINING CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

	For the Years Ended December 31		
	2008	2007	2006
OTHER INCOME (Note 16)	₱555,521	₱337,905,306	₱1,338,448
ADMINISTRATION AND OVERHEAD COSTS (Note 14)	(146,831,250)	(74,802,217)	(108,644,593)
FINANCE COSTS (Note 15)	—	—	(24,241,921)
INCOME (LOSS) BEFORE INCOME TAX	(146,275,729)	263,103,089	(131,548,066)
BENEFIT FROM INCOME TAX (Note 19)	14,238,239	13,876,801	18,850,318
NET INCOME (LOSS)	(₱132,037,490)	₱276,979,890	(₱112,697,748)
EARNINGS (LOSS) PER SHARE			
Basic and diluted (Note 22)	(₱0.00074)	₱0.00155	(₱0.00084)

See accompanying Notes to Consolidated Financial Statements.



MANILA MINING CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31		
	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	(P146,275,729)	P263,103,089	(P131,548,066)
Adjustments for:			
Provision for impairment losses on mine exploration cost (Note 23)	92,028,090	—	—
Depletion, depreciation and amortization (Note 9)	15,895,226	19,806,399	47,396,582
Retirement benefit costs (Note 18)	793,800	483,585	480,400
Interest income (Note 16)	(537,381)	(1,177,478)	(1,337,748)
Interest expense (Note 15)	—	—	24,241,921
Provision for impairment losses on property, plant and equipment and other noncurrent assets (Notes 9 and 10)	—	58,406,009	50,007,818
Operating income (loss) before working capital changes	(38,095,994)	340,621,604	(10,759,093)
Decrease (increase) in:			
Receivables	96,811	709,853	(4,033,463)
Inventories	6,523,300	61,861	4,174,820
Prepayments and other current assets	22,826,920	(7,172,346)	(28,302,699)
Increase (decrease) in accounts payable and accrued expenses	83,178,310	(78,917,746)	(288,103,632)
Cash generated from (used in) operations	74,529,347	255,303,226	(327,024,067)
Interest received	537,381	1,506,186	1,337,748
Income taxes paid	(6,734,557)	—	—
Interest paid	—	—	(24,241,921)
Net cash from (used in) operating activities	68,332,171	256,809,412	(349,928,240)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment (Note 9)	(150,755,668)	(90,601,700)	(8,429,792)
Mine exploration costs (Note 23)	(2,664,201)	(92,028,090)	—
Purchase of AFS investments (Note 8)	(2,828,571)	(20,240,000)	—
Decrease (increase) in other noncurrent assets	75,486	(315,888)	(2,461,786)
Net cash used in investing activities	(156,172,954)	(203,185,678)	(10,891,578)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of/to:			
Nontrade payables	(29,850,261)	(146,805,284)	—
Borrowings (Note 12)	—	—	(193,439,896)
Related parties	—	—	(28,154,759)
Deposit for future stock subscriptions (Note 23)	—	92,028,090	—
Cost incurred from issuance of shares (Note 20)	—	(105,502)	(2,818,486)
Refund from subscription (Note 20)	—	(86,320)	—
Proceeds from issuance of shares (Note 20)	—	—	705,620,169
Net cash from (used in) financing activities	(29,850,261)	(54,969,016)	481,207,028
NET INCREASE (DECREASE) IN CASH	(117,691,044)	(1,345,282)	120,387,210
CASH AT THE BEGINNING OF THE YEAR	119,505,020	120,850,302	463,092
CASH AT THE END OF THE YEAR (Note 4)	P1,813,976	P119,505,020	P120,850,302

See accompanying Notes to Consolidated Financial Statements.



MANILA MINING CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006

	Capital Stock (Note 20)			Subscription Receivable	Additional Paid-in Capital	Deposit for Future Stock Subscriptions	Changes in Fair Values of AFS Investments		Total
	Issued	Subscribed						Deficit	
Balances at December 31, 2005	₱1,193,160,189	₱71,125	₱-	₱-	₱4,230,174	₱-	₱375,000	(₱1,004,946,309)	₱192,890,179
Issuance/subsorption of shares during the year (Note 1)	587,831,567	8,980,331		(104,710)	292,538,644	-	-	-	889,245,832
Net loss for the year	-	-	-	-	-	-	-	(112,697,748)	(112,697,748)
Balances at December 31, 2006	1,780,991,756	9,051,456		(104,710)	296,768,818	-	375,000	(1,117,644,057)	969,438,263
Cumulative changes in fair values of AFS investments (Note 8)	-	-	-	-	-	-	15,760,000	-	15,760,000
Net income for the year	-	-	-	-	-	-	-	276,979,890	276,979,890
Total income recognized for the year	-	-	-	-	-	-	15,760,000	276,979,890	292,739,890
Deposit for future stock subscriptions (Note 23)	-	-	-	-	-	92,028,090	-	-	92,028,090
Issuance of shares during the year	8,572,082	(8,572,082)	-	-	(105,502)	-	-	-	(105,502)
Refund from subscription (Note 20)	-	-	-	-	(86,320)	-	-	-	(86,320)
Balances at December 31, 2007	1,789,563,838	479,374		(104,710)	296,576,996	92,028,090	16,135,000	(840,664,167)	1,354,014,421
Cumulative changes in fair values of AFS investments (Note 8)	-	-	-	-	-	-	(34,038,000)	-	(34,038,000)
Net loss for the year	-	-	-	-	-	-	-	(132,037,490)	(132,037,490)
Total loss recognized for the year	-	-	-	-	-	-	(34,038,000)	(132,037,490)	(166,075,490)
Additional paid-in capital (Note 23)	-	-	-	-	92,028,090	(92,028,090)	-	-	-
Subscription of shares during the year	-	-	-	(196,580)	196,580	-	-	-	-
Balances at December 31, 2008	₱1,789,563,838	₱479,374	₱301,290	₱388,801,666	₱-	(₱17,903,000)	(₱972,701,657)	₱1,187,938,931	

See accompanying Notes to Consolidated Financial Statements.



MANILA MINING CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General Information and Status of Operations

Manila Mining Corporation

Manila Mining Corporation (the Parent Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on May 20, 1949, primarily to carry on the business of mining, milling, concentrating, converting, smelting, treating, preparing for market, manufacturing, buying, selling, exchanging and otherwise producing and dealing in precious and semi-precious metals, ores, minerals and their by-products. The Parent Company's shares are listed and traded on the Philippine Stock Exchange (PSE). On April 16, 1999, the SEC approved the extension of the Parent Company's corporate term for another fifty (50) years upon expiration of its original term on May 30, 1999. Lepanto Consolidated Mining Company (LCMC), a publicly listed Company, and its subsidiaries, has 20.08% 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.

Kalayaan Copper-Gold Resources, Inc.

Upon incorporation of Kalayaan Copper-Gold Resources, Inc. (KCGRI; the Subsidiary), the Parent Company gained one hundred percent (100%) of its voting shares.

KCGRI was incorporated with the SEC on December 19, 2006, primarily to carry on the business of exploration, mining, development and utilization of all mineral resources, milling, concentrating, converting, smelting, treating, preparing for market, manufacturing, buying, selling, exchanging and otherwise producing and dealing in all other kinds of ores, metals and minerals, hydrocarbons acids, and chemicals, and in the products and by-products of every kind and description.

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

Status of Operations

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

On November 5, 1997, the BOI approved the Parent Company's application for registration of its copper flotation project under E.O. No. 226 on a non-pioneer status. On June 9, 2000, the BOI likewise approved the Parent Company's application for the modernization program of the copper flotation project under a preferred non-pioneer status. As a registered enterprise, the Parent Company is entitled to certain incentives and tax benefits which include, among others, income tax holiday for a period of four (4) 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 shutdown due to the landslide that occurred in one of its open pits.

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

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

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

In 2005, several companies have expressed interest in the area that lies between the Kalaya-an district at the extreme southwest end of the Parent Company's tenement holdings and immediately north of the 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. The Corridor also hosts several small gold deposits that are not currently economic to develop and operate. However, with additional investment and operations, it is expected that the reserves would grow significantly.

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

In 2006, the Parent Company made a pre-emptive rights offering of shares with a par value of ₱0.010 per share at an exercise price of ₱0.015 per share. Such rights offered shareholders the right to subscribe to one share for two shares held as of record date of August 30, 2006. Total capital stock issued and subscribed from the stock rights offering amounted to ₱889,245,832 (net of related costs). Proceeds from the issuance of stock rights were used to settle debts and fund exploration projects.

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

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



The Exploration Permit renewal was granted by the DENR on January 29, 2007 for a term of two (2) years from issuance covering an area of 2,462.92 hectares, of which one parcel consisting of 286.63 hectares, would be the subject of the definitive agreements between the Parent Company and Anglo American Plc. As discussed in Note 23, the Parent Company signed on March 26, 2007 a Farm-in Agreement with Anglo Investments BV, a wholly owned subsidiary of Anglo American Plc, covering said area. However, as further discussed in Note 23, KCGRI received notice from Anglo that Anglo is exercising its option to terminate the Farm-in Agreement. The Exploration Permit is valid until January 2009, renewable for another two (2) years. KCGRI will continue the work program for the Kalaya-an Project and accordingly seek the renewal of the Exploration Permit.

The accompanying consolidated financial statements of Manila Mining Corporation and Subsidiary (the Group) as of and for the years ended December 31, 2008 and 2007 and for each of the three years in the period ended December 31, 2008, were authorized for issue in accordance with a resolution by the BOD on March 17, 2009.

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

Basis of Preparation

The consolidated financial statements have been prepared under the historical cost basis except for AFS investments that have been measured at fair value. The consolidated financial statements are presented in Philippine peso, the Group's functional and presentation currency.

Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and KCGRI, a 100% owned 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.

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

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



Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following Philippine Interpretation which became effective on January 1, 2008, and an amendment to an existing standard that became effective on July 1, 2008. Adoption of these changes in PFRS did not have any significant effect to the Company:

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 11, *PFRS 2 - Group and Treasury Share Transactions*
- Philippine Interpretation IFRIC 14, Philippine Accounting Standards (PAS) 19, *The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction*
- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement* and PFRS 7, *Financial Instruments: Disclosures - Reclassification of Financial Assets*

New Accounting Standards, Interpretations, and Amendments to Existing Standards Effective Subsequent to December 31, 2008

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

Effective in 2009

- Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (effective for reporting periods beginning on or after January 1, 2009)
The amendments to PFRS 1 allow an entity, in its separate financial statements, to determine the cost of investments in subsidiaries, jointly controlled entities or associates (in its opening PFRS financial statements) as one of the following amounts: a) cost determined in accordance with PAS 27; b) at the fair value of the investment at the date of transition to PFRS, determined in accordance with PAS 39; or c) previous carrying amount (as determined under generally accepted accounting principles) of the investment at the date of transition to PFRS.
- Amendment to PFRS 2, *Share-based Payment - Vesting Condition and Cancellations* (effective for reporting periods beginning on or after January 1, 2009)
The standard has been revised to clarify the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. The amendment defines a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires non-vesting conditions to be treated in a similar fashion to market conditions. Failure to satisfy a non-vesting condition that is within the control of either the entity or the counterparty is accounted for as cancellation. However, failure to satisfy a non-vesting condition that is beyond the control of either party does not give rise to a cancellation.
- PFRS 8, *Operating Segments* (effective for reporting periods beginning on or after January 1, 2009)
PFRS 8 will replace PAS 14, *Segment Reporting*, and adopts a full management approach to identifying, measuring and disclosing the results of an entity's operating segments. The



information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This standard is only applicable to an entity that has debt or equity instruments that are traded in a public market or that files (or is in the process of filing) its financial statements with a securities commission or similar party.

- Amendments to PAS 1, *Presentation of Financial Statements* (effective for reporting periods beginning on or after January 1, 2009)
The amendments include the introduction of a new statement of comprehensive income that combines all items of income and expenses recognized in the statement of income together with 'other comprehensive income'. Entities may choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. The amendments also include additional requirements in the presentation of the balance sheet and statement of changes in equity as well as additional disclosures to be included in the financial statements.
- Revised PAS 23, *Borrowing Costs* (effective for reporting periods beginning on or after January 1, 2009)
The standard has been revised to require capitalization of borrowing costs when such costs are directly attributable to the acquisition, construction, or production of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.
- Amendments to PAS 27, *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (effective for reporting periods beginning on or after January 1, 2009)
Amendments to PAS 27 have changes in respect of the holding companies separate financial statements including (a) the deletion of 'cost method', making the distinction between pre- and post-acquisition profits no longer required. All dividends will be recognized in the statement of income. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment; and (b) in cases of reorganizations where a new parent is inserted above an existing parent of the group (subject to meeting specific requirements), the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value.
- Amendments to PAS 32, *Financial Instruments: Presentation* and PAS 1, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation* (effective for reporting periods beginning on or after January 1, 2009)
These amendments specify, among others, that puttable financial instruments will be classified as equity if they have all of the following specified features: (a) the instrument entitles the holder to require the entity to repurchase or redeem the instrument (either on an ongoing basis or on liquidation) for a pro rata share of the entity's net assets, (b) the instrument is in the most subordinate class of instruments, with no priority over other claims to the assets of the entity on liquidation, (c) all instruments in the subordinate class have identical features, (d) the instrument does not include any contractual obligation to pay cash or financial assets other than the holder's right to a pro rata share of the entity's net assets, and (e) the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, a change in recognized net assets, or a change



in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* (effective for reporting periods beginning on or after July 1, 2008)
This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and realized in income over the period that the award credits are redeemed or expire.
- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation* (effective for reporting periods beginning on or after October 1, 2008)
This interpretation provides guidance in respect of hedges of foreign currency gains and losses on a net investment in a foreign operation. The interpretation, among others, clarifies that: (a) an entity can hedge the foreign exchange gains and losses on a net investment arising from differences between the functional currency of the foreign operation and the functional currencies of either its direct parent or of any intermediate parent or its ultimate parent; (b) the hedged item can be an amount of net assets equal to or less than the carrying amount of the net assets of the foreign corporation in the consolidated financial statements and (c) the hedging instrument is not required to be held by the entity exposed to the risk. To assess the effectiveness of the hedging instrument for the purpose of the consolidated financial statements, the change in value of the hedging instrument is calculated in terms of the functional currency of the parent entity that is hedging its risk.

Improvements to PFRS

In May 2008, the International Accounting Standards Board issued its first omnibus edition of amendments to certain standards, primarily with a view to removing inconsistencies and clarifying wording. These are the separate transitional provisions for each standard:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* - Plan to sell the controlling interest in a subsidiary
 - When a subsidiary is held for sale, all of its assets and liabilities will be classified as held for sale under PFRS 5, even when the entity retains a non-controlling interest in the subsidiary after the sale.
- PAS 1, *Presentation of Financial Statements* - Current and non-current classification of derivatives
 - Assets and liabilities classified as held for trading are not automatically classified as current in the balance sheet.
- PAS 16, *Property, Plant and Equipment*
 - Recoverable amount
 - The amendment replaces the term 'net selling price' with 'fair value less costs to sell', to be consistent with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* and PAS 36, *Impairment of Assets*.



- Sale of Assets held for rental
 - Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds of such sales are subsequently shown as revenue. Cash payments on initial recognition of such items, the cash receipts from rents and subsequent sales are all shown as cash flows from operating activities.
- PAS 19, *Employee Benefits*
 - Curtailments and negative past service costs
 - Revises the definition of 'past service costs' to include reductions in benefits related to past services ('negative past service costs') and to exclude reductions in benefits related to future services that arise from plan amendments. Amendments to plans that result in a reduction in benefits related to future services are accounted for as a curtailment.
 - Plan administration costs
 - Revises the definition of 'return on plan assets' to exclude plan administration costs if they have already been included in the actuarial assumptions used to measure the defined benefit obligation.
 - Replacement of term "fall due"
 - Revises the definition of 'short-term' and 'other long-term' employee benefits to focus on the point in time at which the liability is due to be settled.
 - Guidance on contingent liabilities
 - Deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.
- PAS 20, *Accounting for Government Grants and Disclosures of Government Assistance* - Government loans with no interest or a below-market interest rate
 - Loans granted with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as a government grant.
- PAS 23, *Borrowing Costs* - Components of borrowing costs
 - Revises the definition of borrowing costs to consolidate the types of items that are considered components of 'borrowing costs' (i.e., components of the interest expense calculated using the effective interest rate method).
- PAS 27, *Consolidated and Separate Financial Statements* - Measurement of a subsidiary held for sale in a separate financial statement
 - When a parent entity accounts for a subsidiary at fair value in its financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.
- PAS 28, *Investment in Associates*
 - Required disclosures when investment in associates are accounted for at fair value through profit or loss (FVPL)
 - If an associate is accounted for at FVPL in accordance with PAS 39, only the requirement of PAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies.



- Impairment of investment in associates
 - An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment is not separately allocated to the goodwill included in the investment balance.
- PAS 29, *Financial Reporting in Hyperinflationary Economies* - Description of measurement basis in financial statements
 - Revises the reference to the exception that assets and liabilities should be measured at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list.
- PAS 31, *Interest in Joint Ventures* - Required disclosure when investment in jointly controlled entities are accounted for at FVPL
 - If a joint venture is accounted for at FVPL, in accordance with PAS 39, only the requirements of PAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.
- PAS 36, *Impairment of Assets* - Disclosure of estimates used to determine recoverable amount
 - When discounted cash flows are used to estimate 'fair value less cost to sell' the same disclosures are required when the discounted cash flows are used to estimate 'value in use'.
- PAS 38, *Intangible Assets*
 - Advertising and promotional activities
 - Expenditure on advertising and promotional activities is recognized as an expense when the company either has the right to access the goods or has received the services.
 - Units-of-production method of amortization
 - Deletes references to, there being rarely, if ever, persuasive evidence to support an amortization method for finite life intangible assets that result in a lower amount of accumulated amortization than under the straight-line method, thereby effectively allowing the use of the unit of production method.
- PAS 39, *Financial Instruments: Recognition and Measurement*
 - Reclassification of derivatives into or out of the classification of at FVPL
 - Changes in circumstances relating to derivatives - specifically derivatives designated or de-designated as hedging instruments after initial recognition - are not reclassifications.
 - When financial assets are reclassified as a result of an insurance company changing its accounting policy in accordance with paragraph 45 of PFRS 4, *Insurance Contracts*, this is a change in circumstance, not a reclassification.
 - Designation and documentation of hedges at the segment level
 - Removes the reference to a 'segment' when determining whether an instrument qualifies as a hedge.
 - Applicable effective interest rate on cessation of fair value hedge accounting
 - Requires use of the revised effective interest rate (rather than the original effective interest rate) when re-measuring a debt instrument on the cessation of fair value hedge accounting.



- PAS 40, *Investment Property* - Property under construction or development for future use as an investment property
 - Revises the scope (and the scope of PAS 16, *Property, Plant and Equipment*) to include property that is being constructed or developed for future use as an investment property. Where an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete.
- PAS 41, *Agriculture*
 - Discount rate on fair value calculations
 - Removes the reference to the use of a pre-tax discount rate to determine fair value, thereby allowing use of either a pre-tax or post-tax discount rate depending on the valuation methodology used.
 - Additional biological transformation
 - Removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Instead, cash flows that are expected to be generated in the 'most relevant market' are taken into account.

Effective in 2010

- Revised PFRS 3, *Business Combinations* and PAS 27, *Consolidated and Separate Financial Statements* (effective for reporting periods beginning on or after July 1, 2009)

The revised PFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized in a business combination, the reported results in the period that an acquisition occurs, and results reported in future period. The revised PAS 27 requires, among others, that (a) change in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss; (b) losses incurred by the subsidiary will be allocated between the controlling and non-controlling interests (previously referred to as 'minority interests'); even if the losses exceed the non-controlling equity investment in the subsidiary; and (c) on loss of control of a subsidiary, any retained interest will be remeasured to fair value and this will impact the gain or loss recognized on disposal. The changes introduced by the revised PFRS 3 and PAS 27 must be applied prospectively and will affect future acquisitions and transactions with non-controlling interests.
- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items* (effective for reporting periods beginning on or after July 1, 2009)

This amendment addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item.



Effective in 2012

- Philippine Interpretation IFRIC 15, *Agreements for Construction of Real Estate* (effective for reporting periods beginning on or after January 1, 2012)
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case, revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

Summary of Significant Accounting Policies

Financial Instruments

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

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

Loans and Receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. This accounting policy relates to the balance sheet caption 'Receivables', which arise primarily from nontrade receivables and receivables from officers and employees. Loans and receivables are classified as current when these are expected to be realized within one year after the balance sheet date or the Group's normal operating cycle. All others are classified as non-current.

Receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment losses. Amortized costs is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization, if any, is included in 'Finance Cost' caption in the consolidated statement of income. The losses arising from impairment of receivables are recognized in the consolidated statement of income. The level of allowance for impairment losses is evaluated by management on the basis of factors that affect the collectibility of accounts (see accounting policy on Impairment of Financial Assets).



AFS Investments

AFS investments are nonderivative financial assets that are either designated in this category or not classified in any of the other categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They are included in noncurrent assets unless management intends to dispose of the investment within twelve (12) months from the balance sheet date. Included in this category are equity investments in publicly listed and private companies other than subsidiaries and associates, which are shown as a separate line item in the consolidated balance sheet (see Note 8).

Fair values of quoted equity securities are estimated by reference to their quoted market price at the balance sheet date. Unquoted equity securities are carried at cost, net of an 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.

After initial measurement, AFS investments are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS investments are reported as 'Cumulative changes in fair values of AFS investments' caption in the equity section of the consolidated balance sheet.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated statement of 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 investments are reported as interest income using the effective interest rate. Any dividends earned on holding AFS investments are recognized in the consolidated statement of income when the right of payment has been established. Any losses arising from impairment of such investments are recognized in the consolidated statement of income.

Fair Value

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business on the balance sheet date. For investments 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 exists and discounted cash flow analysis or other valuation models.

Other Financial Liabilities

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. Issued financial instruments or their components, which are not designated at FVPL, are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity



component being assigned the residual amount after deducting from the instrument as a whole, the amount separately determined as the fair value of the liability component on the date of issue. Any effects of restatement of foreign currency-denominated liabilities are recognized in the consolidated statement of income. This accounting policy applies primarily to the Group's borrowings, accounts payable and accrued expenses and nontrade payables that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. The fair value of the interest bearing long term debt is based on the discounted value of future cash flows using the applicable rates for similar types of loans. For floating rate long-term debt which is repriced monthly, the carrying value approximates the fair value because of recent and regular repricing based on current market rates. For floating rate long-term debt, which is repriced semi-annually, the fair value is determined by discounting the principal amount plus the next interest payment using the prevailing market rate for the period up to the next repricing date.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

For the current year, the Group has no outstanding loans and borrowings.

"Day 1" Profit or Loss

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" profit or loss) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data that is not observable, the difference between the transaction price and model value is recognized in the consolidated statement of income only when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" profit or loss amount.

Embedded Derivatives

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at FVPL.

Embedded derivatives are measured at fair value, and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies the cash flows.



Impairment of Financial Assets

Assets Carried at Amortized Cost

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on financial assets carried at amortized cost (e.g., receivables) has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of 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 income.

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

If, 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 income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

With respect to receivables, the Group maintains a provision for impairment of receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this provision is evaluated by management on the basis of factors that affect the collectibility of the accounts. A review of the age and status of receivables, designed to identify accounts to be provided with allowance, is performed regularly.

AFS Investments

For AFS investments, the Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments classified as AFS, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in equity.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. If, in subsequent year, the fair value of a debt



instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Derecognition of Financial Instruments

Financial Asset

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

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset.

Financial Liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where 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 income.

Offsetting

Financial assets and liabilities are only offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Capital Stock

Common 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 additional paid-in capital.

Where the Group purchases its own shares (treasury shares), the consideration paid including any directly attributable incremental costs is deducted from equity 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.



Inventories

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

Property, Plant and Equipment

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

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

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 charged to expense. Mine exploration and development costs of mineral properties are capitalized as mine and mining property included in property, plant and equipment account.

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, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment. Major maintenance and major overhaul costs that are capitalized as part of property, plant 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.

Depreciation and amortization are calculated using the straight-line method to allocate the cost of each asset less its residual value over its estimated useful life.

Type of asset	Estimated useful life in years
Machinery and equipment	5-20
Building and improvements	20
Furniture, office and other equipment	5
Tailings dam	14

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

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



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

Mine Exploration Costs

Expenditures for mine exploration work prior to drilling are charged to operations. Expenditures for the acquisition of property rights and expenditures subsequent to drilling and development costs are deferred. When exploration work and project development results are positive, these costs and subsequent mine development costs are capitalized and carried under 'Mine exploration costs' account until the start of commercial operations when such costs are transferred to property, plant and equipment. When the results are determined to be negative or not commercially viable, the accumulated costs are written off.

Impairment of Nonfinancial Assets

Property, Plant and Equipment

Property, plant 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 is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's net selling price and value in use. The net selling price 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 cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statement of 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 income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depletion, depreciation and amortization) had no impairment loss been recognized for that asset in prior years.

Mine Exploration Costs

An impairment review is performed, either individually or at the cash-generating unit 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 financial 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:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- 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.

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 tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the balance sheet date.

Deferred Income Tax

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

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

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

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

Provision for Mine Rehabilitation and Decommissioning

Provision is made for close down, restoration and environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the financial period when the related environmental disturbance occurs, based on the estimated future costs using information available at the balance sheet date. The provision is discounted using a current market-based pre-tax discount rate and the unwinding of the discount is classified as interest accretion in the consolidated statement of income. At the time of establishing the provision, a corresponding asset is capitalized, where it gives rise to a future benefit, and depreciated over future production from the operations to which it relates.

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



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

Rehabilitation trust funds committed for use in satisfying environmental obligations are included within "Other noncurrent assets" on the consolidated balance sheet.

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 effective interest rate method.

Other Income

Other income is recognized when earned.

Provisions

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

Employee Benefits

Pension Obligations

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

The liability recognized in the consolidated 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 any 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 ten percent (10%) of the value of plan assets or ten percent (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 Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve (12) months after balance sheet date are discounted to present value.

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 balance sheet date. Foreign exchange differences between rate at transaction date and rate at settlement date or balance sheet date are credited to or charged against current operations.

Earnings (Loss) Per Share

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

Diluted earnings (loss) per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent 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. The Parent Company has no dilutive potential common shares as of December 31, 2008 and 2007.

Dividend Distribution

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

Contingencies

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



Events After the Balance Sheet Date

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

Segment Reporting

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

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

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

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Determining Functional Currency

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

Estimates and Assumptions

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



Estimating Allowances for Impairment Losses on Receivables

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

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the Group's assessment of the accounts since their inception. The Group assessments take into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows. In 2008 and 2007, the Group used specific impairment on its loans and receivables. The Group did not assess its loans and receivables for collective impairment due to the few counterparties which can be specifically identified.

As of December 31, 2008 and 2007, the Group has receivables of ₱306,942 and ₱403,753, respectively, net of allowance for impairment losses of ₱506,301 and ₱421,460, respectively (see Note 5).

Estimating Allowances for Inventory Obsolescence

Mill materials, hardware and other supplies, which are used in the Group's operations, are stated at the lower of cost or NRV. Allowance due to obsolescence is established when there is evidence that the equipment where the parts and supplies were originally purchased were 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 ₱33,789,194 and ₱40,312,494 as of December 31, 2008 and 2007, respectively, net of allowance for inventory obsolescence of ₱37,170,173 and ₱28,847,718 as of December 31, 2008 and 2007, respectively (see Note 6).

Estimating Impairment on AFS Investments

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

Fair value of AFS investments amounted to ₱12,665,571 and ₱43,875,000, as of December 31, 2008 and 2007, respectively (see Note 8).



Estimating Useful Lives of Property, Plant and Equipment

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

As of December 31, 2008 and 2007, the net book values of the property, plant and equipment amounted to ₱1,601,999,004 and ₱1,467,138,562, respectively (see Note 9).

Estimating Impairment Losses on Property, Plant and Equipment

The Group assesses impairment on property, plant 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. The aggregate net book values of property, plant and equipment amounted to ₱1,601,999,004 and ₱1,467,138,562 as of December 31, 2008 and 2007 respectively, net of accumulated impairment losses of ₱143,272,443 (see Note 9).

An impairment loss is recognized and charged to the consolidated statement of income if the recoverable amount is less than the carrying amount. The recoverable amount of the asset is incurred as the higher of its fair value less cost to sell and value in use. Fair value less cost to sell is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties, net of direct costs of selling the asset. When value in use has been undertaken, fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows.



Recoverability of Mine Exploration Costs

Mineral property acquisition costs are capitalized until the viability of the mineral interest is determined. Exploration, evaluation and pre-feasibility costs are charged to operations until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized. The Group reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. NRV of mine exploration costs amounted to ₱2,664,201 and ₱92,028,090, net of allowance for impairment losses of ₱92,028,090 and nil as of December 31, 2008 and 2007, respectively (see Note 23).

Estimating Mineral Reserves and Resources

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

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

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

As of December 31, 2008 and 2007, mine and mining properties included in property, plant and equipment account amounted to ₱1,533,507,850 and ₱1,389,419,841, respectively (see Note 9).

Estimating Realizability of Deferred Income Tax Assets

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



The Group has recognized deferred income tax asset amounting to ₱58,337,589 and ₱65,743,604 as of December 31, 2008 and 2007, respectively (see Note 19). No deferred income tax assets was recognized for temporary differences amounting to ₱143,921,678 and ₱6,735,897 as of December 31, 2008 and 2007, respectively, since there is no assurance that the Group will generate sufficient taxable profit to allow all or part of its deferred income tax assets to be utilized.

Estimating Contingencies

The Company evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsels do not believe that any current proceedings will have material adverse effects on its financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings (see Note 23).

Retirement Benefit Cost

The determination of the Group's obligation and cost for retirement and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts.

Retirement benefit obligation amounted to ₱5,438,973 and ₱4,645,173 as of December 31, 2008 and 2007, respectively (see Note 18).

4. Cash

	2008	2007
Cash on hand	₱110,000	₱153,427
Cash in banks	1,703,976	119,351,593
	₱1,813,976	₱119,505,020

Cash in banks earn interest at the respective bank deposit rates.

Interest income earned from cash amounted to ₱537,381, ₱1,177,478 and ₱1,337,748 for the years ended December 31, 2008, 2007 and 2006, respectively.

5. Receivables - net

	2008	2007
Nontrade	₱603,137	₱693,298
Officers and employees	210,106	131,915
	813,243	825,213
Less allowance for impairment losses	506,301	421,460
	₱306,942	₱403,753

Based on the assessment done by the management, the Group recognized an allowance for specifically identified accounts amounting to ₱506,301 and ₱421,460 as of December 31, 2008 and 2007, respectively, covering those nontrade receivables and advances to officers and employees considered as impaired.



The following table shows the aging of nontrade and other receivables that are past due as of December 31, 2008 and 2007 but are not considered impaired.

	Total	Past due but not impaired			
		Less than 30 days	30 to 60 days	61 to 90 days	Over 90 days
2008					
Nontrade	₱101,227	₱-	₱-	₱-	₱101,227
Officers and employees	205,715	417	-	-	205,298
	₱306,942	₱417	₱-	₱-	₱306,525
2007					
Nontrade	₱271,838	₱-	₱-	₱10,000	₱261,838
Officers and employees	131,915	54,684	7,874	16,860	52,497
	₱403,753	₱54,684	₱7,874	₱26,860	₱314,335

Movements of allowance for impairment losses in 2008 and 2007 are as follows:

	Nontrade	Officers and employees	Total
2008			
Balances at beginning of year	₱421,460	₱-	₱421,460
Additional provisions	80,450	4,391	84,841
Balances at end of year	₱501,910	₱4,391	₱506,301
2007			
Balances at beginning of year	₱455,534	₱-	₱455,534
Write-off	(34,074)	-	(34,074)
Balances at end of year	₱421,460	₱-	₱421,460

6. Inventories - net

	2008	2007
At NRV:		
Mill materials, hardware and other supplies - net	₱14,353,813	₱22,797,569
At cost:		
Machinery and automotive parts	19,359,311	17,210,604
Fuel, oil and lubricants	76,070	304,321
	19,435,381	17,514,925
	₱33,789,194	₱40,312,494

The allowance for inventory obsolescence on mill materials, hardware, and other supplies amounted to ₱37,170,173 and ₱28,847,718 as of December 31, 2008 and 2007, respectively. Cost of mill materials, hardware and other supplies amounted to ₱51,523,986 and ₱51,645,287 as of December 31, 2008 and 2007, respectively.



7. Prepayments and Other Current Assets

	2008	2007
Input value added taxes (VAT)	₱21,481,852	₱12,009,714
Miscellaneous deposits	2,253,400	32,153,400
Prepaid income tax	—	2,618,898
Others	3,788,419	3,568,579
	₱27,523,671	₱50,350,591

Miscellaneous deposits in 2007 include the deposit of ₱30,000,000 for the drilling service contract entered into by the Parent Company with Diamond Drilling Corporation of the Philippines (DDCP) during the last quarter of 2006 (see Note 13). Such agreement is with regard to the exploration drilling programme involving the drilling of about ten (10) holes to probe the Kinto Limbo Project and possible extension of Ntina ore body. Initial activities, such as accessing proposed drill pads were undertaken in 2006, however, actual drilling exploration began in January 2007. Charges incurred by DDCP such as mobilization costs, nonoperating field costs, reaming of casings, stand-by fees, contractors' fees, among others, were applied against the miscellaneous deposits in 2008.

8. AFS Investments

	2008	2007
Quoted share	₱4,790,571	₱36,000,000
Unquoted share	7,875,000	7,875,000
	₱12,665,571	₱43,875,000

Unquoted share consists of the Parent Company's investments in ordinary shares and therefore have no fixed maturity date or coupon rate.

Quoted share pertains to equity security that is traded on the Philippine Stock Exchange. The fair value of the quoted share is based on the bid market price as of December 31, 2008. Unquoted share has been carried at cost since fair value of this AFS security cannot be reliably determined as it has no available bid price.

The aggregate costs of these investments amounted to ₱30,568,571 and ₱27,740,000 as of December 31, 2008 and 2007, respectively. The fair values amounted to ₱12,665,571 and ₱43,875,000 and as of December 31, 2008 and 2007, respectively.

Movements of cumulative changes in fair values of AFS investments recognized as a separate component of equity are as follows:

	2008	2007
Balances at beginning of year	₱16,135,000	₱375,000
Changes in fair value of AFS investments	(34,038,000)	15,760,000
Balances at end of year	(₱17,903,000)	₱16,135,000



9. Property, Plant and Equipment

	2008					
	Mine and Mining Properties	Machinery and Equipment	Building and Improvements	Furniture, Office and Other Equipment	Land	Total
Cost:						
Balances at beginning of year	₱2,454,744,163	₱769,761,208	₱102,869,335	₱69,405,780	₱7,270,713	₱3,404,051,199
Additions	144,088,009	1,627,603	1,367,633	3,672,423	—	150,755,668
Balances at end of year	2,598,832,172	771,388,811	104,236,968	73,078,203	7,270,713	3,554,806,867
Accumulated depreciation, depletion and amortization:						
Balances at beginning of year	1,065,324,322	601,687,242	57,981,278	68,647,352	—	1,793,640,194
Depletion, depreciation and amortization during the year	—	10,632,818	4,447,678	814,730	—	15,895,226
Balances at end of year	1,065,324,322	612,320,060	62,428,956	69,462,082	—	1,809,535,420
Allowance for impairment losses	—	125,501,962	17,706,056	64,425	—	143,272,443
Net book values	₱1,533,507,850	₱33,566,789	₱24,101,956	₱3,551,696	₱7,270,713	₱1,601,999,004

	2007					
	Mine and Mining Properties	Machinery and Equipment	Building and Improvements	Furniture, Office and Other Equipment	Land	Total
Cost:						
Balances at beginning of year	₱2,370,227,626	₱768,150,087	₱98,989,074	₱68,811,999	₱7,270,713	₱3,313,449,499
Additions	84,516,537	1,611,121	3,880,261	593,781	—	90,601,700
Balances at end of year	2,454,744,163	769,761,208	102,869,335	69,405,780	7,270,713	3,404,051,199
Accumulated depreciation, depletion and amortization:						
Balances at beginning of year	1,065,324,322	586,376,604	53,606,161	68,526,708	—	1,773,833,795
Depletion, depreciation and amortization during the year	—	15,310,638	4,375,117	120,644	—	19,806,399
Balances at end of year	1,065,324,322	601,687,242	57,981,278	68,647,352	—	1,793,640,194
Allowance for impairment losses:						
Balances at beginning of year	—	76,387,528	8,414,481	64,425	—	84,866,434
Additions (see Note 14)	—	49,114,434	9,291,575	—	—	58,406,009
Balances at end of year	—	125,501,962	17,706,056	64,425	—	143,272,443
Net book values	₱1,389,419,841	₱42,572,004	₱27,182,001	₱694,003	₱7,270,713	₱1,467,138,562

Total depletion, depreciation and amortization of property, plant and equipment and certain idle assets charged to operations including amortization of tailings dam (which is included as part of mine and mining properties) amounted to ₱8,735,352, ₱10,225,860 and ₱25,886,659 in 2008, 2007 and 2006, respectively. Depreciation amounting to ₱7,159,874, ₱9,580,539 and ₱21,509,923 were capitalized in 2008, 2007 and 2006, respectively, as part of mine and mining properties.

The Parent Company recognized impairment losses of nil, ₱58,406,009 and ₱43,331,136 in 2008, 2007 and 2006, respectively, on the difference between the net book value of certain assets and their fair value as determined by independent appraisers less any costs to dispose and those assets which were identified as damaged and obsolete.



The value of the land was arrived at using Market Data Approach. In this approach, the value of the land is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the establishment of comparable properties by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable.

The value of the machinery and equipment and building and improvements was arrived using the Fair Market Value (In orderly liquidation) approach. This is the amount that might be realized from assembled or piecemeal disposition of the property in the secondhand market, assuming a reasonable period of time (usually more than three months) in which to complete the transaction. The liquidation value estimates consider that the property will be offered for sale in its present location and condition on an "as is, where is" basis, with the potential buyer to assume cost, if any, to dismantle and remove.

10. Other Noncurrent Assets

	2008	2007
Environmental fund	₱5,210,464	₱5,154,836
Advances to landowners	1,645,141	1,674,141
Idle and other assets, net of accumulated amortization and impairment losses of ₱40,054,171 in 2008 and 2007	25,899	128,013
	₱6,881,504	₱6,956,990

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

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

Provision for impairment losses amounting to nil in 2008 and 2007 and ₱6,676,682 in 2006 was recognized for the remaining net book value of idle assets.



11. Accounts Payable and Accrued Expenses

	2008	2007
Accounts payable (see Note 13)	₱180,577,575	₱144,332,773
Due to related parties (see Note 13)	84,547,496	46,260,834
Accrued payroll	5,962,665	4,575,820
Unclaimed dividends	573,097	573,097
Other liabilities	11,766,250	4,506,249
	₱283,427,083	₱200,248,773

Terms and conditions of the above financial liabilities:

- Accounts payables are non-interest bearing and are normally settled on 60 days' terms.
- Other payables are non-interest bearing and have an average term of 1 - 3 months.

12. Borrowings

In 2002, the Parent Company had loans payable to Equitable PCI Bank (EPCIB), Metropolitan Bank and Trust Group (MBTC) and International Exchange Bank (IEB) of ₱115,938,429, ₱103,282,946 and ₱35,381,177, respectively. During 2004, the Parent Company made payments to the creditor banks reducing the total loans payable to ₱193,439, 896.

The loans payable account represented 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 then 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 had annual interest rates ranging from 10.00% to 15.25% in 2005.

The loan agreements also provided 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.

On August 24, 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 Parent Company in the amount of ₱101,796,828. Cameron subsequently further assigned the receivable to Asia Surplus Limited. In 2005, MBTC initiated a legal action against the Parent Company to collect the principal amount of ₱72,184,588 plus interest. This was subsequently settled and dismissed in 2006.



13. Related Party Disclosures

In the normal course of business, the Parent Company has the following significant transactions with its related parties:

- Cash advances received from and expenses paid by LCMC on behalf of the Parent Company. For these advances, total finance charges amounted to ₱24,233,053 in 2006 (see Note 16). Interest rates for these advances ranged from 7.50% to 16.50% in 2006. In 2008 and 2007, the Parent Company partially paid these advances to LCMC. For the remaining amount of ₱139,311,139 and ₱169,161,400 as of December 31, 2008 and 2007, respectively, no interest was charged by LCMC to the Parent Company. The amount is due and demandable.
- Various drilling and hauling services rendered by its affiliates to the Parent Company.

The consolidated balance sheets include the following asset and liabilities resulting from the above transactions with related parties:

	Relationship	2008	2007
Payables:			
LCMC	Affiliate	₱139,311,139	₱169,161,400
DDCP	Affiliate	84,547,496	46,260,834
	Individual		
Others	Stockholder	16,084,896	6,976,554
Miscellaneous deposits (see Note 7)		—	30,000,000

Payable to LCMC is classified as nontrade payables under current liabilities. Payables to other related parties are presented under accounts payable and accrued expenses under current liabilities (see Note 11).

- Total compensation of the Group's key management personnel for the years ended December 31, 2008, 2007 and 2006 amounted to ₱359,500, ₱800,800 and ₱42,000, respectively.

14. Administration and Overhead Costs

	2008	2007	2006
Provision for impairment of mine exploration cost (see Note 23)	₱92,028,090	₱—	₱—
Interest expense	33,125,696	—	—
Depletion, depreciation and amortization (see Notes 9 and 10)	8,735,352	10,225,860	25,886,659
Provision for inventory obsolescence (see Note 6)	8,322,455	—	3,369,834
Outside services	914,059	2,342,275	120,000
Salaries, allowances and other benefits	905,790	938,450	4,343,339
Retirement benefit cost (see Note 18)	793,800	483,585	480,400

(Forward)



	2008	2007	2006
Representation and entertainment	₱96,569	₱234,507	₱35,448
Provision for impairment losses on receivables	84,841	—	—
Transportation and travel	41,241	185,628	196,582
Taxes and licenses	38,495	16,548	308,299
Repairs and maintenance	36,870	118,724	—
Supplies	29,763	40,694	530,330
Provision for impairment losses on property, plant and equipment and idle assets (see Notes 9 and 10)	—	58,406,009	50,007,818
Amortization of tailings dam (see Note 9)	—	—	21,509,923
Other charges	1,678,229	1,809,937	1,855,961
	₱146,831,250	₱74,802,217	₱108,644,593

15. Finance Costs

	2008	2007	2006
Interest on borrowings (see Note 13)	₱—	₱—	₱24,233,053
Others	—	—	8,868
	₱—	₱—	₱24,241,921

16. Other Income

	2008	2007	2006
Interest income (see Note 4)	₱537,381	₱1,177,478	₱1,337,748
Foreign exchange gains	18,140	14,167,478	—
Others (see Note 23)	—	322,560,350	700
	₱555,521	₱337,905,306	₱1,338,448

Other income in 2007 includes the US\$7,000,000 (₱322,560,000) nonrefundable deposit, constituting Anglo Investments BV's initial entry cost into the Kalaya-an Project. Pursuant to the Farm-in Agreement entered into by the Parent Company with Anglo Investments BV, the US\$7,000,000 nonrefundable deposit was recognized as income in the books of the Parent Company in 2007 when Anglo Investments BV commenced exploration activities in the area.

17. Provision for Mine Rehabilitation and Decommissioning

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



As of December 31, 2008, the Parent Company is still in the process of evaluating the timing and amount of estimated cash flows relating to the mine rehabilitation and decommissioning. Once the Parent Company has been able to complete and submit to Mines and Geosciences Bureau its FMR/DP, it will provide the necessary accrual for mine rehabilitation and decommissioning.

18. Retirement Benefit Plan

The Parent Company has an unfunded defined retirement benefit plan covering substantially all regular employees. Benefits are dependent on the years of service and the respective employee's compensation. The defined unfunded retirement benefit plan obligation is determined using the projected unit credit method. There was no plan termination, curtailment or settlement in 2008, 2007 and 2006.

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

	2008	2007	2006
Current service costs	₱477,224	₱200,860	₱200,860
Interest costs	316,576	282,725	307,097
Actuarial gains recognized	—	—	(27,557)
	₱793,800	₱483,585	₱480,400

The amounts of retirement benefit obligations recognized in the consolidated balance sheets are determined as follows:

	2008	2007
Present value of defined benefit obligation	₱6,147,283	₱4,522,517
Actuarial gains (losses) not recognized	(708,310)	122,656
	₱5,438,973	₱4,645,173

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

	2008	2007
Balances at beginning of year	₱4,522,517	₱4,038,932
Interest costs	316,576	282,725
Current service cost	477,224	200,860
Actuarial loss	830,966	—
Balances at end of year	₱6,147,283	₱4,522,517



Movements in the unfunded retirement benefit obligation recognized in the consolidated balance sheets are as follows:

	2008	2007
Balances at beginning of year	₱4,645,173	₱4,161,588
Expense recognized for the year	793,800	483,585
Balances at end of year	₱5,438,973	₱4,645,173

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

	2008	2007
Discount rate	8.33%	7.00%
Salary increase rate	8.00%	8.00%
Expected remaining working lives of employees	11 years	11 years

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

	2008	2007	2006
Defined benefit obligation	₱6,147,283	₱4,522,517	₱4,038,932
Experience adjustments on plan liabilities	1,626,083	—	14,801
Change in assumptions	(795,117)	—	—

19. Income Taxes

The Group has no provision for current income tax in 2008 and 2006 because of its gross and net tax loss positions. The current provision for income tax in 2007 represents minimum corporate income tax (MCIT).

Benefit from income tax consists of:

	2008	2007	2006
Current	₱—	₱6,734,557	₱—
Deferred	(14,238,239)	(20,611,358)	(18,850,318)
	(₱14,238,239)	(₱13,876,801)	(₱18,850,318)



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

	2008	2007	2006
Tax at statutory tax rate	(P51,196,505)	P92,086,081	(P46,041,823)
Additions to (reductions in) income tax resulting from:			
Change in unrecognized deferred income taxes	49,243,129	5,869,353	—
Nondeductible interest expense	96,182	—	280,927
Nondeductible representation and entertainment expense	33,799	—	—
Nondeductible other charges	25,550	—	—
Interest income subjected to final tax	(188,083)	(412,117)	(468,212)
Effect of change in tax rate	(12,252,311)	—	—
Application of NOLCO	—	(111,420,118)	—
Expired NOLCO	—	—	27,378,790
	(P14,238,239)	(P13,876,801)	(P18,850,318)

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

	2008	2007
Deferred income tax assets:		
Allowance for:		
Impairment losses on property, plant and equipment	P45,273,955	P53,711,155
Losses on inventories	11,151,052	10,096,701
Impairment losses on receivables	151,890	159,438
Probable losses	129,000	150,500
Retirement benefit obligation	1,631,692	1,625,810
	58,337,589	65,743,604
Deferred income tax liability:		
Excess of allowable depletion over depletion per books	129,865,526	151,509,780
	P71,527,937	P85,766,176

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



The following are the movements of the Group's NOLCO and MCIT for the years ended December 31:

NOLCO	2008	2007
Balances at beginning of year	₱1,340	₱318,343,195
Applications	—	(318,343,195)
Additions	45,157,691	1,340
Balances at end of year	₱45,159,031	₱1,340

MCIT	2008	2007
Balances at beginning of year	₱6,734,557	₱—
Additions	—	6,734,557
Balances at end of year	₱6,734,557	₱6,734,557

As of December 31, 2008, the Group has NOLCO that can be claimed as deduction from future taxable income as follows:

Year incurred	Year of Expiry	Amount	Tax Effect
2007	2010	₱1,340	₱402
2008	2011	45,157,691	13,547,307
		₱45,159,031	₱13,547,709

In 2007, The Group has MCIT that can be claimed as tax credit against future income tax liability amounting to ₱6,734,557 that will expire in 2010.

No deferred income tax assets were recognized for above NOLCO, MCIT and allowance for impairment of mine exploration cost of ₱92,028,090 as it is not probable that sufficient taxable income will be available to allow all or part of these deferred income tax assets to be utilized.

20. Capital Stock

On November 30, 2006, the SEC approved the increase in the authorized capital stock to 180 billion shares at par value of ₱0.01 per share divided into 108 billion Class "A" shares and 72 billion Class "B" shares.

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



	2008		2007	
	No. of Shares	Amount	No. of Shares	Amount
Issued and outstanding				
Class "A"	107,401,052,086	₱1,074,010,521	107,401,052,086	₱1,074,010,521
Class "B"	71,555,331,747	715,553,317	71,555,331,747	715,553,317
	178,956,383,833	1,789,563,838	178,956,383,833	1,789,563,838
Subscribed				
Class "A"	32,083,543	320,836	32,083,917	320,839
Class "B"	15,853,829	158,538	15,853,455	158,535
	47,937,372	479,374	47,937,372	479,374
Total Shares Issued and Subscribed	179,004,321,205	1,790,043,212	179,004,321,205	1,790,043,212
Less: Subscriptions Receivable		301,290		104,710
		₱1,789,741,922		₱1,789,938,502

In September 2006, the Parent Company offered to its shareholders as of record date of August 30, 2006 the right to subscribe to one (1) share for every two (2) shares held covering 59,668,107,068 common shares consisting of 35,811,045,334 Class "A" shares and 23,857,061,734 Class "B" shares. Proceeds from the resulting issuance of shares amounted to ₱702,801,683, net of ₱2,818,486 amount of cost incurred from such issuance.

The offer period was from September 25, 2006 to October 4, 2006. On October 4, 2006, all shares of stock offered were fully subscribed and/or issued.

In 2007, the decrease in additional paid-in capital of ₱86,320 pertains to refund from subscription arising from overpayment of subscribed shares in 2006.

As of December 31, 2008, authorized capital stock of the Subsidiary includes 200 convertible preferred shares with par value of ₱15,000 each. The convertible preferred shares are non-voting, non-cumulative, and shall be convertible to common shares at the option of the shareholder subscribing to the convertible preferred shares under terms and conditions as may be agreed upon between the Subsidiary and the Subsidiary's shareholders.

As of December 31, 2008 and 2007, the Parent Company has 4,249 and 4,305 stockholders, respectively.

21. Share-based Plan

Under the Parent 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 Parent 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 Parent 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 Parent Company's BOD on August 25, 1997 to enable the BOD 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 or stock options activities after the last award granted by the Parent Company, the Seventh Stock Option Award, expired on January 31, 2001.

22. Earnings (Loss) Per Share

The basic and diluted earning (loss) per share are the same for the years presented as there are no dilutive potential common shares outstanding.

	2008	2007	2006
Net income (loss) as shown in the consolidated statements of income	(₱132,037,490)	₱276,979,890	(₱112,697,748)
Weighted average common shares	179,004,321,205	179,004,321,205	133,721,949,540
Basic and diluted earnings (loss) per share	(₱0.00074)	₱0.00155	(₱0.00084)

23. Commitments and Contingent Liabilities

- The Parent Company signed on March 26, 2007 a Farm-in Agreement (Agreement) with Anglo Investments BV (Anglo), a wholly owned subsidiary of Anglo American Plc, covering an area of 286.63 hectares (out of total of 2,462.92 hectares of the Parent Company's renewed Exploration Permit No. XIII-014 dated January 26, 2007) known as the Kalaya-an Project. The Kalaya-an Project is the subject of a partial assignment duly approved by DENR on July 30, 2007. The Agreement calls for Anglo to fund, at its sole cost over a period of two to three years, Kalaya-an Project's pre-feasibility phase at an estimated minimum cost of US\$20,000,000 (less US\$7,000,000 nonrefundable deposit) in order to earn an initial 40% interest in KCGRI. Part of the US\$20,000,000 expenditure is by way of a US\$7,000,000 nonrefundable deposit remitted by Anglo to the Parent Company on March 26, 2007. The US\$7,000,000 nonrefundable deposit constitutes Anglo's initial entry cost into the Kalaya-an Project and the payment to the Parent Company took effect upon Anglo's commencement of the program in the Kalaya-an area. The deposit was recognized as income in the books of the Parent Company in 2007 when Anglo commenced exploration drilling activities in the area. As of December 31, 2007, Anglo has incurred ₱92,028,090 (US\$2.0 million) amount of exploration costs recorded in the consolidated balance sheet as "mine exploration costs" and "deposit for future stock subscriptions".

In November 2008, Anglo exercised its option to terminate the Agreement. In case of such termination, the Agreement provides that Anglo is not entitled to any payment, repayment, fees or consideration for any funding work or services it rendered to the Subsidiary. In view of the foregoing, the "deposit for future stock subscriptions" of ₱92,028,090 was reclassified as part of the "additional paid-in capital" in the 2008 consolidated balance sheet. Simultaneously, management provided an allowance for impairment loss of ₱92,028,090 on the cost of drilling made by Anglo during the eighteen-month period. Management believes that the data from



the drilling are quite limited as they are far from sufficient to render or declare the Kalaya-an Project feasible. Any new investor will have to rework the drilling program and will need a minimum of two years to come up with the prefeasibility study which will determine if there is sufficient basis to proceed with the final feasibility study phase.

- 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 Parent Company's financial position and results of operations as of and for the year ended December 31, 2008 and 2007.

24. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and nontrade payables. The main purpose of the financial instruments is to fund the Group's operations. The Group has other financial instruments such as receivables, and accounts payable and accrued expenses which arise directly from operations. The main risks arising from the use of financial instruments are credit risk, foreign currency risk, equity price risk, interest rate 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 table below shows the maximum exposure to credit risk for the component of the consolidated balance sheet.

	Notes	2008	2007
Cash in banks	4	₱1,703,976	₱119,351,593
Receivables	5		
Nontrade		101,227	271,838
Officers and employees		205,715	131,915
AFS investments	8		
Quoted equity securities		—	36,000,000
Unquoted equity securities		7,875,000	7,875,000
Total credit risk exposure		₱9,885,918	₱163,630,346

Accordingly, the Group has assessed the credit quality of the following financial assets:

- Cash is assessed as high grade since it is deposited in reputable banks in the country as approved by the BOD and which have a low probability of insolvency.



- Unquoted equity instrument was assessed as high-grade, since this relates to one of the reputable hotels in the country.

Further, the above high grade credit quality financial assets pertain to financial assets with insignificant risk of default based on historical experience.

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

Foreign Currency Risk

The Group uses the Philippine peso as its functional currency and is therefore exposed to foreign exchange movements, primarily in United States (US) dollar currencies. 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's exposure to foreign currency exchange risk arises from its US dollar-denominated cash amounting to US\$3,249 and US\$5,298 as of December 31, 2008 and 2007, respectively.

As of December 31, 2008 and 2007, the exchange rates of the Philippine peso to the US Dollar are ₱47.52 and ₱41.28 to US\$1.00, respectively.

Based on the historical movement of the US Dollar and the Philippine Peso, management believes that the estimated reasonably possible change in the next twelve (12) months would be an increase (decrease) of ₱0.91 (₱0.70) against the US\$ in 2008 and ₱1.00 (₱1.00) in 2007. Sensitivity of the Company's 2008 and 2007 pre-tax income to foreign currency risks are as follows:

- An increase of ₱2,274 and ₱5,298, respectively, in the pre-tax income if the Philippine peso weakens; and
- A decrease of ₱2,957 and ₱5,298, respectively, in the pre-tax if the Philippine peso strengthens.

There is no other impact on the Group's equity other than those already affecting the statement of income.

Equity Price Risk

Equity price risk is the risk to earnings or capital arising from changes in stock exchange indices relating to its quoted equity security. The Group's exposure to equity price risk relates primarily to the Parent Company's AFS investment on a listed company.

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



The table below shows the sensitivity to a reasonably possible change in equity prices on AFS equity security as of December 31, 2008 and 2007. The equity impact is arrived using the reasonably possible change of the relevant market indices and the specific adjusted beta of each stock the Parent Company holds. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.

	Average Change in Market Indices (In Percentage)	Sensitivity to Equity
2008	9.79%	₱261,782
2007	6.20%	₱2,325,219
	-6.20%	(2,325,219)

The impact on the consolidated net income (loss) when there is a decline of 9.79% in market indices is ₱261,782 loss, which pertains to the sensitivity of the Parent Company's impaired AFS equity security.

Interest Rate Risk

In 2008 and 2007, the Group has minimal exposure to market risk for changes in interest rates since the Group avails only non-interest bearing advances from a related party classified under current nontrade payables.

The interest expense recognized from borrowings amounted to nil in 2008 and 2007 and ₱24,233,053 in 2006.

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. 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. Also, the Group only places funds in the money market 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 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 of December 31, 2008 and 2007, all of the Group's financial liabilities amounting to ₱422,738,222 and ₱369,410,173, respectively, are contractually payable on demand.

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 and Nontrade Payables

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

AFS Investments

AFS investment of the quoted shares is carried at fair market value based on quoted prices in the market. Unquoted share is carried at cost, net of an impairment in value, since fair value of this AFS investment cannot be reliably determined as it has no available bid price.

The carrying values and fair values of the Group's financial assets and liabilities as of December 31, 2008 and 2007 are as follows:

	2008		2007	
	Carrying Value	Fair value	Carrying Value	Fair value
Financial Assets				
Loans and receivables				
Cash	₱1,813,976	₱1,813,976	₱119,505,020	₱119,505,020
Receivables	306,942	306,942	403,753	403,753
	2,120,918	2,120,918	119,908,773	119,908,773
AFS investments				
Quoted equity security	4,790,571	4,790,571	36,000,000	36,000,000
Unquoted equity security	7,875,000	7,875,000	7,875,000	7,875,000
	12,665,571	12,665,571	43,875,000	43,875,000
Total financial assets	₱14,786,489	₱14,786,489	₱163,783,773	₱163,783,773
Financial Liabilities				
Other financial liabilities				
Accounts payable				
and accrued expenses	₱283,427,083	₱283,427,083	₱200,248,773	₱200,248,773
Nontrade payables	139,311,139	139,311,139	169,161,400	169,161,400
Total financial liabilities	₱422,738,222	₱422,738,222	₱369,410,173	₱369,410,173

25. Capital Management

The primary objective of the Group's capital management is to ensure that the Group has sufficient funds in order to support their business, pay existing obligations and maximize shareholder value. As of December 31, 2008 and 2007, the Group's capital is composed of cash amounting to ₱1,813,976 and ₱119,505,020, respectively, and common shares, amounting to ₱2,178,543,588 and ₱2,086,515,498, respectively.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may obtain additional advances from stockholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended December 31, 2008, 2007 and 2006.

The Group monitors capital using the monthly cash position report and consolidated financial statements. The Group's policy is to maintain positive cash flows. The Group determines the outstanding balance of its cash in banks and summarizes collections and disbursements for the month for the analysis of the Group's cash position. As of December 31, 2008 and 2007, the



Group has been able to maintain positive cash flows from operations amounting to ₱68,332,171 and ₱256,809,412, respectively, as shown in the consolidated statements of cash flows.

26. Subsequent Event

On February 16, 2009, the Company's BOD approved and agreed to recommend to the stockholders on its Annual Stockholder's Meeting on April 21, 2009 the approval of the Amendment of Article Seventh of the Articles of Incorporation to reflect the increase in the authorized capital stock from ₱1.8 billion up to ₱3.0 billion as may be determined by the BOD.



MANILA MINING CORPORATION AND SUBSIDIARY
OTHER NONCURRENT ASSETS
DECEMBER 31, 2008

Description	Beginning balance	Additions	Deductions		Ending balance
			Charge to costs and expense	Charged to other account	
Mine exploration costs	₱92,028,090	₱2,664,201	₱-	₱92,028,090	₱2,664,201
Other noncurrent assets					
Mine rehabilitation and environmental trust fund	₱5,154,836	₱55,628	₱-	₱-	₱5,210,464
Others	1,802,154	-	-	(131,114)	1,671,040
Total other noncurrent assets	₱6,956,990	₱55,628	₱-	(₱131,114)	₱6,881,504

EXHIBIT "B"

Exh B

MANILA MINING CORPORATION AND SUBSIDIARY
CAPITAL STOCK
DECEMBER 31, 2008

Title of issue	Number of shares authorized	Total number of shares subscribed, issued and outstanding as shown under related balance sheet caption	Amount	Number of shares reserved for option warrants, conversions and other rights		
				Number of shares held by affiliates	Directors, officers and employees	Others
Common Stock						
Class "A"	108,000,000,000	107,433,135,629	₱1,074,331,356	None	None	None
Class "B"	72,000,000,000	71,571,185,576	715,711,856	None	None	None
Total shares subscribed, issued and outstanding		179,004,321,205	1,790,043,212			
Less subscription receivable			301,290			
TOTAL			<u><u>₱1,789,741,922</u></u>			

EXHIBIT "C"
 Esh C

MANILA MINING CORPORATION AND SUBSIDIARY
CAPITAL STOCK
DECEMBER 31, 2008

The parent company's authorized share capital is ₱1,800,000,000 divided into 180,000,000 shares at ₱0.01 par value each consisting of 108 billion Class "A" common shares and 72 billion Class "B" common shares. As of December 31, 2008, total shares and outstanding is 178,956,383,833 held by 4,249 shareholders.

The details of the most recent increases in authorized share capital as approved by the Securities and Exchange Commission are shown below:

Year	Authorized Capital Stock			Issue Price
	Common "A" shares	Common "B" shares	Total	
As of 1989	9,000,000,000	6,000,000,000	₱150,000,000	₱0.01
1990	12,000,000,000	8,000,000,000	200,000,000	0.01
1994	21,000,000,000	14,000,000,000	350,000,000	0.01
2006	66,000,000,000	44,000,000,000	1,100,000,000	0.01
			<u>₱1,800,000,000</u>	