

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULT OF OPERATION****Plan of Operation**

Pacifica, Inc. (the "Corporation") has not commenced commercial operations to date. However on July 16, 2007, the Corporation re-directed the focus of the business on exploration, operation, management and marketing of mining claims after the SEC approved its Amended Articles of Incorporation reflecting changes dealing with the reversion of its primary purpose to mineral exploration, extending the corporate life for another fifty years and changing the par value from P1.00 to P0.005.

In preparation for its mining activities, additional amendments to the Articles of Incorporation have been approved by the stockholders' last November 23, 2007 which include an increase in the Corporation's authorized capital stock to 500 million and declassification of "Class B" shares. The declassification of "Class B" was approved by SEC on December 10, 2008.

Having re-directed its purpose to mining, the Corporation started looking for mining related business opportunities. During the stockholders' meeting on August 14, 2009, the stockholders approved the execution of an Operating Agreement between the Corporation and Zam-Iron Mining Corporation (Zam-Iron), which Operating Agreement was signed on December 8, 2009. Under the Operating Agreement, the Corporation was granted an exclusive right to explore, develop and extract mining products from Kabalasan Mining Rights which covers potential gold, silver and iron deposits in Kabalasan and Siay, Zamboanga, Sibugay Province, containing 136.5 meridional blocks or 11,056.5 hectares. Further, the consideration for the rights granted will be in the form of royalties which shall be paid by the Corporation to Zam-Iron. It was approved then that the loan of Php50 million extended by the Corporation to Zam-Iron last 02 January 2008 will be considered as advanced royalties.

On November 15, 2013, Zam-Iron Mining Corp. (Zam-Iron) informed the Corporation that it received a letter from the Mines and Geosciences Bureau IX stating that its office has issued an Order of Denial for mining exploration with finality. Zam-Iron's next recourse was to file an appeal to the Mines and Geosciences Bureau central office in Manila. To date, no update was given by Zam-Iron to the Company regarding the status of their application and operations.

On November 22, 2013, the Corporation informed Zam-Iron that insofar as it is concerned, Zam-Iron has failed to fulfill its obligations under the Memorandum of Agreement (MOA) signed on January 2, 2008 and Operating Agreement signed in December 2009 and is deemed in default. The Corporation demanded for the full refund of P50,000,000 prepaid royalties with interest and waived its right in the event of default to take over the operation and production of the mining operation since Zam-Iron failed to secure the necessary exploration permit.

Consequently, the Company determined that its prepaid royalties to Zam-Iron may no longer be realized since the Mines and Geosciences Bureau Region IX has issued in 2013 an order of denial to Zam-Iron for the latter's application for mining exploration with finality. Accordingly, the Company provided full allowance for probable losses for the prepaid royalties in 2013. The carrying value of prepaid royalties amounted to nil as of December 31, 2014 and 2013 and was included in the impairment and write-off on August 28, 2015.

Moreover, the Corporation also started to get involved in power-related business activities as another business option. Power plant operation is one of the secondary purposes of the Corporation. In 2010 and 2009, it participated in various Biddings of the Power Sector Assets and Liabilities Management Corporation (PSALM) for projects like appointment as IPP Administrator for the contracted capacities of the San Roque Multi-Purpose Hydroelectric Power Plant at San Manuel Pangasinan; Bakun Hydroelectric Power Plant at Alilem, Ilocos Sur; Benguet Mini-Hydro at Benguet, Cordillera Administrative Region; Ilijan Combined Cycle Power Plant in Batangas City; Malaya Thermal Power Plant in Piliilia, Rizal; Unified Leyte Geothermal Power Plants in Leyte and the Naga Power Plant Complex in Naga, Cebu. Unfortunately, the Corporation lost the Biddings to its opponents.

For the years ending December 31, 2015 and fiscal year ending December 31, 2014, the Corporation

experienced net losses amounting to Php25.6M and Php1.4M, respectively, the gap primarily attributable to the impairment and write-off of various assets in 2015. In 2014, the Corporation's Php1.4M loss is mainly due to the provisions for probable losses and expenses incurred in view of its participation in various bidding programs where it lost. In 2013, the Corporation experienced net loss of Php71.6M. It has not generated any revenue in view of its participation in various biddings where it lost.

Given that the recovery of the Corporation's receivables within the next twelve (12) months has been deemed remote, the Board of Directors of the Corporation unanimously approved on August 28, 2015 the impairment and write-off of the following items from its books of accounts: (1) accounts receivable from 9th Kingdom Investments, Inc., (2) advances to Mikro-Tech Capital, Inc; (3) prepaid royalties in favor of Zam-Iron Mining Corporation, (4) accounts receivables from LRSI and Stradec, and (5) retained deficit. This was ratified by the stockholders during the Corporation's annual stockholders' meeting on October 16, 2015.

Fund requirements for the current and preceding years had been sourced internally. Management also initiated to source funds to satisfy the cash requirements for the acquisition or purchase of mining claims, rights and power related business as may be cautiously identified by the Corporation. On June 21, 2011, the Corporation conducted a delinquency sale on its unpaid subscriptions. On December 4, 2015, the Company applied for the relisting of these delisted delinquent shares. As of December 31, 2015, the application is pending before the Philippine Stock Exchange.

As additional steps to source funds, the Corporation is looking at an increase in authorized capitalization and the invitation of strategic partners to invest in the Corporation. In fact, during the annual stockholders' meeting on October 16, 2015, the stockholders approved to increase the Corporation's authorized capital stock from P200M up to an amount to be determined by the Board not exceeding P3B.

The Corporation is optimistic that it shall obtain sufficient funds to support its anticipated fund requirements for the next twelve months.

Analysis and Financial Condition and Results of Operations

Full Fiscal Years

Since the Corporation has no commercial operation to date and has not generated revenues for the fiscal years ending December 31, 2015, 2014 and 2013, it posted losses. Losses are generally attributed to administrative expenses incurred plus the occasional impairment and write-off of uncollectible assets. The following table shows the consolidated financial highlights of the company for the 9 months period ended September 30, 2016 with comparative figures of the previous years and as of December 31, 2015, 2014 and 2013.

	30 September 2016	31 December 2015	31 December 2014	31 December 2013
Income Statement Data				
Total Revenues	0	(6,697,055)	(649)	(6,644)
Net Loss	1,197,881	25,558,722	1,368,043	71,559,145
Balance Sheet Data				
Total Current Assets	483,098	234,529	31,878,120	33,175,507
Plant, Property and Equipment	0	0	83,800	83,800
Other Non-Current Assets	0	0	0	0
Total Assets	483,098	234,529	31,961,920	33,259,307
Current Liabilities	2,242,649	796,200	6,964,869	6,894,213
Stockholders' Equity	(1,759,551)	(561,671)	24,997,051	26,365,094
Total Liabilities & Stockholders'	483,098	234,529	31,961,920	33,259,307
Current Ratio	0.22	0.29	4.563	4.812
Solvency Ratio	0.22	3.39	0.218	0.207
Debt to Equity Ratio	1.28	(1.42)	0.279	0.261

Key Performance Indicators of the Company

Based on the above table the following are key performance indicators of the Corporation for 2016, 2015, 2014, and 2013:

- (a) Net loss in 2016 of 1,197,882 is mainly due to administrative expenses while net loss in 2015 of 25.6M is due to impairment and write-off of, among others, Advances to Mikro-Tech Capital, Inc. and Retained Deficit as approved by the board on August 28, 2015 and ratified by the stockholders on October 16, 2015. Meanwhile, administrative expenses were kept at bay because of cost saving measures initiated by Management while the Company is pre-operational.
- (b) Stringent controls are utilized on incurring expenses. Management maintains a generally cautious stance in identifying mining opportunities in order to maximize the Corporation's gross margin. Consequently, Management has taken a conservative stand in approving any potential mining or power-related activity and will keep the same stance in the next twelve months.
- (c) Working Capital Ratio or Current Ratio – This will measure how liquid the corporation is and its ability to meet its current obligations. It is computed by dividing total current assets with the total current liabilities.

This liquidity of the Corporation for fiscal year 2015 decreased to 0.29 due to the impairment and write-off of various current assets due from related parties.

- (d) Debt Management Ratio or Solvency Ratio – This is computed by dividing the total liabilities by the total assets.

For 2015, the solvency ratio increased to 3.39 due to the impairment and write-off of various current assets due from related parties.

- (e) Debt Equity Ratio – This will explain the relationship between how the assets were financed by the Corporation's creditors and its stockholders. This is computed by dividing the total liabilities over the stockholders' equity.

For 2015, the debt to equity ratio decreased to -1.42 due to the additional deficit created as a result of the impairment and write-off of various current assets due from related parties.

By comparing accounts in the Balance Sheets and Statements of Operations for the period ending December 31, 2015, 2014 and 2013, the following are the material changes and their causes:

Changes in Financial Condition**2015 vs. 2014**

- (a) Current Assets

Current assets decreased from P31.9M in 2014 to P234,529 in 2015. This was due to the impairment and write-off of (1) Accounts Receivable from 9th Kingdom Investments, Inc., (2) Advances to Mikro-Tech Capital, Inc.; (3) Prepaid Royalties in favor of Zam-Iron Mining Corporation; and (4) Accounts Receivables from LRSI and STRADEC, as approved by the board on August 28, 2015 and ratified by the stockholders on October 16, 2015.

- (b) Input Taxes

In 2015, the input tax resulted to nil due to impairment and write-off of the Advances to Mikro-Tech Capital, Inc. It is also nil as of December 31, 2014 due to the full allowance provision for probable losses amounting to Php1,563,129.

(c) Property and Equipment

There is no acquisition of property and equipment for 2015 and 2014. The current period balance of Property and equipment resulted to nil after it was determined to be impaired and its corresponding accumulated depreciation was closed to Retained Earnings.

(d) Current Liabilities

The current liabilities dropped from P7.0M in 2014 to P796, 200 in 2015 due to write-off of accrued professional fees and other payables.

(e) Deficit

Comprehensive losses for the fiscal years ended December 31, 2015 and 2014 represent impairment and write-off of various accounts and bidding related and administrative expenses, respectively. The losses on these periods caused the continued increase in Deficit. The impaired and write-off of the various accounts was approved by the Board on August 28, 2015 and ratified by the stockholders on October 16, 2015.

2014 vs. 2013

(a) Current Assets

Current assets decreased by 3.9% in 2014 was due to decrease in related parties account.

(b) Input Taxes

In 2014, the Company provided 100% allowance for probable losses.

(c) Property and Equipment

The current period balance remains unchanged amounting to Php83,800.00.

(d) Current Liabilities

Current liabilities increased by P70,656 because of accrual of various expenses.

(e) Deficit

Comprehensive losses for 2014 and 2013 amounting to P185.05M and P183.68M, respectively, are primarily due to administrative expenses caused to increase Deficit.

2013 vs. 2012

(a) Current Assets

Current assets decreased by 39% in 2013 was due to provision of allowance for doubtful accounts of related parties.

(b) Input Taxes

In 2013, the Company provided 100% allowance for probable losses.

(c) Property and Equipment

The current period balance decreased by P1,858 due to allowance for depreciation.

(d) Current Liabilities

Current liabilities decreased by P300,000 in 2013 because the advances due to related

parties have already been paid.

(e) Deficit

Comprehensive losses for 2013 and 2012 amounting to P183.68M and P112.12M, respectively, are primarily due to administrative expenses caused to increase Deficit.

Changes in Operating Results

2015 vs. 2014 vs. 2013

The Corporation has not yet started commercial operations. There was no mining activities or exploration as of December 31, 2015. The exploration works for Zam-Iron have not been commenced. On November 15, 2013, Zam-Iron received a letter from the Mines and Geosciences Bureau IX stating that their office has issued an Order of Denial for mining exploration with finality. Zam-Iron's next recourse is to file an appeal to the Mines and Geosciences Bureau central office in Manila. The Company has determined that its prepaid royalties to Zam-Iron may no longer be realized, accordingly, the Company provided full allowance for probable losses for the prepaid royalties in 2013. The carrying value of prepaid royalties amounted to nil as of December 31, 2014 and 2013. The Company thereafter deemed that the recovery of the Company's receivables was remote. The Board of Directors on August 28, 2015 unanimously approved the impairment and write-off of the following items from its books of account: (1) accounts receivable from 9th Kingdom Investment, Inc., (2) advances to Mikro-Tech Capital, Inc, (3) prepaid royalties in favor of Zam-Iron Mining Corporation, (4) accounts receivable from LRSI and Stradec, and (5) retained deficit. This was ratified by the stockholders during the annual stockholders' meeting on October 16, 2015.

The increase in the Comprehensive Losses to P26.6M in 2015 from P1.4M in 2014 is due to the impairment and write-off of various accounts above-mentioned. In 2013, the Comprehensive Losses amounted to P71.6M due to the provision for probable losses and allowance for doubtful accounts. The Corporation has not participated in bidding activities in 2015.

Material Events and Uncertainties. For 2015 and 2014, the Corporation has nothing to report on the following other than the disclosures mentioned in the notes to financial statements and discussed above:

- (a) Any known trends, demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Corporation's liquidity increasing or decreasing in any material way.
- (b) Events that will trigger direct or contingent financial obligation that is material to the Corporation, including any default or acceleration of obligation. The Corporation is not in default or in breach of any note, loan, lease or other indebtedness or financing arrangements requiring it to make payments. The Company has no trade payables and there is no significant amount in its other payables that has not been paid within the stated terms.
- (c) Material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Corporation with unconsolidated entities or other persons created during the reporting period.
- (d) Any material commitment for capital expenditures.
- (e) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues, income from continuing operations.
- (f) Any significant elements of income or loss that did not arise from the issuer's continuing operations.
- (g) Any seasonal aspects that had a material effect on the financial condition or results of operations.

**MARKET FOR ISSUER'S COMMON EQUITY
AND RELATED STOCKHOLDER MATTERS**

Market Information

Pacifica, Inc. shares are actively traded in the Philippine Stock Exchange. Presented below are the high and low closing prices per quarter for the last two fiscal years furnished by the Philippine Stock Exchange.

Quarter	2015		2014	
	Common Shares		Common Shares	
	High	Low	High	Low
1 st	0.048	0.040	0.051	0.029
2 nd	0.042	0.030	0.054	0.036
3 rd	0.058	0.028	0.055	0.039
4 th	0.047	0.029	0.067	0.041

As of September 30, 2016, the closing price of the Corporation's common shares is Php0.037 and the public float is 35.83%. Closing price was at Php0.033 as of June 30, 2016, while closing price as of 31 January 2016 was at Php0.028.

Holders

The Corporation's capital stock consists of unclassified common shares. As of September 30, 2016, 99.73% is owned by Filipinos while 0.27% is owned by other nationalities.

There are 3,307 stockholders as of September 30, 2016 and the common shares issued and outstanding are 40,000,000,000.

The top twenty stockholders as of September 30, 2016 are as follows:

	Name	Nationality	No. of Shares	Percentage
1	PCD Nominee Corporation (Filipino)	Filipino	18,434,332,224	46.085831%
2	9 th Kingdom Investments, Inc.	Filipino	13,332,000,000	33.330000%
3	Mikro-Tech Capital, Inc.	Filipino	1,185,414,000	2.963535%
4	Alexandra L. Laperal	Filipino	766,500,000	1.916250%
5	Rosamaria Laperal	Filipino	639,800,000	1.599500%
6	Oliverio L. Laperal, Jr.	Filipino	614,480,000	1.536200%
7	Victorina Heras	Filipino	605,860,500	1.514651%
8	Regina L. Concepcion	Filipino	600,000,000	1.500000%
9	Desiderio L. Laperal	Filipino	554,500,000	1.386250%
10	LMI Holdings Corporation	Filipino	452,000,000	1.130000%
11	PCD Nominee Corporation (Foreign)	Foreign	108,540,000	0.271350%
12	Chiong & Company, Inc.	Filipino	95,530,000	0.238825%
13	Oliverio G. Laperal	Filipino	95,238,442	0.238096%
14	9 th Kingdom Investments Corp.	Filipino	92,270,000	0.230675%
15	Ansaldo, Godinez & Co., Inc.	Filipino	76,010,000	0.190025%
16	Benjamin Co Ca & Co., Inc.	Filipino	74,384,499	0.185961%
17	Vicente Goquiolay & Co., Inc.	Filipino	69,630,000	0.174075%
18	Industrial Horizons, Inc.	Filipino	53,200,000	0.133000%
19	Nieves Sanchez, Inc.	Filipino	52,620,000	0.131550%
20	Tiong Securities, Inc.	Filipino	51,810,000	0.129525%

Dividends

The Corporation has not declared any cash or stock dividend during the past three years.

Recent Sale of Unregistered Securities

On June 21, 2011, the Corporation conducted a delinquency sale of 14,654,784,000 delisted delinquent shares, the results of which were reported to the Securities and Exchange Commission and the Philippine Stock Exchange. This corporate act confirms the Corporation's initiative to source funds. As of the date of the preparation of this report, all winning bidders have fully paid their bids.

To date, there were no new securities issued.

Financial Statements. The Interim Unaudited Financial Statements of the Corporation for the period ended September 30, 2016 are incorporated herein by reference.

CORPORATE GOVERNANCE

In compliance with SEC Memorandum Circular No. 6 Series of 2009, the Corporation has filed with the SEC in 2014 its Revised Manual on Corporate Governance.

In compliance with the SEC Advisory dated March 16, 2016, the Corporation had attached its Annual Corporate Governance Report for 2015 to its Annual Report for the same year.