

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, 2007**
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:
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 28, 2007 was P6,804,443.97.

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 or subsidiaries.

Products and Competitive Business Conditions

The Company's products, i.e., gold-in-bullion and copper concentrates, were readily marketable. The gold was sold to the Bangko Sentral ng Pilipinas and foreign metals traders, such as Johnson Matthey without difficulty. The copper concentrate was sold to PASAR and foreign metals traders without difficulty. Prices of the company's products are dictated by the world market. There is virtually no market competition among metals producers. The Company was not bound under any contract to sell exclusively to any one party.

The Company has no new products or services.

Government Approvals/Cost and Effects of Compliance with Environmental Laws

There is no need for any government approval for the Company's products. Operations of the Company, as is the case with all mining companies, are regularly monitored by the DENR as against certain regulatory requirements. 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 P2,916,578 in 2007 (P2,500,793 in 2006) 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.

Research and Development Activities

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

Employees

MMC had a total of 542 employees as of the end of 2007, broken down as follows: Administrative/clerical: 102; operations: 195; support services: 245. However, 521 of these employees were temporarily laid off in 2001. The Company's CBA's with its 2 unions, the Manila Mining Employees Union-SPFL and the Manila Mining Supervisors' Union, have

expired but there is a moratorium on CBA renegotiations in view of the suspension of operations. 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. 00006-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.

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 2006-2007:

Manila Mining "A"

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	3/04/08
Low	0.015	0.017	0.017	0.019	0.023	0.029	0.017	0.024	0.02
High	0.021	0.034	0.029	0.026	0.034	0.038	0.033	0.032	0.02

Manila Mining "B"

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	3/04/08
Low	0.023	0.020	0.019	0.022	0.025	0.033	0.020	0.028	0.021
High	0.030	0.037	0.032	0.029	0.039	0.041	0.035	0.035	0.022

Securities and Shareholders

As of end-2007, the company had 4,305 shareholders. There were approximately 2,584 and 1,721 holders of common "A" and common "B" shares, respectively.

Top 20 "A" and "B" Stockholders of the Company (as of December 31, 2007)

	<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	16.88
3	<i>Paulino Yap</i>	1,964,905,731	1.83
4	<i>Bryan Yap</i>	1,945,977,139	1.81
5	<i>Christine Yap</i>	1,761,557,111	1.64
6	<i>Lepanto Investment and Dev. Corp.</i>	1,390,313,541	1.30
7	<i>Patrick Resources Corp.</i>	1,301,152,163	1.21
8	<i>Coronet Property Holdings Corp.</i>	1,235,209,029	1.15
9	<i>F. Yap Securities, Inc. (PCD)</i>	936,413,744	0.87
10	<i>Paulino Yap</i>	890,763,764	0.83
11	<i>Christine Karen Yap</i>	805,863,758	0.75
12	<i>Emma Yap</i>	799,516,109	0.75
13	<i>FYSI A/C-CKY</i>	754,994,507	0.70
14	<i>Tomas Yap</i>	724,151,221	0.68
15	<i>Ventura Resources Corporation</i>	718,565,954	0.67
16	<i>Zamcore Resources Corporation</i>	707,395,421	0.66
17	<i>Emma Yap</i>	678,551,292	0.63
18	<i>David Go Securities Corp.</i>	674,519,301	0.63
19	<i>Lindsay Resources Corporation</i>	651,542,763	0.61
20	<i>Jose Mari Moraza</i>	619,632,000	0.58

	<u>Name</u>	<u>"B" Shares</u>	<u>%</u>
1	<i>Lepanto Consolidated Mining Company</i>	<i>10,707,139,480</i>	<i>15.11</i>
2	<i>F. Yap Securities, Inc.</i>	<i>7,332,559,695</i>	<i>10.34</i>
3	<i>Lepanto Investment and Dev. Corp.</i>	<i>5,037,619,533</i>	<i>7.11</i>
4	<i>Abigail K. Yap</i>	<i>1,403,451,933</i>	<i>1.98</i>
5	<i>Bryan Yap</i>	<i>1,124,317,007</i>	<i>1.59</i>
6	<i>Paulino Yap</i>	<i>1,019,720,824</i>	<i>1.44</i>
7	<i>Cresencio Yap</i>	<i>950,612,016</i>	<i>1.34</i>
8	<i>Coronet Property Holdings Corp.</i>	<i>851,662,573</i>	<i>1.20</i>
9	<i>Pacita Yap</i>	<i>824,539,227</i>	<i>1.16</i>
10	<i>Paulino Yap</i>	<i>787,396,304</i>	<i>1.11</i>
11	<i>David Go Securities Corp.</i>	<i>591,315,044</i>	<i>0.83</i>
12	<i>Emma Yap</i>	<i>529,116,591</i>	<i>0.75</i>
13	<i>Cresencio Yap</i>	<i>504,155,049</i>	<i>0.71</i>
14	<i>Christine Karen Yap</i>	<i>492,917,544</i>	<i>0.70</i>
15	<i>Christine Yap</i>	<i>461,919,918</i>	<i>0.65</i>
16	<i>Emma Yap</i>	<i>433,448,272</i>	<i>0.61</i>
17	<i>Manuel Yap</i>	<i>312,797,851</i>	<i>0.44</i>
18	<i>Martesio Perez</i>	<i>309,854,155</i>	<i>0.44</i>
19	<i>Shipside, Inc.</i>	<i>232,893,997</i>	<i>0.33</i>
20	<i>Paul Yap, Jr.</i>	<i>226,723,229</i>	<i>0.32</i>

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. For the 2007 financial statements, the certifying partner is Mr. Jaime F. del Rosario.

Representatives of SGV & Co. will be present at the Annual Meeting on April 22, 2008 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 2006, SGV & Co. billed the Company the sum of P500,000. For 2007 SGV & Co. is billing the Company the sum of P500,000. 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	70	Filipino	Since 1976
EDUARDO A. BANGAYAN*	56	-do-	Since 1989
JOSE G. CERVANTES	73	-do-	Since 2006
RENE F. CHANYUNGCO	54	-do-	Since 2004
ETHELWOLDO E. FERNANDEZ	80	-do-	Since 2001
PATRICIO L. LIM*	92	-do-	Since 2000
BRYAN U. YAP	35	-do-	Since 1994
AUGUSTO C. VILLALUNA	57	-do-	Since April 2003
PATRICK K. YAP	29	-do-	Since April 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 Financial 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.

Mr. 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 is currently the Chief Financial Officer of Lepanto Consolidated Mining Company.

Mr. Patrick K. Yap, is the Executive Vice 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, the Company has the following significant transactions with its related parties:

- Cash advances received from and expenses paid on behalf of the Parent Company by LCMC. For these advances, total finance charges amounted to ₱24,233,053 in 2006 (₱20,750,321 in 2005; see Note 15). Interest rates for these advances range from 7.50% to 16.50% in 2006 (7.86% to 13.00% in 2005). In 2007, the Parent Company partially paid these advances to LCMC. For the remaining amount of ₱169,161,400, no interest was charged by LCMC to the Parent Company. The Parent Company reclassified the amount as a current liability as these amounts become due and demandable.
- Various drilling and hauling services rendered by its affiliates to the Parent Company, priced on arms-length basis.
- Miscellaneous deposits of P30,000,000 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. Such agreement is with regard to exploration drilling programme involving the drilling of about 10 holes to probe the Kinto Limbo Project and possible extension of Entina 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, non operating field costs, reaming of casings, stand-by-fees, contractors' fees, among others, will be applied against the miscellaneous deposits.

The balance sheets include the following amounts resulting from the above transactions with related parties:

	2007	2006
Miscellaneous deposits:		
Others	₱30,000,000	₱30,000,000
Payables:		
LCMC	₱169,168,134	₱315,966,684
Others	46,260,834	46,305,860

Payable to LCMC is presented in the 2006 consolidated balance sheets as nontrade payables under noncurrent liabilities. As discussed above, in the 2007 consolidated balance sheet, the remaining payable to LCMC is reclassified under current liabilities.

- There is no risk of non-payment of the advances or of the services rendered considering the relationship of the parties. There are no contractual or other commitments resulting from these transactions.
- Total compensation of the Group's key management personnel for the years ended December 31, 2007, 2006 amounted to ₱800,800, ₱42,000 respectively (₱84,000 for the year ended December 31, 2005).

Executive Compensation

	2006 Total (All Cash)	Basic Salary	Bonus (13 th month In the case of executive officers)	*Others
Felipe U. Yap, Chairman) Rene F. Chanyungco,) Sr. Vice Pres./Treasurer) Patrick K. Yap, SVP) Bryan U. Yap, Vice Pres.)	-0-	-0-	-0-	P42,000
All officers and directors	-0-	-0-	-0-	42,000
	2007 (Total)			
Felipe U. Yap, Chairman) Rene F. Chanyungco,) Sr. Vice Pres./Treasurer) Patrick K. Yap, SVP) Bryan U. Yap, Vice Pres.) Pablo T. Ayson, Jr., Vice Pres.)	421,800	421,800	35,150	P14,500
All officers and directors	421,800	421,800	35,150	14,500
	2008(Estimate)			
Executive officers listed above	P421,800	P421,800	35,150	42,000
All officers and directors	P421,800	P421,600	35,150	P42,000

* Others - represent per diem of directors.

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 Dec. 31, 2006:

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**

Title of Class	Beneficial Owner	Position	Amount and Nature of Beneficial Ownership (A / B)	Citizenship	Percent of Classes (A / 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	5,628,000 / 7,971,951	-do-	0.01 / 0.01
A & B	Pablo T. Ayson, Jr.	Vice President	1,553,156 / 416,057	-do-	nil

** - 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.

Management's Discussions and Analysis of Financial Conditions for 2007, 2006 & 2005

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.

2005

A modest other operating income of P375,000 was made during the year, arising from the sale of marketable securities. There was no other source of revenue during the year due to non-operation. Administration and overhead expenses during the year amounted to P133,778,690, representing salaries of the remaining employees and administrative costs (including depreciation expense and amortization of tailings pond no.7). Total administration and overhead expenses were higher as against last year of P102,131,746. There were 33 active employees at the end of the year, the same as last year. Net loss for the year amounted to 147,417,534. Significant losses were actually due to depreciation and amortization of non operational assets. The higher loss of 16% vs. 2004 was due to the recognition of impairment losses for assets, amounting to P45m. Marketable Securities dropped from P15 million to P7,875,000.00, due to disposal, and the balance was reclassified to Available Financial Assets as a result of transition to Philippine Financial Reporting Standards. Non-trade receivables increased by 2% to P95,124.00 due to contractor’s withdrawal of parts and supply used in the road maintenance. Inventories, net of Allowance for inventory losses, dropped to P44.5 million on account of the P10 million provision for losses during the year. Thus, total current assets dropped by 29% from P84.5 million to P59.8 million due mainly to reclassification of marketable securities and the additional provision for inventory losses.

The decrease of 5% in Property, Plant and Equipment, (net) represents depreciation of properties and equipment, amortization of the tailings dam and impairment loss recognized during the year. The 53% drop in Other Assets, which consist of idle heap-leaching equipment and advances to suppliers, was due to enhanced depreciation and provision for impairment

losses. Accrued other liabilities increased by 37% due to liability recognition re- Environmental trust fund of P5 million- as mandated by MGB, pension benefits per RA 7641 (PAS 19), and advances from stockholder to defray maintenance expenses. Equity for 2004 was decreased by P2.2 million as a result of transition to PFRS. To meet cash requirements, the Company will continue its efforts to dispose of scrap assets. Also, the Company hopes to enter into a joint venture agreement with a foreign mining company within the year for the exploration of the Kalaya-an. Cash payments are expected from such a deal. There are no material commitments for capital expenditures.

2008 Plan of Operation

It is not likely that the Company will be able to resume operations within the year. All efforts are focused on the exploration at the historical operations site, costing P67 million, and in the Kalayaan Area (at the expense of Anglo American) which is subject of the joint venture with Anglo American.

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. The only deviation from the Company’s Manual of Corporate Governance noted during the year was the non-attendance by certain directors of the requisite seminar on Corporate Governance. However, as of this date, all incumbents directors who are being nominated for re-election have complied with that requirement.

Financial Statements

Attached as Exhibit “A” hereof, are the Company’s Audited Financial Statements for 2007 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 Assets
- “C” - Schedule I - Capital Stock

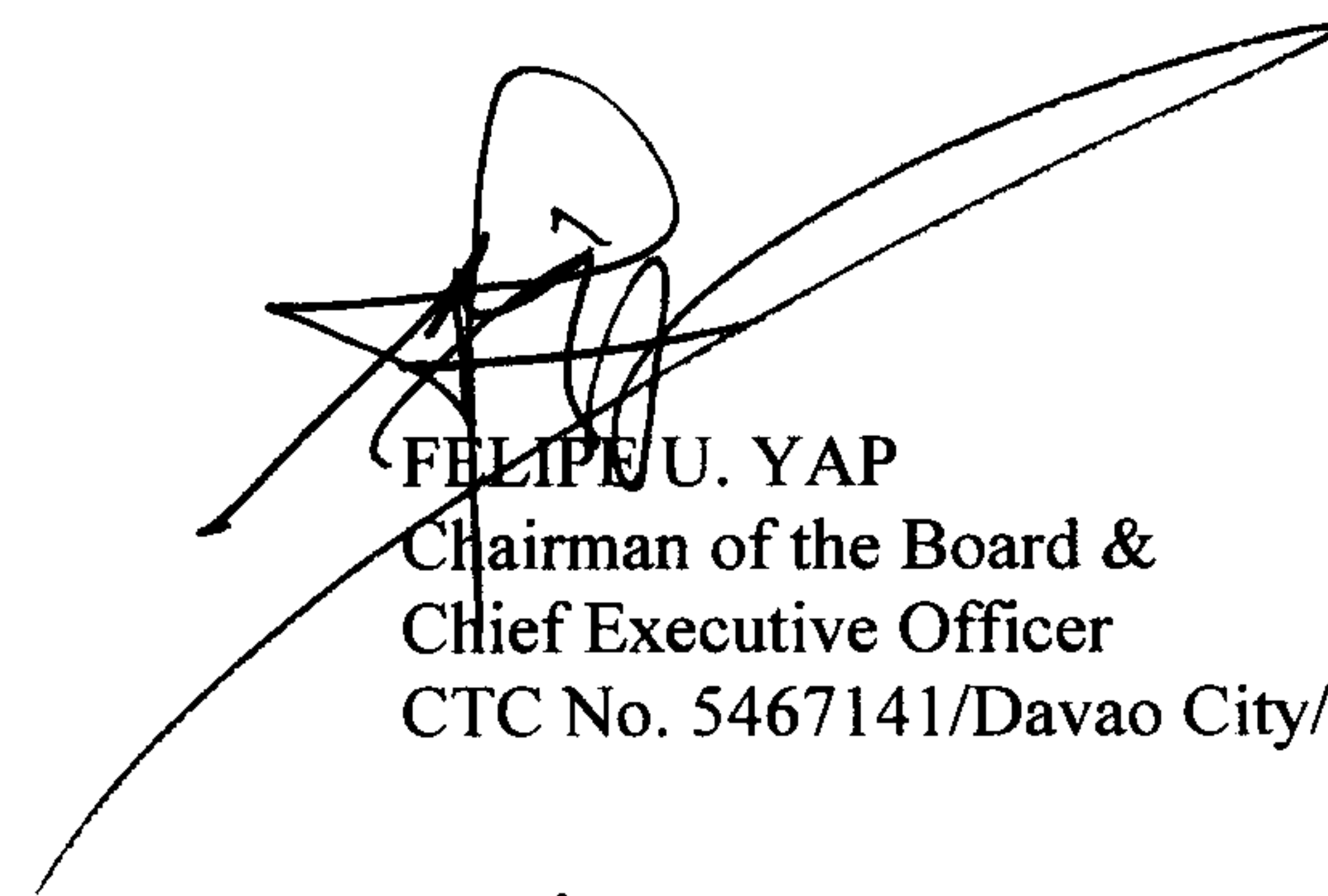
Reports on Form 17-C

<u>Date of Report</u>	<u>Subject</u>
January 23, 2007	News Reply
January 26, 2007	News Reply
January 29, 2007	Renewed Exploration Permit
February 20, 2007	Annual Stockholders’ Meeting, etc
March 26, 2007	Request to halt trading and resume after a material disclosure has been made
	Signing of Farm-In Agreement with Anglo re Kalayaan Project

March 27, 2007	Additional Info re Anglo Agreement
April 17, 2007	Election of Directors
April 27, 2007	Completion of Documents re Kalayaan-Anglo
May 29, 2007	(Re)-Appointed of Officers and Committee Members
August 13, 2007	Issuance of MPSA
September 19, 2007	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 11, 2007.




FELIPE U. YAP
Chairman of the Board &
Chief Executive Officer
CTC No. 5467141/Davao City/1-7-08

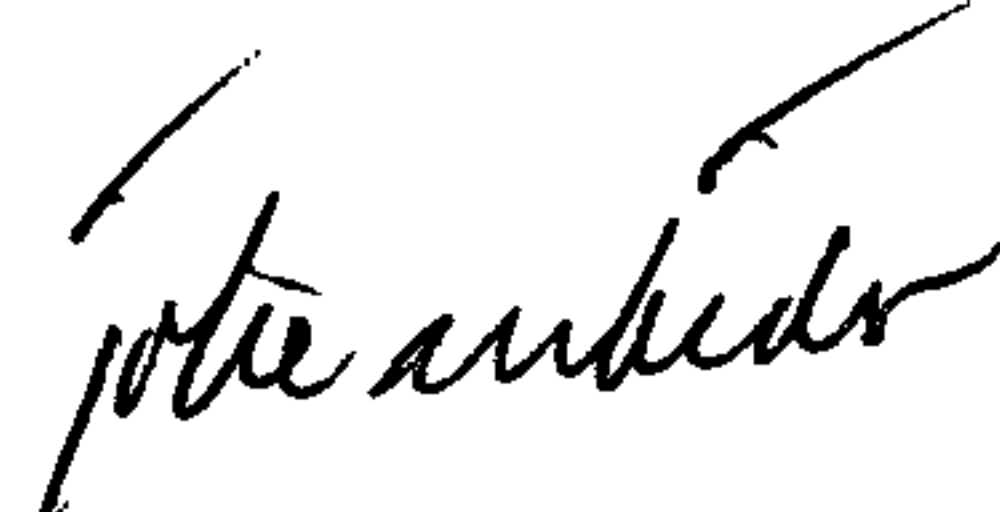


MARIO L. LAVENTE
Financial Controller
LTO N04-88-072822-2/21/08


Manila Mining Corporation
Issuer



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



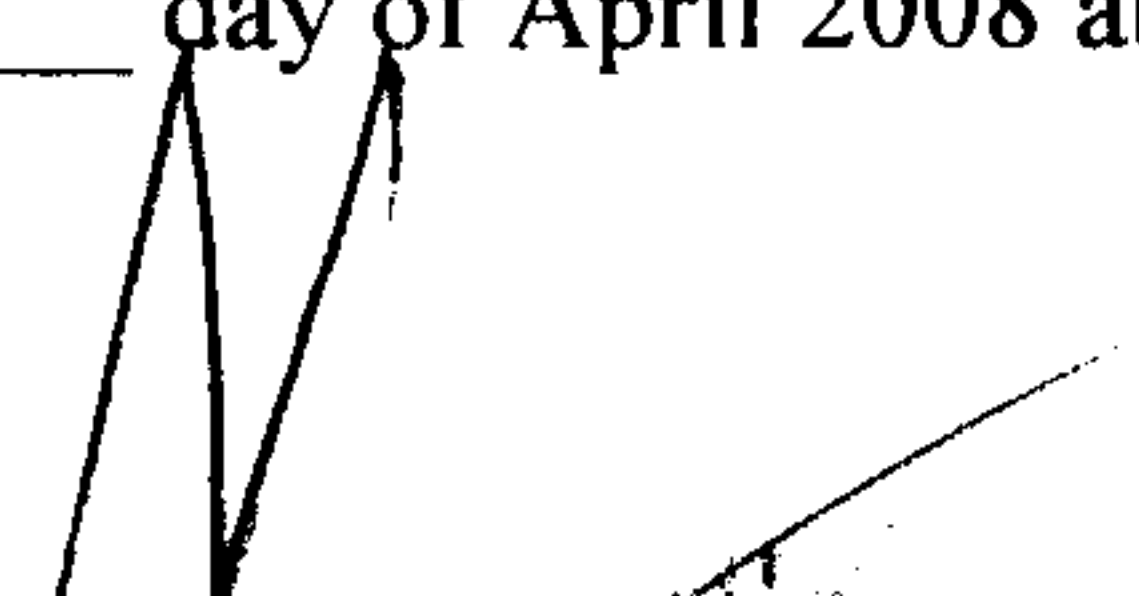
JOSEPHINE DC. SUBIDO
Chief Accountant
CTC No. 06142885/Manila/1-8-08



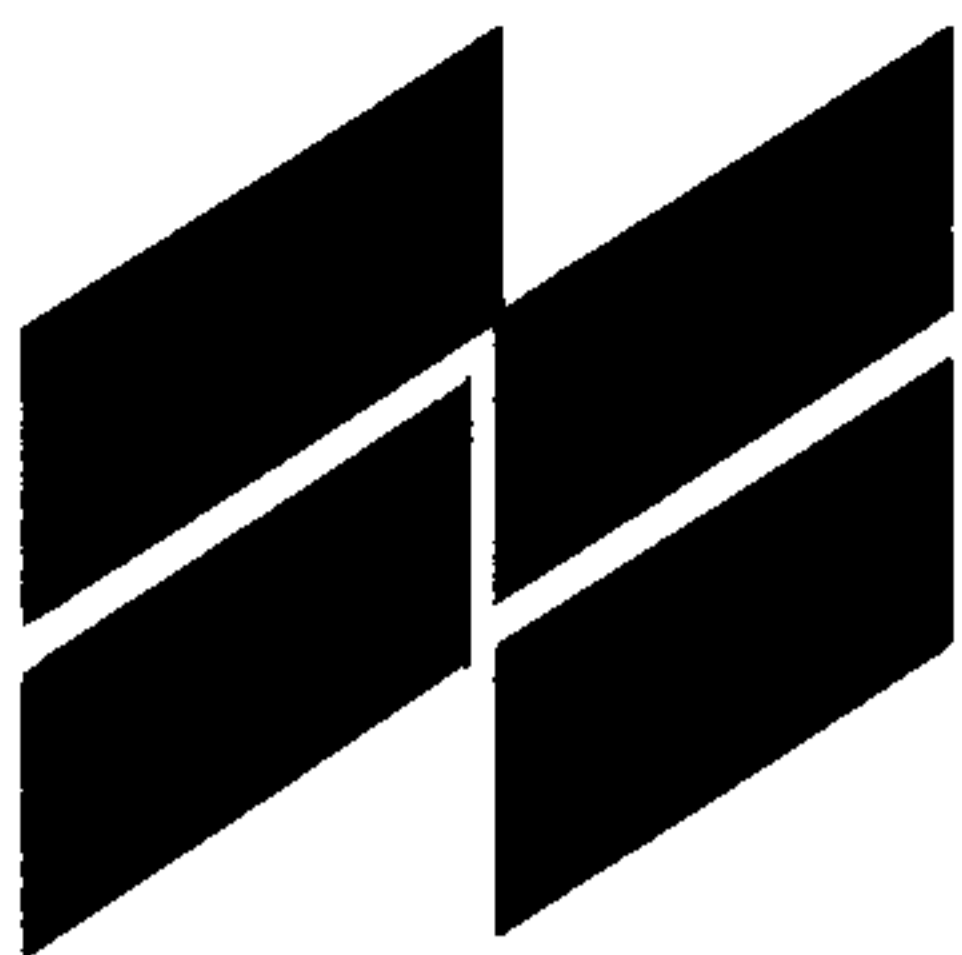
ODETTE A. JAVIER
Assistant Corporate Secretary
CTC No. 01313219/Manila/2-6-08

SUBSCRIBED AND SWORN TO before me this ___ day of April 2008 at Makati City.

Doc. No. 390:
Page No. 78:
Book No. XI:
Series of 2008.



ATTY. ALEX M. ALVAREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2008
101-B ATRIUM OF MAKATI, MKT. AVE., MKT. CITY
NOTARIAL COMMISSION NO. M-202
SUPREME COURT ROLL NO. 40326
PTR NO. 0514873 / 1-3-08 / MKT. CITY
IBP NO. 727927 12/29/07 MKT. CITY



Manila Mining Corporation

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

17 March 2008

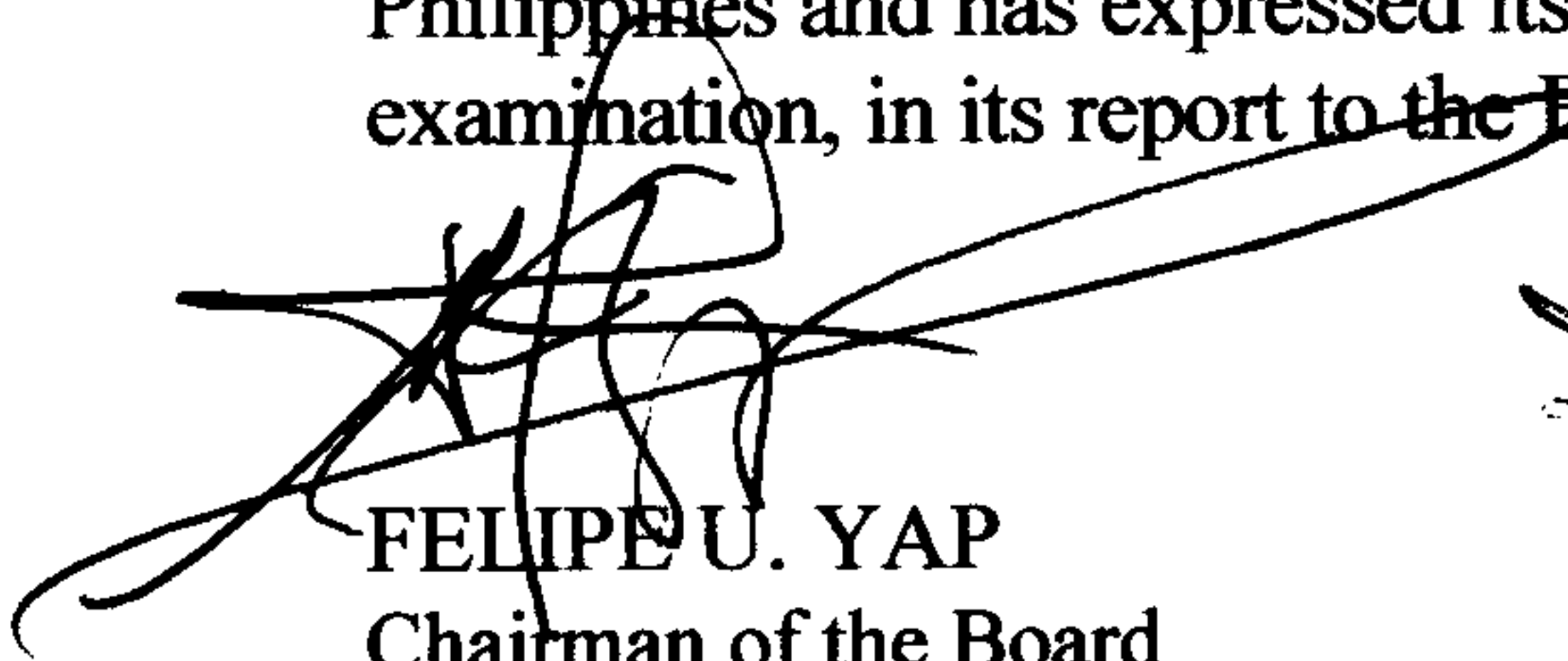
To the Securities and Exchange Commission
Securities and Exchange Commission Building
EDSA, Mandaluyong City

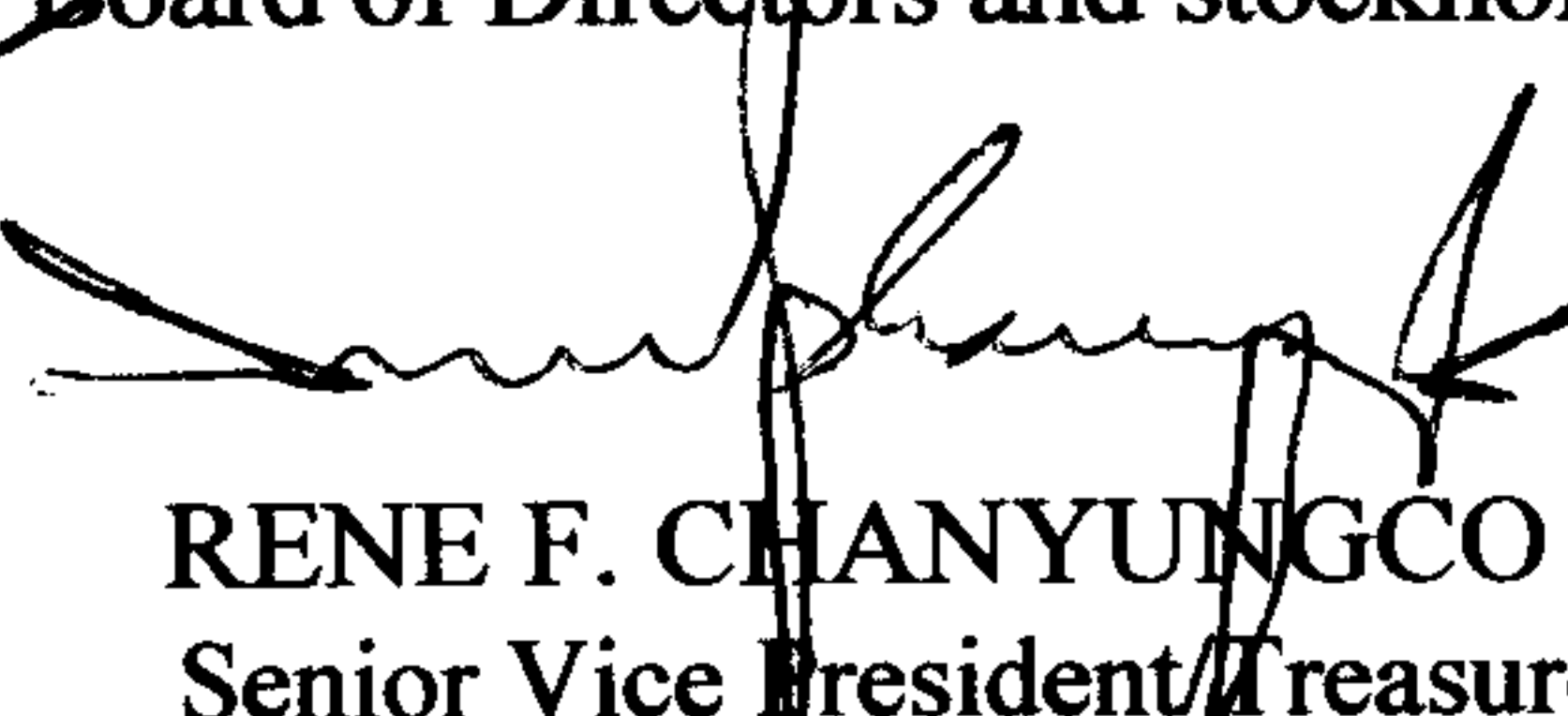
The management of **Manila Mining Corporation** is responsible for all information and representations contained in the financial statements for the years ended **December 31, 2007, 2006 and 2005**. The financial statements have been prepared in conformity with generally accepted accounting principles 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.

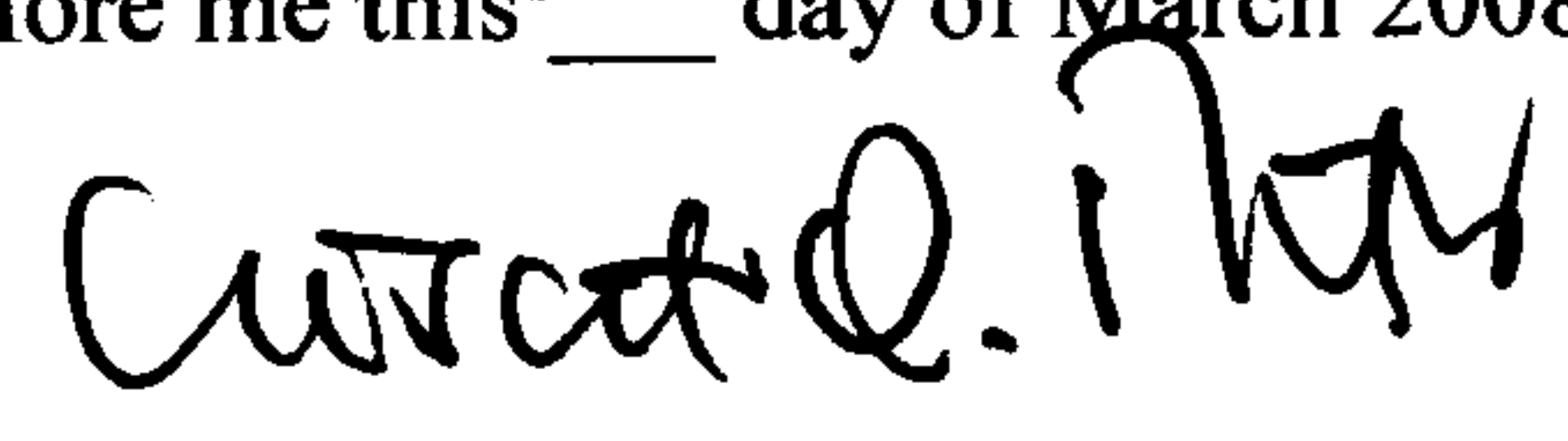
Sycip, Gorres, Velayo & Co., the independent auditors appointed by the Board, has examined the financial statements of the company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination,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


FELIPE U. YAP
Chairman of the Board
and Chief Executive Officer
CTC No. 5467141-1/14/08-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 MAR 25 2008 day of March 2008 at Makati City.



CRISANTO O. MARTINEZ
Notary Public Until Dec. 31, 2008
PTR No. 986113/Jan. 3, 2008/Makati
IBP No. 726790/Nov. 13, 2007/Manila

Doc. No. 208:
Page No. 43:
Book No. VII:
Series of 2008.

INDEPENDENT AUDITORS' REPORT

To the Stockholders and the Board of Directors
Manila Mining Corporation and Subsidiary
20th Floor, Lepanto Building
8747 Paseo de Roxas, 1226 Makati City

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, 2007 and 2006, and the consolidated statements of income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

The financial statements of the Parent Company as of and for the year ended December 31, 2005 were audited by other auditors whose report thereon, dated March 20, 2006, expressed an unqualified opinion with an emphasis on the going concern status of the Parent Company. The opinion of such auditors, however, does not cover the restatement of those financial statements as discussed in Note 26 to the financial statements. As discussed in Note 1 to the financial statements, current developments has occurred in the Parent Company that mitigated its going concern.

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 financial statements present fairly, in all material respects, the financial position of Manila Mining Corporation and Subsidiary as of December 31, 2007 and 2006, and their financial performance and their cash flows for the years then ended 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. 017591, January 3, 2008, Makati City

March 17, 2008



EXHIBIT "A"

MANILA MINING CORPORATION AND SUBSIDIARY

Consolidated Financial Statements
December 31, 2007 and 2006

and

Independent Auditors' Report

MANILA MINING CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	December 31	
	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 24)	₱119,505,020	₱120,850,302
Receivables - net (Notes 5 and 24)	403,753	1,442,314
Inventories - net (Note 6)	40,312,494	40,374,355
Prepayments and other current assets (Note 7)	50,350,591	43,178,245
Total Current Assets	210,571,858	205,845,216
Noncurrent Assets		
Available-for-sale (AFS) investments (Notes 8 and 24)	43,875,000	7,875,000
Property, plant and equipment - net (Note 9)	1,467,138,562	1,454,749,270
Mine exploration costs (Note 23)	92,028,090	-
Other noncurrent assets (Note 10)	6,956,990	6,641,102
Total Noncurrent Assets	1,609,998,642	1,469,265,372
TOTAL ASSETS	₱1,820,570,500	₱1,675,110,588
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 11 and 24)	₱200,248,773	₱279,166,519
Nontrade payables (Notes 13 and 24)	169,161,400	-
Income tax payable (Note 19)	6,734,557	-
Total Current Liabilities	376,144,730	279,166,519
Noncurrent Liabilities		
Deferred income tax liability - net (Note 19)	85,766,176	106,377,534
Retirement benefit obligation (Note 18)	4,645,173	4,161,588
Nontrade payables (Notes 13 and 24)	-	315,966,684
Total Noncurrent Liabilities	90,411,349	426,505,806
Equity		
Capital stock (Note 20)	1,789,938,502	1,789,938,502
Additional paid-in capital	296,576,996	296,768,818
Deposit for future stock subscriptions (Note 23)	92,028,090	-
Cumulative changes in fair values of AFS investments (Note 8)	16,135,000	375,000
Deficit	(840,664,167)	(1,117,644,057)
Total Equity	1,354,014,421	969,438,263
TOTAL LIABILITIES AND EQUITY	₱1,820,570,500	₱1,675,110,588

See accompanying Notes to Consolidated Financial Statements.



MANILA MINING CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(With Comparative Figures for 2005)

	For the Years Ended December 31		
	2007	2006	2005 (As restated; Note 26)
OTHER OPERATING INCOME	₱-	₱-	₱375,000
ADMINISTRATION AND OVERHEAD COSTS (Note 14)	(74,802,217)	(108,644,593)	(133,778,690)
FINANCE COSTS (Note 15)	-	(24,241,921)	(20,762,328)
OTHER INCOME (Note 16)	337,905,306	1,338,448	6,919
INCOME (LOSS) BEFORE INCOME TAX	263,103,089	(131,548,066)	(154,159,099)
BENEFIT FROM INCOME TAX (Note 19)	13,876,801	18,850,318	6,741,565
NET INCOME (LOSS)	₱276,979,890	(₱112,697,748)	(₱147,417,534)
EARNINGS (LOSS) PER SHARE			
Basic and diluted (Note 22)	₱0.00155	(₱0.00084)	(₱0.00124)

See accompanying Notes to Consolidated Financial Statements.



MANILA MINING CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(With Comparative Figures for 2005)

	For the Years Ended December 31		
	2007	2006	2005 (As restated; Note 26)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	₱263,103,089	(₱131,548,066)	(₱154,159,099)
Adjustments for:			
Provision for impairment losses (Notes 9 and 10)	58,406,009	50,007,818	45,046,615
Depletion, depreciation and amortization (Note 9)	19,806,399	47,396,582	59,294,978
Retirement benefit costs (Note 18)	483,585	480,400	432,025
Interest income (Note 16)	(1,177,478)	(1,337,748)	(6,919)
Gain from sale of AFS investments	-	-	(375,000)
Operating income (loss) before working capital changes	340,621,604	(35,001,014)	(49,767,400)
Decrease (increase) in:			
Receivables	709,853	(4,033,463)	(95,124)
Inventories	61,861	4,174,820	10,046,718
Prepayments and other current assets	(7,172,346)	(28,302,699)	(396,517)
Increase (decrease) in trade and other payables	(78,917,746)	(288,103,632)	21,589,162
Cash generated from (used in) operations	255,303,226	(351,265,988)	(18,623,161)
Interest received	1,506,186	1,337,748	6,919
Net cash provided by (used in) operating activities	256,809,412	(349,928,240)	(18,616,242)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment (Note 9)	(90,601,700)	(8,429,794)	(35,000)
Additions to mine exploration costs (Note 23)	(92,028,090)	-	-
Purchase of AFS investments (Note 8)	(20,240,000)	-	-
Additions to other noncurrent assets	(315,888)	(2,461,784)	(4,542,330)
Proceeds from disposal of AFS investment (Note 8)	-	-	7,875,000
Net cash provided by (used in) investing activities	(203,185,678)	(10,891,578)	3,297,670
CASH FLOWS FROM FINANCING ACTIVITIES			
Deposit for future stock subscriptions (Note 23)	92,028,090	-	-
Payments of nontrade payables	(146,805,284)	-	-
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	-
Payments of borrowings (Note 12)	-	(193,439,896)	-
Receipts from (payments to) related parties	-	(28,154,759)	15,114,672
Net cash provided by (used in) financing activities	(54,969,016)	481,207,028	15,114,672
NET INCREASE (DECREASE) IN CASH	(1,345,282)	120,387,210	(203,900)
CASH AT THE BEGINNING OF THE YEAR	120,850,302	463,092	666,992
CASH AT THE END OF THE YEAR (Note 4)	₱119,505,020	₱120,850,302	₱463,092

See accompanying Notes to Consolidated Financial Statements



MANILA MINING CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(With Comparative Figures for 2005)

	Capital Stock (Note 20)		Subscription Receivable	Additional Paid-in Capital	Deposit for Future Stock Subscriptions	Changes in Fair Values of AFS Investments	Deficit	Total
	Issued	Subscribed						
Balances at January 1, 2005, as previously reported	₱1,193,160,189	₱71,125	₱-	₱4,230,174	₱-	₱750,000	(₱782,126,077)	₱416,085,411
Prior period adjustments (Note 26)	-	-	-	-	-	-	(75,402,698)	(75,402,698)
Balances at January 1, 2005, as restated	1,193,160,189	71,125	-	4,230,174	-	750,000	(857,528,775)	340,682,713
Fair value transferred to profit and loss (Note 8)	-	-	-	-	-	(375,000)	-	(375,000)
Net loss for the year	-	-	-	-	-	-	(147,417,534)	(147,417,534)
Total loss recognized for the year	-	-	-	-	-	(375,000)	(147,417,534)	(147,792,534)
Balances at December 31, 2005	1,193,160,189	71,125	-	4,230,174	-	375,000	(1,004,946,309)	192,890,179
Issuance/subscription of shares during the year (Note 20)	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	-	-	-	-	-	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

See accompanying Notes to Consolidated Financial Statements.



MANILA MINING CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General Information and Status of Operation

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 in 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 20.15% equity interest in the Company.

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

Kalayaan Copper-Gold Resources, Inc.

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

KCGRI was incorporated 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 Operation

The Parent Company's mining operations remain suspended since shutdown in 2001. On January 22, 2007, the Parent Company has initiated mining activities through an exploration program adopted during the last quarter of 2006.

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 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 years from February 23, 1998, the actual start of commercial 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 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, in its meeting on July 26, 2001, 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. As a consequence, the Parent Company implemented a selective employee retrenchment program in order to minimize its losses. Operations of the Parent Company were concentrated to exploration works in order to enhance its existing ore reserves which are deemed critical in sustaining continuous and profitable operations. Furthermore, the Parent Company's prospects during this period were affected by the general slow down in the economy and the volatile price of copper. Also, the Parent Company did not meet its maturing debt obligations and certain financial ratios required in its loan agreements (see Note 12). These matters raise significant uncertainties as to the Parent Company's ability to continue as a going concern and recover its mine and mining properties. 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.

The Parent Company's mining operations remain suspended since shutdown in 2001. However, 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 investment and mining climate has improved significantly over the past several months as a result of the 2004 Supreme Court ruling upholding the validity of the Philippine Mining Act of 1995 and the escalating copper and gold commodity prices. The 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 offer 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 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 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 joint venture 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.

The accompanying consolidated financial statements of Manila Mining Corporation and Subsidiary (the Group) as of and for the years ended December 31, 2007 and 2006, were authorized for issue in accordance with a resolution by the BOD on March 17, 2008.

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

Basis of Preparation

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

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements of the Group 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.



Adoption of New and Revised Accounting Standards

The accounting policies adopted are consistent with those of the previous financial years except for the adoption of the following new and amended standards and Philippine Interpretations. Adoption of these new and amended standards and interpretation did not have any effect on the financial performance or position of the Group. They did, however, give rise to additional disclosures.

- Amendments to PAS 1, *Presentation of Financial Statements*
- PFRS 7, *Financial Instruments: Disclosures*
- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 7, *Applying the Restatement Approach Under PAS 29, Financial reporting in Hyperinflationary Economies*
- Philippine Interpretation IFRIC 8, *Scope of PFRS 2*
- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*
- Philippine Interpretation IFRIC 10, *Interim Financial Reporting and Impairment*

The effects of these new and amended standards and interpretations in the Group's consolidated financial statements are as follows:

- Amendments to PAS 1, *Presentation of Financial Statements*
The amendments to PAS 1 introduce disclosures about the level of an entity's capital and how it manages capital. Additional disclosures required by the amendments to PAS 1 are included in Note 25.
- PFRS 7, *Financial Instruments: Disclosures*
PFRS 7 introduces new disclosures to improve the information about financial instruments. Additional disclosures required by PFRS 7 are included throughout the financial statements particularly the qualitative and quantitative disclosures on the Group's exposure to liquidity risk, credit risk and market risks as shown in Note 24 to the consolidated financial statements.

On January 11, 2008, the SEC has approved an amendment to the transition provision of PFRS 7 that gives transitional relief with respect to the presentation of comparative information for the new risk disclosures about the nature and extent of risks arising from financial instruments under paragraphs 31-42 of PFRS 7. In relation to such relief, information for the new risk disclosures under paragraphs 31-42 of PFRS 7 was presented only in the current year, unless the disclosure was previously required under Philippine Accounting Standards (PAS) 32.

- Philippine Interpretation IFRIC 8, *Scope of PFRS 2*
This interpretation requires PFRS 2 to be applied to any arrangements where equity instruments are issued for consideration which appears to be less than fair value. This interpretation has no impact on the Group's financial statements.



- **Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives***
This interpretation establishes that the date to assess the existence of an embedded derivative is the date an entity becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. This interpretation has no impact on the Group's financial statements.
- **Philippine Interpretation IFRIC 10, *Interim Financial Reporting and Impairment***
This interpretation prohibits the reversal of impairment losses on goodwill and AFS equity investments recognized in the interim financial reports even if impairment is no longer present at the annual balance sheet date. This interpretation has no significant impact on the Group's financial statements.

The following are the standards and interpretations that are issued but not yet effective for the financial statements as of and for the year ended December 31, 2007:

- **PFRS 8, *Operating Segments* (effective beginning January 1, 2009)**
PFRS 8 adopts a management approach to reporting segment information. PFRS 8 will replace PAS 14, *Segment Reporting*, and is required to be adopted only by entities whose debt or equity instruments are publicly traded, or are in the process of filing with the SEC for purposes of issuing any class of instruments in a public market. The Group will assess the impact of PFRS 8 on the consolidated financial statements when the Group adopts it in January 2009.
- **PAS 1, *Presentation of Financial Statements (Revised)* (effective beginning January 1, 2009)**
In accordance with the amendment to PAS 1, the statements of changes in equity shall include only transactions with owners, while all non-owner changes will be presented in equity as a single line with details included in a separate statement. Owners are defined as holders of instruments classified as equity.

In addition, the amendment to PAS 1 provides for the introduction of a new statement of comprehensive income that combines all items of income and expense recognized in the statements of income together with 'other comprehensive income'. The revisions specify what is included in other comprehensive income, such as gains and losses on available-for-sale assets, actuarial gains and losses on defined benefit pension plans and changes in the asset revaluation reserve. Entities can 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 Group does not expect this amendment to have a significant impact on the financial statements.

- **PAS 23, *Borrowing Costs (Revised)* (effective beginning January 1, 2009)**
The revision to PAS 23 requires capitalization of borrowing costs when such costs relate to a qualifying asset. PAS 23, as revised, has no significant impact on the Group's financial statements.
- **Philippine Interpretation IFRIC 11, PFRS 2, *Group and Treasury Transactions* (effective beginning March 1, 2007)**
This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even in certain



cases. It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to the equity instruments of the parent. This interpretation has no significant impact on the Group's financial statements.

- **Philippine Interpretation IFRIC 12, *Service Concession Arrangements* (effective beginning January 1, 2008)**
This interpretation covers contractual arrangements arising from private entities providing public services. This interpretation has no impact on the Group's financial statements.
- **Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* (effective beginning 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 deferred over the period that the award credits are fulfilled. This interpretation has no impact on the Group's financial statements.
- **Philippine Interpretation IFRIC 14, IAS 19, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective beginning January 1, 2008)**
This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19, Employee Benefits. This interpretation has no impact on the Group's financial statements.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from date of placement and that are subject to an insignificant risk of changes in value.

Financial Instruments

Financial instruments are recognized in the 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 fair value through profit or loss (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 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 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 advances to employees and other types of receivables. 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 statement of income. The losses arising from impairment of receivables are recognized in the 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 financial assets are nonderivatives 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 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 balance sheet.

Fair values of investments 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 balance sheet.

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



Other Financial Liabilities

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. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Any effects of restatement of foreign currency-denominated liabilities are recognized in the statement of income. This accounting policy applies primarily to the Group's borrowings, accounts payable and other obligations 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 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.

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 share premium.

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.



Impairment of Financial Assets

Assets carried at Amortized Cost

The Group assesses at each balance sheet date whether a financial 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 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 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 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 statements of income – is removed from equity and recognized in the statement of income. Impairment losses on equity investments are not reversed through the 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. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded in the statement of income. 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 statement of income, the impairment loss is reversed through the 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 profit or loss.

“Day 1” Profit or Loss

Where the transaction price in a non-active market is different to 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 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 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.



Offsetting

Financial assets and liabilities are only offset and the net amount reported in the 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.

Inventories

Materials and supplies are stated at the lower of cost or net realizable value. Cost is determined using the moving average method. Net realizable value is the replacement cost. In determining net realizable value, 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 and are 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, 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.

<u>Type of asset</u>	<u>Estimated useful life in years</u>
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 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 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 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; or
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; or
- 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 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 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 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 statement of income.

Rehabilitation trust funds committed for use in satisfying environmental obligations are included within "other noncurrent assets" on the 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 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 10% of the value of plan assets or 10% of the defined benefit obligation are spread to income over the employees' expected average remaining working lives.

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

Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The 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 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, 2007 and 2006.

Dividend Distribution

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

Contingencies

Contingent liabilities are not recognized in the 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 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 financial statements. Post year-end events that are not adjusting events are disclosed in the notes to 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 financial statements and related notes. The estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Group's 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 financial statements as they become reasonably determinable.

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 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 consolidated financial statements prepared in compliance with PFRS require management to make estimates and assumptions that affect amounts reported in the 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. Actual results could differ from such estimates.

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.

As of December 31, 2007 and 2006, the Group has receivables of ₱403,753 and ₱1,442,314, respectively, net of allowance for impairment losses of ₱421,460 and ₱455,534, 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 net realizable value. 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.

Provision for inventory obsolescence amounting to nil and ₱3,369,834 was recognized in 2007 and 2006, respectively (₱9,131,927 in 2005). Inventories, at lower of cost or net realizable value, amounted to ₱40,312,494 and ₱40,374,355 as of December 31, 2007 and 2006, respectively, net of allowance for inventory obsolescence of ₱28,847,718 (see Note 6).



Estimating Impairment on AFS Equity Investments

The Group treats AFS equity 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. The Group treats 'significant' generally as 20% more of the original cost of investment, and 'prolonged', greater than 6 months. 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. There was no impairment loss on AFS equity investments as of December 31, 2007 and 2006. Fair value of AFS investments amounted to ₱43,875,000 and ₱7,875,000, as of December 31, 2007 and 2006, 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, 2007 and 2006, the net book value of the property, plant and equipment amounted to ₱1,467,138,562 and ₱1,454,749,270, 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 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 ₱1,467,138,562 and ₱1,454,749,270 as of December 31, 2007 and 2006 respectively, net of accumulated impairment losses of ₱143,272,443 and ₱84,866,434 (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. Mine exploration costs amounted to ₱92,028,090 and nil as of December 31, 2007 and 2006, 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, 2007 and 2006, mine and mining properties presented under property, plant and equipment amounted to ₱1,389,419,841 and ₱1,304,903,304, 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. However, 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.

The Group has recognized deferred income tax asset amounting to ₱65,743,604 and ₱45,132,246 as of December 31, 2007 and 2006, respectively. Unrecognized deferred income tax assets for the Group's net operating loss carryover (NOLCO) amounted to nil and ₱60,761,783 as of December 31, 2007 and 2006, respectively (see Note 19).

Retirement Benefit Expense

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 expense amounted to ₱483,585 and ₱480,400 in 2007 and 2006, respectively (₱432,025 in 2005). Retirement benefit obligation amounted to ₱4,645,173 and ₱4,161,588 as of December 31, 2007 and 2006, respectively (see Note 18).

Estimating Provision for Mine Rehabilitation and Decommissioning

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

The provision for mine rehabilitation and decommissioning costs is based on estimated future costs using information available at the balance sheet date. To the extent the actual costs differ from these estimates, adjustments will be recorded and the income statement may be impacted. Provision for mine rehabilitation and decommissioning amounted to nil as of December 31, 2007 (see Note 17).

4. Cash and Cash Equivalents

	2007	2006
Cash on hand	₱153,427	₱132,118
Cash in banks	119,351,593	10,718,184
Cash equivalents	-	110,000,000
	₱119,505,020	₱120,850,302

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

Cash equivalents pertain to time deposits with a local bank having an average maturity of 30 days earning 3.0625% annual interest in 2006.



Interest income earned from cash and cash equivalents amounted to ₱1,177,478 and ₱1,337,748 for the years ended December 31, 2007 and 2006, respectively (₱6,919 for the year ended December 31, 2005; see Note 16).

5. Receivables

	2007	2006
Nontrade	₱693,298	₱1,718,648
Officers and employees	131,915	179,200
	825,213	1,897,848
Less allowance for impairment losses	421,460	455,534
	₱403,753	₱1,442,314

Based on assessment done by the management, the Group recognized an allowance amounting to ₱421,460 and ₱455,534 as of December 31, 2007 and 2006, respectively, covering those receivables considered as individually impaired.

The following table shows the aging of nontrade and other receivables that are past due as of December 31, 2007 and December 31, 2006 but are not considered impaired.

	Total	Neither past due nor impaired	Past due but not impaired			
			Less than 30 days	30 to 60 days	61 to 90 days	Over 90 days
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
2006						
Nontrade	₱1,263,114	₱-	₱-	₱-	₱-	₱1,263,114
Officers and employees	179,200	-	74,960	10,795	16,589	76,856
	₱1,442,314	₱-	₱74,960	₱10,795	₱16,589	₱1,339,970

Movement of allowance for impairment losses in 2007 is as follows:

	Nontrade	Officers and employees	Total
Balances at beginning of year	₱455,534	₱-	₱455,534
Less write-off	34,074	-	34,074
Balances at end of year	₱421,460	₱-	₱421,460

There was no movement in the provision for impairment losses in 2006.



6. Inventories

	2007	2006
At net realizable value:		
Mill materials, hardware and other supplies - net	P22,797,569	P22,766,658
At cost:		
Machinery and automotive parts	17,210,604	17,407,351
Fuel, oil and lubricants	304,321	200,346
	17,514,925	17,607,697
	P40,312,494	P40,374,355

The allowance for inventory losses on mill materials, hardware, and other supplies amounted to P28,847,718 as of December 31, 2007 and 2006. Cost of mill materials, hardware and other supplies amounted to P51,645,287 and P51,614,376 as of December 31, 2007 and 2006, respectively.

7. Prepayments and Other Current Assets

	2007	2006
Miscellaneous deposits (see Note 13)	P32,153,400	P31,843,400
Input value added taxes (VAT)	12,009,714	6,636,453
Prepaid income tax	2,618,898	2,618,898
Others	3,568,579	2,079,494
	P50,350,591	P43,178,245

Miscellaneous deposits include the deposit of P30,000,000 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. Such agreement is with regard to exploration drilling programme involving the drilling of about 10 holes to probe the Kinto Limbo Project and possible extension of Entina 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, will be applied against the miscellaneous deposits.

8. AFS Investments

	2007	2006
Listed shares	P36,000,000	P-
Unlisted shares	7,875,000	7,875,000
	P43,875,000	P7,875,000

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

Listed shares consist of equity securities that are traded on the Philippine Stock Exchange. The fair values of the listed shares are based on their bid market price as of December 31, 2007.



Unlisted shares have been carried at cost since fair value of these AFS securities cannot be reliably determined as these securities have no available bid price.

The aggregate costs of these investments amounted to ₱27,740,000 and ₱7,500,000 as of December 31, 2007 and 2006, respectively. The fair values amounted to ₱43,875,000 and ₱7,875,000 as of December 31, 2007 and 2006, respectively.

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

	2007	2006
Balances at beginning of year	₱375,000	₱375,000
Unrealized valuation gain	15,760,000	-
Balances at end of year	₱16,135,000	₱375,000

In 2005, AFS investments with an aggregate cost of ₱7,500,000 and fair value of ₱7,875,000 were sold for ₱7,875,000. Accordingly, the ₱375,000 gain was transferred from the statement of changes in equity to the statement of income.

9. Property, Plant and Equipment

	2007					Total
	Mine and Mining Properties	Machinery and Equipment	Building and Improvements	Furniture, Office and Other Equipment	Land	
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	-	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



	2006					
	Mine and Mining Properties	Machinery and Equipment	Building and Improvements	Furniture, Office and Other Equipment	Land	Total
Cost:						
Balances at beginning of year	₱2,362,611,759	₱767,550,087	₱98,989,074	₱68,598,074	₱7,270,713	₱3,305,019,707
Additions	7,615,867	600,000	—	213,925	—	8,429,792
Balances at end of year	2,370,227,626	768,150,087	98,989,074	68,811,999	7,270,713	3,313,449,499
Accumulated depreciation, depletion and amortization:						
Balances at beginning of year	1,043,814,398	569,866,577	48,506,125	68,508,007	—	1,730,695,107
Depletion, depreciation and amortization during the year	21,509,924	16,510,027	5,100,036	18,701	—	43,138,688
Balances at end of year	1,065,324,322	586,376,604	53,606,161	68,526,708	—	1,773,833,795
Allowance for impairment losses:						
Balances at beginning of year	—	40,926,804	3,091,325	64,425	—	44,082,554
Additions	—	38,007,980	5,323,156	—	—	43,331,136
Reversal	—	(2,547,256)	—	—	—	(2,547,256)
Balances at end of year	—	76,387,528	8,414,481	64,425	—	84,866,434
Net book values	₱1,304,903,304	₱105,385,955	₱36,968,432	₱220,866	₱7,270,713	₱1,454,749,270

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 ₱19,806,399 and ₱47,396,582 in 2007 and 2006, respectively (₱59,294,978 in 2005).

In 2007, the Parent Company recognized an impairment loss of ₱58,406,009 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.

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.

In 2006, the Parent Company recognized an impairment loss amounting to ₱43,331,136, representing the net book value of assets which were identified as damaged and obsolete. Depreciation amounting to ₱9,580,539 and ₱13,665,146 were capitalized in 2007 and 2006, respectively, as part of mine and mining properties.



10. Other Noncurrent Assets

	2007	2006
Environmental fund	P5,154,836	P5,031,042
Advances to landowners	1,674,141	1,610,061
Other assets, net of accumulated amortization and impairment loss of P40,054,171 in 2007 and 2006	128,013	-
	P6,956,990	P6,641,103

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 P5,150,000. 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 P6,676,682 was recognized in 2006 for the remaining net book value of idle assets.

11. Trade and Other Payables

	2007	2006
Trade	P123,724,726	P205,792,235
Payable to related parties (Note 13)	46,260,834	46,305,860
Accrued payroll	4,575,820	3,727,010
Unclaimed dividends	573,097	573,097
Other liabilities	25,114,296	22,768,317
	P200,248,773	P279,166,519

Terms and conditions of the above financial liabilities:

- Trade 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.

During 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 Group 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. MBTC subsequently filed a Notice of Dismissal of the case which the Court granted.

In 2006, the full amount of the assigned borrowings was settled using a portion of the proceeds from the Parent Company's preemptive stock rights offering (see Note 20).

13. Related Party Transactions

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 on behalf of the Parent Company by LCMC. For these advances, total finance charges amounted to ₱24,233,053 in 2006 (₱20,750,321 in 2005; see Note 15). Interest rates for these advances range from 7.50% to 16.50% in 2006 (7.86% to 13.00% in 2005). In 2007, the Parent Company partially paid these advances to LCMC. For the remaining amount of ₱169,161,400, no interest was charged by LCMC to the Parent Company. The Parent Company reclassified the amount as a current liability as this amounts become due and demandable.
- Various drilling and hauling services rendered by its affiliates to the Parent Company.



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

	2007	2006
Miscellaneous deposits:		
Others (see Note 7)	P30,000,000	P30,000,000
Payables:		
LCMC	P169,161,400	P315,966,684
Others	46,260,834	46,305,860

Payable to LCMC is presented in the 2006 consolidated balance sheets as nontrade payables under noncurrent liabilities. As discussed above, in the 2007 consolidated balance sheet, the remaining payable to LCMC is reclassified under current liabilities. Payables to other related parties are presented under trade and other payables under current liabilities.

- Total compensation of the Group's key management personnel for the years ended December 31, 2007 and 2006 amounted to P800,800 and P42,000, respectively (P84,000 for the year ended December 31, 2005).

14. Administration and Overhead Costs

	2007	2006	2005 (As restated; Note 26)
Provision for impairment losses on property, plant and equipment (see Notes 9 and 10)	P58,406,009	P50,007,818	P45,046,615
Depletion, depreciation and amortization (see Notes 9 and 10)	10,225,860	25,886,659	37,785,055
Outside services	2,342,275	120,000	3,394,777
Salaries, allowances and other benefits	938,450	4,343,339	3,340,804
Retirement benefit cost (see Note 18)	483,585	480,400	432,025
Representation and entertainment	234,507	35,448	283,711
Transportation and travel	185,628	196,582	200,760
Repairs and maintenance	118,724	-	2,457,239
Supplies	40,694	530,330	283,420
Taxes and licenses	16,548	308,299	464,381
Amortization of tailings dam (see Note 9)	-	21,509,923	21,509,923
Provision for impairment losses on inventories	-	3,369,834	9,131,927
Other charges	1,809,937	1,855,961	9,448,053
	P74,802,217	P108,644,593	P133,778,690

15. Finance Costs

	2007	2006	2005
Finance charges (see Note 13)	P-	P24,233,053	P20,750,321
Foreign exchange loss	-	8,868	7,094
Others	-	-	4,913
	P-	P24,241,921	P20,762,328



16. Other Income

	2007	2006	2005
Foreign exchange gain	P14,167,478	P-	P-
Interest income (see Note 4)	1,177,478	1,337,748	6,919
Others (see Note 23)	322,560,350	700	-
	P337,905,306	P1,338,448	P6,919

Other income includes the US\$7,000,000 (P322,560,000) 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 Company with Anglo Investments BV, the US\$7,000,000 nonrefundable deposit was recognized as income in the books of the 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 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, 2007, 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 2007, 2006 and 2005.

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

	2007	2006	2005
Current service costs	P200,860	P200,860	P177,009
Interest costs	282,725	307,097	286,789
Actuarial gains recognized	-	(27,557)	(31,773)
	P483,585	P480,400	P432,025



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

	2007	2006
Present value of defined benefit obligation	P4,522,517	P4,038,932
Actuarial gains not recognized	122,656	122,656
	P4,645,173	P4,161,588

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

	2007	2006
Balances at beginning of year	P4,038,932	P3,070,969
Interest costs	282,725	307,097
Current service cost	200,860	200,860
Actuarial loss	-	460,006
Balances at end of year	P4,522,517	P4,038,932

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

	2007	2006
Balances at beginning of year	P4,161,588	P3,681,188
Expense recognized for the year	483,585	480,400
Balances at end of year	P4,645,173	P4,161,588

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

	2007	2006
Discount rate	7.00%	10.00%
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:

	2007	2006	2005
Defined benefit obligation	P4,522,517	P4,038,932	P3,070,969
Experience adjustments on plan liabilities	-	14,801	-



19. Income Taxes

The current provision for income tax represents minimum corporate income tax (MCIT) in 2007. The Group has no provision for income tax in 2006 and 2005 because of its gross and net tax loss positions.

Provision for (benefit from) income tax consists of:

	2007	2006	2005
Current	₱6,734,557	₱-	₱-
Deferred	(20,611,358)	(18,850,318)	(6,741,565)
	(₱13,876,801)	(₱18,850,318)	(₱6,741,565)

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:

	2007	2006	2005
Tax at statutory tax rate	₱92,086,081	(₱46,041,823)	(₱50,101,707)
Additions to (reductions in) income tax resulting from:			
Change in unrecognized deferred income tax assets	5,869,353	-	-
Application of NOLCO	(111,420,118)	-	10,096,412
Interest income subjected to final tax	(412,117)	(468,212)	(2,249)
Expired NOLCO	-	27,378,790	34,630,374
Nondeductible interest expense	-	280,927	869
Change in tax rates	-	-	(1,365,264)
	(₱13,876,801)	(₱18,850,318)	(₱6,741,565)

The components of the Parent Company's net deferred income tax liability as of December 31 are as follows:

	2007	2006
Deferred income tax assets:		
Allowance for:		
Impairment losses on property, plant and equipment	₱53,711,155	₱33,269,051
Losses on inventories	10,096,701	10,096,701
Impairment losses on receivables	159,438	159,438
Probable losses	150,500	150,500
Retirement benefit obligation	1,625,810	1,456,556
	65,743,604	45,132,246
Deferred income tax liability:		
Excess of allowable depletion over depletion per books	151,509,780	151,509,780
	₱85,766,176	₱106,377,534



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.

As of December 31, 2007 and 2006, the Parent Company has NOLCO that can be claimed as deduction from future taxable income as follows:

Year incurred	Year of Expiration	NOLCO	
		Amount	Tax Effect
2005	2008	₱106,554,996	₱37,294,249
2006	2009	78,225,113	23,467,534
		₱184,780,109	₱60,761,783

The following are the movements of the Company's NOLCO for the years ended December 31:

	2007	2006
Balances at beginning of year	₱318,343,195	₱463,808,635
Applications	(318,343,195)	-
Additions	-	78,225,113
Expirations	-	(223,690,553)
Balances at end of year	₱-	₱318,343,195

In 2006, no deferred income tax asset was recognized for the above NOLCO as it is not probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized.

Republic Act (RA) No. 9337 was enacted into law effective November 1, 2005 amending various provisions in the existing 1997 National Internal Revenue Code of the Philippines (NIRCP). Among the reforms introduced by the said RA are as follows:

- Increase in the corporate income tax rate from 32% to 35%, with a reduction thereof to 30% beginning January 1, 2009;
- Grant of authority to the Philippine President to increase the 10% VAT rate to 12%, effective January 1, 2006, subject to compliance with certain economic conditions;
- Revise the invoicing and reporting requirements for VAT;
- Expand the scope of transactions subject to VAT; and
- Provide the thresholds and limitation on the amount of VAT credits that can be claimed.

On January 31, 2006, the Bureau of Internal Revenue issued Revenue Memorandum Circular No. 7-2006 increasing the VAT rate from 10% to 12%, effective February 1, 2006.

RA No. 9361 was enacted into law effective December 13, 2006, amending Section 110B of the 1997 NIRCP and abolishing the limitation on the amount of VAT credits that can be claimed.



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.

	2007		2006	
	No. of shares	Amount	No. of shares	Amount
Issued and outstanding				
Class "A"	107,401,052,086	₱1,074,010,521	107,216,894,805	₱1,072,168,948
Class "B"	71,555,331,747	715,553,317	70,882,280,784	708,822,808
	178,956,383,833	1,789,563,838	178,099,175,589	1,780,991,756
Subscribed				
Class "A"	32,083,917	320,839	216,241,198	2,162,412
Class "B"	15,853,455	158,535	688,904,418	6,889,044
	47,937,372	479,374	905,145,616	9,051,456
Total Shares Issued and Subscribed	179,004,321,205	1,790,043,212	179,004,321,205	1,790,043,212
Less: Subscriptions Receivable		104,710		104,710
		₱1,789,938,502		₱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 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, 2007, 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, 2007, 2006 and 2005, the Parent Company has 4,305; 4,589; and 4,832 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

	2007	2006	2005
Net income (loss) as shown in the statements of income	P276,979,890	(P112,697,748)	(P147,417,534)
Weighted average common shares	179,004,321,205	133,721,949,540	119,336,214,137
Basic and diluted earnings (loss) per share	P0.00155	(P0.00084)	(P0.00124)

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

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 dully 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”.

- 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, 2007 and 2006.

24. Financial Risk Management Objectives and Policies

The Group’s principal financial instruments comprise of cash and cash equivalents 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, AFS investments, advances to landowners included under “Other noncurrent assets”, and trade and other payables 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 balance sheet.

	Notes	Gross Maximum Exposure December 31, 2007	Gross Maximum Exposure December 31, 2006
Cash	4		
In banks		₱119,351,593	₱10,718,184
Cash equivalents		—	110,000,000
Receivables	5		
Nontrade		271,838	1,263,114
Officers and employees		131,915	179,200
AFS investments	8		
Quoted equity securities		36,000,000	—
Unquoted equity securities		7,875,000	7,875,000
Total credit risk exposure		₱163,630,346	₱130,035,498



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

- Cash are assessed as high grade since these are deposited in reputable banks, which have a low probability of insolvency.
- Non-trade receivables, which pertains to advances that are due and demandable, were assessed as high-grade since these has high probability of collection as these will be collected through application of last billing.
- Quoted equity instrument was assessed as high-grade since the share prices were projected to move upward and it can be fully recovered.
- Unquoted equity instruments were assessed as high-grade, since these are from one of the reputable hotels in the country.

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

Foreign Exchange 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 foreign currency denominated monetary asset as of December 31, 2007 and 2006 amounted to US\$5,298 (₱218,686) and US\$2,220 (₱108,847), respectively.

As of December 31, 2007 and 2006, the exchange rates of the Philippine peso to the US Dollar are ₱41.28 and ₱49.03 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 months would be an increase (decrease) of ₱1 against the US\$. Sensitivity of the Group's 2007 consolidated pre-tax income and equity to foreign currency risks are as follows:

- A decrease of ₱5,298 and ₱3,444 in the consolidated pre-tax income and in the equity if the Peso strengthens; and
- An increase of ₱5,298 and ₱3,444 in the consolidated pre-tax income and in the equity if the Peso weakens.

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 securities. The Group's exposure to equity price risk relates primarily to its AFS investment in LCMC.

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.

Based on the historical movement of the stock exchange index, management's assessment of reasonable possible change was determined to be an increase (decrease) of 6.20%, resulting to a possible effect in the equity of ₱2,325,219 and (₱2,325,219).



Interest Rate Risk

In 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. In 2006 and prior years, the Group's exposure to market risk for changes in interest rates resulted from borrowings subject to floating interest rates.

The interest expense recognized from borrowings amounted to nil and P24,233,053 for the years ended December 31, 2007 and 2006, respectively (P20,750,321 for the year ended December 31, 2005).

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.

The table below summarizes the maturity profile of the Group's financial liabilities as of December 31, 2007 and 2006 based on contractual undiscounted payments.

	On demand	More than 1 year	Total
2007			
Trade and other payables	P200,248,773	P-	P200,248,773
Nontrade payables	169,161,400	-	169,161,400
	P369,410,173	P-	P369,410,173
2006			
Trade and other payables	P279,166,519	P-	P279,166,519
Nontrade payables	-	315,966,684	315,966,684
	P279,166,519	P315,966,684	P595,133,203

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 and Cash Equivalents, Receivables, Trade and Other Payables and Nontrade Payables

The carrying amounts of cash and cash equivalents, receivables, trade and other payables 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 listed shares is carried at fair market value based on quoted prices in the market. Unlisted shares are carried at cost, net of an impairment in value, since fair value of these AFS securities cannot be reliably determined as these securities have no available bid price.

Advances to Landowners

The fair value of advances to landowners was derived by using discounted cash flow. Risk free rates of 5.79% and 6.03% as of December 31, 2007 and 2006, respectively, were used for discounting the advances to landowners.

The carrying values and fair values of the Group's financial assets and liabilities as of December 31, 2007 and 2006 are as follows:

	2007		2006	
	Carrying Value	Fair value	Carrying Value	Fair value
Financial Assets				
Loans and receivables				
Cash and cash equivalents	₱119,505,020	₱119,505,020	₱120,850,302	₱120,850,302
Receivables	403,753	403,753	1,442,314	1,442,314
Advances to landowners included under "other noncurrent assets"	1,674,141	1,289,589	1,610,061	1,200,572
	121,582,914	121,198,362	123,902,677	123,493,188
AFS investments				
Quoted equity securities	36,000,000	36,000,000	-	-
Unquoted equity securities	7,875,000	7,875,000	7,875,000	7,875,000
	43,875,000	43,875,000	7,875,000	7,875,000
Total financial assets	₱165,457,914	₱165,073,362	₱131,777,677	₱131,068,188
Financial Liabilities				
Other financial liabilities				
Trade and other payables	₱200,248,773	₱200,248,773	₱279,166,519	₱279,166,519
Nontrade payables	169,161,400	169,161,400	315,966,684	315,966,684
Total financial liabilities	₱369,410,173	₱369,410,173	₱595,133,203	₱595,133,203

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, 2007 and 2006, the Group's capital which is composed of cash and cash equivalents amounted to ₱119,505,020 and ₱120,850,302, respectively, and common shares, amounted to ₱1,789,938,502 and ₱1,789,938,502, respectively.

The Group manages its capital structure and make 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, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended December 31, 2007 and 2006.



The Group monitors capital using the monthly cash position report and 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, 2007 and 2006, the Group has been able to maintain positive cash flows from operations amounting to ₱256,809,412 and from financing activities amounting to ₱481,207,028, respectively, as shown in the consolidated statements of cash flows.

26. Other Matters

As part of its preparation for the exploration drilling activities in 2007, the Company has initiated a review and evaluation of the mine site's fixed assets. Based on the review, the Company has determined that portions of its mine and mining properties were impaired and beyond repair. Management believes that these fixed assets should have been written-off. As a result, prior period financial statements were restated. The restatement resulted to an increase in deficit as of January 1, 2004 by ₱82,402,244. Property, plant and equipment account was also reduced by the same amount. Furthermore, net loss in, 2005 is reduced by ₱6,999,546 relating to the reversal of the recognized depreciation expense for the written-off property, plant and equipment.



Schedule E

MANILA MINING CORPORATION
OTHER NONCURRENT ASSETS
DECEMBER 31, 2007

DESCRIPTION	Beginning balance	Deductions Charged to expenses	Ending balance
Environmental funds	5,031,042	123,794	5,154,836
Others	1,610,061	89,980	1,700,041
	6,641,102	213,774	6,854,876

MANILA MINING CORPORATION
CAPITAL STOCK
DECEMBER 31, 2007

Title of issue	No. of shares authorized	Total number of shares subscribed, issued and outstanding as shown under related balance sheet caption	Amount	Number of shares held by affiliates	Number of shares reserved for option warrants, conversions and other rights	
					Directors, officers and employees	Others
Common Stock						
Class "A"	108,000,000,000	107,433,136,003	1,074,331,360	19,847,452,289	None	None
Class "B"	72,000,000,000	71,571,185,202	715,711,852	15,977,653,010	None	None
Total shares subscribed, issued and outstanding		179,004,321,205	1,790,043,212	35,825,105,299		
Less: Subscriptions receivable			104,710			
			1,789,938,502			

MANILA MINING CORPORATION
CAPITAL STOCK
DECEMBER 31, 2007

The Company's authorized capital stock is 180 billion shares at par value of 0.01 per share divided into 108 billion Class "A" shares and 72 billion Class "B" shares. As of December 31, 2007, total shares issued and outstanding is 178,956,383,833.

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

Year of Approval	Authorized Capital Stock			Issue Price
	Common "A" shares	Common "B" shares	Total	
As of 1989	9,000,000,000	6,000,000,000	15,000,000,000	0.01
1990	21,000,000,000	14,000,000,000	35,000,000,000	0.01
1994	42,000,000,000	28,000,000,000	70,000,000,000	0.01
2006	108,000,000,000	72,000,000,000	180,000,000,000	0.01