COVER SHEET

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S.E.C. Registration Number

LEPANTO CONSOLIDATED MINING CO

(Company's Full Name)

21ST FLOOR LEPANTO BUILDING
PASEO DE ROXAS MAKATI CITY

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

ODETTE A. JAVIER
Contact Person

815-9447
Company Telephone Number

12 31
Month Day
Fiscal Year

D E F S T
SEC 1S 20
FORM TYPE

3rd Monday of April
Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

23,820
Total no. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = please use **black ink** for scanning purposes

LEPANTO CONSOLIDATED MINING CO.

BA-Lepanto Building, 8747 Paseo de Roxas, 1226 City of Makati, Philippines

NOTICE OF REGULAR ANNUAL MEETING

TO ALL STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the regular annual meeting of the stockholders of Lepanto Consolidated Mining Company will be held at the Rigodon Ballroom, The Peninsula Manila, corner Ayala and Makati Avenues, Makati City, Philippines, on ***Monday, April 18, 2011 at 4:00 o'clock p.m.*** The agenda for this meeting is as follows:

1. Call to Order
2. Proof of due notice of the meeting and determination of quorum
3. Approval of the Minutes of the Annual Meeting held on April 19, 2010
4. Approval of the Annual Report
5. Election of Directors
6. Appointment of External Auditor
7. Transaction of such other and further business as may properly come before the meeting.

Proxies must be filed with and received at the Company's offices not later than by the close of business hours on April 11, 2011. Proxies received after the cut-off date shall not be recorded for this meeting.

Only holders of issued stocks of record as at the close of business hours on March 7, 2011 and whose status as stockholders on that date has been satisfactorily established per the corporate records to the Secretary of the Company will be entitled to notice of, and to vote at, said meeting. The stock and transfer book of the Company will be closed from March 7, 2011 to the close of business hours on April 18, 2011.

Makati City, Philippines, March 22, 2011.

BY ORDER OF FELIPE U. YAP, CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER:

ETHELWOLDO E. FERNANDEZ
Corporate Secretary

Surface Mail: P.O. Box 1460, Makati Central Post Office 1254, City of Makati, Philippines
Air Mail: P.O. Box 7507, Domestic Airport Post Office, 1300 Domestic Road, Pasay City, Philippines
Telephone No. 815-9447: Fax Nos. 63 (2) 810-5583 / 63 (2) 812-0451; E-Mail - lepanto@i-next.net

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box :

   ______ Preliminary Information Statement

   __X___ Definitive Information Statement

2. Name of Registrant as specified in its charter : **LEPANTO CONSOLIDATED MINING COMPANY**

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

4. SEC Identification Number : 101

5. BIR Tax Identification Code : 320-000-160-247

6. Address of principal office : 21st Floor, Lepanto Building
   8747 Paseo de Roxas
   1229 Makati City, Philippines

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

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

   April 18, 2011; 4:00 o'clock p.m.; Rigodon Ballroom, The Peninsula Manila, corner Ayala and Makati Avenues, Makati City, Philippines

9. Approximate date on which the Information Statement is first to be sent or given to security holders : March 25, 2011

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

Title of Each Class	Number of Shares of Common Stock Outstanding
Class "A"	25,934,903,694
Class "B"	17,289,912,518

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

    Yes___X__ No _______

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

    Philippine Stock Exchange Classes "A" & "B"

GENERAL INFORMATION

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

Date, time and place of meeting of security holders

The Annual Meeting of Stockholders of Lepanto Consolidated Mining Company will be held at the Rigodon Ballroom, The Peninsula Manila, corner Ayala and Makati Avenues, Makati City, Philippines, on Monday, April 18, 2011 at 4:00 P.M. The complete mailing address of the offices of the Company is 21st Floor, Lepanto Building, 8747 Paseo de Roxas, Makati City, Philippines. The Information Statement will be sent to the shareholders beginning 25 March 2011.

Dissenters' Right of Appraisal

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

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

There is no matter in the Agenda that may trigger the exercise of shareholders of the right of appraisal.

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

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

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

Of the 43,224,816,212 outstanding shares of the Company, 43,095,100,023 shares as of March 7, 2011, are entitled to one (1) vote each. Said outstanding shares, all of which are common shares, are broken down as follows:

Class "A"	-	25,854,196,080
Class "B"	-	17,240,903,943

A stockholder entitled to vote at the meeting shall have the right to vote in person or by proxy the number of shares of stock held in his name on the stock books of the Company as of March 7, 2011 and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit.

Under the Corporation's Articles of Incorporation, stockholders generally have the preemptive right to subscribe to any increase in the Company's authorized capital stock, in proportion to their respective holdings. This tends to delay or prevent a change in the control of the Company.

Security Ownership of Certain Record and Beneficial Owners

Owners of more than 5% of the Company's securities, as of February 28, 2011, were as follows:

Title of Class	*Name/Address of Record Owner	Name of Beneficial Owner/ Relationship to Issuer	Citizenship	A / B Shareholdings	%	Total Shareholdings	%
A & B	*F. Yap Securities, Inc. *U-2301 & 2302, 23/F, PSE Centre, Exchange Rd., Ortigas Center, Pasig City*	F. Yap Securities, Inc./ Principal Stockholder	Filipino	2,625,796,677 2,163,087,049	13.38 16.03	4,788,883,726	14.64
A	** First Metro Investment Corp. *Makati City*	First Metro Investment Corp./ Principal Stockholder	Filipino	2,550,682,926	9.86	2,550,682,926	5.92

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 of Management (as of February 28, 2011)

Title of Class	Beneficial Owner (Directly Owned)	Position	Amount and Nature of Beneficial Ownership (A / B)	Citizenship	Percent of Classes (A / B)
A & B	Felipe U. Yap	Chairman of the Board	173,477,847 / 91,186,206	Filipino	0.667 / 0.527
A & B	Bryan U. Yap	Director / President	272,961,424 / 22,338,060	-do-	1.052 / 0.129
B	Augusto P. Palisoc, Jr.	Director	10,000	-do-	nil
A& B	Jose G. Cervantes	Director	2,618,608 / 1,745,739	-do-	0.010 / 0.010
A & B	***Ray C. Espinosa	Director	1,000,000 / 500,000	-do-	nil
A & B	Ethelwoldo E. Fernandez	Director/Corp. Sec.	5,667,465 / 3,581,061	-do-	0.022 / 0.021
A & B	Ricardo V. Puno, Jr.	Director	3,169,691 / 2,105,627	-do-	0.012 / 0.012
A & B	***Wilfrido C. Tecson	Director	6,773,747 / 15,108,311	-do-	0.026 / 0.087
A & B	Cresencio C. Yap	Director	7,148,049 / 14,381	-do-	0.028 / 0.083
A	Ramon T. Diokno	Chief Finance Officer	260,826	-do-	nil
A & B	Augusto C. Villaluna	Sr. Vice President	6,639,225 / 4,392,814	-do-	0.026 / 0.025
A & B	Ma. Lourdes B. Tuason	Vice Pres./Treasurer	13,302,134 / 9,329,982	-do-	0.051 /0.054
A & B	Magellan A. Bagayao	Vice Pres./Res. Mgr.	3,574,025 / 2,382,685	-do-	0.014 / 0.014
A & B	Odette A. Javier	Vice Pres./Asst Corp Sec	5,267,791 / 2,708,527	-do-	0.020 / 0.016
A & B	Rene F. Chanyungco	Vice President	6,102,336 / 6,261,557	-do-	0.023 / 0.036
A & B	Abigail Y. Tan	Vice President	3,033,765 / 4,765,367	-do-	0.023 / 0.028
A & B	Pablo T. Ayson, Jr.	Vice President	7,100,126 / 4,733,418	-do-	0.027 / 0.027
A & B	Cherry H. Tan	Asst. Vice President	8,767,533 / 5,578,352	-do-	0.034 / 0.032
A & B	Ruben D. Quiwa	Asst. Vice President	8,989,608 / 5,859,738	-do-	0.35 / 0.034
	Aggregate as a group		*535,844,200 / 196,969,192*		*2.07 /1.14*

* - Power to dispose of shares is vested in: F. Yap Securities - Pacita K. Yap; Voting rights/proxies for F. Yap Securities have been granted to Mr. Felipe U. Yap.

** - Power to dispose of shares is vested in their respective Board of Directors; Voting rights/proxies have been granted to: Ricardo V. Puno, Jr. and Augsuto P. Palisoc, Jr.

*** - Independent Directors

There is no arrangement which may result in a change in the control of the Company and there has been no such change since January 2010.

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 petition. Neither has any director or officer 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 bodies to have violated a Securities or Commodities law.

There is a pending material legal proceeding involving the Company, to wit:

Lepanto vs. NM Rothschild & Sons (Australia) Ltd. (Civil Case No. 05-782)

The Company initiated a case for the declaration of nullity of certain hedging contracts with Rothschild on the ground that they are considered as wagering transactions under Philippine law. The case is now pending with the Regional Trial Court ("RTC") of Makati City. Also pending with the Supreme Court is a petition filed by Rothschild (G.R. No. 175799) questioning the RTC's denial of its Motion to Dismiss which denial had been affirmed by the Court of Appeals.

Directors and Executive Officers

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

Directors	Age	Citizenship	Period Served
FELIPE U. YAP	73	Filipino	Since 1975
BRYAN U. YAP	38	-do-	Since 1997
JOSE G. CERVANTES	76	-do-	Since 2006
AUGUSTO P. PALISOC, JR.	53	-do-	Since 2010
ETHELWOLDO E. FERNANDEZ	83	-do-	Since 2007
RAY C. ESPINOSA (Independent)	53	-do-	Since 2005
WILFRIDO C. TECSON (independent)	88	-do-	Since 1988
RICARDO V. PUNO, JR.	64	-do-	Since 2005
CRESENCIO C. YAP	65	-do-	2000-2004; 2006 to present

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

	Age	Citizenship
FELIPE U. YAP	73	Filipino
BRYAN U. YAP	38	-do-
CRESENCIO C. YAP	65	-do-
RICARDO V. PUNO, JR.	64	-do-
AUGUSTO P. PALISOC, JR.	53	-do-
JOSE G. CERVANTES	76	-do-
ETHELWOLDO E. FERNANDEZ	82	-do-
For Independent Directors:		
RAY C. ESPINOSA	53	Filipino - nominated by Mr. David Go with whom he has no relations
VAL ANTONIO B. SUAREZ	52	Filipino- nominated by Mr. Stilwell Sy with whom he has no relations

Business Experience in the Last Five (5) Years

Mr. Felipe U. Yap became the Chairman of the Company in 1988. 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. Zeus Holdings, Inc. and FLT Prime Insurance Corporation and a Director of, among others, Manila Peninsula Hotel, Inc., Cyber Bay Corporation and Philippine Associated Smelting and Refining Corp. (PASAR). Mr. Yap was the Chairman of the Board of the Philippine Stock Exchange from March 2000 to March 2002.

Mr. Bryan U. Yap has been the Company's President since 2003. He has been a Director of Manila Mining Corporation and of Far Southeast Gold Resources, Inc. since 1994. In February 2011, he was elected President of Manila Mining Corporation. He is also the President of Lepanto Investment and Development Corporation, Shipside, Inc. and Diamant Boart Philippines, Inc.

Atty. Jose G. Cervantes was the Senior Vice President of the Philippine Stock Exchange from March 2000 to November 30, 2005. He has been a director of Manila Mining Corporation since 2006 and of Zeus Holdings, Inc. since 2008.

Mr. Augusto P. Palisoc, Jr., has been the Executive Director of Metro Pacific Investments Corporation (MPIC) since 2002. He is also the Head of the MPIC Hospital Group.

Atty. Ray C. Espinosa is the President and Chief Executive Officer of Mediaquest Holdings, Inc., ABC Development Corporation (TV5), Mediascape, Inc. (Cignal TV), Nation Broadcasting Corporation, and other subsidiaries of Mediaquest Holdings, Inc. He is also a member of the Board of Trustees of the PLDT Beneficial Trust Fund. He is also a director of Philippine Long Distance Telephone Company, Manila Electric Company and Metro Pacific Investments Corporation, and the Vice Chairman of Philweb Corporation. He also serves as General Counsel of Manila Electric Company and Head of Regulatory Affairs and Policy of Philippine Long Distance Telephone Company.

Atty. Ethelwoldo E. Fernandez rejoined the Company as Corporate Secretary in 2001, the same year he was reappointed Corporate Secretary and elected director of Manila Mining Corporation. 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. Atty. Fernandez is the Senior Vice President- Legal and Corporate Secretary of Oriental Petroleum & Mineral Resources Corporation.

Atty. Ricardo V. Puno, Jr. is a Senior Partner of Puno & Puno Law Offices. He is currently a member of the Advisory Board of Metropolitan Bank and Trust Company.

Mr. Cresencio C. Yap is the Chairman of the Rural Bank of Tagum (Davao del Norte) and General Manager of the Felcris Supermarket and Central Warehouse Club in Davao City, positions he has been holding for over five years already.

Atty. Val Antonio B. Suarez is the Managing Partner of Suarez and Reyes Law Offices. He was the President and Chief Executive Officer of the Philippine Stock Exchange (PSE) and the Securities Clearing Corporation of the Philippines in 2010. Prior to his appointment as President, he was the Senior Vice President and Chief Operating Officer of the PSE. Atty. Suarez was formerly Chief Representative of HSBC Investment Bank Asia Limited-Philippine Representative Office and Senior Associate of SyCip Salazar Hernandez & Gatmaitan Law Offices. He is a Director of Tayabas Resources Ventures Corporation, Southeast Cable TV Corp. and Gendrugs, Inc. He is also the Corporate Secretary of JVS Worldwide (The Body Shop), MFG Manille (Girbaud Stores), Northpine Land, Asian Vision Cable Holdings Group and GCS Agents Asia Pacific. Atty. Suarez holds a Bachelor of Arts degree in Economics from the University of the Philippines, a Bachelor of Laws degree from the Ateneo de Manila University Law School, and a Master of Law degree from Georgetown University Law School. He is a member of the Philippine and New York Bars.

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

Nomination of Independent Directors

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

1. Not a director or officer or substantial stockholder of the corporation or of its related companies or any of its substantial shareholders (other than as an independent director of any of the foregoing);

2. Not a relative of any director, officer or substantial shareholder of the corporation, any of its related companies or any its substantial shareholders. For this purpose, relative included spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;

3. Not acting as a nominee or representative of a substantial shareholder of the corporation, any of its related companies or any of its substantial shareholders;

4. Not been employed in any executive capacity by that public company, any of its related companies or any of its substantial shareholders within the last five (5) years;

5. Not retained as professional adviser by that public company, any of its related companies or any of its substantial shareholders within the last five (5) years, either personally or through his firm;

6. Not engaged and does not engage in any transaction with the corporation, or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial or insignificant.

The Nomination Committee of the Board of Directors is composed of: Atty. Ray C. Espinosa, Chairman; and Mr. Bryan U. Yap and Mr. Wilfrido C. Tecson, members. In pre-screening the qualifications of the nominees, the Nomination Committee considered nomination letters for independent directors submitted on or before March 10, 2011 by shareholders of record. With due regard to the qualifications and disqualifications set forth in the Company's Manual for Corporate Governance, the Securities Regulation Code and its Implementing Rules and the criteria prescribed in SRC Rule 38, the Nomination Committee has determined that Atty. Ray C. Espinosa and Atty. Val Antonio B. Suarez are qualified to sit in the Board as independent directors.

Executive Officers

FELIPE U. YAP	-	Chairman of the Board and CEO
BRYAN U. YAP	-	President and COO
RAMON T. DIOKNO	-	Chief Finance Officer
ETHELWOLDO E. FERNANDEZ	-	Corporate Secretary
AUGUSTO C. VILLALUNA	-	Sr. Vice President
RENE F. CHANYUNGCO	-	Vice President-Logistics & Marketing
MA. LOURDES B. TUASON	-	Vice President/Treasurer
ABIGAIL K. YAP	-	Vice President for Technology & Planning
ODETTE A. JAVIER	-	Vice President/Asst. Corporate Secretary
PABLO T. AYSON, JR.	-	Vice President-Mining Claims
MAGELLAN G. BAGAYAO	-	Vice President/Resident Manager
CHERRY H. TAN	-	Asst. Vice President
RUBEN D. QUIWA	-	Asst. Vice President-Metallurgy

Business Experience of Executive Officers

Mr. Ramon T. Diokno rejoined the Company as CFO effective April 1, 2008. He held that same position from 1985 to 1996. Mr. Diokno is a member of the Board of Directors of Alcantara Consolidated Resources, Inc.

Engr. Augusto C. Villaluna, a licensed mining engineer and a Competent Person under the Philippine Mineral Reporting Code, served the Company as Resident Manager- Lepanto Mine Division from 1994 to 2000. He rejoined the

Company in May 2003. He has been a director of Manila Mining Corporation since 2004 and of Zeus Holdings, Inc. since 2008. Engr. Villaluna is a member of the Board of Mining Engineering of the Professional Regulation Commission.

Mr. Rene F. Chanyungco is also the Senior Vice President-Treasurer of Manila Mining Corporation and Vice President of Lepanto Investment and Development Corporation. He is a director of Far Southeast Gold Resources, Inc. and of Kalayaan Copper Gold Resources, Inc.

Ms. Ma. Lourdes B. Tuason is also the Assistant Treasurer of Manila Mining Corporation and Far Southeast Gold Resources, Inc. and Treasurer of the Philippine Fire and Marine Insurance Corporation, Shipside, Inc., Diamond Drilling Corporation of the Philippines and Lepanto Investment and Development Corporation. She is a Vice President of Diamant Boart Philippines, Inc.

Ms. Abigail K. Yap, Vice President for Technology and Planning, is also the Chief Executive Officer of Yapster e-Conglomerate, Inc.

Atty. Odette A. Javier has been the Company's Assistant Corporate Secretary since 1993. She was promoted to Vice President-Assistant Corporate Secretary on February 20, 2006. She is also the Assistant Corporate Secretary of Manila Mining Corporation and Far Southeast Gold Resources, Inc. and is a Director of Lepanto Investment and Development Corporation.

Atty. Pablo T. Ayson, Jr. was appointed Vice President in December 2006. He is also a vice president of Manila Mining Corporation.

Engr. Magellan G. Bagayao had a long stint with Benguet Corporation where his last position was Mine Manager. He has extensive experience in cut-and-fill operations. He joined Lepanto in 1998 as Mine Manager and left in 200_ to work for a mining company in Papua, New Guinea and subsequently for TVI in Zamboanga. He rejoined Lepanto as a Vice President in November 2007.

Ms. Cherry H. Tan joined the Company as Purchasing Manager in 1998. She was promoted to Assistant Vice President in 2004.

Engr. Ruben D. Quiwa worked with Philex for over 20 years before joining Lepanto as Mill Manager-LMD in 1993. He was promoted to Asst. Resident Manager in 2000 but left in 2002 to join a mining company based in Vietnam. He returned to Lepanto as Assistant Vice President-Metallurgy in November 2007.

Significant Employees

There are no significant employees expected to contribute significantly to the business other than the executive officers.

Family Relationships

Mr. Bryan U. Yap, Director and President, is the son of the Chairman and Chief Executive Officer, Mr. Felipe U. Yap. Mr. Cresencio C. Yap is a brother of the Chairman while Ms. Abigail Y. Ang is his niece.

Related Party Transactions

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and their key management personnel, directors, or its stockholders.

a. In the normal course of business, the Group grants and receives advances to and from its associates and stockholders, which are considered related parties.

The corresponding receivables and payables arising from the said transactions, including operational support, as at December 31, 2010 and 2009 are as follows:

	2010	2009
Due from MMC (see Note 10)	**₱1,181**	₱129,828
Advances from stockholders (see Note 12)	**₱770,402**	₱281,111

Due from MMC and advances from stockholders are presented in the consolidated statement of financial position under the "Investments in and advances to associates" and "Trade and other payables" captions, respectively. No interest is charged on the amounts due from MMC as these advances are considered and will be treated as part of the parent company's investment in MMC.

b. On April 17, 2000, the parent company entered into a Trust Agreement with LIDC for the latter to serve as a second trustee for the parent company's retirement fund.

On March 31, 2003, the parent company entered into a separate Trust Agreement with LIDC whereby the latter ceased to be the second trustee of the LCMC Employee Pension Plans (the Plans) and instead to become the principal trustee. Prior to the Trust Agreement, the actual disbursements of the fund for the Plans, or payments to the retiree or beneficiaries had been the responsibility of a local bank as the principal trustee. The parent company has decided to terminate the services of the local bank and consolidated to LIDC the administration of the Plans.

c. Compensations of the Group's key management personnel amounted to ₱30,800 in 2010 and the same amount in 2009 and 2008.

Summary Compensation Table

	2009 Total (All Cash)	**Basic Salary**	**Bonus (13th month in the case of executive officers)**	**Others**
Felipe U. Yap, Chairman) Bryan U. Yap, President) Ramon T. Diokno, CFO) Augusto C. Villaluna, SVP) Ma. Lourdes B. Tuason, Vice Pres./Treasurer)	P23.4 million	P21.3 million	P2.1 million	-0-
All officers and directors	P30.8 million	P27.2 million	P3.6 million	-0-
	2010(Total)			
Felipe U. Yap, Chairman) Bryan U. Yap, President) Ramon T. Diokno, CFO) Augusto C. Villaluna, SVP) Ma. Lourdes B. Tuason, Vice Pres./Treasurer)	P23.4 million	P21.3 million	P2.1 million	-0-
All officers and directors	P30.8 million	P27.2 million	P3.6 million	-0-
	2011 (Estimate)			
Executive officers listed above	P23.4 million	P21.3 million	P2.1 million	-0-
All officers and directors	P30.8 million	P27.2 million	P2.1 million	-0-

Compensation of Directors/Committee Members

Directors are paid a per diem of P1,000.00 each for attendance of every regular or special meeting in accordance with the Corporation's By-Laws. For Committee meetings attended, non-executive member-directors are paid a per diem of P5,000.00 to P10,000.00 each.

Contracts with Officers/ Employees

The Company has no contracts or special arrangements with any of its officers or employees with respect to the terms of employment.

Pension Plan

The Parent Company and DBPI have funded, noncontributory, defined benefit retirement plans covering substantially all regular employees while DDCP and Shipside, Inc. have unfunded benefit retirement plans. Benefits are dependent on the years of service and the respective employee's compensation. The defined retirement benefit obligation is determined using the projected unit credit method. There was no plan termination, curtailment or settlement for the years ended December 31, 2010, 2009 and 2008.

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

Under the share-based plan, the Company's officers and employees and those of its subsidiaries may be granted options to purchase shares of stock of the Company. The aggregate number of shares to be granted under the plan should not exceed five percent (5%) of the total number of shares of the Company's outstanding capital stock.

An individual may be granted an option to purchase not more than five percent (5%) of the total number of shares set aside at the date of the grant and may exercise the option up to a maximum of twenty percent (20%) of the total number of option shares granted per year. Options are valid for five (5) years and are exercisable from the date of the approval of the grant by the SEC.

On November 19, 2007, the Company's Board approved the grant of the 17th Stock Option Awards (Awards) to selected employees, directors and officers of the Company and Subsidiaries in accordance with the board-approved Revised Stock Option Plan ("RSOP"). The Awards cover a total of 420,000,000 common shares consisting of 252,000,000 class "A" and 168,000,000 class "B" shares from the company's unissued capital stock, exercisable at the price of P0.32 per share, within 5 years from the date of SEC approval of the same. The option price of P0.32 per share was computed based on a new formula in the RSOP, that is, "the amount equivalent to 80% of the average closing price of the stock for the ten (10) trading days immediately preceding the date of the approval of the Grant by the Company's Board. The SEC approved the Awards and the Revised Stock Option Plan on February 1, 2008; the pertinent listing application was approved by the PSE on February 29, 2008.

By virtue of the 1:7 stock rights offering at the price of P0.25 per share approved by the Board on February 18, 2008 and by the PSE on February 29, 2008, the shares covered by the Awards increased by 36,000,000 common "A" shares and 24,000,000 common "B" shares. The average option price was accordingly adjusted to P0.3112 per share.

By virtue of the 1:3.3 stock rights offering at P0.30 per share approved by the BOD on October 18, 2010, the number of shares covered by the Awards, specifically those for the fourth and fifth years of the option, increased by 33,409,662 common "A" and 22,273,108 common "B" shares. The PSE approved the pertinent listing application on February 9, 2011. Accordingly, the average option price was adjusted to P0.3086 per share.

From February 2008 to September 30, 2010, a total of 164,171,510 "A" shares and 109,447,315 "B" shares have been exercised by the optionees. In February 2011, a total of 71,607,324 "A" shares and 47,738,207 "B" shares were exercised, including the additional shares in connection with the 1:3.3 strock rights offering. Outstanding options, after the cancellation of forfeited shares, total 71,711,364 "A" and 47,807,585 "B" shares or a total of 119,518,949 shares.

Independent Public Accountant

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

Representatives of SGV will be present at the Annual Meeting on April 18, 2011 to give statements in response to queries on issues they can shed light on.

SGV is being recommended for re-appointment as external auditor of the Company.

Audit and Audit Related Fees

For the audit of the financial statements for the year 2009, SGV & Co. billed the Company the sum of P1,575,000, the same amount agreed for the audit of the 2010 financial statements. No other services, for tax or otherwise, were 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. The Audit Committee is composed of: Atty. Ray C. Espinosa, Committee Chairman and an independent director; Mr. Wilfrido C. Tecson, member and an independent director; and Atty. Jose G. Cervantes, member.

FINANCIAL AND OTHER INFORMATION

Action with Respect to Reports

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

1. Minutes of the Regular Stockholders' Meeting held on April 19, 2010; The Minutes reflect the following: a) election of members of the Board for 2010-2011; and b) approval of the annual report;
2. 2010 Annual Report with Audited Financial Statements.

Voting Procedures

The foregoing matters will require the affirmative vote of a majority of the shares of the Company present or represented and entitled to vote at the Annual Meeting. Likewise, directors shall be elected upon the majority vote of the shares present or represented and entitled to vote at the Annual Meeting. Voting shall be by *viva voce* unless voting by ballots is decided upon during the meeting, in which case the votes will be counted by our external auditors.

Incorporated herein are the following:

1. General Nature and Scope of Business of Lepanto and Subsidiaries;
2. Plan of Operation for 2011;
3. Management's Discussion and Analysis of Financial Condition and Results of Operations for 2010, 2009 & 2008;
4. Quarterly Market Prices of Securities from 2009 to 2010;
5. Audited Financial Statements for 2010 with Management's Responsibility for Financial Statements.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on March 22, 2011.

LEPANTO CONSOLIDATED MINING COMPANY
(Issuer)

For and in behalf of the Board of Directors:

ODETTE A. JAVIER
Vice President and
Asst. Corporate Secretary

ANNUAL REPORT TO SECURITY HOLDERS

General Nature and Scope of Business

Lepanto Consolidated Mining Company is a Filipino primary gold producer. Lepanto has been a proud corporate resident of Mankayan, Benguet for 74 years since 1936.

From 1948 to 1996, Lepanto's Enargite operations produced 1.58 billion pounds of copper, 2.9 million oz of gold and 12.0 million oz of silver, recovered from 34.4 Mt of ore averaging 2.2% Cu and 3.5 g/t Au.

Lepanto continues to produce gold from its Victoria and Teresa operations, both located in Mankayan, Benguet. Lepanto resumed copper operations in 2008, which it suspended in the fourth quarter of that year due to the sharp decline in copper prices.

The Victoria Project has produced over 1,200,000 ounces gold from 1997 to 2010.

Lepanto has three wholly-owned subsidiaries, to wit:

SHIPSIDE, INC., based in San Fernando, La Union, is engaged principally in the hauling business. It also has a sawmill in La Union.

DIAMOND DRILLING CORPORATION OF THE PHILIPPINES is in the diamond drilling business. It has drilling contracts all over the country and services mostly mining companies.

LEPANTO INVESTMENT AND DEVELOPMENT CORPORATION (LIDC) is in the insurance business. It owns 30% of Philippine Fire and Marine Insurance Corporation.

Lepanto, through LIDC, owns 80% of DIAMANT BOART PHILIPPINES, INC., a manufacturer of industrial diamond tools for mining exploration, marble cutting and the construction industry.

Lepanto owns 60% of FAR SOUTHEAST GOLD RESOURCES, INC., another mining company with resources in Mankayan, Benguet.

Plan of Operation for 2011

The Company will embark on an aggressive development program of the upper levels of the Victoria where production for the year will be concentrated. Internal ramps and stope developments of over 16 kilometers will be prepared to fully delineate the production panels way ahead of extraction thereby making mining operations more efficient. Capital expenditure budget for the year amounts to P700 million, including mine development, to be funded out of the proceeds of the recent 1:3.3 stock rights offering and from operating revenues. From the same stock rights offering proceeds, the company is settling a substantial part of its debts which will result in a reduction in interest expense.

Management's Discussion and Analysis of Financial Condition and Results of Operations for 2010, 2009 & 2008

2010

Consolidated revenues for 2010 amounted to P1.41 billion, compared with P1.46 billion in 2009. Net Loss amounted to P21.3 million compared with P371.8 million the previous year. Loss from mining operations totaled P12.7 million as explained below.

MINING OPERATIONS

Revenues from sale of metals totaled P1.33 billion, compared with the previous year's P1.42 billion. The drop in revenue was due to lower gold sales as a result of lower grade and low tonnage. Loss from operations amounted to P337 million compared with last year's loss of P221 million. The company's average gold selling price was US1236.87/oz compared with US963.62/oz last year. Silver price averaged US$20.71/oz vs. US14.47/oz in 2009.

Total tonnes milled reached 331,220 as against last year's 357,680 tonnes. Average gold grade was 2.37g/t versus 2.81g /t in 2009. Average silver grade was 12.62g/t in 2010 vs. 12.24g/t in 2009. Gold produced totaled 22,849 oz compared with 29,303 oz. in 2009. Silver production amounted to 40,627 oz compared with 45,518 oz the previous year.

Following is a summary of the financial results of mining operations:

	2010 Jan-Dec (Pesos M)	2009 Jan-Dec (Pesos M)	Difference %
Sale of Metals	1329.9	1416.4	-6
Cost and Expenses	-1649.4	-1576.2	-5
Cost of Copper Concentrate Sold	-17.4	-60.9	71
Income (Loss) from Operations	-336.9	-220.7	-153
Finance Costs (net)	-148.8	-173.2	14
Foreign Exchange Gain	39.8	36.7	8
Other Income	461.2	18.6	2380
Income (Loss) Before Income Tax	15.3	-338.6	105
Benefit From Income Tax	-27.9	-23.8	-17
Net Income (Loss)	-12.6	-362.4	103

Mining cost went up by P25 million due to increases in the costs of the following components: labor P4 million; power P13 million; and maintenance supplies P8 million. Milling cost increased by P5 million due largely to power. Overhead cost rose by P65 million due to: taxes and licenses, P9 million; lime consumption, P9 million; and retrenchment cost, P47 million. Depreciation cost decreased by P29 million as some equipment had become fully depreciated the previous year; depletion also dropped by P33 million due to lower tonnage. Administration costs increased by P46 million due to higher bank charges, repair and maintenance of the company airplane, and insurance cost.

The company sold the balance of its copper concentrate inventory, thus the lower inventory cost, P17 million compared with P61 million the preceding year.

Interest cost was lower at P149 million versus P173 million in 2009 on account of repayments. Revaluation of US$-denominated loans as a result of the appreciation of the Peso against the US$ from P46.20/US$ at the start of the year to P43.84/US$ at year-end resulted in a foreign exchange gain of P3 million. Other income increased to P459 million principally on account of the option fee of $10 million received from Gold Fields Switzerland Holding AG ("Gold Fields") in relation to the Far Southeast Project. After Other Income and share in the net losses of the subsidiaries and associates, net loss for the year totaled to P21.3 million.

Following are comparative production statistics for 2010 and 2009:

	Jan-Dec	Jan-Dec	%
Tonnes Milled	331,220	357,680	-7
Milled Head, g/t Au	2.37	2.81	-16
Milled Head, g/t Ag	12.62	12.24	3
Recovery, % Au	89.88	90.37	-1
Recovery, % Ag	29.99	32.37	-7
Production, oz Au	22,849	29,303	-22
Production, oz Ag	40,627	45,518	-11

BALANCE SHEET MOVEMENTS

Cash on hand and in banks increased to P27.0 million on account of the option fee received from Gold Fields. Receivables went up from P152.7 million to P203.3 million composed mainly of higher non-trade and other receivables.

Investments in and Advances to Associates decreased from P363.4 million to P293.8 million due to settlement of advances by the associate. Mine Exploration Costs increased by P84.5 million due to drillings made in the last quarter of the year. Deferred Income Tax Assets fell to P78.9 million from P89.9 million on account of movements in Pension costs and Unrealized foreign exchange gains and losses. Other Non-current assets increased by P11.6 million due to deferred charges.

Trade Payables and Accrued Expenses rose to P2,671.8 million from P2,354.9 million as amounts Due to Related Parties, Accrued utilities and Accrued expenses and other liabilities increased. Current portion of long- term borrowings went down by P82.5 million due to repayments. Income Tax payable of P6.4 million was incurred due to mainly to the Minimum Corporate Income Tax on Other Income.

Retirement benefit obligation went up by P25.0 million due to additional provisions for the year despite additional contributions made during the year.

CAPITAL EXPENDITURES

Total capital expenditures for the year reached P464.4 million as follows: mine development and special projects, P242.5 million; exploration cost, P48.0 million; Tailing Dam maintenance, P23.8 million; Mine machinery and equipment, P150.1 million.

SUBSIDIARIES

The key performance indicator used for the subsidiaries is Net Income.

Lepanto Investment and Development Corp reported a net loss of P630.6 thousand compared with last year's loss of P792.9 thousand. Shipside Incorporated recorded a net income of P197.0 thousand against last year's loss of P6.6 million. Likewise, Diamond Drilling Corporation of the Philippines (DDCP) reported a loss of P2.9 million versus last year's net income of P12.1 million.

CONTINGENT OBLIGATIONS AND KNOWN TRENDS OR EVENTS

There were no material off-balance sheet transactions, arrangements or obligations, including contingent obligations with unconsolidated entities of other persons created during the period.

Gold prices are expected to remain high, even exceeding 2010 averages.

* - *KEY PERFORMANCE INDICATORS-LCMC* (**applicable also to 2009-2008**)

Tonnes Milled which indicate the amount of ore taken for processing, Milled Head is the amount of gold per ton milled and Gold production which is the final product of the operations. Metal sales, Cost and Expenses and Net Income round up the review process on how the company is performing vis-à-vis the performance of the same period last year. Average Gold price for the period adds another parameter that needs watching notwithstanding that the company has no direct influence on its movement.

2009

Consolidated revenues for 2009 amounted to P1.46 billion, compared with P1.84 billion in 2008. Net Loss amounted to P371.86 million compared with 763.3 million the previous year.

MINING OPERATIONS

Revenues from sale of metals totaled P1.42 billion, compared with the previous year's P1.72 billion. The drop in revenue was due to lower gold copper concentrate sales, as copper operations were suspended in the last quarter of 2008. Loss from operations amounted to P218 million compared with last year's loss of P400 million despite the stringent cost-cutting measures employed by the Company. The company's average gold selling price was US963.62/oz compared with US866.98/oz last year. Silver price averaged US$14.47/oz vs. US15.15/oz in 2008.

Total tonnes milled reached 357,680 as against last year's 751,930 tonnes, which included copper ores. Average gold grade was 2.81g/t versus 1.79g g /t in 2008. Average silver grade was 12.24g/t in 2009 vs. 11.75g/t in 2008. Gold produced in 2009 totaled 29,303 oz compared with 37,716 oz. in 2008. Silver production amounted to 45,518 oz compared with 178,379 oz the previous year.

Following is a summary of the financial results of mining operations:

	2009 Jan-Dec (Pesos M)	2008 Jan-Dec (Pesos M)	Difference %
Sale of Metals and Other Income	1418.9	1719.5	-17
Cost and Expenses	-1576.2	-2197.7	28
Increase (Decrease) in Inventory	-60.9	78.3	-178
Income (Loss) from Operations	-218.2	-399.9	45
Finance Costs (net)	-136.5	-314.5	57
Gain on sale of Land	16.1	-	100
Income (Loss) Before Income Tax	-338.6	-714.4	53
Benefit From Income Tax	-23.8	-22.6	-5
Net Income (Loss)	-362.4	-737.0	51

As a result of the Cost Reduction Program, Mining cost went down by P96 million as follows: labor P24 million; power P7 million; maintenance P22 million; and material usage P43 million. Milling cost decreased by P129 million as Labor cost dropped by P8 million; power P50 million; materials consumption P48 million; and maintenance P23 million. Smelting, refining and other charges were reduced by P152 million due primarily to the stoppage of copper concentrate production. Production tax went down by P7 million on account of lower revenue. Depreciation cost rose by P20 million due to the acquisition of new equipment; depletion however dropped by P180 million due to lower tonnage. Overhead cost was cut down to P68 million on account of lower labor, power and materials consumption. Administration costs were reduced by P5 million due to lower bank charges while impairment showed a reduction of P4 million.

The company sold the bulk of its copper concentrate inventory resulting in the booking of an additional cost of P61 million.

Interest cost was higher at P173 million versus P140 million in 2008 on account of the availment of export advances and suppliers' credits. The appreciation of the Peso against the US$ from P47.52/US$ at the start of the year to P46.20/US$ at year-end resulted in a reversal of a foreign exchange loss in 2008 of P175 million to a foreign exchange gain of P37 million as US$-denominated loans were revalued. A gain of P16.1 million was recorded from the sale of real properties in Cebu. Taking all these into account and the share in the net losses of the subsidiaries and associates of P9.5 million, net loss for the year totaled to P371.86 million.

Following are comparative production statistics for 2009 and 2008:

	2009 Jan-Dec	2008 Jan-Dec	Difference %
Tonnes Milled	357,680	751,930	-52
Milled Head, g/t Au	2.81	1.79	57
Milled Head, g/t Ag	12.24	11.75	4
Milled Head, (%) Cu	-	0.27	-100

Recovery, % Au	90.37	87.43	3
Recovery, % Ag	32.37	59.46	-46
Recovery, % Cu	-	71.45	-100
Production, oz Au	29,303	37,716	-22
Production, oz Ag	45,518	178,379	-74
Production, lbs Cu	-	3,544,175	-100

BALANCE SHEET MOVEMENTS

Cash and cash equivalents increased from P8.7 million at year-end to P16.0 million due to the remainder of the proceeds from the sale of properties. Receivables went up from P145.1 million to P152.8 million composed mainly of higher trade receivables. Inventories decreased from P581.8 million to P490.0 million on account of the sale of a portion of the Copper Concentrate (from P78.3 million to P17.4 million) and the consumption of parts and supplies worth P35.1 million. Other Current Assets also decreased due largely to the reduction in Advances to suppliers and others.

Available-for-Sale Financial Assets went up by P45.2 million due mainly to the increase in the market value of shares of stock held by the Company. Deferred Income Tax Assets went down to P89.9 million from P102.8 million on account of movements in Pension costs and Unrealized foreign exchange gains and losses. Other Non-current assets decreased by P9.9 million due to deferred charges.

Due to the Company's losses, Trade Payables and Accrued Expenses rose to P2,354.9 million from P2,135.7 million as Amounts Due to Related Parties, Trust Receipts and Employee- related payables increased. Current portion of long- term borrowings went down by P9.8 million due to repayments.

Long-term borrowings were reduced from P623.7 million to P578.9 million principally because of the net effect of repayments of P54.6 million and the restructuring of interest into a liability of P9.3 million. Retirement benefit obligation went up by P47.0 million due to additional provisions for the year.

Revaluation increment in land went down by P52.5 million due to sale of land. Cumulative changes in fair values of AFS investment improved by P47.8 million due to market rise of quoted shares. The company registered a Deficit of P225.7 million compared to the Retained earnings of P126.5 million as of end of 2008.

CAPITAL EXPENDITURES

Total capital expenditures for the year reached P492.7 million as follows: mine development and special projects, P336.5 million; exploration cost, P25.6 million; Tailing Dam maintenance, P24.8 million; Mine machinery and equipment, P105.8 million.

SUBSIDIARIES

The key performance indicator used for the subsidiaries is Net Income.

Lepanto Investment and Development Corp reported a net loss of P794.7 thousand compared with last year's loss of P466.2 thousand. Shipside Incorporated recorded a net loss of P6.6 million against last year's income of P1.7 million. Likewise, Diamond Drilling Corporation of the Philippines (DDCP) reported a loss of P12.1 million versus last year's net income of P2.4 million.

2008

Consolidated revenues for 2008 amounted to P1.84 billion, compared with P1.78 billion in 2007. Net Loss amounted to P763.3 million with the mining operations accounting for P400 million. The result of mining operations is explained below.

MINING OPERATIONS

Revenues from sale of metals totaled P1.72 billion, compared with the previous year's P1.71 billion. Mining operations showed a loss of P400 million compared with last year's loss of P283 million. The loss was largely due to the lower gold production and the sharp and sudden decline in the copper price. Copper prices peaked at US$3.98/lb in June 2008, only to fall to US$1.32/lb in December which resulted in the negative adjustments on the copper concentrate sales amounting to P108 million as of year-end. Silver price peaked at US$20.92/oz in March but was down to US$8.88/oz by October. The price of gold improved though, averaging US$871.96/oz in 2008 vs the 2007average of US$697.71/ oz.

Total tonnes milled reached 751,930 as against last year's 552,090 tonnes. Average gold grade was 1.79g/t versus 3.01g /t in 2007 while average copper grade was 0.27% in 2008. Gold produced in 2008 totaled 37,716 oz compared with 48,918 oz. in 2007. Copper production amounted to 3,544,175 lbs compared with 246,386 lbs the previous year. A total of 9,963 tons of copper concentrates was produced during the year.

Following is a summary of the financial results of mining operations:

	2008 Jan-Dec (Pesos M)	2007 Jan-Dec (Pesos M)	Difference %
Sale of Metals and Other Income	1719.5	1714.9	1
Cost and Expenses	-2197.7	-1917.1	-15
Increase (Decrease) in Inventory	78.3	-80.7	197
Income (Loss) from Operations	-399.9	-282.9	-141
Finance Costs (net)	-314.5	58.0	-642
Income (Loss) Before Income Tax	-714.4	-224.9	-218
Benefit From Income Tax	-22.6	-41.2	55
Net Income (Loss)	-737.0	-266.1	-277

Major cost accounts increased due to the increase in tonnage. Milling cost rose by P42 million due to price increases of imported materials and the resumption of the copper flotation operations. Smelting, refining and other charges related to copper processing went up by P129 million because copper production in 2007 was minimal compared with 2008. Depletion cost rose by P79 million due to the higher mining tonnage while depreciation went up by P15 million as a result of additional mining equipment purchased during the year. Mining cost decreased by P6 million due to reduction in power consumption and contractual services despite increments in labor cost and major consumables.

The company recorded a copper concentrate inventory of P78.3 million vs. none the previous year.

Interest Cost was lower at P140 million versus P167 million in 2007 on account of the lower loan balance. However due to the weakening of the Peso against the US$ from P41.28/US$ at the start of the year to P47.52/US$ at year-end, the company had to revalue its dollar-denominated loans. This resulted in a reversal from a foreign exchange gain in 2007 of P224 million to a foreign exchange loss of P175 million. Taking all these into account and the share in the net losses (gains) of the subsidiaries and associates of P26.1 million, net loss for the year amounted to P763.3 million.

Following are comparative production statistics for 2008 and 2007:

	2008 Jan-Dec	2007 Jan-Dec	Difference %
Tonnes Milled	751,930	552,090	36
Milled Head, g/t Au	1.79	3.01	-41
Milled Head, (%) Cu	0.27	N/A	100
Recovery, % Au	87.43	91.50	-4
Recovery, % Cu	71.45	54.26	32
Production, oz Au	37,716	48,918	-23
Production, lbs Cu	3,544,175	246,386	1338

BALANCE SHEET MOVEMENTS

Cash and cash equivalents decreased from P10.5 million at year-end to P8.7 million due to settlement of accounts. Receivables went up from P81.7 million to P145.2 million on account of the higher trade receivables. Inventories likewise increased from P445.7 million to P581.8 million on account of the Copper Concentrate inventory of P78.3 million and increments in parts and supplies of P57.7 million. The increase in Other Current Assets was due to the increases in i) Pre-paid expenses on account of the purchase of supplies used for drilling/exploration; ii) Creditable input Vat; and iii) Advances to suppliers and others.

Available-for-Sale Financial Assets went down by P65.2 million due mainly to the decrease in fair value of shares of stock held by the Company. Investments and Advances in Associates decreased by P67.7 million due to payments made by associates. Other Non-current assets increased by P3.7 million due to deferred charges.

On the Liabilities side, Trade Payables and Accrued Expenses rose due to increases in Trust Receipts of P384.0 million and Trade Payables to suppliers of P120.4 million. Loans Payable went down by P20 million due to repayments made. Current portion of long- term borrowings went up by P21.6 million.

Long-term borrowings were reduced from P939.9 million to P623.7 million principally because of loan repayments of P363.7 million out of the stock rights offering proceeds in the second quarter.

Retained earnings dropped to P0.1 billion, from P0.9 billion as of end of 2007.

CAPITAL EXPENDITURES

Total capital expenditures for the year reached P668 million, P440 million of which went to mine development and special projects, exploration cost was P65.0 million while P33.7 million was incurred for the Tailing Dam maintenance. Mine machinery and equipment purchased for the period amounted to P129.2 million.

SUBSIDIARIES

The key performance indicator used for the subsidiaries is Net Income.

Lepanto Investment and Development Corp reported a net loss of P467,000 compared with last year's loss of P64,400. Shipside Incorporated's net income decreased from P2.7million to P1.7 million. Net income of Diamond Drilling Corporation of the Philippines (DDCP) rose to P2.4 million from last year's P2.1 million.

Securities and Shareholders:

The Company had 29,744 stockholders as of 28 February 2011. Holders of common "A" and common "B" shares approximately number 13,922 and 15,822, respectively.

The Company's securities are listed in the Philippine Stock Exchange. Following are the average quarterly prices for the past two years:

Lepanto "A" (P/share)

	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	3/21/11
Low	0.06	0.07	0.17	0.22	0.21	0.21	0.24	0.31	0.46
High	0.0925	0.22	0.32	0.22	0.285	0.27	0.64	0.52	0.47

Lepanto "B" (P/share)

	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	3/21/11
Low	0.0675	0.0725	0.175	0.22	0.22	0.22	0.25	0.355	0.49
High	0.10	0.23	0.33	0.27	0.28	0.27	0.75	0.57	0.51

Top 20 "A" and "B" Stockholders of the Company (as of February 28, 2011)

	Name of Stockholder	Class "A"	%
1	F. Yap Securities, Inc.	3,460,199,134	13.31
2	First Metro Investment Corp.	2,550,682,926	12.93
3	F. Yap Securities, Inc. CPHC-2	362,240,169	1.84
4	F. Yap Securities, Inc. CPHC-1	337,989,616	1.71
5	F. Yap Securities, Inc. CPHC-3	301,859,763	1,53
6	Coronet Property Holdings Corp	277,556,566	1.41
7	Emma Yap	242,838,706	1.23
8	Bryan Yap	175,915,517	0.89
9	First Metro Investment Corp.	169,762,500	0.86
10	Paulino Yap	155,062,032	0.79
11	Pacita K. Yap	117,176,650	0.59
12	Christine Yap	116,620,522	0.59
13	Felipe U. Yap	86,063,611	0.44
14	David Go Securities Corp.	35,963,976	0.18
15	F. Yap Securities, Inc. A/C No. PKY-89	30,942,477	0.16
16	Fairmount Real Estate, Inc.	25,080,800	0.13
17	Christine Karen Yap	24,386,376	0.12
18	Coronet Management, Inc.	23,936,541	0.12
19	Felipe U. Yap	21,122,223	0.11
20	F. Yap Securities, Inc. A/C No. BSUY	20,643,306	0.10

	Name of Stockholder	Class "B"	%
1	F. Yap Securities, Inc.	2,850,292,380	16.45
2	F. Yap Securities, Inc. A/C 1411	1,129,238,161	8.59
3	F. Yap Securities, Inc. A/C 5219	1,020,000,000	7.76
4	F. Yap Securities, Inc. A/C 5217	1,020,000,000	7.76
5	First Metro Investment Corp.	799,642,268	6.08
6	F. Yap Securities, Inc.	762,701,203	5.80
7	F. Yap Securities, Inc. A/C 5218	669,905,750	5.32
8	Coronet Property Holdings Corp	447,665,860	3.40
9	F. Yap Securities, Inc. A/C 5218	323,773,000	2.46
10	YHS Holdings Corp.	87,758,339	0.67
11	Felipe U. Yap	54,643,386	0.42
12	David Go Securities Corp.	45,438,131	0.35
13	Luis L., and Teresa M. Oh, Trustees	24,365,714	0.19
14	Emma Yap	24,313,091	0.18
15	F. Yap Securities, Inc. A/C no. 87-EU	23,014,545	0.18
16	Kathy Sue Trout	22,619,631	0.17
17	F. Yap Securities, Inc. A/C PKY-89	20,577,792	0.16
18	F. Yap Securities, Inc. A/C#BSUY	20,302,971	0.15
19	Felcris Realty Investment Corp.	19,769,688	0.15
20	Coronet Management, Inc.	17,566,841	0.13

Recent Sales of Unregistered or Exempt Securities

A total of 161,400,686 "A" and 107,600,457 "B" shares were exercised by optionees under the 17th Stock Option Award in September 2010.

A total of 10,052,282,840 shares were sold in the the first week of January 2011 in connection with a 1:3.3 stock rights offer. The sale was exempt from registration.

The SEC on November 18, 2010 approved as an exempt transaction the issuance of additional stock option shares under the 17th Stock option Award pursuant to the 1:3.3 stock rights offering of the Company. Additional shares granted totaled 22,409,662 "A" and 22,273,108 "B" shares.

Dividends Policy

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

Compliance with Leading Practices on Corporate Governance

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

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

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

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

LEPANTO CONSOLIDATED MINING CO.

BA-Lepanto Building, 8747 Paseo de Roxas, 1226 City of Makati, Philippines

21 March 2011

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

The management of **Lepanto Consolidated Mining Company** is responsible for all information and representations contained in the consolidated financial statements for the years ended **December 31, 2010, 2009 and 2008**. 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	BRYAN U. YAP	RAMON T. DIOKNO
Chairman of the Board and Chief Executive Officer	President & Chief Operating Officer	Chief Finance Officer
SSS No. 06-0091101-0	SSS No. 33-3067339-5	Passport No. XX4424020
		Manila-8/24/09

MAKATI CITY MAR 22 2011
SUBSCRIBED AND SWORN to before me this ______ day of March 2011 at Makati City.

Doc. No. 437
Page No. 89
Book No. VIII
Series of 2011.

ATTY. GERVACIO B. ORTIZ JR.
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2011
PTR NO. 2641658/01-03-2011 MAKATI
IBP NO. 656155-LIFETIME MEMBER
APPT. M-84/2010 ROLL NO.40091

COVER SHEET

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SEC Registration Number

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES

(Company's Full Name)

21st Floor, Lepanto Building, 8747 Paseo de Roxas, Makati City

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

Mr. Mario L. Lavente
(Contact Person)

(632) 815-9447
(Company Telephone Number)

1	2		3	1
Month			*Day*	

(Calendar Year)

1	7	-	A	

(Form Type)

0	4		1	8
Month			*Day*	

(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable
Amended Articles Number/Section

Total Amount of Borrowings

₱113,556	**$10,027**
Domestic	Foreign

21,173
Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SGV&Co
ERNST & YOUNG

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-2

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Lepanto Consolidated Mining Company
21st Floor, Lepanto Buiding
8747 Paseo de Roxas, Makati City

We have audited the accompanying consolidated financial statements of Lepanto Consolidated Mining Company (parent company) and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2010 and 2009, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 the accounting estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lepanto Consolidated Mining Company and Subsidiaries as at December 31, 2010 and 2009, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2010, in accordance with accounting principles generally accepted in the Philippines.

SYCIP GORRES VELAYO & CO.

Jaime F. del Rosario

Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-2
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2009,
June 1, 2009, Valid until May 31, 2012
PTR No. 2641518, January 3, 2011, Makati City

March 21, 2011

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2010	2009
ASSETS		
Current Assets		
Cash (Note 4)	**₱27,022**	₱15,946
Receivables (Note 5)	**203,340**	152,755
Inventories (Note 6)	**468,626**	489,998
Other current assets (Note 7)	**321,194**	309,671
Total Current Assets	**1,020,182**	968,370
Noncurrent Assets		
Property, plant and equipment (Note 8)	**6,585,137**	6,441,333
Available-for-sale (AFS) investments (Note 9)	**134,541**	130,396
Investments in and advances to associates (Note 10)	**293,793**	363,411
Mine exploration costs (Note 11)	**824,742**	740,208
Deferred income tax assets - net (Note 18)	**78,683**	89,912
Other noncurrent assets (Note 26)	**18,648**	7,010
Total Noncurrent Assets	**7,935,544**	7,772,270
TOTAL ASSETS	**₱8,955,726**	₱8,740,640
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 12)	**₱2,671,764**	₱2,354,878
Current portion of long-term borrowings (Note 14)	**73**	82,549
Income tax payable	**6,388**	–
Loans payable (Note 13)	**–**	80,000
Total Current Liabilities	**2,678,225**	2,517,427
Noncurrent Liabilities		
Long-term borrowings - net of current portion (Note 14)	**553,061**	578,891
Retirement benefit obligation (Note 16)	**540,891**	515,744
Deferred income tax liabilities - net (Note 18)	**113,372**	113,816
Stock subscriptions payable	**107,784**	107,784
Total Noncurrent Liabilities	**1,315,108**	1,316,235
Equity attributable to the equity holders of the parent company		
Capital stock (Note 19)	**3,315,504**	3,286,980
Additional paid-in capital	**1,495,928**	1,446,062
Revaluation increment in land (Note 8)	**489,145**	511,504
Cumulative changes in fair values of AFS investments (Note 9)	**(354,090)**	(359,056)
Deficit	**(230,089)**	(225,688)
	4,716,398	4,659,802
Non-controlling interests (Note 20)	**245,995**	247,176
Total Equity	**4,962,393**	4,906,978
TOTAL LIABILITIES AND EQUITY	**₱8,955,726**	₱8,740,640

See accompanying Notes to Consolidated Financial Statements.

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands, Except Basic and Diluted Loss per Share)

	Years Ended December 31		
	2010	2009	2008
REVENUES			
Sale of metals (Note 25)	₱1,329,929	₱1,416,391	₱1,713,873
Service fees and other operating income (Note 26)	74,534	39,559	123,401
	1,404,463	1,455,950	1,837,274
COSTS AND EXPENSES (Note 22)	(1,748,296)	(1,689,041)	(2,221,459)
FINANCE COSTS (Note 23)	(148,859)	(173,304)	(139,636)
FOREIGN EXCHANGE GAINS (LOSSES) - net	39,765	36,718	(175,234)
OTHER INCOME - net (Note 23)	459,440	16,704	268
SHARE IN NET EARNINGS (LOSSES) OF ASSOCIATES (Note 10)	(257)	5,428	(36,560)
INCOME (LOSS) BEFORE INCOME TAX	6,256	(347,545)	(735,347)
PROVISION FOR INCOME TAX (Note 18)			
Current	7,114	112	4,703
Deferred	20,429	24,201	23,249
	27,543	24,313	27,952
NET LOSS FOR THE YEAR	(21,287)	(371,858)	(763,299)
Net loss attributable to:			
Equity holders of the Parent Company	(₱21,978)	(₱370,746)	(₱763,189)
Non-controlling interests (Note 20)	691	(1,112)	(110)
	(₱21,287)	(₱371,858)	(₱763,299)
OTHER COMPREHENSIVE INCOME (LOSS)			
Changes in fair values of AFS investments - net of tax (Note 9)	4,145	45,194	(66,312)
Changes in future tax rate	–	–	40,710
Changes in revaluation increment in land - net of tax (Note 8)	(22,359)	(36,388)	–
	(18,214)	8,806	(25,602)
TOTAL COMPREHENSIVE LOSS - net of tax	(₱39,501)	(₱363,052)	(₱788,901)
Total comprehensive income attributable to:			
Equity holders of the Parent Company	(₱38,316)	(₱356,837)	(₱788,913)
Non-controlling interests	(1,185)	(6,215)	12
	(₱39,501)	(₱363,052)	(₱788,901)
BASIC AND DILUTED LOSS PER SHARE (Note 21)	(₱0.00067)	(₱0.01128)	(₱0.02369)

See accompanying Notes to Consolidated Financial Statements.

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company							
	Capital Stock (Note 19)		Additional Paid-in Capital (Note 19)	Revaluation Increment in Land (Note 8)	Cumulative Changes in fair values of AFS Investments (Note 9)	Retained Earnings (deficit)	Non-controlling Interests (Note 20)	Total
	Issued	Subscribed						
Balances at December 31, 2007	₱2,876,644	₱1,032	₱830,291	₱523,735	(₱340,884)	₱889,659	₱253,379	₱5,033,856
Issuance/subscription of shares	410,599	(1,669)	615,771	–	–	–	–	1,024,701
Net loss	–	–	–	–	–	(763,189)	(110)	(763,299)
Other comprehensive income (loss), net of tax	–	–	–	40,287	(66,011)	–	122	(25,602)
Total comprehensive income (loss)	–	–	–	40,287	(66,011)	(763,189)	12	(788,901)
Balances at December 31, 2008	3,287,243	(637)	1,446,062	564,022	(406,895)	126,470	253,391	5,269,656
Issuance/subscription of shares	442	(68)	–	–	–	–	–	374
Net loss for the year	–	–	–	–	–	(370,746)	(1,112)	(371,858)
Other comprehensive income (loss), net of tax	–	–	–	(52,518)	47,839	18,588	(5,103)	8,806
Total comprehensive income (loss)	–	–	–	(52,518)	47,839	(352,158)	(6,215)	(363,052)
Balances at December 31, 2009	3,287,685	(705)	1,446,062	511,504	(359,056)	(225,688)	247,176	4,906,978
Issuance/subscription of shares	17,872	10,652	49,866	–	–	–	–	78,390
Net loss	–	–	–	–	–	(21,978)	691	(21,287)
Other comprehensive income (loss), net of tax	–	–	–	(22,359)	4,966	(4,782)	(1,872)	(24,047)
Total comprehensive income (loss)	–	–	–	(22,359)	4,966	(26,670)	(1,181)	(45,344)
Revaluation increment in land transferred to retained earnings	–	–	–	–	–	22,359	–	22,359
Balances at December 31, 2010	₱3,305,557	₱9,947	₱1,495,928	₱489,145	(₱354,090)	(₱230,089)	₱245,995	₱4,962,393

See accompanying Notes to Consolidated Financial Statements.

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	₱6,256	(₱347,545)	(₱735,347)
Adjustments for:			
Depletion, depreciation and amortization (Note 8)	322,002	401,925	575,539
Financing costs (Note 23)	148,859	173,304	139,636
Movement in retirement benefit obligation	25,148	47,054	(2,203)
Unrealized foreign exchange losses (gains) - net	(47,365)	(17,334)	86,492
Share in net losses (earnings) of associates (Note 10)	257	(5,428)	36,560
Loss (gain) on disposal of property, plant and equipment and other investments (Note 23)	(18,995)	(16,003)	–
Interest income (Note 23)	(345)	(117)	(271)
Dividend income	(24)	(27)	(261)
Operating income before working capital changes	435,793	235,829	100,145
Decrease (increase) in:			
Receivables	(50,585)	(7,598)	(63,416)
Inventories	21,372	91,764	(136,015)
Other current assets	(9,780)	111,429	(102,210)
Increase in:			
Trade and other payables	162,135	240,131	501,901
Net cash flows generated from operations	558,935	671,555	300,405
Interest received	345	117	271
Income taxes paid	(6,428)	(112)	(3,989)
Net cash flows provided by operating activities	552,852	671,560	296,687
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Note 8)	(526,242)	(589,746)	(870,716)
AFS investments (Note 9)	–	–	(16)
Collection of advances to an associate	128,647	9,483	30,270
Proceeds from disposal of property, plant and equipment and other investments	57,179	60,796	66,555
Additions to mine exploration costs	(85,178)	–	(2,651)
Increase (decrease) in other noncurrent assets	(9,780)	9,930	(3,700)
Increase in investments in associate	(59,286)	–	–
Dividends received	24	27	261
Net cash flows used in investing activities	(494,636)	(509,510)	(779,997)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares	78,390	374	1,024,701
Payments of:			
Borrowings	(22,514)	(37,275)	(381,015)
Loans	(80,000)	–	(20,000)
Interest	(23,016)	(117,915)	(142,136)
Net cash flows from (used in) financing activities	(47,140)	(154,816)	481,550
NET INCREASE (DECREASE) IN CASH	11,076	7,234	(1,760)
CASH AT BEGINNING OF YEAR	15,946	8,712	10,472
CASH AT END OF YEAR (Note 4)	₱27,022	₱15,946	₱8,712

See accompanying Notes to Consolidated Financial Statements.

1. General Information

Lepanto Consolidated Mining Company

Lepanto Consolidated Mining Company (the parent company; the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on September 8, 1936, primarily to engage in the exploration and mining of gold, silver, copper, lead, zinc and all kinds of ores, metals, minerals, oil, gas and coal and their related by-products. On January 29, 1985, the SEC approved the extension of the parent company's corporate term for another 50 years after the expiration of its original term on September 8, 1986.

The parent company's shares are listed and traded on the Philippine Stock Exchange (PSE). In January 1999, the parent company and the Bank of New York, as depository, formed a depository receipt facility to facilitate secondary market trading in the international capital markets of the parent company's Class "B" common shares. On January 28, 2005, the Company formally closed the depository receipt facility.

On January 14, 1997, the parent company was registered with the Board of Investments (BOI) under Executive Order No. 226 as a new export producer of gold bullion on a preferred non-pioneer status. This registration entitled the parent company to a four (4) year income tax holiday (ITH), which can be further extended for another three (3) years subject to compliance with certain conditions, and lower tariff rates on acquisition of capital equipment. It is required to maintain a base equity of at least twenty-five percent (25%) as one of the conditions of the registration.

On April 1, 1997, the parent company started the commercial operations of its gold mine (Victoria Project) located in Mankayan, Benguet, Philippines and suspended its copper mining operations. Consequently, in October 1997, the Company temporarily ceased operating its roasting plant facilities in Isabel, Leyte, Philippines for an indefinite period. The roasting plant facility was registered with the Philippine Economic Zone Authority (PEZA) on December 17, 1985 pursuant to the provisions of Presidential Decree No. 66, as amended, and Executive Order No. 567 as a zone export enterprise to operate a roasting plant for the manufacture of copper calcine at the Isabel Special Export Processing Zone.

On March 30, 2000, the parent company registered its copper flotation project with the BOI as a new producer of copper concentrates on a preferred non-pioneer status. This registration entitled the parent company to a four (4) year ITH, subject to compliance with certain conditions, simplified customs procedures, additional deduction for labor expense and unrestricted use of consigned equipment for a period of ten (10) years. It is required to maintain a base equity of at least twenty-five percent (25%) as one of the conditions of the registration. The copper flotation project was suspended at the end of 2001; the BOI registration was cancelled on July 11, 2006.

On April 10, 2001, the BOI approved the parent company's request for ITH bonus year for a period of one year from April 2001 to March 2002 for its gold bullion project. On June 21 and September 21, 2005, the parent company obtained the necessary approval for the ITH bonus periods of April 2002 to March 2003 and April 2003 to March 2004, respectively.

On January 5, 2004, the parent company was registered with the BOI under Executive Order No. 226 as new export producer of gold bullion on a non-pioneer status for its Victoria II (renamed Teresa) Project located also in Mankayan, Benguet, Philippines. This registration entitles the parent company to ITH with the same incentives that were granted on their registration with BOI on January 14, 1997. The Teresa Project commenced its commercial operations in April 2004.

On November 21, 2006, the parent company was registered with the BOI under Executive Order No. 226 as new export producer of copper-gold concentrate on a non-pioneer status for its copper-gold flotation project located also in Mankayan, Benguet, Philippines. This registration entitles the Company to ITH for four (4) years, which can be further extended for another three (3) years subject to compliance with certain conditions, and duty-free importation of equipment, spare parts and accessories for five (5) years.

On May 20, 2009, the BOI approved the parent Company's request for ITH bonus year for the period April 2008 to March 2009 for its Teresa Project.

The registrations mentioned above enable the parent company to avail of the rights, privileges and incentives granted to all registered enterprises.

The parent company has its principal office at the 21st Floor, 8747 Lepanto Building, Paseo de Roxas, Makati City.

Diamond Drilling Corporation of the Philippines (DDCP)
DDCP is one hundred percent (100%) owned by the Company and was incorporated and registered with the SEC on August 8, 1971, primarily to provide technical, engineering and management services for the purpose of engaging in mining, mineral or oil exploration, construction or other business activity, particularly but not limited to drilling, boring and sinking holes for the purposes of mineral exploration.

In 1994, DDCP's Articles of Incorporation was amended to include in Article II the following secondary purpose: to engage in the business of exploration, development, processing and marketing of minerals that may be found anywhere in the Philippines either by original acquisition, joint venture or operating agreements with other holders of existing mining rights. On April 21, 2008, the stockholders of the Company passed a resolution authorizing the Company to engage directly in the business of mining or otherwise make investments in mining projects.

DDCP primarily provides drilling services to the parent company and Manila Mining Corporation (MMC), an associate.

Its principal office is located at 344 South Superhighway, Parañaque City.

Shipside, Incorporated (SI)
SI, a company existing and incorporated in the Philippines and registered with SEC on November 12, 1958, is one hundred percent (100%) owned by the parent company and was originally organized to engage in handling all kinds of materials, products and supplies in bulk and maintaining and operating terminal facilities such as pier and warehouses.

On July 18, 2008, the SEC approved the extension of SI's corporate term for another 50 years after the expiration of its original term on November 13, 2008.

With the expiration in 1985 of the Company's twenty-five (25) year Grant of Development Right to construct and operate pier and wharfage facilities in Poro, San Fernando, La Union, SI included in its activity the leasing of its properties which include apartments/ guesthouses and warehouses. Pier-related activities continued to be limited to handling materials and supplies of the parent company. As at March 21, 2011, it is in full commercial operations.

Its principal office is located at 20th Floor, Lepanto Building, 8747 Paseo de Roxas, Makati City.

Lepanto Investment and Development Corporation (LIDC)
LIDC, a one hundred percent (100%) owned subsidiary of the parent company, was incorporated and registered with the SEC on April 8, 1969, primarily to act as a general agent, broker or factor of any insurance company, whether domestic or foreign, or as a commercial broker, real estate dealer or broker, agent or factor of any person, partnership, corporation or association engaged in any lawful business, industry or enterprise. As at March 21, 2011, it is in full commercial operations.

LIDC's principal office is located at 20th Floor, Lepanto Building, 8747 Paseo de Roxas, Makati City.

Far Southeast Gold Resources, Inc. (FSGRI)
FSGRI, a sixty-percent (60%) owned subsidiary of the parent company and forty percent (40%) owned by Pacific Mining Ltd. (a company incorporated in Cayman Islands), was incorporated and registered with the SEC on July 20, 1988, primarily to operate mines and prospect, explore, mine and deal with all kinds of ores, metals and minerals.

Deferred exploration costs incurred for the project are expected to be recovered upon the start of commercial operations. Despite technical difficulties in developing the ore body, the current improving trend in metal prices and integration of recent breakthroughs in both mining and milling technologies enhance the economic feasibility of the project. This project is considered one of the priority mining projects of the Philippine Government.

The Company will continue to provide financial and administrative support to FSGRI. As at March 21, 2011, it is still in pre-operating stage.

FSGRI's principal office is located at 20th Floor Lepanto Building, 8747 Paseo de Roxas, Makati City.

Diamant Boart Philippines, Inc. (DBPI)
DBPI, which was incorporated and registered with the SEC on September 7, 1972, is an eighty percent (80%) owned subsidiary of LIDC. DBPI is primarily engaged in manufacturing, distributing, selling and buying machinery and equipment of all kinds and descriptions, general merchandise and articles of every nature, particularly but not limited to diamond core and non-core bits, reamer shells, casing bits, diamond circular segmental and diamond gang saws, tubular and other products allied to the diamond core drilling industry. As at March 21, 2011, it is in full commercial operations.

Its principal office address is at 345 Km. 14, West Service Road, South Superhighway, Brgy. Sun Valley, Paranaque City.

The consolidated financial statements of Parent Company and its subsidiaries ("the Group") as at December 31, 2010 and 2009 and for the three years in the period ended December 31, 2010, were authorized for issue by the Board of Directors (BOD) on March 21, 2011.

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

Basis of Preparation
The consolidated financial statements have been prepared under the historical cost basis, except for AFS investments and land classified under "Property, plant and equipment" in the consolidated statements of financial position that have been measured at fair value. The consolidated financial statements are presented in Philippine peso, the parent company's and its subsidiaries' functional currency, rounded to the nearest thousands (₱000) except when otherwise indicated.

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

Statement of Compliance
The consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the Philippines. The Company prepared its financial statements in accordance with Philippine Financial Reporting Standards (PFRS), except for the exemption from the fair value requirement of Philippine Accounting Standard (PAS) 39 of long-term commodity hedging contracts entered into by the Company and outstanding as of January 1, 2005, which was permitted by the SEC (see Note 26).

Basis of Consolidation
The consolidated financial statements include the accounts of the parent company and the following subsidiaries:

	Nature of	% of Ownership	
Subsidiaries	Business	Direct	Indirect
DDCP	Service	100	–
SI	Service	100	–
LIDC	Investment	100	–
FSGRI*	Mining	60	–
DBPI	Manufacturing/Selling	–	80 [a]

* Pre-operating subsidiary
[a] Held by the Company through LIDC

These companies are all based in the Philippines and are duly registered with the SEC.

The financial statements of the subsidiaries are prepared for the same financial reporting year as the parent company using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany balances and transactions, including intercompany income and losses, are eliminated.

Subsidiaries are included in consolidation from the date on which control, directly or indirectly, is transferred and cease to be consolidated from the date on which control is transferred out from the parent company.

Non-controlling interests represent the portion of profit or loss and net assets in the subsidiary not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the parent company's equity. Acquisitions of non-controlling interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and book value of the share of the net assets acquired is recognized as goodwill.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the following PFRSs, PAS, Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC), and Amendments and Improvements to PFRSs, which were adopted as at January 1, 2010.

Revised and New Standards and Interpretations

- Revised PFRS 3, *Business Combinations* and Amended PAS 27, *Consolidated and Separate Financial Statements*
- Philippine Interpretation IFRIC 17, *Distributions of Non-Cash Assets to Owners*

Amendments and Improvements to Standards

- Amendment to PAS 39, *Eligible Hedged Items*
- Amendment to PFRS 2, *Group Cash-settled Share-based Payment Transactions*
- Improvements to PFRSs 2008, with respect to PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*
- Improvements to PFRSs 2009

The new, revised, amendments and improvements to standards and/or interpretations that have been adopted are deemed to have no impact on the financial position or performance of the Group.

Future Changes in Accounting Policies

The Group did not early adopt the following standards and Philippine Interpretations that will become effective subsequent to December 31, 2010:

Effective in 2011

- Amendment to PAS 24, *Related Party Disclosures*
  This standard is effective for annual periods beginning on or after January 1, 2011, with earlier adoption permitted for either the partial exemption for government-related entities or for the entire standard. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities.

- Amendment to PAS 32, *Financial Instruments: Presentation Classification of Rights Issues*
  This standard is effective for annual periods beginning on or after February 1, 2010. It amended the definition of a financial liability in order to classify right issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

- Amendment to Philippine Interpretation IFRIC 14, *Prepayments of Minimum Funding Requirement*
  This interpretation is effective for annual periods beginning on or after January 1, 2011, with early adoption permitted. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits and entity to treat the prepayment of a minimum funding requirement as an asset.

- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*
  This interpretation is effective for annual periods beginning on or after July 1, 2010 with earlier application permitted. The interpretation clarifies that equity instruments issued to creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in statement of comprehensive income.

Improvements to PFRSs in 2010

The omnibus amendments to PFRS issued in 2010 were issued primarily with a view of removing inconsistencies and clarifying wording. The amendments are effective for annual periods beginning on or after January 1, 2011, except when otherwise stated.

- PFRS 3, *Business Combinations,* effective for annual reporting periods beginning on or after July 1, 2010
  The amendment clarifies that the amendments to PFRS 7, PAS 32 and PAS 39, *Financial Instruments: Recognition and Measurement*, that eliminate the exemption for contingent consideration that arose from business combinations whose acquisition dates precede the application of PFRS 3 (as revised in 2008). The amendment will be applied retrospectively.

- PFRS 7, *Financial Instruments: Disclosures-Transfers of Financial Assets*
  The standard emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendment will be applied retrospectively.

- PAS 1, *Presentation of Financial Statements*
  The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment will be applied retrospectively.

- PAS 27, *Consolidated and Separate Financial Statements*, effective for annual reporting periods beginning on or after July 1, 2010
  The amendment clarifies that the consequential amendments from PAS 27 made to PAS 21, *The Effect of Changes in Foreign Exchange Rates*, PAS 28, *Investments in Associates* and PAS 31, *Interests in Joint Ventures,* apply prospectively for annual periods beginning on or after July 1, 2009 or earlier when PAS 27 is applied earlier. The amendment will be applied retrospectively.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*
  The interpretation clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit shame, is to be taken into account. The amendment will be applied retrospectively.

Effective in 2012

- Amendment to PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets,* effective for annual periods beginning on or after January 1, 2012
  This amendment provides a practical solution to the problem of assessing whether recovery of an asset will be through use of sale. It introduces a presumption that recovery of the carrying amount of an asset will, normally, be through sale.

- Amendment to PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets,* effective for annual periods beginning on or after July 1, 2011
  This amendment will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

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

Effective in 2013

- PFRS 9, *Financial Instruments, Classification and Measurement*, effective for annual periods beginning on or after January 1, 2013
  This amendment introduces new requirements on the classification and measurement of financial assets. It uses a single approach to determine whether a financial assets is measured at amortized cost or fair value, replacing the many different rules in PAS 39, *Financial Instruments, Recognition and Measurement.* The approach in the new standard is based on how an entity manages it financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in PAS 39.

The Group does not expect any significant impact in the consolidated financial statements when it adopts the above standards, amendments, improvements and interpretations. The revised and additional disclosures provided by the standard, amendments, improvements and interpretations will be included in the consolidated financial statements when these are adopted in 2011, 2012 and 2013 when applicable.

Summary of Significant Accounting Policies

Financial Instruments

Initial Recognition of Financial Instruments

Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement 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 and liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities includes transaction costs. Financial assets under PAS 39 are classified as either financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS investments. The Group classifies its financial instruments upon initial recognition. The Group's financial assets are in 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 in the nature of other financial liabilities.

As at December 31, 2010 and 2009, the Group does not have financial instruments at FVPL and HTM investments.

Subsequent Measurement

The subsequent measurement of financial instruments depends on their classification as follows:

Loans and Receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. This accounting policy relates to the consolidated statements of financial position captions "Cash" and "Receivables", which arise primarily from sale and other types of receivables. Loans and receivables are classified as current when these are expected to be realized within one (1) year, after the financial reporting date or within the Group's normal operating cycle, whichever is longer. All others are classified as noncurrent. 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 (EIR) method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization, if any, is included in "Finance costs" caption in the consolidated statement of comprehensive income. The losses arising from impairment of receivables are recognized in "Provision for impairment losses on receivables" account on "Costs and expenses" caption in the consolidated statement of comprehensive income. The level of allowance for impairment losses is evaluated by management on the basis of factors that affect the collectability of accounts (see accounting policy on Impairment of Financial Assets).

AFS Investments

AFS financial assets are nonderivative financial assets that are either designated in this category or not classified in any of the other categories. AFS investments are those purchased and held indefinitely and may be sold as the need arises. They are included in noncurrent assets unless management intends to dispose of the investment within one (1) year from the financial reporting date. Included in this category are equity investments in quoted instruments and private companies other than subsidiaries and associates, which is shown as a separate line item in the consolidated statement of financial position.

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" account in the equity section of the consolidated statement of financial position.

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

Other Financial Liabilities
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 EIR 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 EIR. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the amortization process. Any effects of restatement of foreign currency-denominated liabilities are also recognized in the consolidated statement of comprehensive income. Other financial liabilities are classified as current when these are expected to be settled within one (1) year after the financial reporting period date or within the Group's normal operating cycle, whichever is longer. All others are classified as noncurrent liabilities.

This accounting policy applies primarily to the Group's trade and other payables, loans payable, long-term borrowings and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits. Financial instruments are offset when there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously.

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

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

Fair Value of Financial Instrument
Financial instruments recognized at fair value are analyzed and disclosed based on:

- Level 1 - Quoted prices in active markets for identical asset or liability;
- Level 2 - Those involving inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 - Those with inputs for asset or liability that are not based on observable market date (unobservable inputs).

When fair values of listed equity and debt securities as well as publicly traded derivatives at the end of the financial reporting date are based on quoted market prices or binding dealer price quotations without any deduction for transaction costs, the instruments are included within level 1 of the hierarchy.

For all other financial instruments, fair value is determined using valuation technique. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models and other relevant valuation model. For these financial instruments, inputs into models are market observable and are therefore included within level 2.

Instruments included in level 3 include those for which there is currently no active market.

"Day 1" Profit or Loss
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" profit or loss) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where use is made of data that is not observable, the difference between the transaction price and model value is recognized in the consolidated statement of comprehensive 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
Embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. 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. The Group has opted not to designate any embedded derivative transactions as accounting hedges. Consequently, changes in fair values are recognized directly through consolidated statement of comprehensive income. The Group assesses whether embedded derivatives are required to be separated to the host contracts when the Company first become a party to the contract. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies the cash flows.

Impairment of Financial Assets

The Group assesses at each financial reporting date whether a financial asset or group of financial assets is impaired.

Assets Carried at Amortized Cost

The Group first assesses whether objective evidence of impairment, such as age analysis and status of counterparty, exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial asset with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The factors in determining whether objective evidence of impairment exist, include, but are not limited to , the length of the Group's relationship with the debtors, their payment behavior and known market factors. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

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

AFS Investments Carried at Fair Values

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

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

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. If, in subsequent year, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of comprehensive income, the impairment loss is reversed through the consolidated statement of comprehensive 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 when:

- the rights to receive cash flows from the asset have expired or have been transferred;
- 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. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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 of a financial liability (or a part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or the liabilities assumed is recognized in consolidated statement of comprehensive income.

Offsetting

Financial assets and liabilities are only offset and the net amount reported in the consolidated statement financial position 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 the liability simultaneously.

Capital Stock

Common shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in consolidated statement of changes in equity as a deduction from proceeds. The excess of proceeds from issuance of shares over the par value of shares are credited to additional paid-in capital.

Where the parent company purchases its own shares (treasury shares), the consideration paid including any directly attributable incremental costs is deducted from equity attributable to the parent company's stockholders until the shares are cancelled, reissued or disposed of. Where such share 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 attributable to the parent company's stockholders.

Inventories

Copper concentrates inventories are valued at the lower of cost or net realizable value (NRV). NRV is the estimated selling prices in the ordinary course of business less the costs of completion and selling expenses. Copper concentrates inventories are determined using the weighted average method.

Parts and supplies are stated at the lower of cost or NRV. Costs of parts and supplies on hand are determined at moving average. Parts and supplies in-transit are valued at invoice cost. NRV is the replacement cost. In determining the NRV, the Group considers any adjustments necessary for obsolescence.

Investments in Associates

Investments in associates are accounted for under the equity method of accounting. These are entities in which the Group has significant influence and which are neither subsidiaries nor joint ventures of the Group.

Under the equity method, the investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any allowance for impairment losses. Goodwill relating to an associate included in the carrying amount of the investment is not amortized.

After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the associates. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognizes the amount in the consolidated statement of comprehensive income. Fair value is determined with reference to its market prices at the financial reporting date.

The consolidated statements of comprehensive income reflect the Group's share of the results of operations of the associates. Where there has been a change recognized directly in the equity of the associates, the Group recognizes its share of any changes. Profits and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The following are the Group's associates with the corresponding percentage of ownership:

	Percentage of Ownership
MMC	20.08%
Philippine Fire and Marine Insurance Corporation (PhilFire)	30.85%

The financial statements of the associates are prepared for the same financial reporting period as the parent company. Where necessary, adjustments are made, bringing the accounting policies in line with those of the Group.

Property, Plant and Equipment

Property, plant and equipment, except for land, 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 expense in the period when the costs are incurred.

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

Land is carried at revalued amount less any impairment in value. Valuations are performed frequently enough to ensure that the fair value of a revalued property does not differ materially from its carrying amount.

Any revaluation surplus is credited to the "Revaluation increment in land" account in the equity section of the consolidated statement of financial position, except to the extent that it reverses a revaluation decrease of the land previously recognized in consolidated statement of comprehensive income, in which case the increase is recognized in the consolidated statement of financial position. A revaluation deficit is recognized in the consolidated statement of comprehensive income, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation increment in land. Upon disposal, revaluation increment relating to the land being sold is transferred to retained earnings.

Construction in-progress is recorded at cost and the related depreciation starts upon transfer to the appropriate account of the completed project.

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

Type of asset	Estimated useful life in years
Buildings and improvements	2-15
Plant machinery and equipment	2-20
Office furniture and fixtures	7

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 parent company's geologist and certified by an independent geologist.

The assets' residual values, if any, and useful lives are reviewed and adjusted, if appropriate, at each financial reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

Mine Exploration Costs

Pre-license costs are expensed in the period in which they are incurred. Once the legal right to explore has been acquired, exploration and evaluation expenditure is deferred as asset when future economic benefit is more likely than not be realized. These costs include materials and fuels used, surveying costs, drilling costs and payments made to contractors. The Group capitalizes any further evaluation costs incurred to exploration and evaluation assets up to the point when a commercial reserve is established.

In evaluating if expenditures meet the criteria to be capitalized, several different sources of information are utilized. The information that is used to determine the possibility of future benefits depends on the extent of exploration and evaluation that has been performed.

Once commercial reserves are established, exploration and evaluation assets are tested for impairment and transferred to mine and mining properties. No amortization is charged during the exploration and evaluation phase. If the area is found to contain no commercial reserves, the accumulated costs are expensed.

Impairment of Nonfinancial Assets

Property, Plant and Equipment and Other Nonfinancial Assets

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

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statement of comprehensive income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized 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.

Investments in Associates
After application of the equity method for investment in associates, the Group determines whether it is necessary to recognize an additional impairment loss of the Group's investments in its associates. The Group determines at each financial reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognizes the amount in the consolidated statement of comprehensive income. Fair value is determined with reference to its market prices at the financial reporting date.

Mine exploration costs
An impairment review is performed, either individually or at the CGU level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the 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:

- 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.

<u>Provisions</u>
General
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.

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 financial reporting date.

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

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

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

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

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:

Sale of metals (i.e gold, silver and copper)
Income from the sale of metals (i.e gold, silver and copper) concentrate is recognized upon delivery. Revenue is measured based on shipment value price based on quoted metal prices in the London Bullion Market or Shanghai Gold Exchange for gold and silver and in the London Metal Exchange or Shanghai Nonferrous Metals for copper and weight and assay content. Contract terms for the Group's sale of metals (i.e gold, silver and copper) in bullion and concentrate allow for a price adjustment based on final assay results of the metal in concentrate by the customer to determine the content.

The terms of metal in concentrate sales contracts with third parties contain provisional pricing arrangements whereby the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer (the "quotation period"). Mark-to-market adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement, and such adjustments are recorded as part of revenue. The period between provisional invoicing and final settlement can be between one (1) and six (6) months. Provisional shipment of ninety eight (98%) for gold and silver and ninety percent (90%) for copper based on provisional prices is collected upon shipment, while the remaining two percent (2%) for gold and silver and ten percent (10%) for copper is collected upon the determination of the final shipment value on final weight and assay for metal content and prices during the applicable quotational period less deduction for smelting charges.

Service fees
Service fees are recognized upon performance of the services.

Interest income
Interest income is recognized as it accrues using EIR method.

Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue due to its operating nature

Leases
Determination of Whether an Arrangement Contains a Lease
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Operating Lease - Group as a Lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating lease. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased assets and are recognized over the lease term on the same basis as rental income.

Operating Lease - Group as a Lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Employee Benefits
Retirement Benefit Obligations
The parent company and certain subsidiaries maintain separate defined benefit retirement plans. Defined benefit plans are retirement plans that define an amount of retirement benefit that an employee will receive on retirement, usually dependent on certain factors such as age, years of credited service and salary.

The liability recognized in the consolidated statement of financial position in respect of defined benefit retirement plan is the present value of the defined benefit obligation at the financial reporting date less the fair value of plan assets, together with any adjustments for unrecognized gains or losses and past service costs. The present value of the defined benefit retirement 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 retirement obligation is calculated on a regular periodic basis by an independent actuary using the projected unit credit cost method.

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

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

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

Borrowing Costs
Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of qualifying asset.

Foreign Currency Transaction
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 of exchange at the financial reporting date. Foreign exchange differences between rate at transaction date and rate at settlement date or financial reporting date are credited to or charged against current operations in the consolidated statement of comprehensive income.

Income Taxes
Current Income Tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the 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 financial reporting date.

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

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

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

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

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

The carrying amount of deferred income tax assets is reviewed at each financial reporting 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 financial reporting 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 financial reporting date.

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

<u>Earnings (Loss) Per Share</u>
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 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 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 at December 31, 2010 and 2009.

Dividend Distribution

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

Contingencies

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

Events After the Financial Reporting Date

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

Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. For management purposes, the Group is organized into business units based on their products and services, and has three (3) reportable operating segments. Financial information on business segments is presented in Note 30. The Group operates in one geographical segment, being the location of its current mining activities; therefore, geographical segment information is no longer presented.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

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

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the parent company and each of its subsidiaries has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Group operates.

The functional currency of the individual companies within the Group has been determined by the management based on the currency that most faithfully represents the primary economic environment in which the individual company operates and it is the currency that mainly influences the underlying transactions, events and conditions relevant to the individual companies within the Group.

Classification of Financial Instruments

The Company classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument, rather than its legal form, governs its classification in the statements of financial position.

Operating Lease Commitments - Group as Lessee

The Group has entered into leases on its various locations. The Group has determined that it does not retain all the significant risks and rewards of ownership of these properties which are leased on operating lease.

Operating Lease Commitments - Group as a Lessor

The Group has entered into leases on its properties. The Group has determined, based on evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Determining the Appraised Value of Land

The appraised value of the land is based on a valuation of an independent appraiser firm, which management believes, holds a recognized and relevant professional qualification and has recent experience in the location and category of the land being valued. The appraiser firm used the market data approach in determining the appraised value of land. The revalued amount of land amounted to ₱767,836 and ₱793,885 as at December 31, 2010 and 2009 (see Note 8).

Revenue Recognition

The parent company recognizes revenue from sale of metals (i.e. gold and silver bullions and copper concentrates) at the time these are delivered to buyer smelters. Revenue is measured based on shipment value based on quoted metal prices in the London Bullion Market or Shanghai Gold Exchange, for gold and silver, and in the London Metal Exchange or Shanghai Nonferrous Metals, for copper concentrates, and weight and assay for metal content. Provisional shipment values of ninety eight percent (98%) bullion and ninety percent (90%) copper concentrate is collected upon shipment, while the remaining balance is collected upon determination of the final shipment value based on final weights and assays for metal content and prices during the applicable quotational period less deduction for smelting and treatment charges. Total recognized revenue relating to sale of metals amounted to ₱1,329,929, ₱1,416,391, and ₱1,713,873, in 2010, 2009 and 2008, respectively (see Note 25).

Estimates and Assumptions

The Group's consolidated financial statements prepared in accordance with PFRS require management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and related notes. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Group's consolidated financial statements. Actual results could differ from such estimates.

Estimating Allowances for Impairment Losses on Receivables and Advances to Associates

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

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.

Receivables and advances to associates, net of provision for impairment of receivables, amounted to ₱204,521 and ₱282,583 as at December 31, 2010 and 2009, respectively (see Notes 5 and 10).

Estimating Allowance for Inventory Obsolescence

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

Inventories carried at cost, at lower of cost or NRV, amounted to ₱468,626 and ₱489,998 as at December 31, 2010 and 2009, respectively (see Note 6).

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 at December 31, 2010 and 2009, the net book value of the property, plant and equipment, excluding land, amounted to ₱5,817,301 and ₱5,647,448, respectively (see Note 8).

Estimating Impairment on Property, Plant and Equipment and other nonfinancial assets
The Group assesses impairment on property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

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

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

An impairment loss is recognized and charged to the consolidated statement of comprehensive income if the recoverable amount is less than the carrying amount. The recoverable amount of the asset is incurred as the higher of its fair value less costs to sell and value in use. Fair value less costs to sell is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction 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.

The aggregate net book values of property, plant and equipment amounted to ₱6,585,137, and ₱6,441,333 as at December 31, 2010 and 2009, respectively (see Note 8).

Estimating Impairment of Investments in Associates
The Group assesses whether there are any indicators of impairment for investments in associates at each financial reporting date. These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the investment is written down to its recoverable amount.

As of December 31, 2010 and 2009, investment in associates amounted to ₱383,084 and ₱323,798, respectively (see Note 10).

Estimating Impairment on AFS Investments
The Group treats AFS investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment.

In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Fair value of AFS investments amounted to ₱134,541 and ₱130,396, as at December 31, 2010 and 2009, respectively (see Note 9).

Estimating 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 ₱824,742 and ₱740,208 as at December 31, 2010 and 2009, respectively (see Note 11).

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 depletion, depreciation, amortization and testing for impairment, the assessment of life of mine, and forecasting the timing of the payment of provision for mine rehabilitation and decommissioning. As at December 31, 2010 and 2009, mine and mining properties presented under property, plant and equipment amounted to ₱5,312,933 and ₱5,158,377, respectively (see Note 8).

Assessing Recoverability of Deferred Income Tax Assets
The Group reviews the carrying amounts of deferred income tax assets at each financial reporting date and reduces the amounts to the extent that it is no longer probable that sufficient taxable profit and taxable temporary timing differences will be available to allow all or part of the deferred income tax assets to be utilized. Deferred income tax assets that will reverse during the ITH period are not recognized.

The Group has deferred income tax assets amounting to ₱188,312 and ₱182,132 as at December 31, 2010 and 2009, respectively (see Note 18). No deferred income tax assets were recognized for temporary differences resulting from the Group's net operating loss carryover (NOLCO), excess minimum corporate income tax (MCIT) and provision for impairment losses on mine exploration costs amounted to ₱582,966 and ₱772,184 as at December 31, 2010 and 2009, respectively, since there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized (see Note 18).

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. These assumptions are described in Note 16 to consolidated financial statements.

Retirement benefit obligation amounted to ₱540,891 and ₱515,744 as at December 31, 2010 and 2009, respectively (see Note 16).

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 financial reporting date. To the extent the actual costs differ from these estimates, adjustments will be recorded and the income statement may be impacted. As at December 31, 2010 and 2009, no provision for mine rehabilitation and decommissioning was recorded since the parent company has yet to complete and submit its final mine rehabilitation and decommissioning (see Note 15).

Estimating Fair Values of Financial Assets and Liabilities
PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of accounting judgment and estimates. While significant components of fair value measurement are determined using verifiable objective evidence (e.g. foreign exchange rates, interest rates, volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would directly affect the consolidated statement of comprehensive income. Fair value of financial assets as at December 31, 2010 and 2009 amounted to ₱370,850 and ₱304,235, respectively. Fair value of financial liabilities as at December 31, 2010 and 2009 amounted to ₱3,133,463 and ₱2,971,109, respectively (see Note 27).

Estimating Contingencies
By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

4. Cash

	2010	2009
Cash on hand	**₱1,350**	₱1,052
Cash in banks	**25,672**	14,894
	₱27,022	₱15,946

Cash in banks earn interest at respective bank deposit rates. Total interest income amounted to ₱345, ₱117 and ₱271 in 2010, 2009 and 2008, respectively (see Note 23).

5. Receivables

	2010	2009
Trade	**₱77,012**	₱150,702
Nontrade and other receivables	**130,297**	5,666
Officers and employees	**5,532**	5,888
	212,841	162,256
Less allowance for impairment losses	**9,501**	9,501
	₱203,340	₱152,755

The parent company's trade receivables arise from its shipments of gold, silver and copper to refinery and smelter customers under the consignment and Refining Agreements (see Note 25).

Trade receivables and nontrade and other receivables are non-interest bearing and are generally payable on demand. Receivables to officers and employees are non-interest bearing and are generally subject to liquidation.

Most of the receivables of the Group consist of individually significant accounts and were therefore subject to the specific impairment approach. The Group recognized an allowance amounting to ₱9,501 as at December 31, 2010 and 2009, covering those receivables specifically identified as impaired. Receivables which were not individually significant and individually significant loans for which no specific impairment were assessed were subjected to collective assessment. Based on the assessment done, the Group has not recognized any provision for receivables which were assessed collectively. No provision for impairment losses on receivables were recognized by the Group in 2010.

Movements of allowance for impairment losses in 2009 are as follows:

	Trade Receivables	Nontrade and Other Receivables	Total
Balances at beginning of year	₱11,524	₱744	₱12,268
Provision during the year (see Note 22)	716	–	716
Write-off during the year	(2,977)	(506)	(3,483)
Balances at end of year	₱9,263	₱238	₱9,501

The following table shows the aging of receivables that are neither past due nor impaired as at December 31, 2010 and 2009:

			Past due but not impaired			
2010	**Total**	**Neither past due nor impaired**	**Less than 30 days**	**30 to 60 days**	**61 to 90 days**	**over 90 days**
Trade	**₱67,749**	**₱61,636**	**₱265**	**₱206**	**₱227**	**₱5,415**
Nontrade	**130,059**	**30,192**	**43,177**	**20,486**	**25,303**	**10,901**
Officers and Employees	**5,532**	**929**	**3,604**	**234**	**394**	**371**
Total	**₱203,340**	**₱92,757**	**₱47,046**	**₱20,926**	**₱25,924**	**₱16,687**

			Past due but not impaired			
2009	Total	Neither past due nor impaired	Less than 30 days	30 to 60 days	61 to 90 days	over 90 days
Trade	₱141,439	₱128,935	₱543	₱421	₱461	₱11,079
Nontrade	5,428	1,270	1,802	855	1,056	445
Officers and Employees	5,888	988	3,835	249	419	397
Total	₱152,755	₱131,193	₱6,180	₱1,525	₱1,936	₱11,921

6. Inventories

	2010	2009
Copper concentrates (at NRV)	**₱2,374**	₱17,416
Parts and supplies:		
On hand (at NRV)	**450,993**	456,832
In-transit (at cost)	**15,259**	15,750
	466,252	472,582
	₱468,626	₱489,998

Cost of copper concentrates amounted to ₱2,374 and ₱22,631 as at December 31, 2010 and 2009, respectively. Inventory writedown on decline of market price of copper concentrates amounted to nil and ₱5,215 as at December 31, 2010 and 2009, respectively. Parts and supplies on hand include materials and supplies stored at Makati, Mankayan and Leyte. These include spare parts for the machineries and equipment used in the mine site and in the Roaster plant. The allowance for inventory obsolescence on parts and supplies on hand amounted to ₱34,841 and ₱33,805 as at December 31, 2010 and 2009, respectively. Cost of parts and supplies on hand amounted to ₱485,834 and ₱490,637 as at December 31, 2010 and 2009, respectively.

7. Other Current Assets

	2010	2009
Creditable input value-added tax (VAT)	**₱130,631**	₱139,088
Advances to suppliers	**121,974**	89,584
Prepaid expenses	**59,035**	77,607
Others	**9,554**	3,392
	₱321,194	₱309,671

By virtue of Revenue Memorandum Order 9-2000 dated March 29, 2000, all sales of goods, property and services made by a VAT-registered person to the parent company, being a one hundred percent (100%) exporter, are automatically zero-rated for VAT purposes effective August 8, 2001.

Claims for refund and creditable input VAT in 2010 and 2009 amounting to ₱97,738 and ₱98,943, respectively, represent VAT on importations.

8. Property, Plant and Equipment

	2010					
	Mine and mining properties	Buildings and improvements	Plant, machinery, equipment, and office furniture and fixtures	Land	Construction in-progress	Total
Cost:						
Balances at beginning of year	₱7,124,065	₱460,679	₱2,496,022	₱793,885	₱49,924	₱10,924,575
Additions	311,811	1,722	176,938	9,794	25,977	526,242
Retirements/disposals/transfers	–	(12)	(91,216)	(35,843)	(23,048)	(150,119)
Balances at end of year	7,435,876	462,389	2,581,744	767,836	52,853	11,300,698
Accumulated depletion, depreciation and amortization:						
Balances at beginning of year	1,965,688	391,028	2,102,594	–	–	4,459,310
Depletion, depreciation and amortization during the year (see Note 22)	157,255	5,046	160,345	–	–	322,646
Retirements and disposals	–	–	(90,327)	–	–	(90,327)
Balances at end of year	2,122,943	396,074	2,172,612	–	–	4,691,629
Allowance for impairment:						
Balances at beginning and end of the year	–	19,241	4,691	–	–	23,932
Net book values	₱5,312,933	₱47,074	₱404,441	₱767,836	₱52,853	₱6,585,137

	2009					
	Mine and mining properties	Buildings and Improvements	Plant, machinery, equipment, and office furniture and fixtures	Land	Construction in-progress	Total
Cost:						
Balances at beginning of year	₱6,733,432	₱441,490	₱2,494,519	₱857,592	₱78,614	₱10,605,647
Additions	390,633	23,975	136,061	–	39,077	589,746
Retirements/disposals/transfers	–	(4,786)	(134,558)	(63,707)	(67,767)	(270,818)
Balances at end of year	7,124,065	460,679	2,496,022	793,885	49,924	10,924,575
Accumulated depletion, depreciation and amortization:						
Balances at beginning of year	1,775,285	377,947	2,020,074	–	–	4,173,306
Depletion, depreciation and amortization during the year (see Note 22)	190,403	17,867	193,655	–	–	401,925
Retirements and disposals	–	(4,786)	(111,135)	–	–	(115,921)
Balances at end of year	1,965,688	391,028	2,102,594	–	–	4,459,310
Allowance for impairment:						
Balances at beginning and end of the year	–	19,241	4,691	–	–	23,932
Net book values	₱5,158,377	₱50,410	₱388,737	₱793,885	₱49,924	₱6,441,333

Depreciation expense amounting to ₱644 was capitalized as part of Mine exploration costs.

In 2005, the Group adopted the revaluation model and engaged an independent firm of appraisers to determine the fair value of its land classified under "property, plant and equipment" in the consolidated statement of financial position, which is equal to the amount in terms of money at which the property would exchange in the current real estate market, between willing parties both having knowledge of all relevant facts. The assigned value was estimated using the market data approach, which is based on sales and listings of comparable property registered within the vicinity that considered factors such as location, size and shape of the properties.

In adopting the revaluation model, the Group applied the fair value as deemed cost exemption under PFRS 1 to measure the Group's land at fair value at January 1, 2004. Based on the appraiser's report dated January 6, 2006, on the revaluation of the Group's real properties as of January 1, 2004, the Group recognized a revaluation increment of ₱814,204 to land with carrying amount of ₱61,868 on January 1, 2004, of which ₱523,735 was credited to "Revaluation increment in land" account shown as part of equity in the consolidated statement of financial position, net of related deferred income tax. On December 31, 2008, the revalued amount, net of tax, was increased to ₱564,022 due to the decrease in tax rate from thirty-five percent (35%) to thirty percent (30%) effective January 1, 2009 (see also Note 18). As at December 31, 2010, carrying amount of land amounted to ₱69,057. In 2010, the revalued amount, net of tax, was decreased to ₱489,145 due to disposals of parcels of land. The amounts are not available for distribution to stockholders until fully realized.

Property, plant and equipment with a carrying value of nil and ₱8,655 as at December 31, 2010 and 2009, respectively are used as collateral to the parent company's long-term borrowings (see Note 14).

9. AFS Investments

	2010	2009
Quoted instruments	**₱82,309**	₱82,000
Unquoted instruments	**52,232**	48,396
	₱134,541	₱130,396

Movements of AFS investments are as follows:

	2010	2009
Balance at beginning of year	**₱130,396**	₱85,202
Change in fair value of AFS investment	**4,966**	47,839
Share of non-controlling interest in change in fair value of AFS investments	**(821)**	(2,645)
Balance at end of year	**₱134,541**	₱130,396

The unrealized loss on the temporary decline in fair value of these investments amounting to ₱354,090 and ₱359,056, as at December 31, 2010 and 2009, respectively, are shown as a separate component in the consolidated statements of changes in equity.

Quoted AFS investments pertain to investment in common shares of various local public companies and golf club shares. The fair value of the quoted instruments is based on the bid market price as at December 31, 2010 and 2009, respectively.

Unquoted AFS investments pertain to investments in private local companies and therefore have no fixed maturity date or coupon rate. Unquoted investments have been carried at cost less impairment since fair value of AFS investments cannot be reliably determined as they have no available bid price.

As at December 31, 2010, the Group has no intention to dispose its unquoted equity shares. The aggregate cost of these investments amounted to ₱490,801 as at December 31, 2010 and 2009.

10. Investments in and Advances to Associates

	MMC		PhilFire		Total	
	2010	2009	2010	2009	2010	2009
Acquisition cost						
Balances at beginning of year	₱314,279	₱314,279	₱9,519	₱9,519	₱323,798	₱323,798
Additions	59,286	–	–	–	59,286	–
Balance at end of year	373,565	314,279	9,519	9,519	383,084	323,798
Accumulated equity:						
Share in net earnings (loss)						
Balances at beginning of year	(116,046)	(115,842)	25,831	31,055	(90,215)	(84,787)
Net income (loss)	(1,703)	(204)	1,446	(5,224)	(257)	(5,428)
Balances at end of year	(117,749)	(116,046)	27,277	25,831	(90,472)	(90,215)
Advances to associate (see Note 17)	1,181	129,828	–	–	1,181	129,828
	₱256,997	₱328,061	₱36,796	₱35,350	₱293,793	₱363,411

PhilFire is engaged in insurance activities and is not listed in any public exchange while MMC shares are publicly traded on the PSE. PhilFire and MMC prepare financial statements for the same financial reporting period as the parent company.

As at December 31, 2010 and 2009, the fair value of MMC shares amounted to ₱0.023 and ₱0.026, respectively. Fair market value of the investment in MMC amounted to ₱1,053,556 and ₱1,128,582 as at December 31, 2010 and 2009, respectively.

The following table illustrates summarized financial information of the Group's investments in associates:

	MMC		PhilFire	
	2010	2009	2010	2009
Assets				
Current Assets	₱69,974	₱57,945	₱–	₱–
Noncurrent Assets	1,699,099	1,629,623	589,555	376,547
Total Assets	1,769,073	1,687,568	589,555	376,547
Liabilities				
Current Liabilities	180,642	422,178	–	–
Noncurrent Liabilities	77,299	76,437	750,241	233,539
Total Liabilities	257,941	498,615	750,241	233,539
Net Assets	1,511,132	₱1,188,953	(₱160,686)	₱143,008
Net income (loss)	(₱8,480)	(₱16,889)	₱2,053	₱191

11. Mine Exploration Costs

	2010	2009
Mine exploration costs	₱824,742	₱747,987
Less allowance for impairment losses	–	7,779
	₱824,742	₱740,208

In 2006, the parent company has recognized provision for an impairment loss of ₱7,779 relating to its Tampakan Project, which was written-off in 2010.

Movement of mine exploration costs is as follows:

	2010	2009
Balances at beginning of year	₱747,987	₱768,054
Additions	84,534	–
Write-off	(7,779)	–
Disposals	–	(20,067)
Balances at ending of year	₱824,742	₱747,987

12. Trade and Other Payables

	2010	2009
Due to related parties	₱977,716	₱339,266
Accrued utilities	575,237	466,875
Trust receipts	554,940	642,374
Trade	200,214	522,570
Payable to regulatory authorities	49,001	61,783
Unclaimed dividends	27,106	27,106
Employee related expenses	17,746	141,755
Advances from customers	15,026	15,835
Accrued production tax	8,180	13,960
Accrued expenses and other liabilities	246,598	123,354
	₱2,671,764	₱2,354,878

Terms and conditions of the above financial liabilities:

- Trust receipts are interest bearing and have an average term of ninety (90) - one hundred twenty (120) days.
- Trade payables are non-interest bearing and are normally settled on sixty (60) days' terms.
- Other payables are non-interest bearing and have an average term of one (1) - three (3) months.

Advances from stockholders, included as part of due to related parties, consisting of short-term borrowings, amounted to ₱770,402 and ₱281,111 as at December 31, 2010 and 2009 (see Note 17).

13. Loans Payable

Loans payable consists of unsecured short-term loans from local financial institutions to finance working capital requirements. The loans have various maturities ranging from one (1) to three (3) months and carry annual interests at prevailing market rates ranging from 7.50% to 14.50% in 2010, 2009 and 2008. Total interest on the above mentioned loans for the years 2010, 2009 and 2008 amounted to ₱8,905, ₱9,959 and ₱15,392, respectively.

14. Long-term Borrowings

	2010	2009
Gold Delivery Agreement (US$10.0 million in 2010 and US$9.8 million in 2009)	**₱439,579**	₱454,828
Obtained from Local Banks:		
US Dollar-denominated loans	**76,602**	157,912
Peso-denominated loans	**36,953**	40,045
	113,555	197,957
Suppliers' trade credits	**–**	8,655
	553,134	661,440
Less current portion	**73**	82,549
	₱553,061	₱578,891

Gold Delivery Agreement:

In December 1998, the parent company entered into a Loan and Hedging Facilities Agreement (the Agreement) with NM Rothschild & Sons (Australia) Ltd. (Rothschild) and Dresdner Bank AG (Dresdner) which provides for borrowings up to US$30 million and hedging facility up to 300,000 ounces of gold as may be agreed upon by the parties up to December 2002. A minimum hedging amount of 250,000 ounces was imposed to secure the payment of the loan. The loan was intended to finance the working capital requirements of the Victoria Project (see Note 1).

The loan was secured by real and chattel mortgages of all the parent company's present and future properties and its rights, title and interests under the Mineral Production Sharing Agreement (MPSA) with the Philippine Government in connection with the Victoria Project. The Agreement contains certain covenants which include, among others, payment of interest, the maintenance of certain financial and project ratios such as debt service, loan life, project life, total liabilities to net worth and current ratios; prohibition from incurring additional long-term indebtedness; limitation on certain advances or loans; and restrictions as to substantial asset sales, capital expenditures and cash dividends.

The Agreement was first amended in 2000, and further amended in 2002 principally with respect to the repayment of terms of the loan. The 2002 deed of amendment provides for the extension of the loan agreement up to September 2007. As at December 31, 2004, the loans obtained from Rothschild and Dresdner have been fully paid.

In accordance with the hedging facility, the parent company entered into various forward gold contracts with Rothschild and Dresdner (Lenders) which provide for the buying or selling of gold in fixed quantities at certain fixed prices for delivery in various maturity dates in the future. Any gains or losses on the forward sales contracts are recognized upon closing of the pertinent contracts.

At December 31, 2004, the parent company's forward gold contracts to sell 169,043 ounces of gold at an average price of US$295 per ounce will mature on various dates in the future and are being rolled forward relative to the ongoing discussion with Lenders. These contracts had a negative mark-to-market valuation of US$24 million based on the spot rate of US$437 per ounce as at December 31, 2004.

The parent company does not recognize any derivative financial liability under the hedging contracts with Dresdner. After months of discussion and negotiations, the Company and Dresdner agreed in December 2005 on a commercial resolution to their controversy which was formalized through a Gold Delivery Agreement (GDA) that was signed on January 25, 2006. Under the GDA, a gold loan of about US$14 million shall be repaid by way of minimum monthly installments starting from February 1, 2006 up to September 30, 2009 of the cash equivalent in US dollars of 200 ounces of gold computed at the spot price in the market and any remaining balance to be fully repaid by the final delivery on September 30, 2009. The Company also has an option to settle by delivery of quantity of gold.

The GDA contains certain covenants, which include, among others, payment of interest, strict compliance with regulatory provisions regarding internal revenue taxes and environmental requirements, restrictions in the incurrence of indebtedness and certain derivative transactions, limitation in the disposal and transfer of assets and prohibitions in the purchase of issued shares, reduction in capital and issuance of shares other than for cash or make a distribution of assets or other capital to its stockholders.

An amendment to the GDA was entered into by the Company. Recently, another moratorium was agreed on, providing for the resumption of monthly deliveries of 200 ounces in January 2011 and a final delivery date of December 31, 2011. Total amount under the GDA is US$10,026,886.

The parent company has filed a civil case against Rothschild for the declaration of the nullity of the forward gold contracts to sell 97,476 ounces of gold. Rothschild filed a motion to dismiss and this was denied by the Regional Trial Court and subsequently by the Court of Appeals in December 2006. Rothschild elevated the matter to the Supreme Court in February 2007. As at March 21, 2011, the case is still pending before the Supreme Court. The parent company does not and did not recognize any liability to Rothschild.

Bank Loans

Borrowings from local banks are all clean loans with interest rates ranging from 7.79% to 13.11% in 2010 and 2009, most of which are renewable for a year under the Group's existing credit line agreement with certain local banks.

Suppliers' Trade Credits

Supplier's trade credits include various US Dollar-denominated loans from foreign suppliers for the importation of various mining equipment. Importations were made through existing letters of credit lines maintained with certain local banks. These loans are payable upon maturity on various dates from 2006 to 2009 and carry certain interest rates above London Interbank Offered Rate (LIBOR) ranging from 2.5% to 3.0% in 2010, 2009 and 2008. These payables are secured by chattel mortgage over certain mine machineries with a carrying amount of nil and ₱8,655 as at December 31, 2010 and 2009, respectively (see Note 8).

Total interest on the above mentioned loans for the years 2010, 2009 and 2008 amounted to ₱139,954, ₱163,345 and ₱124,244, respectively (see Note 23).

15. Provision for Mine Rehabilitation and Decommissioning

Department of Environment and Natural Resources (DENR) Administrative Order (DAO) No. 2007-26, which was published in the Philippine Star on August 9, 2007 and took effect fifteen (15) days thereafter amending section two (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. In 2007, the parent company has filed for an extension for the submission of its FMR/DP. The parent company is in the process of evaluating the timing and amount of estimated cash flows relating to mine rehabilitation and decommissioning. Once the parent company has completed and submitted to Mines and Geosciences Bureau its FMR/DP, it will provide the necessary provision for mine rehabilitation and decommissioning in its financial statements.

16. Retirement Plan

The parent company and DBPI have funded, noncontributory defined benefit retirement plans covering substantially all regular employees (see Note 17) while DDCP and SI have unfunded defined benefit retirement plans. Benefits are dependent on the years of service and the respective employee's compensation. The defined retirement benefit obligation is determined using the projected unit credit method. There was no plan termination or settlement for the years ended December 31, 2010, 2009 and 2008.

The amounts of defined retirement benefit expense recognized in the consolidated statements of comprehensive income under costs and expenses follow:

	2010			2009			2008		
	Funded	Unfunded	Total	Funded	Unfunded	Total	Funded	Unfunded	Total
Current service cost	₱52,920	₱1,142	₱54,062	₱1,957	₱1,905	₱3,862	₱50,342	₱1,867	₱52,209
Interest cost	73,101	2,529	75,630	72,559	2,333	74,892	77,562	2,178	79,740
Expected return on plan assets	5,423	–	5,423	(12,616)	–	(12,616)	(90,559)	–	(90,559)
Actuarial losses	57,754	–	57,754	–	–	–	19,828	517	20,345
Gain on curtailment	(131,797)	–	(131,797)	–	–	–	–	–	–
	₱57,401	₱3,671	₱61,072	₱61,900	₱4,238	₱66,138	₱57,173	₱4,562	₱61,735
Actual return (loss) on plan assets	₱–	₱–	₱–	₱37,470	₱–	₱37,470	(₱412,625)	₱–	(₱412,625)

The amounts of defined retirement benefit obligation recognized in the consolidated statements of financial position follow:

	2010			2009		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Present value of defined retirement benefit obligation	₱1,116,427	₱37,292	₱1,153,719	₱1,144,840	₱35,325	₱1,180,165
Fair value of plan assets	(5,542)	–	(5,542)	(27,551)	–	(27,551)
	1,110,885	37,292	1,148,177	1,117,289	35,325	1,152,614
Unrecognized actuarial losses	(603,715)	(3,571)	(607,286)	(634,274)	(2,596)	(636,870)
	₱507,170	₱33,721	₱540,891	₱483,015	₱32,729	₱515,744

Changes in present value of defined retirement benefit obligation follow:

	2010			2009		
	Funded	**Unfunded**	**Total**	Funded	Unfunded	Total
Balances at beginning of year	**₱1,144,840**	**₱35,325**	**₱1,180,165**	₱1,136,454	₱32,595	₱1,169,049
Interest cost	**73,101**	**2,529**	**75,630**	72,559	2,333	74,892
Current service cost	**52,920**	**1,142**	**54,062**	1,957	1,905	3,862
Benefits paid	**(33,670)**	**(2,679)**	**(36,349)**	(66,130)	(1,508)	(67,638)
Actuarial losses (gains) on obligation	**(185)**	**975**	**790**	–	–	–
Gain on curtailment	**(120,579)**	**–**	**(120,579)**	–	–	–
Balances at end of year	**₱1,116,427**	**₱37,292**	**₱1,153,719**	₱1,144,840	₱35,325	₱1,180,165

Movements in defined retirement benefit obligation recognized in the consolidated statements of financial position follow:

	2010			2009		
	Funded	**Unfunded**	**Total**	Funded	Unfunded	Total
Balances at beginning of year	**₱483,015**	**₱32,729**	**₱515,744**	₱438,691	₱29,999	₱468,690
Expense recognized for the year	**57,401**	**3,671**	**61,072**	61,900	4,238	66,138
Contributions/benefits paid	**(33,246)**	**(2,679)**	**(35,925)**	(17,576)	(1,508)	(19,084)
Balances at end of year	**₱507,170**	**₱33,721**	**₱540,891**	₱483,015	₱32,729	₱515,744

Changes in the fair value of the Group's plan assets follow:

	2010	2009
Balances at beginning of year	**₱27,551**	₱60,934
Expected return on plan assets	**5,423**	12,616
Actual contributions	**33,246**	17,576
Benefits paid	**(33,670)**	(66,130)
Actuarial gains (losses) on plan assets	**(27,008)**	2,555
Balances at end of year	**₱5,542**	₱27,551

The overall expected return on plan assets is determined based on the market prices prevailing on that date applicable to the period over which the obligation is to be settled.

The Group expects to contribute ₱60,000 to its defined retirement benefit plans in 2010.

The major categories of the Group's plan assets as a percentage of the fair value of total plan assets follow:

	2010	2009	2008
Cash and cash equivalents	**1.98%**	2.70%	1.61%
Equity investments:			
Quoted	**97.65%**	97.22%	98.14%
Unquoted	**0.37%**	0.08%	0.25%
	100.00%	100.00%	100.00%

The principal assumptions used in determining pension and post-retirement benefits for the Group's plan assets in 2010, 2009 and 2008 follow:

	2010	2009	2008
Discount rate	6.38%	6.38%	6.38%
Expected rate of return on plan assets	20.00%	20.00%	20.00%
Salary increase rate	5.00%	5.00%	5.00%

Amounts for the current and previous four years follow:

	2010		2009		2008	
	Funded	Unfunded	Funded	Unfunded	Funded	Unfunded
Defined benefit obligation	₱1,116,427	₱37,292	₱1,144,840	₱35,325	₱1,136,454	₱32,595
Fair value of plan assets	5,542	–	27,551	–	60,934	–
Experience adjustments on plan liabilities	–	–	–	–	(166,183)	–
Experience adjustments on plan assets	–	–	–	–	(503,185)	–

	2007		2006	
	Funded	Unfunded	Funded	Unfunded
Defined benefit obligation	₱1,217,140	₱35,049	₱1,138,199	₱32,203
Fair value of plan assets	453,686	–	248,038	–
Experience adjustments on plan liabilities	–	–	20,312	361
Experience adjustments on plan assets	161,487	–	15,032	–

17. Related Party Disclosures

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and their key management personnel, directors, or its stockholders.

a. In the normal course of business, the Group grants and receives advances to and from its associates and stockholders, which are considered related parties.

   The corresponding receivables and payables arising from the said transactions, including operational support, as at December 31, 2010 and 2009 are as follows:

	2010	2009
Due from MMC (see Note 10)	₱1,181	₱129,828
Advances from stockholders (see Note 12)	₱770,402	₱281,111

   Due from MMC and advances from stockholders are presented in the consolidated statement of financial position under the "Investments in and advances to associates" and "Trade and other payables" captions, respectively. No interest is charged on the amounts due from MMC as these advances are considered and will be treated as part of the parent company's investment in MMC.

b. On April 17, 2000, the parent company entered into a Trust Agreement with LIDC for the latter to serve as a second trustee for the parent company's retirement fund.

On March 31, 2003, the parent company entered into a separate Trust Agreement with LIDC whereby the latter ceased to be the second trustee of the LCMC Employee Pension Plans (the Plans) and instead to become the principal trustee. Prior to the Trust Agreement, the actual disbursements of the fund for the Plans, or payments to the retiree or beneficiaries had been the responsibility of a local bank as the principal trustee. The parent company has decided to terminate the services of the local bank and consolidated to LIDC the administration of the Plans.

c. Compensations of the Group's key management personnel amounted to ₱30,800 in 2010 and the same amount in 2009 and 2008.

18. Income Taxes

In 2010, the current provision for income tax pertains to the parent company's, LIDC's, DBPI's and SI's MCIT.

The components of the Group's deferred income tax assets and liabilities at December 31, 2010 and 2009 follow:

	Deferred Income Tax Assets - net		Deferred Income Tax Liabilities - net	
	2010	2009	**2010**	2009
Accrual of:				
Pension costs	**₱156,851**	₱149,562	**₱5,416**	₱5,161
Retrenchment costs	**5,103**	5,103	**–**	–
Provisions for:				
Inventory obsolescence	**10,133**	9,947	**320**	195
Impairment losses on property, plant and equipment	**7,180**	7,180	**–**	–
Impairment losses on receivables	**2,771**	2,771	**79**	79
Past service costs	**395**	483	**–**	–
NOLCO and MCIT	**64**	87	**–**	–
Allowance for decline on market price of inventory	**–**	1,564	**–**	–
	182,497	176,697	**5,815**	5,435
Revaluation increment in land	**(90,447)**	(100,029)	**(119,187)**	(119,186)
Unrealized foreign exchange gains - net	**(13,367)**	13,463	**–**	(5)
Change in fair value of AFS investments	**–**	(219)	**–**	(60)
	(103,814)	(86,785)	**(119,187)**	(119,251)
Net deferred income tax assets (liabilities)	**₱78,683**	₱89,912	**(₱113,372)**	(₱113,816)

The Group did not recognize deferred income tax assets on NOLCO and MCIT and provision for impairment losses on mine exploration costs because management believes that it is more likely than not that the carryforward benefits will not be realized in the near future:

	2010	2009
NOLCO	**₱576,136**	₱764,300
MCIT	**6,830**	105
Provision for impairment losses on mine exploration costs	–	7,779
	₱582,966	₱772,184

As at December 31, 2010 and 2009, the Group has NOLCO that can be claimed as deduction from future taxable income and income tax payable and MCIT that can be claimed as tax credit, respectively, as follows:

Year Incurred	Year of Expiration	NOLCO	MCIT
2008	2011	₱191,050	₱2
2009	2012	353,112	113
2010	2013	32,179	6,717
		₱576,341	₱6,832

Movements of NOLCO and excess MCIT for the years ended December 31 follows:

NOLCO

	2010	2009
Balances at beginning of year	**₱766,031**	₱411,559
Additions	**32,179**	354,843
Application	**(1,731)**	–
Expiration	**(220,138)**	(371)
Balances at end of year	**₱576,341**	₱766,031

MCIT

	2010	2009
Balances at beginning of year	**₱116**	₱3,929
Additions	**6,717**	113
Applications	–	–
Expirations	**(1)**	(3,926)
Balances at end of year	**₱6,832**	₱116

The reconciliation of the Group's provision for deferred income tax for the three years ended December 31 computed at the statutory tax rates to actual provision (benefit) shown in the consolidated statements of comprehensive income follows:

	2010	2009	2008
Tax at statutory income tax rates	**₱1,877**	(₱117,727)	(₱257,371)
Additions to (reductions in) income taxes resulting from tax effects of:			
Expired NOLCO and MCIT	**66,043**	7,346	136,537
Change in unrecognized deferred income tax assets	**(33,452)**	103,110	(82,345)
Accelerated deduction	**(24,226)**	(26,684)	(3,570)
Operations under income tax holiday	**–**	10,497	119,595
Share in operating results of the associates	**77**	(1,628)	12,796
Nondeductible expense	**335**	(1,654)	341
Interest income subjected to final tax	**(107)**	(35)	(95)
Tax-exempt dividend income	**(8)**	(8)	(9)
Effect of future change in tax rate	**–**	–	35,807
Others	**17,004**	51,096	66,266
Tax at effective income tax rates	**₱27,543**	₱24,313	₱27,952

19. Capital Stock

The parent company's authorized share capital is ₱3.35 billion divided into 33.5 billion shares at ₱0.10 par value each consisting of 20.1 billion Class "A" and 13.4 billion Class "B" common shares.

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

	2010		2009	
	No. of shares	**Amount**	No. of shares	Amount
Issued				
Class "A"	**19,830,726,098**	**₱1,983,073**	19,726,251,050	₱1,972,625
Class "B"	**13,224,839,075**	**1,322,484**	13,150,603,300	1,315,060
	33,055,565,173	**3,305,557**	32,876,854,350	3,287,685
Subscribed				
Class "A"	**72,804,644**	**7,280**	15,879,000	1,588
Class "B"	**44,163,555**	**4,416**	10,798,880	1,080
	116,968,199	**11,696**	26,677,880	2,668
Total shares issued and subscribed	**33,172,533,372**	**3,317,253**	32,903,532,230	3,290,353
Less subscription receivable		**1,749**		3,373
		₱3,315,504		₱3,286,980

On February 18, 2008, the BOD of the parent company offered to its shareholders the right to subscribe to one (1) share for every seven (7) shares held as of record date of March 25, 2008 covering 4,112,364,385 common shares consisting of 2,467,219,971 and 1,644,944,414 Class "A" and "B" shares, respectively, at ₱0.25 per share. The offer period was from April 15 to 22, 2008. As of April 22, 2008, all shares of stock offered were fully subscribed and/or issued.

During the annual meeting of the stockholders on April 20, 2009, the shareholders approved the increase in the authorized capital stock from ₱3.35 billion to ₱6.64 billion. The stockholders also approved the one-time waiver of their pre-emptive right to subscribe to issues or dispositions of shares of the Company in proportion to their respective shareholdings but only with respect to the issues or dispositions of shares in support of the increase in the authorized capital stock to ₱6.64 billion, provided that the shares to be issued to support such increase in the Authorized Capital Stock shall not exceed twenty percent (20%) of the stock subscribed, issued and outstanding after such issuance.

As at December 31, 2010, 2009 and 2008, the parent company had twenty-one thousand one hundred seventy-three (21,173), thirty thousand twenty-two (30,022), and twenty-one thousand four hundred thirty-nine (21,439) shareholders, respectively.

20. Non-Controlling Interests

Non-controlling interests represent third parties' interests in FSGRI and DBPI. The details of which are as follows:

	FSGRI			DBPI			Total		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Acquisition cost	₱242,970	₱242,970	₱242,970	₱6,218	₱6,218	₱6,218	₱249,188	₱249,188	₱249,188
Share in operating results:									
Balances at beginning of year	(903)	(889)	(857)	(2,985)	(1,887)	(1,809)	(3,888)	(2,776)	(2,666)
During the year	1,372	(14)	(32)	(681)	(1,098)	(78)	691	(1,112)	(110)
Balances at end of year	469	(903)	(889)	(3,666)	(2,985)	(1,887)	(3,197)	(3,888)	(2,776)
Other changes in equity:									
Revaluation of land, net of related deferred tax liability	–	–	5,920	–	–	–	–	–	5,920
Changes in fair values of AFS investments	4	1,876	1,059	–	–	–	4	1,876	1,059
Net book values	₱243,443	₱243,943	₱249,060	₱2,552	₱3,233	₱4,331	₱245,995	₱247,176	₱253,391

21. Loss Per Share

Basic loss per share is calculated by dividing the profit attributable to equity holders of the parent company by the weighted average number of common shares in issue during the period, excluding any ordinary shares purchased by the parent company and held as treasury shares.

	2010	2009	2008
Net loss attributable to equity holders of the parent company	**(₱21,978)**	(₱370,746)	(₱763,189)
Weighted average common shares for basic loss per share	**32,927,401,586**	32,880,211,660	32,216,980,070
Basic and diluted loss per share	**(₱0.00067)**	(₱0.01128)	(₱0.02369)

The basic and diluted loss per share are the same for 2010 and 2009 as dilution of potential common shares from stock options results to a decrease in loss per share and are classified as anti-dilutive (see Note 24).

22. Costs and Expenses

	2010	2009	2008
Mining, milling, smelting, refining and other related charges	**₱688,498**	₱684,083	₱953,680
Administration, overhead and other charges:			
Mine division	**634,095**	383,854	461,866
Others	**102,665**	216,768	190,292
Depletion, depreciation and amortization (see Note 8)	**322,002**	401,925	575,539
Provisions for:			
Inventory obsolescence (see Note 6)	**1,036**	1,695	3,151
Impairment losses on receivables (see Note 5)	**–**	716	724
Decline on market price of inventory (see Note 6)	**–**	–	36,207
	₱1,748,296	₱1,689,041	₱2,221,459

The significant components of administration, overhead and other charges include salaries and wages and employee benefits, representation and entertainment, travel and transportation, office expenses and professional fees.

Details of personnel costs recognized under costs and expenses follow:

	2010	2009	2008
Salaries and wages	**₱358,058**	₱334,785	₱414,786
Retirement benefits (see Note 16)	**61,072**	66,138	61,735
Others	**45,093**	36,703	51,368
	₱464,223	₱437,626	₱527,889

23. Finance Costs and Other Income - net

	2010	2009	2008
Finance Costs:			
Borrowing costs (see Notes 13 and 14)	**₱148,859**	₱173,304	₱139,636
Other Income - net:			
Gain on sale of assets - net	**₱18,995**	₱16,003	₱–
Interest income	**345**	117	271
Other income (loss) (see Note 26)	**440,100**	584	(3)
	₱459,440	₱16,704	₱268

Details as to source of borrowing costs follow:

	2010	2009	2008
Long-term	**₱74,972**	₱90,045	₱64,321
Short-term	**40,318**	43,458	34,591
Others	**33,569**	39,801	40,724
	₱148,859	₱173,304	₱139,636

24. Share-based Plan

Under the share-based plan, the parent company's officers and employees and those of its subsidiaries may be granted options to purchase shares of stock of the parent company. The aggregate number of shares to be granted under the plan should not exceed five percent (5%) of the total number of shares of the parent company's outstanding capital stock.

An individual may be granted an option to purchase not more than five percent (5%) of the total number of shares set aside at the date of grant and may exercise the option up to a maximum of twenty percent (20%) of total number of option shares granted per year. Options are valid for five (5) years and are exercisable from the date of approval of the grant by the SEC.

On November 19, 2007, the BOD approved the grant of the 17th Stock Option Awards (Awards) to selected employees, directors and officers of the Group in accordance with the board-approved Revised Stock Option Plan ("RSOP"). The Awards cover a total of 420,000,000 common shares consisting of 252,000,000 class "A" and 168,000,000 class "B" shares from the company's unissued capital stock, exercisable at the price of ₱0.32 per share, within 5 years from the date of SEC approval of the same. The option price of ₱0.32 per share was computed based on a new formula in the RSOP, that is, "the amount equivalent to 80% of the average closing price of the stock for the ten (10) trading days immediately preceding the date of the approval of the Grant by the BOD. The SEC approved the Awards and the Revised Stock Option Plan on February 1, 2008; the pertinent listing application was approved by the PSE on February 29, 2008.

By virtue of the 1:7 stock rights offering at the price of ₱0.25 per share approved by the BOD on February 18, 2008 and by the PSE on February 29, 2008, the shares covered by the Awards increased by 36,000,000 common "A" shares and 24,000,000 common "B" shares. The average option price was accordingly adjusted to ₱0.3112 per share.

By virtue of the 1:3.3 stock rights offering at ₱0.30 per share approved by the BOD on October 18, 2010, the number of shares covered by the Awards, specifically those for the fourth and fifth years of the option, increased by 33,409,662 common "A" and 22,273,108 common "B" shares. The PSE approved the pertinent listing application on February 9, 2011. Accordingly, the average option price was adjusted to ₱0.3086 per share.

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

	2010		2009	
	Class A	**Class B**	Class A	Class B
Outstanding at beginning of year	**277,466,905**	**184,978,295**	279,743,462	186,496,000
Forfeitures during the year	**(6,157,193)**	**(4,105,154)**	(2,262,843)	(1,508,562)
Exercised during the year	**(161,400,686)**	**(107,600,457)**	(13,714)	(9,143)
Outstanding at end of year	**109,909,026**	**73,272,684**	277,466,905	184,978,295

25. Refining Agreements

The parent company entered into consignment and refining agreement (RA) of gold and silver bullion. Bullion exports were made to Heraeus Limited (Heraeus) in 2010, 2009 and 2008 in accordance with a contract entered into on January 5, 2005. Each shipment of materials under the agreement will consist of no less than twenty (20) kilograms of materials. As settlement, the prices for all sales are as follows:

Gold - the London Bullion Market Association PM fixing without any deduction in US Dollars

Silver - the London Bullion Market Association fixing in US Dollars

Heraeus shall settle the metal payables at 99.9% and 98.0% of the final agreed assayed gold and silver contents of refined materials from each shipment.

On January 1, 2008, an extension of the RA was executed with the same terms and shall take effect for one year.

The parent company also entered into refining and smelting agreement of its copper concentrates. Copper concentrates were sold to Trafigura Beheer BV and Shanghang County Jinshan Trading Co., Ltd. in 2008. As settlement, the prices for all sales are as follows:

Copper - the London Metals Exchange cash settlement or average of Shanghai Nonferrous Metals on the variety of #1 Copper Cathode

Gold - the London Bullion Market Association fixing in US Dollars or weighted average price of AU9995 of Shanghai Gold Exchange

Silver - the London Bullion Market Association fixing in US Dollars or weighted average price of #3 silver bullion of ex-silver.com

The settlement shall be at 78% for the copper and 82% to 95% for the gold and 68% to 95% for the silver of the final agreed assayed copper, gold and silver contents from each shipment.

As at December 31, 2010 and 2009, the Group's embedded derivatives on provisionally priced sales are immaterial relative to the consolidated financial statements.

26. Commitments, Agreements, Contingent Liabilities and Other Matters

(a) The parent company's BOD approved Lepanto's execution of an Option on Shareholder's Agreement ("Agreement) with Gold Fields Switzerland Holding AG ("GFS"), a wholly owned subsidiary of Gold Fields Limited, in relation to the development and operation of the Far Southeast Project.

The Agreement would grant GFS an eighteen (18)-month option to subscribe to new shares of stock of FSGRI representing twenty percent (20%) interest in FSGRI. If the option is exercised by GFS, the Company's interest in FSGRI will be reduced from sixty percent (60%) to forty (40%). The parties intend to progress the Project under a Financial or Technical Assistance Agreement.

The parent company was paid a non-refundable option fee of US$10.0 million. The option requires GFS to sole-fund pre-development expenses including exploration and a feasibility study of the Project and contribute US$110 million into FSGRI. GFS must also contribute its proportionate share of the development cost at which point GFS will receive its 20% interest in FSGRI.

The parent company has recognized the non-refundable option fee amounting to ₱440.1 million as part of other income in "Finance cost and other income" (see Note 23).

(b) In an agreement entered into with Philippine Associated Smelting & Refining Corporation (PASAR) on April 21, 1983, the parent company committed to deliver to PASAR and PASAR committed to take in a minimum quantity of its calcine production from its roaster plant in accordance with the pricing and payment terms defined in the agreement. The agreement is for an indefinite period unless otherwise terminated or cancelled pursuant to agreed terms or by the parties' mutual consent. In 1998, the agreement was suspended for an indefinite period in view of the temporary cessation of the parent company's roaster plant operations.

(c) On March 3, 1990, FSGRI entered into a MPSA with the Philippine Government through the DENR and the parent company pursuant to Executive Order No. 279. Under the terms of the agreement, FSGRI shall pay the Philippine Government a production share of two percent (2%) on gross mining revenues and ten percent (10%) on net mining revenues payable within thirty (30) days at the end of each financial reporting year and such will commence upon the start of FSGRI's commercial operations.

The initial term of this agreement shall be twenty-five (25) contract years from the effective date, subject to termination as provided in the agreement, renewable for another period of twenty-five (25) years upon such terms and conditions as may be mutually agreed upon by the parties or as may be provided for by law. As at March 21, 2011, FSGRI is still in pre-operating stage.

(d) Under a memorandum of agreement entered into on October 18, 1991 by FSGRI and the parent company among residents of various barangays of Mankayan, Benguet, the municipal government of Mankayan, the Benguet provincial government, the DENR, FSGRI and the parent company (collectively as "Group"), among other things, are mandated to abide by certain commitments to the barangays as contained in the said agreement in return for the continued implementation of the Far Southeast Project. The agreement likewise provides that: (1) the implementation of the project is subject to the conditions imposed or may be imposed by the DENR specifically on certain environmental concerns; and (2) the residents shall not hinder the implementation of the project and shall assist the Group and the DENR in the peaceful solution of conflicts relative to the Group's operations.

In April 1998, the parent company entered into a separate memorandum of agreement with the Office of Municipal Mayor and Sangguniang Bayan of Mankayan, DENR and Mines and Geosciences Bureau. Under the agreement, the Company is mandated to establish and maintain a Monitoring Trust Fund and a MRF amounting to ₱50 and ₱5,000, respectively. The funds are to be used for physical and social rehabilitation, reforestation and restoration of areas and communities affected by mining activities and for pollution control, slope stabilization and integrated community development. The rehabilitation fund to be maintained by the parent company in a mutually acceptable bank, subject to annual review of MRF committee, is payable in four (4) equal quarterly payments of ₱1,250 up to March 1999. As at December 31, 2010 and 2009, the rehabilitation fund of ₱5,000, which does not meet the features provided under Philippine Interpretation IFRIC 5, is presented under "Other noncurrent assets" account in the consolidated statements of financial position.

(e) 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 as at December 31, 2010 and 2009, and results of operations for the years ended December 31, 2010, 2009 and 2008.

(f) The parent company leases the land where its roasting plant is constructed, certain equipment, office spaces and warehouses at various periods up to January 1, 2009. Lease agreement for the roasting plant, which expired in March 2007, was extended to another term of 2 years while the other lease agreements will extend until 2012. Rent expense recognized relating to the said agreements aggregated to nil in 2010 and ₱1,191 in 2009, respectively.

The minimum annual lease payments subsequent to reporting dates follow:

	2010	2009
Within one year	₱–	₱1,191

(g) As at December 31, 2010 and 2009, the parent company has no unused credit lines with various banks. These facilities can be availed of through short-term loans, opening of import letters of credit and outright purchase of negotiable bills.

(h) In an execution sale held on December 12, 2001, DDCP acquired a forty percent (40%) interest in the Guinaong Project of Crescent Mining and Development Corporation (Crescent) which is covered by MPSA No. 057-096-CAR. The execution sale was done in connection with the case filed by DDCP against Pacific Falcon Resources Corporation (Pacific Falcon) for the payment of drilling services rendered at the Guinaong Project amounting to US$307. Per the records of the Mines & Geosciences Bureau (MGB) and the Joint Venture Agreement between Crescent and Pacific Falcon (formerly known as Trans Asian Resources Ltd.), Pacific Falcon has a forty percent (40%) interest in the subject MPSA. The pertinent certificate of sale has been registered with the MGB. Pending with MGB is the application for the approval of the transfer to the DDCP of the rights to 40% of MPSA No. 057-096-CAR.

(i) On April 21, 2008, the BOD of DDCP approved the increase of its authorized capital stock and declaration of a stock dividend of five (5) for three (3) shares to be issued within twenty (20) days from SEC approval of the application for the increase in authorized capital stock.

(j) SEC Transitional Relief in PAS 39

The SEC, in its Notice (the Notice) dated November 30, 2006 pursuant to Resolution No. 493, provided transitional relief allowing certain commodity derivative contracts of mining companies be "grandfathered" and exempted from the fair value requirements of PAS 39. The said exemption will apply only if the following requirements are met:

1. Commodity derivative contracts entered into and effective prior to January 1, 2005;
2. Commodity derivative contracts with original maturity of more than 1 year; and
3. Commodity derivative contracts that would have qualified under PAS 39 hedge accounting rules had these been applied at inception of such contracts.

The parent company notified SEC that it is availing of the exemption from compliance with PAS 39 pursuant to the Notice on its letter to SEC dated December 19, 2006.

Had the parent company qualified and was not exempted from PAS 39, retained earnings will be reduced and liabilities will be increased as of January 1, 2005 by ₱1,280,000.

27. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and interest-bearing borrowings. The main purpose of the Group's financial instruments is to fund the Group's operations. The Group has other financial instruments such as receivables, advances to associate, trade and other payables and loans payable which arise directly from operations. The main risks arising from the use of financial instruments are credit risk, foreign exchange risk, liquidity risk, interest rate risk and commodity price 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 refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its customers and counterparties to fulfill their obligations on maturity dates or due to adverse market conditions.

All gold exports when priced are practically settled on cash basis. Parent company's existing contracts with gold refineries allow for advances of ninety-eight percent (98%) of payable metals paid in two (2) working days from pricing. Full settlement is normally acquired within three (3) working days. For copper concentrates, parent company's existing contracts with smelters allow for advances of ninety percent (90%) of payable metals paid in two (2) to five (5) working days from pricing. Full settlement, however, takes three (3) to six (6) months.

The parent company enters into marketing contracts only with refineries and smelters of established international repute. Since the parent company became a primary gold and copper concentrates producer, it has entered into exclusive marketing contracts with Johnson Matthey Public Limited Company and Heraeus for gold and Trafigura Beheer BV and Shanghang County Jinshan Trading Co., Ltd. for copper concentrates.

The Group has a significant concentration of credit risk in relation to its trade receivables to Hereaus. Such risk is managed by securing the specific approval of the BOD before entering into contracts with refineries.

The credit risk arising from these financial assets arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments. The Group's gross maximum exposure to credit risk is equivalent to the carrying values since there are no collateral agreements for these financial assets.

The table below shows the maximum exposure to credit risk without consideration to collaterals or other credit enhancements for the components of the consolidated statement of financial position as at December 31, 2010 and 2009.

	Note	**2010**	2009
Cash in banks	4	**₱25,672**	₱14,894
Receivables	5		
Trade		**67,749**	141,439
Nontrade and others		**130,059**	5,428
Officers and employees		**5,532**	5,888
AFS investments	9		
Quoted instruments		**82,309**	82,000
Unquoted instruments		**52,232**	48,396
Advances to an associate	10	**1,181**	129,828
MRF	26	**5,947**	5,138
Total credit risk exposure		**₱370,681**	₱433,011

Accordingly, the Group has assessed the credit quality of the following financial assets that are neither past due nor impaired:

1. Cash in banks and MRF are assessed as high grade since the related amounts are deposited with the country's reputable banks duly approved by BOD.
2. Trade receivables, which pertain mainly to receivables from sale of ore, are assessed as high-grade. These are assessed based on past collection experience of full settlement within three days after invoice date with no history of default.
3. Non-trade receivables, which pertain to advances that are due and demandable, are assessed as high-grade since these have high probability of collection through application of outstanding amount against last billing.
4. Receivables to officers and employees, which are operational advances in nature, are assessed as high-grade since these have high probability of collection through liquidation.
5. Quoted equity instrument is assessed as substandard grade since Prime Orion Philippines, Inc. (POPI) is currently implementing its business plan to address its recovery issues.
6. Unquoted equity instrument is assessed as high grade as this pertain to the lone copper smelter in the country that operates in an industry which has a potential growth.
7. Advances to associate is assessed as high grade since the parent company practices offsetting against the associate and historical collection is good.

The above high grade credit quality financial assets pertain to financial assets with insignificant risk of default based on historical experience. Substandard grade credit quality financial assets pertain to financial assets with more than insignificant risk of default based on historical experience and/or counterparty credit standing.

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchange rates, interest rates, equity prices and other market changes.

Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its consolidated financial statements and consolidated statement of cash flows. The Group sells its product to the interstates national market. All gold sales are denominated in United States dollar (US$). Dollar conversion of metal sales to Philippine peso is based on the prevailing exchange rate at the time of sale.

The Group's policy is to maintain foreign currency exposure within acceptable limits. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for an institution engaged in the type of business in which the Group is involved.

The Group's foreign currency-denominated monetary assets and liabilities as at December 31, 2010 and 2009 follow:

	2010		2009	
	United States Dollar	**Peso Equivalent**	United States Dollar	Peso Equivalent
Assets				
Cash	**$33**	**₱1,402**	$33	₱1,524
Trade receivables	**924**	**40,508**	1,171	54,100
	$957	**41,910**	$1,204	₱55,624
Liabilities				
Trade payables and accrued expense	**$15,937**	**₱698,678**	$7,992	₱369,230
Borrowings	**11,774**	**516,172**	13,450	621,390
	$27,711	**1,214,850**	$21,442	₱990,620
Net Liabilities	**$26,754**	**$1,172,940**	$20,238	₱934,996

As at December 31, 2010 and 2009, the exchange rates of the Philippine peso to the US$ are ₱43.84 and ₱46.20 to US$ 1.00, respectively.

Based on the historical movement of the US Dollar and the Philippine peso, management believes that the estimated reasonably possible change in the next twelve (12) months would be an increase of ₱0.57 and decrease of ₱0.63 for 2010 and increase (decrease) of ₱0.72 for 2009 against the US dollar. Sensitivity of the Company's 2010 and 2009 pre-tax income to foreign currency risks are as follows:

- A decrease of ₱15,250 in the pre-tax income if peso weakens by ₱0.57. An increase of ₱16,855 if the Peso strengthens by ₱0.63.
- A decrease of (increase) of ₱14,571 in the pre-tax loss if the peso strengthens (weakens) by ₱0.72 against the US dollar.

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

Interest Rate Risk
The Group's exposure to the risk for changes in market interest rate relates primarily to its long-term borrowings with floating interest rates. As at December 31, 2010 and 2009, majority of the Group's long-term borrowings is based on floating rates. The Group regularly monitors its exposure to interest rates movements. Management believes that cash generated from operations is sufficient to pay for its obligations under the loan agreements as they fall due.

The maturity profile of the interest-bearing assets and liabilities, together with the corresponding nominal amounts and carrying values are shown in the following table. Nominal interest rates vary from floating rate of LIBOR plus fixed margin of 2.75% to ninety-one (91) day treasury bill (T-bill) plus margin of four percent (4%) and fixed interest rates of nine percent (9%) to fourteen percent (14%).

2010	**Total**	**6 months or less**	**6 to 12 months**	**1 to 2 years**	**2 to 3 years**
Cash in banks	**₱25,672**	**₱25,672**	**₱–**	**₱–**	**₱–**
Long-term borrowings	**602,916**	**63,107**	**14,685**	**254,064**	**271,060**

2009	Total	6 months or less	6 to 12 months	1 to 2 years	2 to 3 years
Cash in banks	₱14,894	₱14,894	₱–	₱–	₱–
Loans payable	80,000	80,000	–	–	–
Long-term borrowings	661,542	69,186	16,100	278,541	297,715

The following table sets forth, for the periods indicated, the impact of changes in interest rate on the Group's consolidated statements of comprehensive income:

	Change in interest rates (in basis points)	Sensitivity to pretax income (loss)
2010		
PHP (T-bill rate)	**+100**	**(₱370)**
USD (LIBOR)	**+100**	**(5,162)**
PHP (T-bill rate)	**-100**	**₱370**
USD (LIBOR)	**-100**	**5,162**
2009		
PHP (T-bill rate)	+100	(₱398)
USD (LIBOR)	+100	(6,127)
PHP (T-bill rate)	-100	398
USD (LIBOR)	-100	6,127

Based on the historical movement of the interest rates, management believes that the reasonable possible change for the next twelve (12) months would result to an increase (decrease) of 100 basis points for 2010 and 2009. There is no other impact on the Group's equity other than those already affecting the consolidated statements of comprehensive income.

Equity Price Risk

Equity price risk is the risk to earnings or capital arising from changes in stock exchange indices relating to its quoted equity securities. The Group's exposure to equity price risk relates primarily to its AFS investment in POPI.

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 consolidated statement of 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 5.56% in 2010 and 7.52% in 2009, resulting to a possible effect in the equity of increase (decrease) of ₱3,473 in 2010 and an increase (decrease) of ₱1,843 in 2009.

Commodity Price Risk

The Group is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of mineral products it produces.

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

Since the amount of financial assets and liabilities subject to commodity price risk is immaterial relative to the consolidated financial statements, management opted not to disclose commodity price risk sensitivity analysis for 2010 and 2009.

Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments or that a market for derivatives may not exist in some circumstances.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and hire purchase contracts.

As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include bank loans and capital market issues. Accordingly, its loan maturity profile is regularly reviewed to ensure availability of funding through an adequate amount of credit facilities with financial institutions.

The table below summarizes the aging analysis of the Company's financial assets as at December 31, 2010 and 2009 that are used to manage the liquidity risk of the Company:

2010	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 Years	More than 2 years	Total
Cash in banks	₱25,672	₱–	₱–	₱–	₱–	₱–	₱25,672
Trade receivables	61,636	471	227	5,415	–	–	67,749
TOTAL	₱87,308	₱471	₱227	₱5,415	₱–	₱–	₱93,421

2009	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 Years	More than 2 years	Total
Cash in banks	₱14,894	₱–	₱–	₱–	₱–	₱–	₱14,894
Trade receivables	128,935	964	461	–	11,079	–	141,439
TOTAL	₱143,829	₱964	₱461	₱–	₱11,079	₱–	₱156,333

The table below summarizes the maturity profile of the Group's financial liabilities as at December 31, 2010 and 2009 based on contractual undiscounted payments. Long-term debt consists of principal and future interest payments.

2010	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 Years	More than 2 years	Total
Trade and other payables	**₱934,404**	**₱1,636,091**	**₱48,060**	**₱–**	**₱–**	**₱–**	**₱2,618,555**
Long term-borrowings	**–**	**–**	**–**	**8**	**43,083**	**553,053**	**596,144**
TOTAL	**₱934,404**	**₱1,636,091**	**₱48,060**	**₱8**	**₱43,083**	**₱553,053**	**₱3,214,699**

2009	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 Years	More than 2 years	Total
Trade and other payables	₱820,055	₱1,435,872	₱37,168	₱–	₱–	₱–	₱2,293,095
Loans payable	–	89,600	–	–	–	–	89,600
Long term-borrowings	–	77,697	8,498	19,111	325,812	338,118	769,236
TOTAL	₱820,055	₱1,603,169	₱45,666	₱19,111	₱325,812	₱338,118	₱3,151,931

Fair Values

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

Cash, Receivables, Advances to Associates and Trade and Other Payables

The carrying amounts of cash, receivables, advances to associates, MRF and trade and other payables, which are all subject to normal trade credit terms and are short-term in nature, approximate their fair values.

AFS Investments

Fair values of investments are estimated by reference to their quoted market price at the financial reporting date. Unquoted equity securities are carried at cost, net of impairment in value, since fair value of these AFS securities cannot be reliably determined as these securities are not listed and have no available bid price.

MRF

The carrying amount of MRF, approximates its fair value since it is earning interest at respective market rates.

Loans Payable and Borrowings

The outstanding borrowings as at December 31, 2010 and 2009 are either due within the next financial reporting date or bear floating rates that are repriced monthly.

The fair value of the interest bearing long-term debt in 2010 is based on the discounted value of future cash flows using the applicable rates for the similar types of loans. For floating rate long term borrowings which are 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 borrowings, which are 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. For fixed rate long-term borrowings, the fair value is derived through the discounted cash flows. The discount rates used range from 6.056% to 7.685% in 2010 and 7.096% to 8.133% in 2009.

Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Company's quoted AFS investments are classified as level 1.

As at December 31, 2010 and 2009, there were no transfers between Level 1 and Level 2 fair value measurements.

Categories and classes of financial instruments:

The carrying values of the Group's financial assets and liabilities per category and class are as follows:

	2010		2009	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets:				
Loans and receivables				
Cash	**₱27,022**	**₱27,022**	₱15,946	₱15,946
Receivables				
Trade	**67,749**	**67,749**	141,439	141,439
Nontrade and others	**130,059**	**130,059**	5,428	5,428
Officers and employees	**5,532**	**5,532**	5,888	5,888
MRF	**5,947**	**5,947**	5,138	5,138
	236,309	**236,309**	173,839	173,839
AFS investments				
Quoted	**82,309**	**82,309**	82,000	82,000
Unquoted	**52,232**	**52,232**	48,396	48,396
	134,541	**134,541**	130,396	130,396
	₱370,850	**₱370,850**	₱304,235	₱304,235
Financial Liabilities:				
Other financial liabilities				
Trade and other payables	**₱2,618,555**	**₱2,618,555**	₱2,293,093	₱2,293,093
Loans payable	**–**	**–**	80,000	80,000
Long-term borrowings	**553,134**	**514,908**	661,440	598,016
	₱3,171,689	**₱3,133,463**	₱3,034,533	₱2,971,109

28. Capital Management

The primary objective of the Group's capital management is to ensure that the Group maintains positive cash balance in order to support their businesses, pay existing obligations and maximize shareholder value. The Group manages their capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may obtain additional advances from stockholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended December 31, 2010 and 2009. The Group monitors capital using the consolidated financial statements.

As at December 31, 2010 and 2009, the Group's capital, which is composed of common shares and additional paid-in capital, amounted to ₱4,811,432 and ₱4,733,042, respectively.

29. Subsequent Events

On October 18, 2010, the BOD approved a 1:3.3 stock rights offering to shareholders at the price of P0.30 per share to support an increase in the parent company's authorized capital stock from P3.35 billion toP6.64 billion which increase was approved by the shareholders in April 2009. A total of 6,031,372,952 "A" and 4,020,909,888 "B" shares were offered at the price of P0.30 per share, raising a total of P3.015 billion during the period January to February 2011. The proceeds are intended for payment of debts and other payables, updating of retirement benefit obligations and the development of the Victoria mine. The increase in the authorized capital stock of the parent company was approved by the Securities and Exchange Commission on February 11, 2011

30. Segment Information

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group derives revenue from the following main operating business segments:

Mining Activities
This segment engages in exploration and mining of gold, silver, copper, lead, zinc and all kinds of ores, metals, minerals, oil, gas and coal and their related by-products.

Service
This segment derives its income from drilling, hauling and sawmilling services to its related and outside parties.

Others
This segment is engaged in the investing and insurance broker activities of the Group.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation.

The Group operates and generates revenue principally in the Philippines. Thus, geographical segmentation is not required.

The following tables present certain information regarding the Group's operating business segments:

2010	Mining	Service	Others	Elimination	Total
Revenue from external customers:					
Sale of metals	₱1,329,929	₱–	₱–	₱–	₱1,329,929
Others	3,867	52,887	17,780	–	74,534
Inter-segment revenue	199	57,776	6,783	(64,758)	–
Segment revenue	1,333,995	110,663	24,563	(64,758)	1,404,463
Operating expenses	(1,667,472)	(117,497)	(27,364)	64,037	(1,748,296)
Share in operating results of associates	–	–	–	(257)	(257)
Loss before income tax	(333,477)	(6,834)	(2,801)	(978)	(344,090)
Finance cost, net of other income	352,184	203	2,213	(4,254)	350,346
Provision for (benefit from) income tax	(27,928)	233	152	–	(27,543)
Net income (loss)	(₱9,221)	(₱6,398)	(₱436)	(₱5,232)	(₱21,287)

	Mining	Service	Others	Elimination	Total
Segment assets	₱9,022,107	₱252,327	₱597,396	(₱916,104)	₱8,955,726
Investments and advances to associate	–	–	–	293,793	293,793
Segment liabilities	(3,961,732)	(221,380)	(191,329)	381,108	(3,993,333)
Depreciation	306,881	13,998	1,123	–	322,002
Capital expenditures:					
Tangible fixed assets	213,640	24	767	–	214,431
Intangible assets	343,074	–	–	(31,263)	311,811
Cash flows arising from:					
Operating activities	642,423	3,188	5,903	(98,662)	552,852
Investing activities	(462,455)	(1,800)	(5,308)	(25,073)	(494,636)
Financing activities	(156,100)	(227)	215	108,972	(47,140)

2009	Mining	Service	Others	Elimination	Total
Revenue from external customers:					
Sale of metals	₱1,416,391	₱–	₱–	₱–	₱1,416,391
Others	2,285	21,814	15,460	–	39,559
Inter-segment revenue	199	26,641	13,515	(40,355)	–
Segment revenue	1,418,875	48,455	28,975	(40,355)	1,455,950
Operating expenses	(1,637,140)	(66,375)	(36,123)	50,597	(1,689,041)
Share in operating results of associates	–	–	–	5,428	5,428
Income (loss) before income tax	(218,265)	(17,920)	(7,148)	15,670	(227,663)
Finance cost, net of other income	(120,359)	460	17	–	(119,882)
Provision for (benefit from) income tax	(23,810)	(242)	(261)	–	(24,313)
Net income (loss)	(₱362,434)	(₱17,702)	(₱7,392)	₱15,670	(₱371,858)

	Mining	Service	Others	Elimination	Total
Segment assets	₱8,768,148	₱591,016	₱310,205	(₱928,729)	₱8,740,640
Investment and advances to associates	–	–	–	363,411	363,411
Segment liabilities	(3,785,853)	(183,607)	(272,862)	408,659	3,833,662
Depreciation	(383,676)	(16,932)	(1,317)	–	(401,925)
Capital expenditures:					
Tangible fixed assets	198,860	214	39	–	199,113
Intangible assets	383,414	–	–	7,219	390,633
Cash flows arising from:					
Operating activities	675,804	(35)	(21,543)	17,334	670,560
Investing activities	(540,022)	(39)	22,281	8,270	(509,510)
Financing activities	(137,634)	(227)	379	(17,334)	(154,816)

2008	Mining	Service	Others	Elimination	Total
Revenue from external customers:					
Sale of metals	₱1,713,873	₱–	₱–	₱–	₱1,713,873
Others	5,419	83,833	34,149	–	123,401
Inter-segment revenue	199	65,814	69,657	(135,670)	–
Segment revenue	1,719,491	149,647	103,806	(135,670)	1,837,274
Operating expenses	(2,119,160)	(144,597)	(100,725)	143,023	(2,221,459)
Share in operating results of associates	–	–	–	(36,560)	(36,560)
Income (loss) before income tax	(399,669)	5,050	3,081	(29,207)	(420,745)
Finance cost, net of other income	(314,921)	126	347	154	(314,602)
Provision for (benefit from) income tax	(22,563)	(3,171)	(2,218)	–	(27,952)
Net income (loss)	(₱737,153)	₱2,005	₱1,210	(₱29,361)	(₱763,299)

	Mining	Service	Others	Elimination	Total
Segment assets	₱8,790,620	₱328,123	₱587,577	(₱900,443)	₱8,805,877
Investment and advances to associate	–	–	–	378,322	378,322
Segment liabilities	(3,549,614)	(280,025)	(77,530)	395,418	(3,511,751)
Depreciation	(547,695)	(19,730)	(8,114)	–	(575,539)
Capital expenditures:					
Tangible fixed assets	301,359	10,911	10,962	–	323,232
Intangible assets	544,868	–	–	5,266	550,134
Cash flows arising from:					
Operating activities	411,381	10,808	5,820	(131,322)	296,687
Investing activities	(846,904)	(10,980)	(6,757)	84,644	(779,997)
Financing activities	434,790	(227)	307	46,680	481,550