BenguetCorp

PSE Code MI – 020

April 26, 2018

THE PHILIPPINE STOCK EXCHANGE
4F PSE Centre, Exchange Road
Ortigas Center, Pasig City

Attention : Mr. JOSE VALERIANO B. ZUÑO, III
OIC – Head, Disclosure Department

Gentlemen:

In compliance with the reportorial requirements of the Philippine Stock Exchange (PSE), we submit hereto copy of Benguet Corporation's (BC) 2017 Annual Report under SEC Form 17-A with the following attachments - (a.) Benguet Corporation and its Subsidiaries Audited Consolidated Financial Statements for fiscal year ended December 31, 2017; and (c.) Benguet Corporation's (Parent) Audited Financial Statements for fiscal year ended December 31, 2017.

Please note that on April 10, 2018, the Company requested for extension of period to submit its 2017 Annual Report (SEC Form 17-A).

We trust that you will find everything in order.

Very truly yours,

BENGUET CORPORATION
By:

REYNALDO P. MENDOZA
Senior Vice President, Public Affairs, Legal
and Assistant Corporate Secretary

Attchs. a/s
/file.

Universal Re-Building, 106 Paseo de Roxas, 1226 Makati City Philippines
MCPO Box 3488 • Phone: +632.812.1380 • Fax: +632.752.0717

COVER SHEET

SEC Registration Number

B E N G U E T C O R P O R A T I O N

(Group's Full Name)

7 t H F l o o r , U n i v E r s a l R e B u i l d i n g ,
1 0 6 P a s e o d e R O x a s , M a k a t i C i t y

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

Mr. Reynaldo P. Mendoza
(Contact Person)

812-1380 / 751-9137
(Group Telephone Number)

1 2 3 1
Month *Day*
(Calendar Year)

1 7 - A
(Form Type)

Month *Day*
(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Article Third
Amended Articles Number/Section

Total Amount of Borrowings

16,931
Total No. of Stockholders

Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

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SEC FORM 17-A

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

1. For the fiscal year ended ....**DECEMBER 31, 2017**.................................

2. SEC Identification Number ....**11341**........... 3. BIR Tax Identification No. ...**000-051-037**....

4. Exact name of issuer as specified in its charter ....**BENGUET CORPORATION**..................

5. ....**PHILIPPINES**...............................
   Province, Country or other jurisdiction of incorporation or organization

6. [ ] (SEC Use Only)
   Industry Classification Code:

7. **7F UNIVERSAL RE-BUILDING, 106 PASEO DE ROXAS, MAKATI CITY** ....**1226**...........
   Address of principal office Postal Code

8. .... **(632) 751-9137 / 812-1380** ....
   Issuer's telephone number, including area code

9. ....
   Former name, former address, and former fiscal year, if changed since last report.

   1. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class		Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding (as of December 31, 2017)
Convertible Preferred Class A	₱3.43 par value	217,061 shares
Common Class A Stock	₱1.00 par value	370,739,961 shares*
Common Class B Stock	₱1.00 par value	245,031,222 shares*

(*) – Net of Treasury Shares

Total consolidated outstanding principal loans payable as of December 31, 2017 – ₱430.8 Million

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

    Yes [X] No [ ]

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

    The Convertible Preferred Class A, Common Class A and Common Class B shares of the Company are listed in the Philippine Stock Exchange (PSE).

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [X]   No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [ ]   No [X]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

Not Applicable.

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [ ]   No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders;
(b) Any information statement filed pursuant to SRC Rule 20;
(c) Any prospectus filed pursuant to SRC Rule 8.1.

PART I – BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

1. <u>BUSINESS DEVELOPMENT</u>
   CORPORATE PROFILE

Benguet Corporation (the "Company", "Benguet") was established as sociedad anonima on August 12, 1903 under its original name of Benguet Consolidated Mining Company. Its name was changed to Benguet Consolidated, Inc., in 1956 and finally to its present corporate name in 1980. Benguet was registered as a corporation with the Securities and Exchange Commission (SEC) on June 18, 1956 and it is now on its third term of fifty-year corporate life, the last extension was approved by the SEC on June 18, 2006. It celebrated its 100th year in 2003. The Company has been listed in the Philippine Stock Exchange (PSE) since January 4, 1950.

Benguet is engaged primarily in mining and mineral exploration. It started mining gold in 1903, chromite in 1934 and copper in 1971. It produced gold from the Benguet Gold Operations (BGO), Paracale Gold Operation (PGO) and Benguet Antamok Gold Operation (BAGO); chromite concentrates from the Masinloc Chromite Operation (MCO); and copper concentrates (significant gold and silver by products) from the Dizon Copper-Gold Operation (DCO). In the 1990s, as the Philippine mining industry went through a difficult period, the Company likewise suffered a decline. Its operations were gravely affected by natural calamities such as the Baguio earthquake in 1990 and the Mount Pinatubo eruption in 1991, countless typhoons, and other external factors such as low metal prices and the 1997 Asian currency and economic crisis. All these led to the suspension of operations of the Company's BGO in 1992; Paracale Gold Operation (PGO) in 1993; Benguet Antamok Gold Operation (BAGO) in 1998; and the Company's decision to transfer its remaining interest in DCO in 1997. The Company also turned over MCO to the claim owner in July 2007 due to expiration of the operating contract.

In 2002, the Company reopened a part of BGO on a limited scale through the Acupan Contract Mining Project (ACMP) now being renamed as the Acupan Gold Project (AGP). In 2007, it developed Sta. Cruz Nickel Project (SCNP) a surface nickel mining operation of Benguetcorp Nickel Mines, Inc. (BNMI), a wholly owned subsidiary of the Company. It currently produces and markets gold and silver from the AGP, nickel ore from the BNMI, and limestone from the Irisan Lime Project. Aside from mining and mineral exploration, the Company also ventured into various projects through several subsidiaries. It is engaged into healthcare and diagnostics services through Benguetcorp Laboratories, Inc.; logistics through Arrow Freight Corporation; trading of construction materials, equipment and supplies through Benguetrade, Inc.; port services through Keystone Port Logistics and Management Services Corporation, shipping services through Calhorr 2 Marine Services, Inc.; and real estate development and lime production through BMC Forestry Corporation.

For the past three years, the Company has not been into any bankruptcy, receivership or similar proceeding and is not in any material reclassification, merger, consolidation, or purchase/sale of significant amount of assets not in the ordinary course of business.

<u>MINING OPERATIONS</u>

Acupan Gold Project (AGP) in Benguet Gold Operation (BGO) in Itogon, Benguet Province:

In 2002, a part of BGO was re-opened via the ACMP (now being renamed as AGP) which is a community-based mining project where the small-scale miners who are most Indigenous People were organized into groups and accredited by the Mines and Geosciences Bureau (MGB)-Cordillera Administrative Region (CAP) as mining contractors. The Company engaged the services of these mining contractors to do large scale underground mining in BGO based on metal sharing system. BGO is a certified ISO:14001 (2015 version) on Environmental Management System issued on March

11, 2016 by TUV Rheinland (TUVR), an independent international certification body, after undergoing intensive review and audit of its gold operations. The certification makes BGO fully compliant with the requirement of DENR Administrative Order No. 2015-07 which requires ISO rating of mining companies as seal of approval on environmental compliance. Subsequent surveillance audits conducted by TUVR in 2017 and 2018 saw BGO passing then with zero (0) non-conformities or non-compliances.

AGP's revenues went up to ₱691.2 million this year from ₱542.2 million in 2016 and P682.1 million in 2015 due to higher volume of gold produced and better gold price. AGP ended the year with a reported net income of ₱10.9 million, a turn-around from the net loss of P72.5M in 2016 and P97.4 million, in 2015. Gold production in 2017 totaled 10,923 ounces, higher compared to 9,166 ounces in 2016 and only 16% lower than the 12,940 ounces in 2015. The average grade of ore milled this year was reported at 6.83 grams gold per ton compared to 7.71 grams gold per ton in 2016 and 5.38 grams gold per ton in 2015. AGP ended the year 2017 with an average milling rate of 148 tons per day (tpd), compared to average milling rate of 112 tpd in 2016 and 229 tpd in 2015. The mines operation continues to undertake regular and necessary mine development works and clearing activities at Levels 1500 and 1700, which are consistent sources of good grade ores. From the foregoing activities, AGP is targeting to improve mill grade to 8.5 grams gold per ton and sustain mill capacity at an average milling rate of 148 tpd in 2018. AGP is currently improving its mill plant to reduce cycle time of grinding and leaching processes to sustain production.

The DENR Cancellation Order dated February 8, 2017 cancelling the Company's authority to undertake mining operation under the Patent Claim PC-ACMP-002-CAR has been appealed to the Office of the President (OP) on February 22, 2017 and implementation of the appealed order is stayed pending decision of the OP.

Benguet Antamok Gold Operation (BAGO) in Itogon, Benguet Province:

BAGO suspended operations in 1998 due to low price of gold. Several attempts to revive the mine after the 1992 earthquake proved futile because the area has been encroached by small scale miners who the Company could not turn away because the mine has become their main source of livelihood. The Company made the prudent choice to submit for approval of the MGB the Antamok Final Mine Rehabilitation and Decommissioning Plan (FMRDP) which will among others turn over to the government portion of patented claims where small scale mining operation will be confined to regulate and legitimize the activities of small-scale miners. The FMRDP proposal submitted to MGB-CAR for approval is one that provides the best land use for the area from the perspective of economics, environment and benefits to the host Local Government Unit (LGU) and community. The FMRDP progresses in two phases: Phase 1 on slope stabilization, vegetation and stabilization of old mine infrastructure. Phase 2 will cover three (3) long term and sustainable components namely the Ecological Solid Waste Management Project with components of TRCA, and Waste to Energy facilities; the Eco-tourism Water Park Project; and the Minahang Bayan.

Sta. Cruz Nickel Project (SCNP) in Sta. Cruz, Zambales Province:

The Sta. Cruz Nickel Project (SCNP) is a surface mining operation of Benguetcorp Nickel Mines, Inc. (BNMI), a wholly owned subsidiary of the Company. BNMI has ISO:14001 (2015 version) certification on Environmental Management System issued on March 11, 2016 by TUV Rheinland, an independent international certification body, after undergoing intensive review and audit of its nickel operations. The certification makes BNMI fully compliant with the requirement of DENR Administrative Order No. 2015-07 which requires ISO rating of mining companies as seal of approval on environmental compliance.

For this year, BNMI exported a total of 530,690 tons of nickel ore ranging from 1.3% to 1.4% Ni grade as compared to 778,485 tons of nickel ore ranging from 1.5% to 1.8% Ni grade in 2016 and 1.547 million tons nickel ore in 2015, of which 1.072 million tons comprise 1.5% Ni grade. Nickel ore was sold at an average price of US$21.83/ton in 2017 versus US$23.05/ton in 2016 and US$34.65/ton in

2015. As a result, BNMI incurred a net loss of ₱146.8 million at the end of this year, higher as compared to the net loss of ₱118.4 million in 2016 and net income of ₱137.1 million in 2015. Ore sold were existing stockpiles from the mine site which were allowed to be removed due to environmental risk the stockpiles may posed during the rainy season. No mining was conducted during the year, mainly due to the continuing regulatory issues affecting BNMI's operations which management is currently resolving. Maintenance activities were conducted in compliance with the remediation conditions set forth by the regulatory agencies and continuously implementing the Environmental Protection and Enhancement Programs to ensure the suspension of mining activities will not lead to environmental degradation.

The Petition for Writ of Kalikasan filed against BNMI and other mining companies in Zambales was denied by the Court of Appeals on May 22, 2017 as well as the subsequent Motion for Reconsideration of the petitioners, while the DENR Cancellation Order dated February 8, 2017 was appealed to the Office of the President on February 22, 2017 and the implementation of the appealed order is stayed.

Irisan Lime Project (ILP) in Baguio City:

ILP net income rose to ₱14.5 million, higher than the ₱13.8 million in 2016 and ₱12.6 million in 2015. ILP produced 11,156 tons of quicklime and hydrated lime in 2017, higher compared to the 2016 level of 9,445 tons and 7,819 tons in 2015. Currently, ILP has production capacity of 1,800 tons of quicklime per month for the three (3) kilns operation. On February 22, 2018, ILP has secured from the Environmental Management Bureau-CAR an Environmental Compliance Certificate (ECC). The ECC covers the operation of ILP with an annual production capacity from 9,500 metric tons to 19,420 metric tons and the full operations of three (3) kilns.

<u>EXPLORATION, RESEARCH AND DEVELOPMENT</u>

- **Balatoc Tailings Project (BTP) in Itogon, Benguet Province:**

  BTP's application for the renewal of the Mineral Processing Permit (MPP) has been withdrawn by Balatoc Gold Resources Corporation (BGRC), subsidiary. The MPP expired while the project was still undergoing review of its metallurgical and technical processes in the light of new technologies for FS consideration. BGRC has since reconveyed BTP to BenguetCorp as viability of the reprocessing project will be enhanced if made as an integral part of the existing Acupan Contract Mining Project (now renamed as AGP). Additional schemes for FS for the Upper and Lower Acupan were looked into.

- **Ampucao Copper-Gold Prospect in Itogon, Benguet Province:**

  The Ampucao is a viable prospect for the discovery of a typical deep-seated porphyry copper-gold deposit corresponding to the surface and underground initial geological evaluation works done by the geologists of Benguet Corporation (BC). Copper bearing formation hosted by intensely silicified quartz diorite was delineated douth cropping on a river within the Hartwell claims and at the mine levels of 1500 and 2300 of BC's Acupan Mine. A one-(1) kilometer long deep hole of surface drilling has been suggested to probe the down-dip extension of the projected mineralization in the Ampucao prospect, but this activity has been put on-hold pending the resolution of the Application for Production Sharing Agreement (APSA). The Company is awaiting decision on its appeal filed on the APSA denial under the DENR use it, lose it policy.

- **Pantingan Gold Prospect in Bagac, Bataan Province:**

  The Pantingan gold prospect is covered by Mineral Production Sharing Agreement (MPSA), officially designated as MPSA No. 154-2000-III with an aggregate area of 1,410.25 hectares. Benguet Corporation (BC) signed a Royalty Agreement with Option to Purchase with Balanga-Bataan Mineral Corporation (BBMC) in March 1996. The Pantingan property is a viable prospect for epithermal gold mineralization. The Company has designed a drill program to assess and probe the behavior of the mineralization exposed on the surface. For 2016, a team of geologists has continued its semi-detailed survey and the accompanying follow-up study of this prospect as completion of its two (2) year Exploration Work Program. The Company has likewise submitted the necessary Environmental and Exploration Work Programs required for 2016. MGB-Central Office personnel conducted an inspection at the site to validate the submitted Environmental and Exploration Work Programs including water sampling at the Pantingan River. The Company is in the process of talking to interested parties for possible joint venture which will allow conduct of a comprehensive drilling program.

- **Zamboanga Gold Prospect (BOLCO) in R.T. Lim Zamboanga del Sur:**

  The Company signed an operating agreement with Oreline Mining Corporation to explore and operate the property comprising 399.03 hectares area. The property is about 150 kilometers northeast from Zamboanga City. It straddles the common boundary of R.T. Lim, Zamboanga Sibugay and Siocon, Zamboanga del Norte. The Company is on continuing FPIC discussions this year with the NCIP. The Financial Work Plan for the implementation of the FPIC is being finalized.

- **Surigao Coal Project in Lianga, Surigao del Sur:**

  The Company acquired in 1980's a coal property in Surigao del Sur under a Royalty Agreement with Diversified Mining Company. The property consists of 12-coal blocks measuring a total area of 12,000 hectares. Six-(6) coal blocks were extensively explored by way of mapping, trenching, drilling, geophysics, electrical logging and topographic surveying. The Company is awaiting issuance of its permit from the DOE for continuing exploration work program.

- **Financial Technical Assistance Agreement:**

  Benguet Corporation (BC) through its subsidiary company Sagittarius Alpha Realty Corporation (SARC) holds two (2) pending applications for Financial Technical Assistance Agreement (FTAA) denominated as AFTA No. 003 and AFTA No. 033. AFTA No. 003 with an area of 21,513.37 hectares is within the provincial jurisdiction of Ilocos Norte, whereas AFTA No. 033 consisting of 51,892.92 hectares is situated in Apayao Province. Both mineral claims lies within the porphyry copper-gold and epithermal gold mineralization belt of Northern Luzon and are still greenfield for mineral exploration. BC had already negotiated and signed four-(4) out of the five-(5) Memorandum of Agreement (MOA) with the Indigenous People (IP) of Ilocos Norte and now awaiting confirmation from the National Commission on Indigenous Peoples (NCIP) of the Free, Prior and Informed Consent (FPIC).

SUBSIDIARIES AND AFFILIATES

- **Benguet Management Corporation (BMC)**, a wholly-owned subsidiary of the Company was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) in 1980 to manage and conduct the non-mining businesses of the Company. BMC and its subsidiaries ended 2017 with a consolidated net income of ₱3.8 million, as compared to ₱3 million in 2016 and ₱23.1 million in 2015 mainly due to suspension of operations of its major client, BNMI. BMC's current operational subsidiaries are as follows:

  1. Arrow Freight Corporation (AFC), BMC's logistics company, reported a net income of ₱6.6 million this year, in contrast to ₱2.5 million net loss in 2016 and net income of ₱23.9 million in 2015 mainly due to suspension of mining activities of its major client, BNMI. AFC sought to achieve balance in its portfolio in 2016 by expanding its reach to serve non-mining clients. In 2017, AFC together with Benguetrade Inc., expanded its operation to include trading and delivery of aggregates to major batching plants and serving the growing construction industry.

2. BMC Forestry Corporation (BFC) manages the Irisan Lime Plant reported a net loss of ₱332 thousand this year, as compared to the net income of ₱1.4 million last year. As the real estate arm of the Company, it continuously develop and sell subdivision lots in its real estate project Woodspark Subdivision in Rosario, La Union.

3. Keystone Port Logistics Management & Services Corporation (KPLMSC), the port and barging services provider of the Company reported a net income of ₱6.8 million this year, as compared to the net income of ₱1.9 million in 2017 and ₱11.7 million net income in 2015. For 2017, Keystone handled a total volume shipped out of 530,690 wet metric tons (wmt), lower as compared to 778,485 wmt total volume shipped out in 2016.

- **BenguetCorp Laboratories Inc. (BCLI)** is currently operating four (4) clinics located in SM Baguio Cyberzone, Center Mall Baguio City, San Fernando Pampanga and SM City Taytay, Rizal. It successfully implemented its expansion in the City of Baguio by moving into a new clinic at SM Baguio Cyberzone with bigger, and better facility. BCLI is geared to cater to penetrate new markets like the Overseas Filipino Workers (OFW), small businesses, and partnering with government hospitals in delivering quality healthcare service to Filipinos. BCLI continued to pursuit higher revenues, ending 2017 with total revenues of ₱64.2 million, lower versus the prior year's level of ₱78.2 million and ₱68.9 million revenues in 2015.

2. BUSINESS OF ISSUER

<u>Products or Services/Sales</u> - The Company explores for mines, currently produces and markets gold, nickel laterite ore, and limestone and through its subsidiaries, provides logistics, port and shipping services, healthcare services, develops water resources and real estate projects.

The Company sells its gold to the Banko Sentral ng Pilipinas. For its nickel ore, the Company's wholly owned subsidiary and operator, Benguetcorp Nickel Mines, Inc. (BNMI) has an off-take contract with Bright Mining & Resource Company Ltd. for the sale of 1.8 million tons of nickel ore and with LS Networks Co., Ltd., for the sale of 2.0 million tons of nickel ore. The quicklime products are mainly sold to local customers.

The Company's sales/revenue of product/services which contributed ten percent (10%) or more to sales/revenues for the last three years are as follows:

	2017 (% to total revenue)			2016 (% to total revenue)			2015 (% to total revenue)		
	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total
Gold	47%	-	47%	35%	-	35%	21%	-	21%
Lime	6%	-	6%	5%	-	5%	2%	-	2%
Nickel	-	41%	41%	-	53%	53%	-	73%	73%
Trucking & Ware-housing & others	6%	-	6%	7%	-	7%	4%	-	4%

The Company has no new products or service introduced in 2017 whether prototypes that are existing or in planning stage.

The Company's wholly owned subsidiary, Benguetcorp Nickel Mines, Inc. (BNMI) principally exports its nickel ore. The method of competition is basically in price and nickel ore grade. In gold, there is no competition among mining companies. One can produce as much gold and the gold can be sold without any problem. Prices of the company's products are dictated by the world market. For nickel product, the Company believes that it can effectively compete in price with other companies due to lower operating cost and proximity of the mine to major buyers/users in Asia and China.

Competition from local mines is non-existent since no local mine can affect international metal prices except for competition on claims over deposits and manpower. In both instances, competition also comes from foreign mining companies, both local and abroad.

Sources of Raw Materials and Supplies - The ore, as raw materials extracted, comes from the Company's mineral properties in Acupan Gold, Sta. Cruz Nickel and limestone ore is sourced from other mines and Alaminos limestone claim.

Operating supplies, equipment and spare parts, which are generally available, are obtained on competitive basis from sources both locally and abroad.

Energy is currently sourced from Aboitiz Power Corporation through its wholly owned subsidiary Therma Luzon, Inc. (TLI) under a 20-year contract to supply reliable power to the Company's current and future mining operations in Itogon, Benguet Province. The contract will expire in 2031.

Transactions with and/or Dependence on Related Parties - Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

In the normal course of business, the Company has transactions with its subsidiaries which principally include: (a) Purchase of materials and supplies and services needed in its mining operations which are consummated at competitive prices, (b) Sales of mine products, (c) Rental of office space and certain machinery and equipment. The Company has dealings with its subsidiaries as follows:

a. On August 8, 2011, the Company was appointed as the exclusive marketing agent of BNMI for a marketing fee of $5 per ton of nickel ore shipped, inclusive of VAT. Marketing income recognized in 2017 and 2016 amounted to ₱121,482 and ₱162,958, respectively.

b. In 2011, Arrow Freight Corporation (AFC), a wholly-owned subsidiary of BMC, started providing equipment services to the Company for the delivery of equipment to various sites and operation of BNMI. Total amount charged to the Company in 2017 and 2016 amounted to ₱1,861 and ₱ 4,234, respectively.

Terms and Expiration Dates of Royalty Contracts –The Company does not own or possess patents, trademarks or franchises on products and processes, but the Company has Operating Agreement with the claimowners, Balanga Bataan Minerals Corporation (BBMC) for its Pantingan Gold Prospect in Bagac, Bataan and Oreline Mining Corporation (OMC) for its Zamboanga Gold Prospect (BOLCO) in R.T. Lim, Zamboanga del Sur. Duration is up to end of mine life. The Company's healthcare services subsidiary, BenguetCorp Laboratories, Inc., is currently operating four (4) clinics under the trade name of Benguet Laboratories and MedCentral.

Government Regulations and Approval – Existing governmental regulations affect the Company's operations. The Company's Mineral Production Sharing Agreement (MPSA) application denominated as Production Sharing Agreement (APSA) No. 009 CAR for its Benguet Gold Operation, Antamok Gold Operation and Ampucao Copper-Gold Prospect in Itogon, Benguet and MPSA application denominated as APSA No. IX-015 for its Zamboanga Gold Prospect in R.T. Lim Zamboanga del Sur are undergoing evaluation and pending resolution of appeal by the Department of Environment and Natural Resources-Mines Geosciences Bureau (DENR-MGB). The Foreign Technical Assistance Agreements (FTAA) in Ilocos Norte (AFTAA- 003) is undergoing FPIC process under the NCIP Regional Office while the Apayao (AFTAA-033) is pending with the MGB-Cordillera Administrative Region.

Effect of Existing or Probable Governmental Regulations - The effect on the Company's operation of existing governmental regulations are mainly on their corresponding costs of compliance. The effect on the Company of any probable government regulation could not be determined until its specific provisions are known. Other than the usual business licenses or permits, there are no government approvals needed on the sale of Company's principal products.

Research/Developmental Expenses – The Company's total expenses for exploration and development activities for the last three (3) years as follows:

	Amount in Millions	% to Total Revenue
2017	₱6	0.4%
2016	72	4.7%
2015	33	1.0%

Costs and Effects of Compliance with Environmental Laws –
The Company guided by the standards of the ISO 14001 version 2015 continues to pro-actively implement its Environmental Management Program. During the year in review, the Company has planted about 110,000 seedlings of various endemic species rehabilitating about 44 hectares in compliance to the Company's progressive rehabilitation program and DENR's National Greening Program. The Company also continued to implement environmental mitigation and enhancement programs for both its nickel and gold operations. Construction, enhancement and desilting of settling ponds, silt traps and drainage canals; maintenance of its wash bays; maintenance of hauling roads; desilting of water tributaries; rehabilitation and regular maintenance works for its diversion tunnel and penstocks; maintenance and enhancement of its tailings storage facilities; and care and maintenance of all other critical environmental infrastructures were given priority. Regular water and air quality tests were conducted making sure the company passes the standards required. The total expenditure for Environmental Management was ₱31 Million in 2017.

The Company continues to implement projects in consonance with its commitment to be a strategic partner for the sustainable development of the mining communities. The Company continued to promote economic development by supporting various livelihood, facilitation of trainings, provision of tools and other capacity building programs such as those for Emergency Response Teams, Barangay Tanods and Barangay Health Workers. High speed sewing machines were provided to capacitate livelihood for women in the community. Infrastructure projects were implemented such as protection of slopes along the haul roads, construction of covered-court pavements, rehabilitation of water systems and road rehabilitation. Education is still a primary support program which takes the biggest portion of the budget particularly for the scholarship of about 339 high school, vocational and college scholars. The Computer Literacy Program for out-of-school youth and barangay officials is a continuing program to improve their basic computer skills. Regular medical services continue to be provided to host communities including provision of health care paraphernalia in community clinics. The company is also keen on the cultural sensitivity of the mining operations and recognizes the importance of participating in the rich culture of the locals. For Socio-Cultural activities, trainings and human resource improvement were continuously implemented such as support to the training programs designed by the government for local officials and support to community activities such as the Larok Larok Festival. The company continuously implemented its IEC programs and pro mining educational campaigns. The company also supported the mass actions organized by the workers and other pro-mining organizations activities. A close interaction with the Chamber of Mines provided avenues in the development of programs towards educating the public on responsible mining. The total cost of the Company's social commitment program was ₱6 Million.

Employees – As of December 31, 2017, the Company has 678 employees, of whom are:

a.) 197 Administrative;
b.) 15 Clerical;
c.) 270 Exploration/operation; and
d.) 196 are outsourced staff (seasonal, project based, security guards, janitors & retainers/consultants)

The employees of the Company are not covered by any Collective Bargaining Agreement (CBA). The terms and conditions of employment, benefits and termination are governed by the provisions of the Company's Human Resources and Development Policy Manual. Among the benefits provided by the Company are the mandated government statutory benefits, free housing, free education for minor dependents, water and power to minesite based employees, basic and major medical benefits, Integrated Retirement Plan, Group Life and Personal Accident Insurance, transportation allowance, vacation/sick/ paternity/birthday leave with pay and free protective and safety paraphernalia.

Within the ensuing twelve (12) months of 2018, the Company anticipates a reduction in workforce in its Acupan Gold Project (AGP) in Itogon, Benguet Province and Sta. Cruz Nickel Project in Zambales Province due to retirement of some employees and the effect of pending decision of the Office of the President (OP) on the appeal filed by the Company on the Cancellation Order of its mining operations issued on February 8, 2017by the Department of Natural Resources and Environment (DENR).

Major Business Risks – The Company established a Risk Management Office (RMO) to oversee the risks that affect the welfare of the Company. Its goal is to integrate the work of designated risk management office of the Company's different business units which shall systematically identify, evaluate, analyze and document their unit's exposure to risk and thereafter undertake corrective/remedial measures to mitigate, if not altogether eliminate, their exposure and liability associated with the risk.

Being a natural resource operation, the Company is inherently subject to potential environmental concerns and it is exposed to a range of potential risks from its mining business activities such as among others:

a. The mining industry in our country is heavily regulated under the current government administration and the level of regulation dictates the behavior of mining operations and investments into the sector. During the controversial term of pro-environment, Ms. Gina Lopez as DENR Secretary, the Company's gold mining operation was one of the companies recommended by DENR for the cancellation of its authority to undertake mining operation under the Patent Claim PC-ACMP-002-CAR and its nickel mining operation was also one of the companies recommended for the cancellation of BNMI's MPSA. The DENR Cancellation Orders were appealed to the Office of the President (OP) and implementation of the appealed order were stayed pending decision of the OP.

b. The Company can face competition from large metal producers who have greater financial and technical resources (resulting to lower production cost) thereby flooding the market with cheaper metal produce. This competitive pressure could result not only in sustained price reductions, but also in a decline in sales volume, which would have a material adverse effect in the long term on the Company's business, operating results and financial condition. This is true in nickel where there is price and grade competition among nickel mining companies. To mitigate these risks, the Company constantly monitor its production and operating costs to attain efficient use of working capital. But this not rue in gold, where there is no competition among gold mining companies. One can produce product as much gold and the gold can be sold without any problem.

c. The environmental laws and regulations of mining activities in the Philippines are monitored and heavily regulated by the DENR. Non-compliance or failure to comply could affect the Company's mining activities. It may delay mining operations or could result in suspension of operation or imposition of substantial fines and penalties. To ensure compliance, the Company puts a great amount of effort and invests a substantial amount of resources into environmental protection and rehabilitation in the areas of operations. As a manifestation of its commitment to responsible and sustainable mineral resource development, the gold and nickel operations of the Company has adopted an environmental policy statement which is consistent with ISO:14001's Certification on Environmental Management System (EMS). While the Company believes it is in substantial compliance with all material environmental regulations, it can give no assurance that changes in these regulations will not occur in the future which may impede the Company's current and future business activities and negatively impact the profitability of operations.

d. The Company's exploration, development and exploitation of mineral properties entail significant operating risks. There is no certainty that the activities of the Company, which by the character of its business involve substantial expenditures and capital investments, in the exploration and development of its resource properties will result in the discovery of mineralized materials in commercial quantities and thereafter in a viable commercial operation. The indecisive stance of some government bureaus to approve and issue much-needed permits and licenses may also cause delays in the exploration, mining and operating activities. The Company tries to temper its exposure to these risks by prudent management and the use of up-to-date technology. The Company provides full cooperation with the regulators to comply with governmental requirements in ensuring safety and environment protection in all aspects of operations.

e. The Company's revenues are directly affected by the world market prices of the metal it produces, which are gold and nickel ore. A decline in metal prices will also affect future operations and recoverability of the Company's investment in the mining business. The Company has experienced, and expects to continue to experience, significant fluctuations in operating results due to a variety of factors, including among others peso-to-dollar exchange rate, ore grades, and mineable ore reserves. Fluctuations in metal prices affect the Company's financial condition and also require reassessments of feasibility and operational requirements of a project. The Company principally competes in selling its nickel ores outside the Philippines. The method of competition is basically in price and nickel ore grade. However, the Company believes it can effectively compete in price with other companies due to lower operating cost and proximity of the mine to major buyers/users in Asia and China.

Additional Requirements as to Certain Issues or Issuers - Below is a table with information describing the status of application on the mining claims of the Company:

MINING OPERATION/PROJECT	STATUS OF THE APPLICATION / AGREEMENT & WORK PERFORMED
Benguet Gold Operation, Antamok Gold Operation, Ampucao Copper-Gold Project	MPSA Application denominated as Application for Production Sharing Agreement (APSA) No. 009 CAR. BC is the applicant. BC's Appeal/Motion for Reconsideration on the denial of the MPSA application is undergoing evaluation by the MGB Central Office.
Pantingan Epithermal Gold Project	MPSA No. 154-2000-III. BC is under a Royalty Agreement with Option to Purchase with the MPSA Contractor, Balanga Bataan Minerals Corporation (BBMC). The prospect is in exploration stage.
Zamboanga Gold Prospect	MPSA application denominated as Application for Production Sharing Agreement (APSA) No. IX-015. BC holds an operating agreement with the MPSA applicant, Oreline Mining Corporation. The Appeal on the denial of the APSA is undergoing evaluation by the MGB Central Office.
Surigao Coal Project	BC holds a coal operating agreement with the Department of Energy. Six (6) coal blocks were extensively explored by way of mapping, trenching, drilling, geophysics, electrical logging and topographic surveying. The Company is awaiting issuance of its permit from the DOE for a continuing exploration work program.
Ilocos Norte Prospect	BC is the applicant on the FTAA denominated as AFTA-000003-1.BC had already negotiated and signed four-(4) out of the five-(5) required Memoranda of Agreement (MOA) with the Indigenous People (IP) of Ilocos Norte and is now awaiting confirmation from the National Commission on Indigenous Peoples (NCIP) of the Free, Prior, and Informed Consent (FPIC) process. Undergoing evaluation by MGB.

The conditions of the mining operations/projects of the Company are discussed in Item 1 under title "Business Development" of this report and also discussed in Note 1 of the Notes to Audited Consolidated Financial Statements under "Status of Business Operations".

ITEM 2. PROPERTIES

Parent Company: - The Company owns patented lands where its mine plants, mill and mining equipment, support and other facilities for its gold operations in Itogon, Benguet Province: a) Acupan Group- 136.5832 hectares and b) Hartwell Group- 87.4093 hectares, It also owns investment properties in Itogon, Benguet Province: a) Antamok Group- 328.2807 hectares, b) Calhorr Group- 18.0000 hectares, and c) Kelly Group- 36.0000 hectares.

The mining properties/assets of the Company's Benguet Antamok Gold Operation are covered by Mortgage Trust Indentures (MTI).

The Company continues to lease one (1) unit office floor at the Universal ReBuilding, 106 Paseo de Roxas, Makati City where its Corporate Head Office is situated. The lease is ₱53,502 per month for a period of one (1) year subject to 15% escalation yearly up to June 30, 2020.

Subsidiaries: - The Company's wholly owned subsidiary, Benguet Management Corporation (BMC) owns 19 lots in Barangay Sta. Fe, San Marcelino, Zambales containing an aggregate area of about 276.854 hectares. The property was formerly used as Citrus Plantation. However, after the Mt. Pinatubo eruption in 1991, the property was abandoned. The property is for agricultural purposes, most of the lands covered by lahar.

Benguetcorp Nickel Mines, Inc. (BNMI), a wholly owned subsidiary of the Company is a holder of MPSA No. 226-2005-III with an area of 1,406.74 hectares located in Sta. Cruz, Zambales. It also owns various vehicles for its operations. BNMI continues to lease its principal office ₱66,000 per month occupancy and ₱42,835 per month for its two (2) staff houses occupancy in Sta. Cruz, Zambales. The lease are renewable yearly.

BenguetCorp Laboratories, Inc. (BCLI), a wholly owned subsidiary of the Company owns various medical instruments, medical furniture/fixtures/appliances, office equipment and laboratory equipment for its MedCentral Clinics and MedCentral Oncology Clinic operations. BCLI continues to lease for its business operation occupancies in SM Baguio Cyberzone at ₱220,500 per month; in Central Mall, Baguio City at ₱90,945 per month; in San Fernando, Pampanga at ₱92,600 per month; and in Taytay, Rizal at ₱210,048 per month. The lease are renewable yearly.

Benguetrade, Inc. (BTI), a subsidiary of BMC, owns 2 residential lots where its 3 storey residential building was erected with a floor area of 283 square meters. The two (2) lots have an aggregate area of about 708 square meters and are located at Monterrazas Village, Barangay Tuding, Itogon, Benguet.

BMC Forestry Corporation (BFC), a subsidiary of BMC, owns 2 office condominium units (Unit 304 with a floor area of 138.27 square meters and Unit 305 with a floor area of 186.20 square meters) located at 3rd Floor One Corporate Plaza Condominium, Pasay Road, Legaspi Village, Makati City. BFC also developed Woodspark Rosario Subdivision Project in Rosario, La Union.

Arrow Freight Corporation (AFC), a subsidiary of BMC, owns an industrial lot in Brgy. San Antonio, San Pedro, Laguna containing an aggregate area of about 2,045 square meters. The property is located in an area where land development is for industrial purposes. It also owns various vehicles for its logistics operation.

ITEM 3. LEGAL PROCEEDINGS

The Company and its subsidiaries have no pending legal proceedings where claims exceed ten percent (10%) of total assets on a consolidated basis. The following are identified material legal proceedings which are pending litigation involving the Company, including its subsidiaries, is set out below:

Title of Case	Nature of Case
Concerned Citizens of Sta. Cruz, Zambales, et al (Petitioners) vs, Hon. Ramon J.P. Paje of DENR, BNMI, et al (Respondents), CA G.R. SP No. 00032 (G.R. No. 224375) for Writ of Kalikasan and Write of Continuing Mandamus with Temporary Environmental Protection Order (TEPO) Court of Appeals, Manila, 14th Division. DENR Order of Cancellation O.P. Case No. 17-B-040	On May 16, 2016, a petition for issuance of Writ of Kalikasan and Writ of Continuing Mandamus with TEPO was filed by Concerned Citizens of Sta. Cruz, Zambales represented by their chairperson, Dr. Benito E. Molino before the Supreme Court, Manila against Hon. Ramon JP Paje, et al., docketed as G.R. No. 224375. At the hearing of the Supreme Court en banc, it issued a Resolution dated June 21, 2016 referring the case to the Court of Appeals (CA) for hearing and resolution. During the first hearing at the CA for the pre-trial, the parties were given the chance to explore settlement. After several meetings by the parties to consider the compromise options, no common ground for settlement was reached. At the scheduled hearing on February 28, 2017, the parties including the Office of the Solicitor General (OSG) manifested that the issuance of MPSA cancellation orders dated February 8, 2017 by the DENR have effectively rendered the petition moot and academic. The Petition for Writ of Kalikasan filed against BNMI and other mining companies in Zambales was denied by the Court of Appeals on May 22, 2017 as well as the subsequent Motion for Reconsideration of the petitioners. The DENR Order of Cancellation dated February 8, 2017 cancelling BNMI's Mineral Production Sharing Agreement No. 226-2005-III (MPSA No. 226-2006-III) for violation of certain provisions of mining and environmental laws, rules and regulations was appealed to the Office of the President (OP) on February 22, 2017 and implementation of the appealed order is stayed. Case is awaiting resolution by the OP.
DENR Order of Cancellation O,P. Case No. 17-B-047	On February 14, 2017, the Company received an Order of Cancellation dated February 8, 2017 from the Department of Environment and Natural Resources (DENR) cancelling its authority to undertake mining operation under the Patent Claim (PC-ACMP-002-CAR) in Itogon, Benguet Province for violation of certain provisions of mining and environmental laws, rules and regulations.The Cancellation Order has been appealed to the Office of the President (OP) on February 22, 2017 and implementation of the appeared order is stayed. Case is awaiting resolution by the OP.
Benguet Corporation (BC) vs. Baguio Water District (BWD), Civil Case No. 6638-R / CA-GR-SP #146605	On August 16, 2005, the Board of Directors of the Baguio Water District (BWD) issued to the Company a Notice of Award of the Bulk Water Supply Project. The Company's proposal is to convert its Antamok mined-out Open Pit into a water reservoir with the capacity to supply at least 50,000 cubic meters of treated potable water per day to Baguio City.

	On September 7, 2007, the BWD issued Board Resolution No. 30-2007 which resolved to terminate the bulk water supply contract negotiation and to scrap the project. The resolution cited as grounds the irreconcilable differences of the parties on the contract provisions of parametric formula and rate rebasing, among others. The Company filed a Request for Reconsideration on September 13, 2007 which was denied by BWD in its Board Resolution dated November 29, 2007. On February 26, 2008, the Company filed a civil case for Mandamus against BWD, with the Regional Court of Baguio City. The case is now with the Court of Appeal for a Petition for Certiorari under Rule 65. On February 16, 2017, BC filed its Memorandum and the CA rendered a decision on July 7, 2017 denying the Petition. The Company filed a Motion for Reconsideration which is pending resolution with CA.
National Grid Corporation of the Philippines (NGCP) vs. Consolidated Mines, Inc. (CMI) and Benguet Corporation (BC), Civil Case No. R-QZN-13-04310, RTC Branch 100, Quezon City NGCP vs. BC, CA-G.R. SP No. 138053, Sixth Division, Court of Appeals Civil Case No. R-QZN-13-04310, RTC Branch 96, Quezon City	On October 23, 2013, a collection case was filed in RTC Quezon City by NGCP against CMI and BC for unpaid transmission services/charges in the amount of P18M for Masinloc Chromite Operation (MCO). RTC Branch 96, Quezon City issued Orders dated July 18, 2014 and September 18, 2014, granting private respondent's (BC) Motion to Dismiss and denied the Motion for Reconsideration filed by NGCP and CMI. NGCP filed a Petition for Certiorari to Court of Appeals. On July 3, 2015, the Sixth Division issued a Decision to set aside the RTC dismissal order and reinstated BC in the collection case. The case is now undergoing trial in RTC Branch100, Quezon City
Social Security System (SSS) vs. Benguet Corporation (BC) – SSS Case No. 8-18036-07	On August 16, 2007, a case was filed before the Social Security Commission, Makati City against BC. The Company was assessed by SSS with unpaid SSS contributions of some 700 Acupan Contract Mining Project (ACMP) miners working for the following contractors of the Company, - Camado Clan Association Incorporated, Balbalio Acay Association, Pines Green Gold Association, Dapong Bubon Small Association Inc., 4J Construction, Kias Gold Hunters Association, NDB, Official Mining Venture and RMG, on the ground that the above-stated miners are direct employees of the Company. On February 5, 2008, the Company filed its Answer to the Petition. A preliminary hearing was held on July 25, 2008. For failure of the parties to arrive at a settlement, both parties were ordered to file their respective Position Paper which the Company submitted on October 2, 2008. On December 2, 2013, an Order was issued by the Social Security Commission directing both parties to submit their respective Memoranda. The Company submitted its Memoranda on May 31, 2014. In a series of meetings with representatives of SSS-Central Office and SSS-Baguio, the Company apprised the SSS of the history and nature of the ACMP which is a community

	based partnership with small scale mining associations accredited by the Mines Geosciences Bureau (MGB), contracted to do underground mining on metal (production) sharing system. The contractors' miners are not its employees. The Company manifested its willingness to assist in requiring its contractors to comply with SSS obligations without the Company admitting to any monetary liability. SSS have declared willingness to accept registration of the ACMP miners on voluntary basis. Case is awaiting Resolution by the Social Security Commission.

The Company and its subsidiaries may be subject of lawsuits and certain claims which arise in the normal course of business, which are either pending decision by the courts or are being contested, and the outcomes of which are not presently determinable. The Company expects that the resolution and/or decision of such lawsuits and claims would have no material adverse effect to the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Except for the matters taken up during the annual stockholders' meeting of the Company held on June 1, 2016, there are no other matters submitted to a vote of security holders during the period covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

The Company has three classes of shares, two of which (the Common Class A with a par value of P1.00 per share and Convertible Preferred Class A shares with a par value of P3.43 per share) can be owned only by Philippine nationals and the other class of the Company's share is its Common Class B with a par value of P1.00 per share which may be owned by anyone regardless of nationality. The shares are traded in the Philippine Stock Exchange (PSE) under the trading symbol of "BC" for Common Class A; "BCB" for Common Class B; and "BCP" for Convertible Preferred Class A shares.

In January 2018, the Company received a notice from its U.S Stock Transfer Agent, American Stock Transfer and Trust Company (ASTTC), terminating its stock transfer services with the Company. The termination was timely and in accord with the Company's plan to consolidate all stock transfer services (including the US registry) with its local stock transfer agent, Stock Transfer Services, Inc. (STSI) and to implement a total conversion of the remaining US registered Class B shares to Philippine registered Class B shares. Following the Company's voluntary deregistration from the U.S. Securities and Exchange Commission in July 2008 (and before that, delisting from NYSE), it has notified all its U.S. based stockholders that their shares can be traded locally in the Philippine Stock Exchange (PSE) by converting their U.S. registered Class B shares to Philippine registry Class B shares. The PSE will not recognize trading of Company's common class B shares registered in the U.S., hence, the shares should be converted to Philippine registry class B share.

As of December 31, 2017, the Company's public float is 44.80% and the equity ownership of foreign stockholders totaled 91,930,240 Class "B" shares or 14.92% of the total outstanding shares.

The closing price of the Company's Class A share in the PSE as of April 18, 2018 is ₱1.46 per share and ₱1.64 per share for Class B share as of April 18, 2018 and ₱12.02 per share for Convertible Preferred Class A as of last trading day on June 23, 2016.

a) The high and low prices of the Company's shares in the PSE for the first quarter 2018 are as follows:

	High Price	Low Price
Common Class A	₱1.99/share	₱1.61/share
Common Class B	₱1.96/share	₱1.60/share
Convertible Preferred Class A	- No trading (last trading day is on June 23, 2016)	

b) The high and low prices of the Company's shares for each quarter of 2017 and 2016 are as follows:

	1ST QUARTER		2ND QUARTER		3RD QUARTER		4TH QUARTER	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
CONVERTIBLE PREFERRED CLASS A*								
Highest Price Per Share	**₱**	₱44.55	**₱**	₱44.55	**₱ -**	₱ -	**₱ -**	₱ -
Lowest Price Per Share		13.20		12.02	**-**	-	**-**	₱ -
COMMON CLASS A								
Highest Price Per Share	**2.25**	15.90	**2.61**	10.00	**2.10**	2.97	**2.01**	2.40
Lowest Price Per Share	**1.75**	3.77	**1.70**	6.87	**1.83**	1.88	**1.69**	2.02
COMMON CLASS B								
Highest Price Per Share	**2.35**	15.48	**2.61**	9.99	**2.24**	2.90	**2.18**	5.55
Lowest Price Per Share	**1.79**	3.20	**1.65**	6.90	**1.82**	2.01	**1.65**	3.01

(*) There were no trading transactions in the third & fourth quarters of 2016 and the whole year of 2017.

Holders - As of December 31, 2017, the Company's number of shareholders is 16,931 and the list of top 20 stockholders for Common Class "A", Common Class "B" and Convertible Preferred Class "A" shares are as follows:

A. Common Class "A" Share

Name	Number of Shares Held	Percent to Total Outstanding Per Class
PCD Nominee Corporation (Filipino)	176,035,631	47.48%
Palm Avenue Holding Company, Inc.	65,624,727	17.70%
Palm Avenue Holdings Company and/or Palm Avenue Realty Corporation	63,920,490	17.24%
Palm Avenue Holdings Company and/or Palm Avenue Realty Corporation	30,834,375	08.32%
House of Investment, Inc.	8,545,911	02.31%
FEBTC TA 4113-000204-5 (ESPP)	5,067,846	01.37%
FEBTC TA 4113-00204-5	2,725,599	00.74%
Cynthia Manalili Manalang	1,500,000	00.40%
RP Land Development Corporation	960,000	00.26%
Sysmart Corporation	868,956	00.23%
Pan-Asia Securities Coporation	590,400	00.16%
Paredes, Gabriel M. or Paredes,Marianne G.	564,900	00.15%
Pan Malayan Management and Investment Corporation	431,844	00.12%
RCBC TA #74-034-9	363,129	00.10%
Sun Hung Kai Sec. A/C# YUO34	356,625	00.10%
Marilex Realty Development Corporation	331,200	00.09%
FEBTC TA 4113-00204-5	291,024	00.08%
Enrique T. Yuchengco, Inc.	257,376	00.07%
Luis Juan L. Virata	234,003	00.06%
Francisco M. Vargas	219,000	00.06%

B. Common Class "B" Share

Name	Number of Shares Held	Percent to Total Outstanding Per Class
PCD Nominee (Filipino)	104,118,014	42.67%

Palm Avenue Realty and Development Co.	43,680,000	17.90%
PCD Nominee (Non-Filipino)	32,429,219	13.29%
David L. Sherman	2,961,747	01.21%
JP Morgan Securities LLC	1,009,618	00.41%
Michael Vozar TOD Sharon K. Vozar Sub To Sta Tod Rules	736,260	00.30%
National Financial Services	504,033	00.21%
Fairmount Real Estate, Inc.	484,257	00.20%
Independent Realty Corporation	483,441	00.20%
Richard Soltis & Veronica T. Soltis JT Ten	396,000	00.16%
Arthur H. Runk TTEE of Arthur H. Runk Liv Tr U/A dtd 08/17/1990	354,000	00.15%
Edmund S. Pomon	300,000	00.12%
William David Courtright	300,000	00.12%
William T. Coleman	300,000	00.12%
Garry A. Gil TTEE FBO Arthur Weir Gill Rev Tr	300,000	00.12%
Sanford E. Halperin	251,364	00.10%
Vince S. Chiaramonte & Mary W. Chiaramonte JTTen	216,600	00.09%
Nick Floros	210,000	00.09%
Orald L. Stewart TTE for the Orald Stewart TR dtd U/A 10/23/08	210,000	00.09%
Gerlac & Co	202,950	00.08%

C. Convertible Preferred Class "A" Share

Name	Number of Shares Held	Percent to Total Outstanding Per Class
PCD Nominee Corporation (Filipino)	64,780	29.84%
Fairmount Real Estate	59,262	27.30%
Jose Concepcion, Jr.	5,000	02.30%
Reginaldo Amizola	1,737	00.80%
Evengeline Alave	1,720	00.79%
Maverick Marketing Corporation	1,720	00.79%
Jayme Jalandoni	1,380	00.64%
Rosendo U. Alanzo	1,376	00.63%
Romelda E. Asturias	1,376	00.63%
Rosalina O. Ariacho	1,324	00.61%
CMS Stock Brokerage Inc.	1,324	00.61%
Luisa Lim	1,238	00.57%
Delfin GDN Jalandoni	1,118	00.52%
Ventura O. Ducat	1,032	00.48%
Conchita Arms	1,000	00.46%
Equitiworld Securities, Inc.	1,000	00.46%
Benito V. Jalbuena	1,000	00.46%
Remedios Rufino	1,000	00.46%
Carlos W. Ylanan	1,000	00.46%
B & M Incorporated	952	00.44%

Dividends – The Company has not declared any dividends in the two (2) most recent fiscal years 2017 and 2016 due to restrictions provided for in the Company's loan agreements with creditor banks. The dividend rights and restrictions of the Company's Convertible Preferred Class A, Common Class A and Common Class B stocks are contained in the Amended Articles of Incorporation of the Company, to wit:

> "For a period of ten years after issuance, the holders of each shares of Convertible Preferred Stock shall be entitled to receive out of surplus profits of the Corporation earned after issuance of such Stock, when and as declared by the Board of Directors, cash dividends equal to the peso amount of and payable at the same time as that declared on each share of Common Class A or Common Class B Stock. The total cash dividends payable at any given time on Common Class A, Common Class B and Convertible Preferred Stock shall not exceed seventy-five percentum (75%) of the total after-tax earnings for any current fiscal year of the Corporation from all sources.

Immediately upon the expiration of ten years from issuance, the holders of shares of Convertible Preferred Stock still outstanding shall be entitled to receive out of surplus profits of the Corporation, when and as declared by the Board of Directors, cash dividends at the fixed annual rate of eight percentum (8%) of the par value of such Stock before any cash dividends shall be declared or set apart for holders of Common Class A and Common Class B Stock. The balance of the net profits of the Corporation available for cash dividends shall be distributable exclusively to holders of Common Class A and Common Class B Stock. Dividends accrued and unpaid, if any, on the Convertible Preferred Stock at the end of any given fiscal year of the Corporation shall be cumulated, provided and to the extent that the net profits of the Corporation earned during such fiscal year are at least equal to the amount of such accrued and unpaid dividends; no cash dividends shall be declared and paid to holders of Common Class A and Common Class B Stock until after such accumulated, accrued and unpaid dividends on the Convertible Preferred Stock shall have been paid or provision for payment thereof made.

Holders of Convertible Preferred Stock shall not be entitled to any part of stock dividends declared and issued on outstanding Common Class A and Common Class B and no stock dividends may be declared and issued on Convertible Preferred Stock."

Recent Sales of Unregistered or Exempt Securities – Below are the transactions of sold stocks of the Company in the past three years.

a. Under the present implementation of the Company's Amended Stock Option Plan (the "Plan"), as of December 31, 2017, the following options were exercised in the May 3, 2011 stock option grant: a) 42,600 Class "A" shares at option price of ₱16.50/share @ Par Value of ₱3.00/share; 28,285 Class "B" shares at option price of ₱17.50/share @ Par Value of ₱3.00/share; c) 313,500 Class "A" shares at option price of ₱1.69/share @ Par Value of ₱1.00/share and 94,800 Class "B" shares at option price of ₱1.91/share @ Par Value of ₱1.00/share. For the September 7, 2012 stock option award, 540,000 Class "A" shares at option price of ₱1.69/share and 360,000 Class "B" shares at option price of ₱1.91/share both with Par Value of ₱1.00/share were exercised. The shares granted under the Plan are exempted from registration under SEC Resolution No. 084 dated March 31, 2008 and the listing of the shares was approved by the PSE.

b. Pursuant to the Stock Subscription Agreement dated February 9, 2015, RYM Business Management Corporation (RBMC) advanced to the Company the full subscription price of ₱88 million for future subscription of 9,777,777 common shares consisting of 5,866,697 Class A common shares at P9.00 per Class A share and 3,911,080 Class B common shares at P9.00 per Class B share. The subscription shall be effective when the Company obtained approval from the Securities and Exchange Commission (SEC) of the increase of its authorized capital stock, from where the additional subscription will be sourced. The Company obtained approval from the SEC of the increase of its authorized capital stock on September 28, 2015. The Company filed a Notice of Exempt Transaction under SEC Form 10.1 on October 8, 2015 and also obtained approval from the PSE the listing of the subscribed shares. The sale of shares is an exempt transaction under the Securities Regulation Code (SRC) and SEC Memorandum Circular No. 9, Series of 2008.

The Company did not sell or issue securities within the past three years which are not registered under the SRC including the sales of reacquired securities, securities issued in exchange of property, services, or other securities, and new securities resulting from the modification of outstanding securities.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes as of December 31, 2017 and 2016 prepared in conformity with PFRS hereto attached in the Exhibits.

The financial information for the three years ended December 31, 2017, 2016 and 2015 are as follows:

A. FOR THE YEARS ENDED DECEMBER 31, 2017 VERSUS. 2016

CONSOLIDATED RESULTS OF OPERATIONS

Consolidated net income for 2017 amounted to ₱21.5 million, a turnaround from the net loss of ₱167.4 million in 2016. The increase/decrease in net income was the net effect of the following:

The Company registered consolidated revenues of ₱1,462.9 million for 2017, 5% lower than ₱1,534.2 million in 2016. The negative variance is due to lower shipment of nickel ore partly offset by increase in gold production. BNMI sold 10 boatloads of 1.3% to 1.4% nickel ore aggregating 530,690 tons at an average price of US$21.83/ton this year versus 15 boatloads ranging from 1.5% to 1.8% aggregating 778,485 tons at an average price of US$23.05/ton for the same period in 2016. The decline in nickel shipment is mainly attributed to suspension of BNMI mining operation. On the other hand, gold production for 2017 increased to 10,923 ounces versus 9,166 ounces in 2016. The increased production enabled AGP to generate revenue of ₱691.2 million this year, 30% higher versus ₱542.2 million last year.

Cost and operating expenses decreased by 7% to ₱1,492.9 million from ₱1,608.1 million in 2016 mainly due to lower shipment tonnage of nickel ore this year.

Decrease in interest expense for 2017 is mainly due to the repayment of Malayan Savings Bank loan.

Other income this year, mainly from gain on sale of equipment and gains on write-off of loans, amounted to ₱81.2 million, in contrast to other expense of ₱156.3 million in 2016.

Provision for income tax of ₱25.2 million for this year pertains to the regular corporate income tax of BC (Parent Company), Benguetcorp Nickel Mines, Inc. (BNMI) and Keystone Port Logistics and Management Services Corporation (Keystone).

FINANCIAL POSITION

Assets

The Company's consolidated total assets as of December 31, 2017 slightly increased to ₱6.57 billion from the ₱6.56 billion in 2016. The slight increase is the net effect of the following:

Cash and cash equivalent increased by ₱21.9 million mainly from cash provided by operation and proceeds from sale of mine equipment.

Receivables increased to ₱761.7 million from ₱723.1 million, mainly from nickel ore sold this year.

Inventories decreased by 30% to ₱167.3 million from ₱238.2 million mainly from the 10 boatloads of nickel ore sold this year.

Property, plant and equipment at cost decreased by 5% to ₱1,108.8 million from ₱1,171.2 million in 2016 mainly due to the sale of idle equipment and scrap materials.

Deferred tax assets increased to ₱69.4 million from ₱34.5 million last year mainly due to increase in NOLCO and Minimum Corporate Income Tax (MCIT).

Liabilities

Total consolidated liabilities as of December 30, 2017 decreased to ₱2,860.7 million from ₱2,901.5 million as of December 31, 2016. The decrease was due to the following:

Trade and other payable, mainly payables to suppliers and contractors, slightly increased to ₱1,028.0 million from ₱1,023.4 million.

Decrease in loans payable is partly attributed to the settlement of loans from Malayan Savings Bank and partial payment of loan obtained thru tripartite off-take agreement for the sale of nickel ore.

Decrease in obligations under finance lease is attributed to the full repayment of loan with BDO leasing.

Increase in income tax payable pertains to income tax due to BenguetCorp..

Liability for mine rehabilitation in 2017 slightly increased to ₱100.8 million from ₱95.9 million in 2016.

Pension liability decreased to ₱46.4 million from ₱78.6 million mainly due to retirement of some personnel directly paid by the Company.

Equity

Stockholders Equity at year-end amounted to ₱3,704.6 million, higher than ₱3,657.1 million in 2016. The increase is partly attributed to the income earned this year.

Consolidated Cash Flow

The net cash flow from operating activities for 2017 amounted to ₱55.0 million compared to the ₱40.2 million cash used last year. During the year, the Company received the full payment of ₱2.4 million from the sale of idle equipment and scrap materials. The Company invested ₱5.6 million in exploration activities and ₱20.3 million in mining equipment for the expansion of its Acupan Gold and Sta. Cruz Nickel Projects.

In 2017, the Company obtained ₱70.0 million loan from a local bank. The amount was used in operations.

Key Performance Indicators

The Company's management intends to analyze future results of operations through the following key performance indicators, among other measures:

Working Capital- Working capital (current assets less current liabilities) and current ratio (current assets over current liabilities) measures the liquidity or debt paying ability of the Company. As of December 31, 2017, the Company's current ratio is 1.11:1 versus 1.09:1 in 2016.

Metal Price- The market price of gold in the Bangko Sentral ng Pilipinas which is based from on world spot market prices provided by the London Metal Exchange for gold is the key indicator in determining the Parent Company's revenue level. The average market prices for gold sold were at US$1,260 per ounce in 2017 and US$1,250 per ounce in 2016. Nickel ore was sold at average price of US$21.83/ton this year versus US$23.05/ton in 2016. The favorable metal prices will also have a favorable impact on the Company's revenue.

Tons Milled and Ore Grade- Tons milled and ore grade is a key measure of operating efficiency. A lower unit production cost both in ore milled and smelting operation will result in the Company meeting, if not exceeding, its profitability targets. Tons milled in 2017 were 53,893 with average grade of 6.83 grams per ton of gold. Gold sold in 2017 were 10,923 ounces. In 2016, tons milled were 40,156 with average grade of 7.71 grams per ton of gold. Gold sold in 2016 were 9,166 ounces. BNMI sold nickel ore this year with an aggregate volume of 530,690 tons ranging from 1.3% to 1.4% Ni grade versus last year of 778,485 tons of nickel ore ranging from 1.5% to 1.8% Ni grade.

Foreign Exchange Rate- The Company's sales proceeds are mainly in U.S. dollars, a higher Philippine peso to U.S. dollar exchange rate means higher peso sales but would also reflect a foreign exchange loss on the restatement of the Company's dollar obligations. Conversely, a lower exchange rate reduces the Company's revenue in pesos but brings foreign exchange income on the loans. As of December 31, 2017, the peso to dollar exchange rate was at ₱49.93 higher as compared to ₱49.72 in 2016.

Earnings Per Share- The Company's earnings per share are a key measure of the Company's effectiveness in meeting its financial targets that in turn, will provide investors comparable benchmarks relative to similar companies. The reported Company earnings per share in 2017 is ₱0.03, a turnaround from the loss per share of ₱0.27 in 2016.

Known Trends, Events or Uncertainties

The Company foresees cash flow or liquidity problems over the next twelve (12) months due to continuing regulatory issues affecting BNMI's nickel operations which management is currently resolving. No nickel mining was conducted during the year, The DENR Cancellation Order dated February 8, 2017 was appealed to the Office of the President on February 22, 2017 and implementation of the appealed order is stayed. The continued gold production from AGP, steady market of ILP's quicklime, disposal of non-performing assets, tax refunds from the Bureau of Internal Revenue and borrowing under the available credit facilities, will generate adequate cash for the Company to meet its operating cash requirement. The Company is confident that its wholly owned subsidiary, BNMI will continue to haul and sell its remaining nickel stockpiles by next year 2018. Removal of the stockpiles from the mine site was necessitated by the environmental risk the stockpiles may pose during the rainy season.

Within the ensuing twelve months, the Company anticipates changes in the number of employees due to retirement of some employees and reduction of personnel due to suspension of BNMI mining activities.

There is no known event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation that have not been booked although, the Company could be contingently liable for lawsuits and claims arising from the ordinary course of business which are not presently determinable. The Parent Company's outstanding principal debt subject to the 1992 Restructuring Agreement was reduced to ₱85.06 million. The Company remains committed to a final and comprehensive settlement of all the old debt or to arrange a suitable restructuring of the remaining obligations.

There is no material off-balance sheet transactions, arrangement, obligations, and other relationship of the Company with unconsolidated entities or other persons that the Company is aware of during the reporting period.

Other than what have been discussed in their respective sections above, there are no material events or uncertainties known to management that had material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Company;
- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- 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;
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Seasonal aspects that had a material impact on the Company's results of operations; and
- Material changes in the financial statements of the Company from the year ended December 31, 2017 to December 31, 2016.

B. For the years ended December 31, 2016 Versus 2015

Consolidated Results of Operations

For the year 2016, the Company registered a consolidated net loss of ₱167.3 million, a reversal from the net income of ₱200.7 million in 2015. The decrease in net income was the net effect of the following:

The Company generated consolidated revenues of ₱1.534 billion for the year 2016, 53% lower than ₱3.258 billion in 2015. The significant drop is attributed to the decrease in volume shipment of nickel ore due to suspension order dated July 7, 2016 jointly issued by the regional offices of Mines Geo Sciences Bureau (MGB), Environmental Management Bureau (EMB) and Department of Environment and Natural Resources (DENR), suspending BNMI's mining operation, as a result of filing of Writ of Kalikasan case, provincial moratorium on mining and complaints of anti-mining groups.

In 2016, BNMI shipped 15 boatloads totaling 778,485 tons of nickel ore at an average price of US$23.05/ton compared to 29 boatloads totaling 1.547 million tons at an average price of US$34.65/ton in 2015.

Cost and operating expenses decreased to ₱1,608.1 million in 2016 from ₱2,819.9 million in 2015 mainly due to decrease in cost of mine products sold and services as a result of lower tonnage of nickel ore sold in 2016.

Interest expense decreased to ₱13.6 million from ₱37.7 million in 2015. The decrease was mainly due to lower Malayan Bank principal debt and settlement of the PhilExim loan.

Other expense of ₱156.3 million in 2016 was mainly due to change in estimate of provision for mine rehabilitation (₱32.2 million), loss on write-off of receivables (₱23.3 million) and sale of investment property amounting to ₱18.7 million, penalties (₱21.4 million), Foreign currency exchange loss (₱18.7 million), disallowed input VAT (₱16.7 million) and retrenchment pay of ₱10.5 million. The other expense of ₱102.7 million in 2015 was mainly due to loss on disallowed input VAT (₱78.8 million) and loss on write-off of receivables amounting to ₱28.2 million.

Benefit from income tax for 2016 amounted to ₱76.3 million compared to provision for income tax of ₱96.7 million in 2015. The benefit from income tax is mainly due to net losses incurred for the year.

Financial Position

Assets

The Company's consolidated total assets as of December 31, 2016 slightly decreased to ₱6.56 billion from the ₱6.66 billion in 2015. The slight decrease is the net effect of the following:

Cash and cash equivalents decreased by ₱14.4 million mainly due to cash used by operating activities, equipment purchases for expansion of the Acupan Gold Project and settlement of bank loan and other obligations.

Trade and other receivables decreased by ₱84.3 million or 10% to ₱723 million from P808 million mainly from collections of receivables from nickel ore shipped in 2015 and advances to contractor and employees.

Inventories increased by ₱102 million or 75% to ₱238 million from the 2015 level of ₱136 million mainly due to increase in production of beneficiated nickel ore.

Property, plant and equipment at cost decreased to ₱1,171.2 million in 2016 from ₱ 1,301.7 million in 2015. The decrease is mainly due to the depreciation and depletion booked during the year

Investment property declined by 85% to ₱31.9 million from ₱209.6 million in 2015. The decline pertains to the sale of 47,626 square meter industrial land in Canlubang, Laguna owned by Berec Land Resources Inc., a wholly-owned subsidiary.

Deferred mine exploration cost increased to ₱616 million from ₱544 million in 2015. The additions pertain to drilling, hauling and other ongoing exploration and evaluation activities of BC and its subsidiaries. The parent company is working on exploration and drilling programs to upgrade Acupan Gold Project's capacity. BNMI conducted confirmatory exploration drilling activities in Area 1 to confirm the remaining resource potential of the said area.

Liabilities

Total consolidated liabilities as of December 31, 2016 slightly increased to ₱2.90 billion from ₱2.84 billion last year. The increase was due to the following:

Trade and other payables increased by P166 million mainly due to mining and hauling services used in the operations of nickel in Sta. Cruz, Zambales.

Loans payable decreased by ₱84 million or 11% mainly due to the full settlement of the remaining balance of credit facility from PhilExim and partial retirement of Malayan Bank loan.

Deferred tax liabilities decreased to ₱666 million from ₱734 million in 2015 mainly due to decrease in capitalized interest and revaluation increment on land.

Liability for mine rehabilitation increased by ₱58 million due to adjustment on capitalized cost based on the revised estimate of the mine rehabilitation and decommissioning cost.

Pension liability slightly increased to ₱78.6 million from ₱76.8 million in 2015 due to additional personnel hired during the year and added length of service of existing personnel.

Obligations under finance lease decreased on account of the repayment made during the year with BDO Leasing.

Equity

Stockholders Equity at year-end amounted to ₱3,657.1 million lower than ₱3,813.7 million in 2015. The decrease is attributed to the following:

Retained earnings decreased to ₱1.89 billion from ₱2.06 billion in 2015 mainly due to the net loss of ₱167 million this year.

Consolidated Cash Flow

The net cash used by operating activities in 2016 amounted to ₱40 million compared to the net cash flow of ₱20 million in 2015. The net cash generated by operation this year was used in the settlement of various trade and income tax liabilities.

In 2016, the Company sold its investment property in Canlubang Laguna for P191 million. The proceeds was invested in its various exploration activities, acquisition of mine equipment and settlement of loan obligation. The Company invested ₱72 million in mine exploration to upgrade Acupan Gold Project's capacity and confirm resource potential in Area 1 of Sta Cruz Nickel Project in Zambales and purchased ₱36 million various mine equipment for the expansion of its Acupan Gold Project and Sta. Cruz Nickel Operation.

The Company fully settled its credit facility from PhilExim and partially paid its loan with Malayan Bank.

Key Performance Indicators

Working Capital- Working capital (current assets less current liabilities) and current ratio (current assets over current liabilities) measures the liquidity or debt paying ability of the Company. As of December 31, 2016, the Company's current ratio is 1.09:1 versus 1.04:1 in 2015.

Metal Price- The market price of gold in the Bangko Sentral ng Pilipinas which is based from the world spot market prices provided by the London Metal Exchange for gold is the key indicator in determining the Company's revenue level. The average market prices for gold sold were at US$1,250 per ounce in 2016 and US$1,162 per ounce in 2015.

Tons Milled and Ore Grade- Tons milled and ore grade determine gold production and sales volume. The higher the tonnage and ore grade, the more gold are produced and sold. Tons milled in 2016 were 40.156 with average grade of 7.71 grams per ton of gold. Gold sold in 2016 were 9,166 ounces. In 2015, tons milled were 84,421 with average grade of 5.38 grams per ton of gold. Gold sold in 2015 were 12,940 ounces.

Foreign Exchange Rate- The Company's sales proceeds are mainly in U.S. dollars, a higher Philippine peso to U.S. dollar exchange rate means higher peso sales but would also reflect a foreign exchange loss on the restatement of the Company's dollar obligations. Conversely, a lower exchange rate reduces the Company's revenue in pesos but brings foreign exchange income on the loans. As of December 31, 2016, the peso to dollar exchange rate was at ₱49.72 higher as compared to ₱47.06 in 2015.

Earnings Per Share- The earnings per share reflect the Company's bottom line operating results expressed in amount per share of the Company's outstanding capital stock. Assuming there is a constant outstanding number of shares, as a Company's earnings increase, the earnings per share correspondingly increase. The reported Company loss per share in 2016 is (₱0.27), compared to earnings per share of ₱0.34 in 2015.

Known Trends, Events or Uncertainties

The Company foresees cash flow or liquidity problems within the next twelve (12) months due to suspension of its nickel mining operation in Zambales. Sales of gold from the AGP and quicklime products of ILP plus disposal of non-performing assets and the tax refunds from the Bureau of Internal Revenue, will generate adequate cash for the Company to meet its operating cash requirement. Currently, BNMI is securing the required government permits for hauling its nickel stockpiles from its mine site in Sta. Cruz, Zambales to its port in Candelaria, Zambales to prevent environmental risk during the rainy season. This is one of the conditions set forth by the DENR Audit Team, and BNMI is confident that it will be allowed to haul and sell its nickel stockpiles in the early first quarter of 2017.

Within the ensuing twelve months, the Company anticipates changes in the number of employees due to retirement of employees.

There is no known event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation that have not been booked although, the Company could be contingently liable for lawsuits and claims arising from the ordinary course of business which are not presently determinable. The Parent Company's outstanding principal debt subject to the 1992 Restructuring Agreement was reduced to ₱123.7 million. The Company remains committed to a final and comprehensive settlement of all the old debt or to arrange a suitable restructuring of the remaining obligations.

There is no material off-balance sheet transactions, arrangement, obligations, and other relationship of the Company with unconsolidated entities or other persons that the Company is aware of during the reporting period.

Other than what have been discussed in their respective sections above, there are no material events or uncertainties known to management that had material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Company;
- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- 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;
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Seasonal aspects that had a material impact on the Company's results of operations; and
- Material changes in the financial statements of the Company from the year ended December 31, 2016 to December 31, 2015.

ITEM 7. FINANCIAL STATEMENTS

The audited consolidated financial statements (Benguet Corp & Subsidiaries) and audited financial statement (Parent) for the period ended December 31, 2017 is presented in Part V, Exhibits and Schedules, which said audited financial statements form part of this annual report (SEC Form 17-A).

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Company's independent public accountants, Sycip Gorres Velayo and Company (SGV) was re-appointed by the Board of Directors and approved/ratified by the stockholders of the Company on June 1, 2016, respectively. Audit services of SGV for the calendar year ended December 31, 2017 included the examination of the parent and consolidated financial statements of the Company, assistance in the preparation of annual income tax return and other services related to filing of reports made with the Securities and Exchange Commission (SEC).

The Company is compliant with SRC Rule 68, paragraph (3)(b)(iv) requiring the rotation of external auditors or engagement partners who have been engaged by the Company for a period of five (5) consecutive years. The engagement partner who conducted the audit for Calendar Year 2017 is Mr. Alexis C. Zaragoza, SEC accredited auditing partner of SGV. This is Mr. Zaragoza's first year as engagement partner for the Company. No event has occurred where SGV and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosures, or auditing scope or procedures.

For the last two fiscal years, the aggregate audit fees inclusive of VAT and out-of-pocket expenses billed by SGV & Company are ₱5.4 million for 2017 and ₱5.0 million for 2016. There are no other services rendered by the external auditor other than the usual audit services as mentioned above.

Prior to the commencement of audit work, the external auditor presented their program and schedule to the Company which included discussion of issues and concerns regarding the audit work to be done. The external auditor presented to the Audit Committee the audited financial statements of the Company for the year for approval and endorsed to the full Board for final approval prior to release/issuance by the external auditor.

Representatives of SGV are expected to be present at the stockholders' meeting to respond to appropriate questions and will be given the opportunity to make a statement if they so desire.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

A. **Directors** – In the June 1, 2016 Annual Stockholders' Meeting, no election was held because the Temporary Restraining Order (TRO) enjoining the holding of election of directors remained in force. Due to continuing regulatory issues affecting the Company, particularly its gold and nickel operations which management is currently resolving, the Company did not held an Annual Stockholders' Meeting in 2017. The Company will hold a combined 2017 and 2018 annual stockholders' meeting on November 8, 2018. Thus, the present set of directors of the Company continued to remain in office on hold-over capacity until their successors are elected and qualified.

Below is the composition of Board of Directors with their corresponding ages, citizenship, brief descriptions of the business experience for the past five years and positions and offices held in the Company.

DIRECTORS REPRESENTING HOLDERS OF CONVERTIBLE PREFERRED CLASS A AND COMMON CLASS A STOCKS:

DANIEL ANDREW G. ROMUALDEZ, 58 years old, Filipino, has been the incumbent Chairman of the Board of Directors since July 21, 2011 to present. He first became a Director of the Company by appointment on October 22, 2002 and has served as Vice Chairman of the Board of Directors (January 9, 2009-July 20, 2011). He is also Chairman of the Property Development and Management Advisory Board Committees of the Company, Trustee of Doña Remedios Trinidad Romualdez Medical Foundation Inc., and Dr. V. Orestes Romualdez (DVOR) Educational Foundation Inc. Formerly, he worked with The Office of Thierry Despont (September 1986-December 1986), Dimitri Balamotis Associates (January 1987-March 1988) and Robert Stern Architects in New York, New York (March 1988-May 1993). Mr. Romualdez is a Registered Architect and Principal of Daniel Romualdez Architects, P.C. (August 1993-present).

Directorship in other Listed Companies in the Philippines - None

LEOPOLDO S. SISON III, 59 years old, Filipino, was appointed President and Director of Benguet Corporation since August 23, 2017 and is concurrently President of the Company's wholly owned subsidiary, Benguetcorp Nickel Mines, Inc. (BNMI), which position he held since September 2014. Before his election/appointment, Mr. Sison was previously the Senior Vice President for Nickel Operations (September 2014-August 2017). He was Vice President for Logistics Management (February 2012-September 2014) and Vice President for Project Planning & Business Development (2002-2012) of the Company. He also holds various positions and directorship in the following subsidiaries of the Company: Concurrent Chairman and President of Pillars of Exemplary Consultants, Inc. (1999-present), Sagittarius Alpha Realty Corporation, Benguet Pantukan Gold Corp., Berec Land Resources, Inc., Calhorr 1 Marine Services Corp. and Ifaratoc Mineral Resources Corp.; Chairman of Keystone Port Logistics & Management Services Corp., Calhorr 2 Marine Services, Inc. Agua de Oro Ventures Corp., BC Property Management, Inc., Benguet Management Corporation and BMC Forestry Corp., Director and President of Benguetrade, Inc.; President of Acupan Gold Mines Inc; Director of BenguetCorp Laboratories Inc., Arrow Freight Corp., Balatoc Gold Respurces Corp. and Batong Buhay Minersal Resources, Inc. BenguetCorp International Limited, and Benguet USA Inc. Formerly, he was President/Gen. Manager of BMC Forestry Corp. (1995-1998) and Arrow Freight Corporation (1992-1995); President, Capitol Security and Allied Services, Inc. (1984-1985); Production Supervisor, CDCP-Systemas (1980-1983).

Directorship in other Listed Companies in the Philippines - None

MARIA REMEDIOS R. POMPIDOU, 51 years old, Filipino, has been a Director of the Company since October 25, 2000 to present. She is the Chairman of BenguetCorp Laboratories, Inc., a wholly owned subsidiary of the Company (2013 to present) and member of Investment Committee of the Company; Trustee of Doña Remedios Trinidad Romualdez Medical Foundation Inc., Dr. V. Orestes Romualdez (DVOR) Educational Foundation Inc., and RTR Foundation for Scientific Research and Development Inc.; and Director of Sequioa Business Management Corporation, Perea Realty and Development Corporation and Red Palmtree Realty and Development Corporation.

Directorship in other Listed Companies in the Philippines - None

LUIS JUAN L. VIRATA, 64 years old, Filipino, has been a Director of the Company since August 8, 1995 to present. He is a Member of the Investment Committee of the Company. Mr. Virata is the Chairman and Chief Executive Officer of CLSA Exchange Capital, Inc., an investment banking joint venture formed in 2011 between CLSA Emerging Markets of Hong Kong and Exchange Capital of Manila. Exchange Capital was founded in 1987, formerly with Jardine Fleming of Hong Kong. He is also the Chairman of Exchange Properties Resources Corporation, a Shareholder and Director of Nickel Asia Corporation, Rio Tuba Nickel Mining Corporation and Benguet Corporation. Director and major Shareholder of Amber Kinetics, Inc., a battery storage company in California. His other activities include being a Member of the Huntsman Foundation, Wharton School of the University of Pennsylvania, Member, and Founder, Trustee of Asia Society Philippine Foundation and the Metropolitan Museum of Manila. Other previous positions include President, Acting CEO and Director of Philippine Airlines, President and Director of NSC Properties, Inc., Member of the Philippine Stock Exchange and Makati Stock Exchange, Director of Group 4 Securitas. Mr. Virata received an MBA degree from the Wharton School of the University of Pennsylvania, USA in 1979 and a BA/MA in Economics from Trinity College, Cambridge University, UK in 1976.

Directorship in other Listed Companies in the Philippines
1. Nickel Asia Corporation

CESAR C. ZALAMEA, 89 years old, Filipino, has been a Director of the Company by appointment on October 9, 2013 in replacement of Mr. Dennis R. Belmonte, who resigned as Director effective October 8, 2013. He is also a Member of the Stock Option Committee of the Company. Mr. Zalamea was a former Director of the Company and became Chairman of Benguet Corporation from 1984 to 1986. Currently, he is Chairman of Marcventures Holdings, Inc., a Publicly Listed Company which owns a Nickel Mining Subsidiary, Marcventures Mining & Development Corporation where he is also Chairman. He is Chairman of Bright Kindle Resources & Investments, Inc. (BKR), a Listed Financial and Investments Holding Company and Focus Range International Limited, a HongKong based company. He was formerly a member of the Advisory Board of Campbell Lutyes, an Investment Advisory Company based in London. Formerly, he was Chairman of Manila Electric Co., AIG Global Investment Group, Beijing C. V. Starr Investment Advisors Limited and Philippine American Life Insurance Company. He served as a Director in numerous AIG member and investee companies in Southeast Asia, including American International Assurance Company, Ltd., and Nan Shan Life Insurance Company, Ltd. He was also special envoy of the President to the People's Republic of China for investments until 2015.

Directorship in other Listed Companies in the Philippines
1. Marcventure Holdings, Inc.
2. Bright Kindle Resources & Investments, Inc.

MACARIO U. TE, 88 years old, Filipino, has been elected by the Board as Director on March 27, 2015. He is a member of the Management Advisory Board of the Company. Mr. Te is also a Director of publicly-listed companies, Marcventures Holdings, Inc., and Bright Kindle Resources & Investments Inc. Formerly, he was the President of Macte International Corporation and Linkwealth Construction Corporation, Chairman of Autobus Industries Corporation, CEO of M.T. Holdings Inc., and Director of the following companies: Bulawan Mining Corp., PAL Holdings Inc., Philippine National Bank, Oriental Petroleum and Minerals Corp., Gotesco Land Inc., PNB Capital and

Investment Corp., PNB General Insurers Co. Inc., PNB Holdings Corp., PNB Remittance Center, PNB Securities Inc., PNB-IFL, PNB Italy SPA, Balabac Resources and Holdings, Nissan North EDSA, Beneficial- PNB Life and Insurance Co., Inc., Waterfront Phils., Fontana Golf Club Inc. Baguio Gold Holding Corp., Traders Royal Bank, Traders Hotel, PACIFIC Rim Oil Resources Corp., Link World Construction Development Corp., Suricon Resources Corp., Alcorn Petroleum & Mineral Corp., Associated Devt. Corp., and Palawan Consolidated Mining Corporation. Mr. Te obtained his BS in Commerce from Far Eastern University.

Directorship in other Listed Companies in the Philippines
1. Marcventures Holdings, Inc.
2. Bright Kindle Resources and Invesments, Inc.

DIRECTORS REPRESENTING HOLDERS OF COMMON CLASS B STOCK:

ISIDRO C. ALCANTARA, Jr., 64 years old, Filipino, has been a Director since November 14, 2008 and concurrently Executive Director of the Company since April 2, 2014 to present. He is also Vice Chairman of the Management Advisory Board of the Company and a member of the Executive Committee, Investment Committee, Audit Committee, Risk Management Committee, Property Development Committee and Corporate Governance Committee of the Company. He also holds among others the following positions in the Company's wholly owned subsidiaries: Vice Chairman of Benguetcorp Nickel Mines, Inc.(2014 to present); and Director of BenguetCorp Laboratories, Inc.(2014 to present). Currently, he is President of Marcventures Holdings, Inc. (MHI), a Publicly Listed Company which owns a nickel mining subsidiary, Marcventures Mining & Development Corporation (MMDC) where he is Vice Chairman. He is also the President of Bright Kindle Resources and Investments, Inc. (BKR), a listed financial and investments holding company and Chairman of Bright Green Resources Corp., Alumina Mining Philippines, Inc., and Bauxite Resources Inc. He is the President and CEO of a Financial Consulting Firm, Financial Risk and Resolution Advisory, Inc. (FRRA), engaged in Advisory and Arranger Services for M&As, Equity and Debt Fund Raising, and General Financial Advisory. Post his Banking Career, he has been involved in several M & As, Distressed Debt Settlements, Fund-raising for Corporates and Asset Recovery Work-outs. He was formerly Executive Vice President in charge of Corporate Banking of PCIBank and the Equitable PCIBank where he managed a Third of the Bank's Assets. He was the President/CEO of the Philippine Bank of Communications (PBCom) where he successfully led the Rehabilitation and Transformation of the Bank into a healthy Financial Institution. He worked briefly with the HSBC (Manila) as Senior Vice President and Head of Corporate and Institutional Banking. He also served as a Director of the Bankers Association of the Philippines from 2000-2004. He graduated Magna Cum Laude from the De la Salle University and has Degrees in Economics and Accounting and is a Certified Public Accountant. He also took special studies in International Banking at the Wharton School of Finance, University of Pennsylvania and at the Institute of Independent Certified Directors and is a Certified Independent Director.

Directorship in other Listed Companies in the Philippines
1. Marcventures Holdings, Inc.
2. Bright Kindle Resources and Investment, Inc.

ANDRES G. GATMAITAN, 77 years old, Filipino, first became a Director of the Company by appointment on February 10, 1987. He is also the Chairman of Salary (Compensation) Committee and Stock Option Committee and a Member of the Executive Committee, Audit Committee, Corporate Governance and Risk Management Committee of the Company. He also holds, among others, the following positions: Senior Counsel of SyCip Salazar Hernandez & Gatmaitan Law Office which is the outside counsel of the Company; Chairman, JVS Asia, Inc.; President, United Holdings and Development, Inc., and St. Agen Holding, Inc.; Director, Benguetcorp Nickel Mines, Inc. (2011 to present) the wholly owned subsidiary of the Company, Supralex Asia Ventures Corporation, Triumph International (Philippines) Inc., Maybank Philippines, Inc., JVS Worldwide, Inc., Star Performance Philippines, Inc., Unicharm Philippines, Inc., AMI Philippines, Inc.

Directorship in other Listed Companies in the Philippines - None

BERNARDO M. VILLEGAS, 78 years old, Filipino, first became a Director by appointment on June 25, 1998. He was designated Independent Director of the Company in 2002 up to present, although he has been a Director prior to the issuance of SEC Circular No. 16 dated November 29, 2002. He is also the Chairman of the Audit Committee and Corporate Governance Committee and a Member of the Salary (Compensation) Committee, Stock Option Committee, Investment Committee, Property Development Committee and Nomination Committee of the Company. He also holds, among others, the following positions: Independent Director of Benguetcorp Nickel Mines, Inc. (2012 to present), a wholly owned subsidiary of the Company; Transnational Diversified, Inc. (1998 to present); Member of the Boards of Dualtech Foundation (1998 to present); Director and Consultant of Alaska (1999 to present); and Columnist, Manila Bulletin (1964 to present). Formerly, he was Director of Makati Business Club (1981-2010); Director, Phinma Foundation (1995-2001); Director, Pilipinas Shell Foundation (1995-2001); Senior Vice President, University of Asia and the Pacific (2004-2006); Chairman, Center for Research and Communication (1995); President, Philippine Economic Society (1972-1974); Chairman, Department of Economics-De La Salle University Manila (1964-1969), Committee on the National Economy & Patrimony (1986); Director, Economic Research Bureau and Graduate School of Business-De La Salle University Manila (1967-1968); Project Director, Philippine Economic History under the National Historical Commission (1969-1972); Member, Preparatory Commission for Constitutional Reforms and Constitutional Commission (1999); Consultant, Productivity Development Center-National Economic Council and Program Implementation Agency (1968-1969).

Directorship in other Listed Companies in the Philippines - None

B. **EXECUTIVE OFFICERS** - The following persons are the executive officers with their corresponding positions and offices held in the Company and its subsidiaries and/or affiliates. The executive officers are elected annually to a one-year term (subject to removal) by the Board of Directors immediately following the Annual Stockholders' Meeting.

DANIEL ANDREW G. ROMUALDEZ, 58 years old, is the Chairman of the Board of Directors of the Company since July 21, 2011.

ISIDRO C. ALCANTARA, Jr., 64 years old, is the Executive Director of the Company since April 2, 2014.

LEOPOLDO S. SISON III, 59 years old, is the President and Director of the Company since August 23, 2017.

REYNALDO P. MENDOZA, 61 years old, Filipino, has been the Senior Vice President for Public Affairs & Legal of the Company since August 25, 2006 and Assistant Corporate Secretary (2002 to present). He is also President/Director of Batong Buhay Mineral Resources Corp.; Director of Pillars of Exemplary Consultants, Inc., Acupan Gold Mines, Inc. and Benguetrade, Inc. and Corporate Secretary of the following subsidiaries of the Company: Arrow Freight Corporation, Benguet Management Corporation, and Sagittarius Alpha Realty Corporation, (1997 to present). Before joining Benguet Corporation, he was Staff Lawyer of PDCP (1987-1988) and Malayan Insurance Company (1986-1987); Associate Lawyer, Castro, Villamor & Associate (1985-1986); Legal Assistant/Apprentice Lawyer, Gono Law Office (1985).

LINA G. FERNANDEZ, 53 years old, Filipino, has been the Senior Vice President for Finance & Comptroller, Nickel Marketing, Logistics & Other Services since March 21, 2018. Formerly, she was Senior Vice President for Finance & Treasurer, Nickel Marketing Officer (November 2015-March 2018); Vice President for Corporate Planning, Chief of Staff and Assistant Treasurer (August 2006-November 2015); Risk Management Officer (March 2011-March 2018) and the Compliance Officer for Corporate Governance of the Company (Dec 2016-March 2018). She also holds various positions and directorship in the following subsidiaries of the Company: Concurrent Vice President-Marketing of

Benguetcorp Nickel Mines, Inc. (2014-present); Director and President of Benguet Management Corporation and Calhorr 2 Marine Services Corp.; Chairman and Treasurer of Arrow Freight Corporation; Director and Treasurer of Benguetrade, Inc.; Director and Asst. Treasurer of Sagittarius Alpha Realty Corporation; Director of BC Property Management, Inc., Benguet Pantukan Gold Corporation, Berec Land Resources, Inc., Pillars of Exemplary Consultants, BMC Forestry Corp., Calhorr 1 Marine Services Corp., BenguetCorp Laboratories, Inc. and Keystone Port Logistics and Management Services Corporation (since 2013 to present); and Treasurer of Aqua de Oro Ventures Corporation and Balatoc Gold Resources Corporation. Formerly, she was Director of Benguetcorp Nickel Mines Inc. (2009-2011) and Kingking Copper-Gold Corp. (2008-2011).

MA. MIGNON D. DE LEON, 61 years old, Filipino, has been the Vice President – Compliance for Comrel & Enviro of the Company since February 2014. She is also Compliance Officer for Corporate Governance since March 21, 2018. Prior to her present position, she was Vice President for Community Relations (June 2012 – January 2014) and the Vice President for the Benguet District Administration and Property Management (October 2002 – May 2012). She is also the Director and President of BC Property Management Inc.; Director and General Manager of Benguetrade, Inc. and Director of the following subsidiaries of the Company: Keystone Port Logistics and Management Corp., Ifaratoc Mineral Resources Corp., Benguet Pantukan Gold Corporation, Batong Buhay Mineral Resources Corporation, Berec Land Resources, Inc., Acupan Gold Mines, Pillars of Exemplary Consultant Inc., Sagittarius Alpha Realty Corp., Arrow Freight Corp., Benguet Management Corporation and BenguetCorp Laboratories Inc. She was Board Member (Management Representative) to the Regional Tripartite Wages and Productivity Board – Cordillera Administrative Region (1995 – 2006); Board Member representing Women's Sector to the Peoples Law Enforcement Board of the Municipality of Itogon, Province of Benguet (2005-2010); Past Chairman (1984 – 1995) and Adviser (1996 to 2006) to the Regional Mining Industry Training Board – Technical working Group of the Cordillera Administrative Region; Past President (1989 – 1993) and Adviser (1994 to 2012) to the People Management Association of the Philippines, Baguio-Benguet Chapter; Board Member, Benguet Province Visitor's Bureau (2008 – 2009); Past Vice Chairman of the Cordillera Tourism Council (2206 – 2008); Past President of the Benguet Provincial Tourism Council (2001 – 2006). At present, she is also the Large Scale Mining Representative appointed by the Chamber of Mines to the Provincial Mining Regulatory Board of the Province of Benguet.

MAX D. ARCEÑO, 56 years old, Filipino, has been the Vice President for Finance, Treasurer & Taxation/Materials of the Company since March 21, 2018. Formerly, he is Vice President for Accounting and Treasurer (March 2013-March 2018) and Assistant Vice President for Treasury (July 2011-February 2013). He also holds various positions of the following subsidiaries of the Company. He is concurrent Treasurer of Benguetcorp Laboratories, Inc. (Feb. 2013 to present), BenguetCorp Nickel Mines, Inc., and Acupan Gold Mines, Inc.; Chairman of Benguetrade, Inc.; Director and Treasurer of Keystone Port Logistics and Management Services Corp., Benguet Pantukan Gold Corp., Berec Land Resources, Inc., Benguet Management Corporation, BMC Forestry Corporation, Pillars of Exemplary Consultants, Inc., BC Property Management, Inc., Batong Buhay Mineral Resources Corp., Calhorr 1 Marine Services Corp. and Calhorr 2 Marine Services Corporation, and Director of Ifaratoc Mineral Resources Corp., Sagittarius Alpha Realty Corp., Agua de Oro Ventures Corp., Arrow Freight Corp., and Balatoc Gold Resources Corp. Mr. Arceño graduated from the University of the East (Batch 1983) with a degree in BSBA-Accounting and passed the board examination for Certified Public Accountant in 1984. He joined the Company in 1985 as Accounting Staff I, where he rose from the ranks.

ANA MARGARITA N. HONTIVEROS, 50 years old, Filipino, has been the Vice President – Healthcare Operations of the Company since May 28, 2015 and concurrently President and Director of BenguetCorp Laboratories, Inc., since January 16, 2013 to present. Prior to her present position, she is Vice President for Special Projects of the Company (Jan. 2013-May 27, 2015). She graduated with a degree in BS Legal Management from the Ateneo De Manila University (1988). Her previous work experiences include: Senior Assistant Vice President, Marketing (Republic Surety and Insurance Co., Inc., March 2010-January 2013); Consultant (Lapanday Group of Companies, 2005-2007: Manager (Bvlgari Philippines, Jan. 2000-2005); Chief Operating Officer (World Partners Finance

Corporation/World Partners Insurance Brokerage Corporation, Sept. 1997-1998); Vice President (Macondray Finance Corp. (MFC) (Lapanday Group), Oct. 1991-1996); President (People's Credit Network Inc. (Subsidiary of MFC), Oct. 1991-1996); Senior Manager (First Active Capital Corporation, 1990-1991); Senior Officer (First Active Capital Corporation, 1990-1991); and Marketing Officer (Urban Bank, April 1988-1990).

DALE A. TONGCO, 53 years old, Filipino, has been the Assistant Vice President for Audit, Risk Management Officer and ISO since March 21, 2018. Formerly, he was Assistant Vice President for Internal Audit of the Company (August 2015-March 2018). A Certified Public Accountant, he graduated with a degree in Commerce major in Accounting from Ateneo de Davao University. Prior to joining with the Company, he worked for Habitat for Humanity Philippines as Controller and Internal Control and Risk Management Head, and was a Partner Consultant, Audit and Advisory of C.P. De Guzman & Company. His previous work experiences include: Deputy Head/ Assistant Vice President-Enterprise Risk Management at PhilAm Life-AIA Philippines (2010-2011); Senior Manager-Financial Advisory of Deloitte Philippines(2008-2010), and KPMG Philippines (2006-2008); Head-Budget/MIS, Rizal Commercial Banking Corporation (1997-2005); Manager-Business Systems Analysis, Equitable Banking Corporation (1996-1997); Section Head-Methods and Procedures, China Banking Corporation (1990-1995); and In-charge- Banking Audit Group, SGV & Company (1986-1989).

PAMELA M. GENDRANO, 51 years old, Filipino, is the Assistant Vice President for Environmental Compliance - BNMI since February 20, 2012. Ms. Gendrano is a Masteral Degree holder of Environmental Studies and Community Development from the University of the Philippines at Los Baños where she gained it in 1992 and a Bachelor's Degree in Forestry from the same university in 1988. Her previous work experiences include: Freelance Environment Consultant (2008-2011); Technical Operations Manager/Senior Environment Management Specialist (GEOSPHERE Technologies, Inc., (2005-2008); Technical Operations Manager (Geographic Management Services Company (2002-2004); Senior Project Officer (BOI, JICA Study in Environmental Management w/ Public and Private Ownership (2002); Environment Management Specialist (Tetra Tech. Environmental Management, Inc. (1999-2001); EIA/IEE Consultant (1999); Project/Program Evaluator, Philippine-Canada Development Fund (1999); Section Chief, Strategic Coordination and Special Projects Section, DENR/EMB (1994-1999); Project Officer, Institute of Environment Science and Management-CIDA/Research Associate, UPLB-College of Forestry-JICA (1991-1995); Research Forester, DENR-Policy Planning Division (1987). Ms. Gendrano is also one of the seven (7) Filipinos accredited by the Environmental Protection Agency (EPA) of the United States of America to undertake Environmental Compliance Monitoring and Enforcement Trainings and an accredited Environmental Impact Assessment Study Preparer by the DENR-Environmental Management Bureau (EMB).

MA. ANNA G. VICEDO-MONTES, 40 years old, Filipino, has been the Assistant Vice President for Corp Planning, Corp Communications, Business Development/Special Projects of the Company since March 21, 2018. Formerly, she was Assistant Vice President for Corporate Communications and Special Projects (May 2015-March 2018) and Assistant Vice President, Deputy Head- Business Development (Feb. 2013-May 27, 2015). She is also Director of BMC Forestry Corporation, Agua de Oro Ventures Corporation, Calhorr 1 Marine Services Corporation, Calhorr 2 Marine Services Corporation and BC Property Management, Inc.. She is a graduate of BS Business Economics from the University of the Philippines (Batch 1999). Her previous work experiences include: Corporate Planning Manager, (ABS-CBN Corporation, 2007-2012); Strategic Planner, Manager-Sales and Product Application, Trade Promotions and Relations Manager-Food Service Marketing, (San Miguel Pure Foods Company, Inc., 2003-2007); Senior Team Leader, (The Thomson [Philippines] Corporation – Banking and Brokerage, 1999-2003).

ANTONINO L. BUENAVISTA, 58 years old, Filipino, has been the Assistant Vice President/Resident Manager-Benguet District Operations of the Company since March 21, 2018. Formerly, he was Assistant Vice President/Officer-In-Charge – Resident Manager for Benguet District Operations (November 2015-March 2018). Mr. Buenavista has been with the Company since 1986 and has held various positions and directorship in the following subsidiaries of the company: concurrent Director and President of BMC Forestry Corporation, Balatoc Gold Resources Corporation and Agua de Oro Ventures Corporation; Director and Treasurer of Sagittarius Alpha Realty Corporation and Ifaratoc Mineral Resources Corp and Director of Benguet Management Corporation. He is a Certified Public Accountant and has undergone Management Program at Asian Institute of Management in 1995. Prior to his employment with Benguet Corporation, he worked with SGV & Company from 1981 to 1985.

HERMOGENE H. REAL, 62 years old, Filipino, has been the Corporate Secretary of the Company since October 25, 2000 to present. She is also Director of Philippine Collectivemedia Corporation (2008 to present); Director/Assistant Corporate Secretary, Bright Kindle Resources and Investment, Inc. (2014 to present); Director, Brightgreen Resources Corporation (2014 to present); Director, Southern Alluvial Minerals and Alumina Resources Inc. (2017 to present); Director, Brightgreen Resources Holdings Inc. (2017 to present); Director, Strong Mighty Steel, Inc. (2017 to present); Director/Assistant Corporate Secretary, Mairete Asset Holdings Inc. (2017 to present); Corporate Secretary, Universal Re Condominium Corporation (1997 to 2009, 2010 to present); Corporate Secretary, Benguetcorp Nickel Mines, Inc. (2014 to present); Assistant Corporate Secretary of Doña Remedios Trinidad Romualdez Medical Foundation, Inc. (1996 to present); and Practicing Lawyer, D.S. Tantuico and Associates (1998 to present).

Retirement of Officer/Resignation of Director

a) Mr. Benjamin Philip G. Romualdez retired as President and Chief Executive Officer and resigned as Director and Vice Chairman of the Board of Directors of the Company effective August 23, 2017; and
b) Mr. Arsenio K. Sebial retired as Officer-In-Charge and resigned as Director of the Company effective November 29, 2017.

Significant Employees

Other than the executive officers, other employees are expected by the Company to make significant contribution to the business.

Family Relationship

Except with respect to Daniel Andrew G. Romualdez and Maria Remedios R. Pompidou, who are siblings, no other relationship within the third degree of consanguinity or affinity exists between and among the executive officers and directors of the Company.

Involvement in Certain Legal Proceedings

The Company is not aware of any bankruptcy proceeding against any of its directors and officers during the past five (5) years. Neither is the Company aware of any conviction by final judgment in any criminal proceeding, or the involvement, of any of its directors or officers, in any case where such officer or director has been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting his involvement in any type of business, including those connected with securities trading, investments, insurance or banking activities.

ITEM 10. EXECUTIVE COMPENSATION

Summary Compensation Table - The aggregate compensation paid or incurred during the last two fiscal years and estimated to be paid in the ensuing fiscal year to the Chief Executive Officer and four other most highly compensated executive officers of the Company are as follows:

Name	Principal Position
1. Benjamin Philip G. Romualdez	-President & CEO (retired effective August 23, 2017)
2. Leopoldo S. Sison III	- President
3. Reynaldo P. Mendoza	- Sr. Vice President, Public Affairs, Legal & Asst. Corp. Secretary
4. Ma. Mignon D. De Leon	- Vice President, Compliance for Comrel & Enviro & Chief of Staff to the Officer-In-Charge
5. Lina G. Fernandez	-Sr. Vice President, Finance & Treasurer, Nickel Marketing Officer

	Year	Salary (In-Million)	Bonus (In-Million)	Other Annual Compensation
All above-named officers as a group	2018*	₱16.8	₱1.4	₱1.0
	2017**	28.2	1.4	1.5
	2016**	33.5	2.8	1.1
All other directors and officers as a group unnamed	2018*	23.9	1.1	1.7
	2017**	33.9	1.7	2.4
	2016**	39.7	1.5	2.2

(*) - Estimate (**) – Actual

There are no arrangements with any officer or director for payment of any amount or bonus other than the regular salary or per diem for attendance of board meetings. Neither was there any compensatory plan or arrangement concerning or resulting from the resignation, termination of employment of any officer or from a change-in-control in the Company and no amount exceeding ₱2,500,000 is involved, which is paid periodically or installments. The provisions of the Company's Personnel Policy Manual govern the terms and conditions of employment, benefits and termination.

Compensation of Directors

Directors receive per diems of ₱15,000.00 (gross) for attendance in meetings of the board or its committees but do not receive other compensation from the Company for other services rendered. There are no standard arrangements or other arrangements which compensate directors directly or indirectly, for any services provided to the Company either as director or as committee member or both or for any other special assignment, during the Company's last completed fiscal year and the ensuing year.

Incentive Bonus Plan

Since 1980, the Company maintained an Incentive Bonus Plan. The purposes of the Plan are: (1) to attract, employ and retain management personnel of outstanding competence, and (2) to motivate its management personnel to deliver superior performance in pursuing the goals and business interests of the Company. The Plan provides for a bonus award, calculated on the basis of net income, to top operating executives, managers and members of the Board of Director. Bonus awards are either paid in full directly to the awardees or are transferred to a trust fund and are payable to the awardees in three installments generally over a period of two years. Bonus awards for any year shall be paid in cash, or in common stock. Either Common Class A or Common Class B shares may be issued under the Plan subject to the legal limitations on ownership of Common Class A shares which can be owned only by Philippine citizens. From 1995 to 2017, there was no amount set aside for payment of bonuses in accordance with the Plan.

Retirement Plan

The Company maintained a qualified, noncontributory trusted pension plan covering substantially all of its executive officers and employees. Normal retirement age under the plan is age 60, except for non-supervisory underground mine workers who have the option to retire at age 55. An employee shall also be entitled to a benefit equal to 50% of his monthly basic salary or the normal benefit, whichever is higher, if his employment is terminated for reasons beyond his control, such as death, disability or government policy.

Warrants and Options Outstanding

Since 1975, the Company has a Stock Option Plan (the "Plan") for its selected staff employees, directors and consultants and its subsidiaries. The purpose in granting options are: (1) to encourage stock ownership in the Company, and thereby generate an interest in the Company and its subsidiaries, (2) to promote its affairs, and (3) to encourage its staff employees, directors and consultants to remain in the employ of the Company. The Plan had been amended several times. The latest amendment was approved by the Board of Directors on March 23, 2012 and by the stockholders of the Company on May 29, 2012, extending the termination date of granting stock options for another five (5) years or until May 31, 2018. The Board, on its meeting held on March 17, 2017 approved the amendment of Paragraph No. 11 of the Plan by extending the termination date of granting stock options for another five (5) years or until May 31, 2023. The said amendment is subject for approval by the stockholders of the Company in the annual stockholders' meeting to be held on November 8, 2018.

In a regular board meeting held on August 31, 2016, the Board of Directors ("Board") of the Company approved the following changes in the stock option grants due to change in par value of both Class A and B shares from ₱3.00 to ₱1.00 per share: (a.) Change in the total number of unexercised shares on the May 3, 2011, September 7, 2012 and May 28, 2014 grants and corresponding change in the exercise price; (b.) Change in the maximum number of shares per grant: from 500,000 to 1,500,000 shares; and (c.) Repricing of the unexercised options in the May 3, 2011, September 7, 2012 and May 28, 2014 grants. The exercised price (net of 25% discount) is ₱1.69 per share for Class "A" and ₱1.91 per share for class "B". (The exercised price is based on closing price of August 18, 2016: Class A – ₱2.25 and Class B – ₱2.55 less 25% discount pursuant to the provisions of the Plan of the Company) The repricing was brought about by the low turn-out in the availment of the grant due to high exercise price compared to market price.

In the current implementation of the Plan, the Company granted the following stock options:

a. On May 3, 2011, under the Plan, the Company granted stock option to its officers, directors, managers and consultants totaling 2,200,332 common shares with a par value of ₱3.00 per share consisting of 1,320,199 class "A" common shares at an exercise price of ₱16.50 per share and 880,133 class "B" common shares at an exercise price of ₱17.50 per share. Due to change in par value of both Class A and B shares from ₱3.00 to ₱1.00 per share and change of exercise prices from ₱16.50 to ₱1.69 per share for Class "A" and ₱17.50 to ₱1.91 per share, the total number of unexercised shares were adjusted to 6,600,996 common shares consisting of 3,960,597 class "A" shares and 2,640,399 class "B" shares. The granted stock option came entirely from the unissued/cancelled shares of the April 6, 2006 option grant consisting of 7,004,000 common shares with par value of ₱3.00 per shares (adjusted to 21,012,000 common shares with par value of P1.00 per share) under the current implementation of the amended Plan. The shares are exempted from registration under SRC rules and the listing was approved by the PSE. As of December 31, 2017, the number of options granted to, exercised, and unexercised by the President & CEO, four (4) other most highly compensated executive officers and all other officers and directors of the Company under this grant are as follows:

	Option Grants		Option Exercise Price/Share		Options Exercised		Options Unexercised		Options Cancelled (Due to resignation, retirement, death & retrenchment)	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
BPG Romualdez	No Options Granted									
Four Highest Paid Named Exe. Officers:										
LS Sison III	99,000	66,000	₱1.69	₱1.91	-	-	99,000	66,000	-	-
RP Mendoza	108,000	72,000	₱1.69	₱1.91	-	-	108,000	72,000	-	-
MD De Leon	99,000	66,000	₱1.69	₱1.91	-	-	99,000	66,000	-	-
LG Fernandez	99,000	66,000	₱1.69	₱1.91	88,500	-	10,500	66,000	-	-
All Other Officers and Directors as a Group Unnamed	1,365,599	910,399	₱1.69	₱1.91	37,800	25,200	620,999	391.999	739.800	493,200

The options are non-transferable and 100% exercisable. Shares included in each installment may be exercised in whole at any time, or in part from time to time, until the expiration of the option. All shares purchased shall be paid in full, in cash, at the time of the exercise of the option. No option is exercisable after ten years from the date of the grant.

b. On September 7, 2012, under the amended Plan, the Company granted stock option to officers, directors/members of the stock option committee and independent directors. The option grants of 828,000 common shares with a par value of P3.00 per share consisting of 496,800 class "A" common shares at an exercise price of ₱17.96 per share and 331,200 class "B" common shares an exercise price of ₱17.63 per share came entirely from the current balance of unissued / cancelled stock options under the present implementation of the Plan. Due to change in par value of both Class A and B shares from ₱3.00 to ₱1.00 per share and change of exercise prices from ₱17.96 to ₱1.69 per share for Class "A" and ₱17.63 to ₱1.91 per share, the total number of unexercised shares were adjusted to 1,872,000 common shares consisting of 1,123,200 class "A" shares and 748,800 class "B" shares. As of December 31, 2017, the number of options granted to, exercised, and unexercised by the President & CEO, four (4) other most highly compensated executive officers and all other officers and directors of the Company under this grant are as follows:

	Option Grants		Option Exercise Price/Share		Options Exercised		Options Unexercised		Options Cancelled (Due to resignation, retirement, death & retrenchment)	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
BPG Romualdez	540,000	360,000	₱1.69	₱1.91	540,000	360,000	-	-	-	-
Four Highest Paid Named Exe. Officers:										
LS Sison III	-	-	-	-	-	-	-	-	-	-
RP Mendoza	-	-	-	-	-	-	-	-	-	-
MD De Leon	-	-	-	-	-	-	-	-	-	-
LG Fernandez	-	-	-	-	-	-	-	-	-	-
All Other Officers and Directors as a Group Unnamed	583,200	388,800	₱1.69	₱1.91	540,000	360,000	396.000	264,000	187,200	124,800

Under the amended Plan, options are non-transferable and 100% exercisable. Options are exercisable to the extent of 30% after one year from the grant, 60% after two years from the grant, and 100% after three years from the grant. Shares included in each installment may be exercised in whole at any time, or in part from time to time, until the expiration of the option. No option is exercisable after ten years from the date of the grant. Payment may be made in full and in cash or installment over three years, at the time of the exercise of the option, provided that the stock certificate shall be issued only upon full payment of the option price.

c. On May 28, 2014, under the amended Plan, the Company granted stock option to certain directors in recognition of their long years of service to the Company. The option grants of 600,000 common shares with Par Value of ₱3.00 per shares consisting of 360,000 class "A" common shares at an exercise price of ₱7.13 per share and 240,000 class "B" common shares an exercise price of ₱7.13 per share came entirely from the current balance of unissued / cancelled stock options under the present implementation of the Plan. Due to change in par value of both Class A and B shares from ₱3.00 to ₱1.00 per share and change of exercise prices from ₱7.13 to ₱1.69 per share for Class "A" and ₱7.13 to ₱1.91 per share, the total number of unexercised shares were adjusted to 1,800,000 common shares consisting of 1,080,000 class "A" shares and 720,000 class "B" shares. As of December 31, 2017, the number of options granted to, exercised, and unexercised by the President & CEO, four (4) other most highly compensated executive officers and all other officers and directors of the Company under this grant are as follows:

	Option Grants		Option Exercise Price/Share		Options Exercised		Options Unexercised		OptionsCancelled (Due to resignation, retirement, death & retrenchment)	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
BPG Romualdez	-	-	-	-	-	-	-	-	-	-
Four Highest Paid Named Exe. Officers:										
LS Sison III	-	-	-	-	-	-	-	-	-	-
RP Mendoza	-	-	-	-	-	-	-	-	-	-
MD De Leon	-	-	-	-	-	-	-	-	-	-
LG Fernandez	-	-	-	-	-	-	-	-	-	-
All Other Officers and Directors as a Group Unnamed	1,080,000	720,000	₱1.69	₱1.91	-	-	1,080.000	720,000	-	-

Under the amended Plan, options are non-transferable and 100% exercisable. Options are exercisable to the extent of 30% after one year from the grant, 60% after two years from the grant, and 100% after three years from the grant. Shares included in each installment may be exercised in whole at any time, or in part from time to time, until the expiration of the option. No option is exercisable after ten years from the date of the grant. Payment may be made in full and in cash or installment over three years, at the time of the exercise of the option, provided that the stock certificate shall be issued only upon full payment of the option price.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Beneficial Owners - The following table sets forth certain information about persons (or "groups" of persons) known by the Company to be the directly or indirectly the record or beneficial owner of more than five percent (5%) of any class of the Company's outstanding stocks as of December 31, 2017.

Title of Class	Name, Address of Record Owner And Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	Number of Shares Held	Percent Perf Class
Class A Common	PCD Nominee Corporation (Filipino), G/F MSE Bldg., Ayala Avenue, Makati City. (Stockholder)	(see note[1])	Filipino	176,035,631	47.48%
	Palm Ave. Holding Company, Inc. 3F Universal Re-Building, 106 Paseo de Roxas, Makati City (Stockholder)	(see note[2])	Filipino	65,624,727	17.70%
	Palm Avenue Holdings Company and/ or Palm Avenue Realty Corporation, Metro Manila, Phil. Sequestered by the Republic of the Philippines, Presidential Commission on Good Government under Executive Order Nos. 1 & 2 c/o PCGG, IRC Bldg., #82 EDSA, Mandaluyong City. (Stockholder)	(see note[2])	Filipino	63,920,490	17.24%
	RYM Business Management Corporation (PCD Nominee) – Universal Re-Building, 106 Paseo de Roxas, Makati City (Stockholder)	(see note[3])	Filipino	62,930,820	16.96%
	Palm Avenue Holdings Company and/or Palm Avenue Realty Corporation, Metro Manila, Philippines. Sequestered by the Republic of the Philippines thru PCGG under E.O. Nos. 1 & 2 and reverted to Palm Avenue as sequestered shares per Supreme Court Entry of Judgment dated March 15, 1993 in G.R. No. 90667 entitled Republic of the Philippines vs. Sandiganbayan, Palm Avenue Realty Development Corp. and Palm Avenue Holdings Company c/o PCGG, IRC Bldg., #82 EDSA Mandaluyong City. (Stockholder)	(see note[2])	Filipino	30,834,375	8.32%

[1] *PCD Nominee Corporation ("PCDNC") is a wholly-owned subsidiary of Philippine Central Depository, Inc. ("PCD"). The beneficial owners of such shares registered under the name of PCDNC are PCD's participants who hold the shares in their own behalf or in behalf of their clients. The PCD is prohibited from voting these shares, instead the participants have the power to decide how the PCD shares in Benguet Corporation are to be voted.*

[2] *The Company is not aware of who is/are the direct or indirect beneficial owner/s of the stocks issued to Palm Avenue Holdings Company, Inc. and Palm Avenue Realty and Development Corporation (the "Palm Companies). In the June 1, 2016 Annual Stockholders' Meeting of the Company, the Palm Companies issued a proxy in favor of its legal counsels, Attys. Otilia Dimayuga-Molo/Andrea Rigonan-Dela Cueva, to vote in all matters to be taken up in the stockholders' meeting.*

[3] *The Company is not aware of who is/are the direct or indirect beneficial owner/s of the stocks issued to RYM Business Management Corporation. In the June 1, 2016 Annual Stockholders' Meeting of the Company, the RYM Business Management Corporation issued a proxy in favor of its legal counsel, Atty. Remegio C. Dayandayan, Jr and/or its Corporate Secretary Minda P. de Paz, to vote in all matters to be taken up in the stockholders' meeting.*

Class A Convertible Preferred	PCD Nominee Corporation (Filipino), G/F MSE Bldg., Ayala Avenue, Makati City. (Stockholder)	(see note[1])	Filipino	64,780	29.84%
	Fairmount Real Estate c/o PCGG 6th Floor, PhilComcen Bldg., Ortigas Avenue cor. San Miguel Avenue, Pasig City (Stockholder)	(see note[4])	Filipino	59,262	27.30%
Class B Common	PCD Nominee Corporation (Filipino), G/F MSE Bldg., Ayala Avenue, Makati City. (Stockholder)	(see note[1])	Filipino	104,118,014	42.48%
	RYM Business Management Corporation (PCD Nominee) – Universal Re-Building, 106 Paseo de Roxas, Makati City (Stockholder)	(see note[3])	Filipino	60,108,441	24.54%
	Palm Ave. Realty & Devt. Corporation, 3F Universal Re-Building, 106 Paseo de Roxas, Makati City (Stockholder)	(see note[2])	Filipino	43,680,000	17.82%
	PCD Nominee Corporation (Non-Filipino), G/F MSE Bldg., Ayala Avenue, Makati City. (Stockholder)	(see note[1])	American	32,429,219	13.236%

Please note that: (a) Palm Avenue Holding Company, Inc. and Palm Avenue Holdings Company are one and the same corporation, and (b) Palm Avenue Realty and Development Corporation and Palm Avenue Realty Corporation are one and the same corporation.

The following are PCD's participants who hold five percent (5%) or more of any class of the Company's outstanding capital stocks as of December 31, 2017:

Title of Class	Name of PCD's Participants	Number of Shares Held	Percent Per Class
Class A Common	Lucky Securities, Inc.	68,356,845	18.42%
	Maybank ATR Kim Eng Securities, Inc.	16,986,215	4.57%
Class A Convertible Preferred	Abacus Securities Corporation	37,875	17.45%
Class B Common	Lucky Securities, Inc.	60,371,241	24.63%
	Citibank N.A.	18,409,461	7.51%
	Maybank ATR Kim Eng Securities, Inc.	13,282,216	5.42%

Security Ownership of Management - The following table sets forth certain information as of December 31, 2017, as to each class of the Company's securities owned by the Company's directors and officers. The Company is not aware of any indirect beneficial ownership of Directors and Executive Officers of the Company.

Title of Class	Name of Beneficial Owner	Citizenship	Amount and nature of beneficial ownership	Percent Per Class
A	Andres G. Gatmaitan	Filipino	456	0.000%
B			3	0.000%
A	Macario U. Te	Filipino	3	0.000%
A	Isidro C. Alcantara, Jr.	Filipino	3,853,200	1.038%
B			3	0.000%
A	Luis Juan L. Virata	Filipino	234,003	0.063%
B			69,600	0.028%
A	Daniel Andrew G. Romualdez	Filipino	21	0.000%
A	Maria Remedios R. Pompidou	Filipino	15	0.000%
B	Bernardo M. Villegas	Filipino	3	0.000%
A	Cesar C. Zalamea	Filipino	3	0.000%
A	Leopoldo S. Sison III	Filipino	95,106	0.026%

[4] *Sequestered shares which is presently in trust by PCGG and the record owner of which is Fairmount Real Estate. The Company is not aware of who is/are the direct or indirect beneficial owner/s of the stocks issued to Fairmount Real Estate.*

A	Reynaldo P. Mendoza	Filipino	6,666	0.002%
A	Ma. Mignon D. De Leon	Filipino	30,000	0.008%
A	Lina G. Fernandez	Filipino	114,066	0.031%
A	Max D. Arceño	Filipino	1,533	0.000%
A	Antonino L. Buenavista	Filipino	21,468	0.006%
A	Hermogene H. Real	Filipino	53,100	0.014%
B			300	0.000%

As a Group

Class A Convertible Preferred	Filipino	59,262 shares[5]	27.302%
Class A Common	Filipino	227,720,052 shares[6]	61.372%
Class B Common	Filipino	103,858,350 shares[7]	42.379%

Voting Trust Holders of 5% or More - There are no voting trust holders of 5% or more.

Changes in Control of the Registrant- There had been no changes in control of the Company that had occurred since the beginning of the last fiscal year. Furthermore, management is not aware of any arrangement, which may result changes in control of the Company.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

a) The Company declares that during the last two years, to its knowledge, there are no other transactions in which the Company and any directors, executive officers, any nominee for election as director, any security holder, or member of their immediate families, are a party and the amount of which exceeds ₱500,000.00.

b) Benguet Corporation has no parent company and there were no transactions with promoters since the Company was organized far beyond the five (5) years period requirement.

c) The Company provides and receives unsecured non-interest bearing cash advances to its subsidiaries for working capital requirements, which are settled in cash.

Outstanding receivables from these transactions in the normal course of business are as follows:

Category	Year	Amount/ Volume	Outstanding balance	Terms	Conditions
Amounts owed by related parties					
BNMI	**2017**	**₱207,536**	**₱207,536**	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2016	₱–	₱–		

Outstanding payables from these transactions in the normal course of business are as follows:

Category	Year	Amount/ Volume	Outstanding balance	Terms	Conditions
Amounts owed to related parties					
BTI	**2017**	**₱49,192**	**₱49,192**	Payable on	Unsecured;

[5] *Include 59,262 shares, the record owner of which is Fairmount Real Estate which is presently in trust by PCGG.*
[6] *Include 30,834,375 and 63,920,490 sequestered shares, the record owners of which are Palm Avenue Holdings Company (PAHC) and/or Palm Avenue Realty Corporation (PARC) and presently held in trust by PCGG. Also included is 65,624,727 shares, the record owner of which is Palm Avenue Holding Co., Inc. and 62,930,820 shares, the record owner of which is RYM Business Management Corporation.*
[7] *Include 43,680,000 shares, the record owner of which is Palm Avenue Realty and Development Corporation and 60,108,441 shares, the record owner of which is RYM Business Management Corporation.*

Category	Year	Amount/ Volume	Outstanding balance	Terms	Conditions
	2016	₱–	₱–	demand; non-interest bearing	no guarantees; no impairment
AFC	**2017**	**22,150**	**22,150**	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2016	–	–		
BLRI	**2017**	**8,444**	**8,444**	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2016	–	–		
Total	**2017**	**₱79,786**	**₱79,786**		
Total	2016	₱–	₱–		

The parent company statements of financial position include the following amounts resulting from transactions with related parties, aside from those arising from the Company's normal course of business:

Category	Year	Amount/ Volume	Outstanding balance	Terms	Conditions
Amounts owed by related parties					
Balatoc Gold Resources Corporation	**2017**	**₱151**	**₱93,879**	Payable on demand; non-interest bearing	Unsecured no guarantees; no impairment
	2016	₱–	₱93,728		
BLI	**2017**	**–**	**39,727**	Payable on demand; non-interest bearing	Unsecured no guarantees; no impairment
	2016	–	79,037		
BCPMI	**2017**	**146**	**29,973**	Payable on demand; non-interest bearing	Unsecured no guarantees; no impairment
	2016	149	29,827		
IMRC	**2017**	**61**	**29,801**	Payable on demand; non-interest bearing	Unsecured no guarantees; no impairment
	2016	29,740	29,740		
BPGC	**2017**	**43**	**29,500**	Payable on demand; non-interest bearing	Unsecured no guarantees; no impairment
	2016	40	29,457		
Media Management Corporation	**2017**	**–**	**22,184**	Payable on demand; non-interest bearing	Unsecured no guarantees; no impairment
	2016	–	22,184		

Category	Year	Amount/ Volume	Outstanding balance	Terms	Conditions
Agua De Oro Ventures	**2017**	**286**	**11,294**	Payable on demand;	Unsecured
Corporation	2016	162	11,008	non-interest bearing	no guarantees; no impairment
KPLMSC	**2017**	**–**	**5,985**	Payable on demand;	Unsecured
	2016	12,114	18,387	non-interest bearing	no guarantees; no impairment
BIL	**2017**	**486**	**3,216**	Payable on demand;	Unsecured
	2016	366	2,730	non-interest bearing	no guarantees; no impairment
BBMRC	**2017**	**26**	**2,379**	Payable on demand;	Unsecured
	2016	50	2,353	non-interest bearing	no guarantees; no impairment
BTI	**2017**	**₱2,287**	**₱2,287**	Payable on demand;	Unsecured
	2016	–	–	non-interest bearing	no guarantees; no impairment
AFC	**2017**	**615**	**1,306**	Payable on demand;	Unsecured
	2016	–	691	non-interest bearing	no guarantees; no impairment
PECI	**2017**	**42**	**619**	Payable on demand;	Unsecured
	2016	41	577	non-interest bearing	no guarantees; no impairment
Calhorr 1 Marine Services	**2017**	**–**	**–**	Payable on demand;	Unsecured
Corporation	2016	70	520	non-interest bearing	no guarantees; no impairment
Total	**2017**	**₱4,143**	**₱272,150**		
Total	2016	₱42,732	₱320,239		

Category	Year	Amount/ Volume	Outstanding balance		
Amounts owed to related parties					
BNMI	**2017**	**₱86,344**	**₱686,679**	Payable on demand;	Unsecured
	2016	₱269	₱600,335	non-interest bearing	no guarantees; no impairment
BLRI	**2017**	**–**	**28,107**	Payable on demand;	Unsecured
	2016	–	36,872	non-interest bearing	no guarantees; no impairment

Category	Year	Amount/ Volume	Outstanding balance		
BMC Forestry Corporation (BFC)	**2017**	**289**	**22,928**	Payable on demand;	Unsecured
	2016	6,360	22,639	non-interest bearing	no guarantees; no impairment
BMC	**2017**	**–**	**19,029**	Payable on demand;	Unsecured
	2016	20,218	20,218	non-interest bearing	no guarantees; no impairment
SARC	**2017**	**95**	**3,149**	Payable on demand;	Unsecured
	2016	2	3,054	non-interest bearing	no guarantees; no impairment
AGMI	**2017**	**–**	**2,190**	Payable on demand;	Unsecured
	2016	–	2,231	non-interest bearing	no guarantees; no impairment
BTI	2017	-	-		
	2016	-	46,826		
Calhorr 2 Marine Services, Inc.	**2017**	**–**	**–**	Payable on demand;	Unsecured
	2016	–	1,924	non-interest bearing	no guarantees; no impairment
Total	**2017**	**₱86,728**	**₱762,082**		
Total	2016	₱26,849	₱734,099		

Compensation of Key Management Personnel

The Company considered all senior officers as key management personnel. Below are the details of the compensation of the Company's key management personnel.

	2017	2016
Salaries	**₱61,444**	₱73,226
Employee benefits	**6,940**	7,588
	₱68,384	₱80,814

PART IV – CORPORATE GOVERNANCE

ITEM 13. CORPORATE GOVERNANCE

This portion has been deleted pursuant to SEC Memorandum Circular No. 5, series of 2013 and in accordance with SEC Memorandum Circular No. 20 dated December 8, 2016, the Annual Corporate Governance Report of the Company shall no longer required to be attached to the Annual Report (SEC Form 17-A). The I-ACGR is a separate submission from the Company's Annual Report (SEC Form 17-A).

PART V – EXHIBITS AND SCHEDULES

ITEM 14. EXHIBITS AND REPORTS ON SEC FORM 17-C

(A) Exhibits and Schedules

1. Benguet Corporation & Subsidiaries - Audited Consolidated Financial Statements for fiscal year ended December 31, 2017

   - Statement of Management's Responsibility for Consolidated Financial Statements
   - Independent Auditors' Report
   - Audited Consolidated Financial Statements & Notes for the year ended December 31, 2017
   - Independent Auditors' Report on Supplementary Schedules

     Schedule I : Reconciliation of Retained Earnings Available for Dividends Declaration
     Schedule II : Schedule of Financial Ratios
     Schedule III: Chart Showing the Relationship of the Companies within the Group
     Schedule IV: Schedule of All Effective Standards and Interpretations
     Schedule V: Schedule as Required by SRC Rule 68, as Amended
       Schedule A. Financial Assets
       Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
       Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
       Schedule D. Intangible Assets – Other Assets (Deferred Mine Exploration Costs and Other Noncurrent Assets)
       Schedule E. Long Term Debt
       Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)
       Schedule G. Guarantees of Securities of Other Issuers
       Schedule H. Capital Stock

2. Benguet Corporation (Parent) Audited Financial Statements for fiscal year ended December 31, 2017.

   - Statement of Management's Responsibility for Financial Statements
   - Independent Auditors' Report
   - Audited Financial Statements & Notes for fiscal year ended December 31, 2017
   - Independent Auditors' Report on Supplementary Schedules

     Schedule I: Reconciliation of Retained Earnings Available for Dividends Declaration
     Schedule II: Schedule of All Effective Standards and Interpretations

(B) Below are the reports filed by the Company under SEC Form 17-C during the first quarter of 2017 and the last six months period covered by this report are as follows:

Date of SEC Form 17-C	Description of Disclosure
03.21.18	Board Approval on the following: - Resetting of the combined 2017 and 2018 Annual Stockholders' Meeting to November 8, 2018 at 3:00 PM, Manila Golf and Country Club, Inc. Harvard Road, Forbes Park, Makati City. The Board also fixed September 24, 2018 as the record date for stockholders entitled to notice of, and to vote at this meeting; - 2017 Audited Consolidated Financial Statements (ACFS) and Audited Parent Financial Statements (APFS) of the Company. The Board also approved and authorized the issuance of the 2017 ACFS and APFS as audited by SGV &

	Company; - Increase of 45 million common stocks in the authorized capital stock and amendments to Article Seventh of the amended Articles of Incoporation and Article I, Section of the amended By-Laws of the Company; - To facilitate the implementation of a component of the proposed Final Mine Rehabilitation and Decommissioning Plan (FMRDP) of the Company's Antamok mine, the Board approved the - (a) Deed of Usufruct to the Municipality of Itogon for the Temporary Residual Containment Area (TRCA) Project; (b) Deed of Usufruct to the City of Baguio for the TRCA/Waste to Energy (WtE) Project; and (c) Deed of Usufruct to the Department of Environment and Natural Resources (DENR) for Minahan Bayan. The Deeds under (a) and (b) will assist the Local Government Unit (LGU) in their compliance with the Ecological Solid Waste Management Act (RA 9003); and - Appointment of the following Officers of the Company: a. Atty. Lina G. Fernandez as Senior Vice President for Finance & Comptroller, Nickel Marketing, Logistics & Other Services. Before her appointment, Atty. Fernandez was formerly SVP for Finance, Marketing & Compliance Officer for Corporate Governance; b. Ms. Ma. Mignon D. De Leon as Vice President, Compliance for Enviro & Comrel/Corporate Governance Officer. Before her appointment, Ms. De Leon was formerly VP, Compliance for Comrel and Enviro; c. Mr. Max D. Arceño as Vice President, Finance, Treasurer & Taxation/Materials. Before his appointment, Mr. Arceño was formerly VP, Accounting & Treasurer; d. Mr. Dale A. Tongco as Asst. Vice President, Audit, Risk Management Officer and ISO. Before his appointment, Mr. Tongco was formerly AVP, Internal Audit; and e. Mr. Antonino L. Buenavista as Asst. Vice President/Resident Manager-Benguet District Operations. Before his appointment, Mr. Buenavista was formerly AVP/OIC-Resident Manager for BGO.
01.04.18	Receipt of notice from U.S. Stock Transfer Agent, American Stock Transfer and Trust Company (ASTTC), terminating its stock transfer services with the Company. The termination is timely and in accord with the Company's plan to consolidate all stock transfer services (including the US registry) with its local stock transfer agent, Stock Transfer Services, Inc. (STSI).
11.29.17	Retirement of Mr. Arsenio K. Sebial as Officer-In-Charge, and his resignation as Director of the Company effective November 29, 2017.
10.26.17	Further postponement of 2017 Annual Stockholders' Meeting (ASM) which was tentatively reset to November 9, 2017, due to continuing regulatory issues affecting the Company, particularly its gold / nickel operations which management is currently resolving.
08.23.17	- Retirement of Mr. Benjamin Philip G. Romualdez as President & Chief Executive Officer, and his resignation as Director and Vice Chairman of the Board of Directors of the Company effective August 23, 2017. - The Board elected Mr. Leopoldo S. Sison III as the President of the Company and appointed him as a Director in the Board of Directors.
05.24.17	Receipt of Court of Appeals Resolution dated May 22, 2017 which denied the petition for Writ of Kalikasan and application for Temporary Environmental Protection Order filed by anti-mining groups against the Company's subsidiary, BNMI and other mining companies operating in Zambales. Thus, the prohibitory injunctive provisional Writ of Kalikasan issued by the Supreme Court is lifted.

SIGNATURES

Pursuant to the requirement of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on April 26, 2018.

BENGUET CORPORATION
(Issuer)

By:

LEOPOLDO S. SISON III
President

LINA G. FERNANDEZ
Senior Vice President
Finance & Comptroller

MAX D. ARCEÑO
Vice President, Finance & Treasurer

HERMOGENE H. REAL
Corporate Secretary

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY : S.S.
x - x

APR 26 2018

SUBSCRIBED AND SWORN to before me this ___ day of April, 2018 at Makati City, Affiants exhibited to me their identifications to wit: Mr. Leopoldo S. Sison III with Social Security System No. 03-5925303-2, Atty. Lina G. Fernandez with Social Security System No. 03-7537025-8, Atty. Hermogene H. Real with Social Security System No. 03-3865936-9 and Max D. Arceño, with Social Security System No. 03-8205668-8, all are issued by the Office of the Social Security System, Philippines.

MA. ESMERALDA R. CUNANAN
Notary Public
Until December 31, 2019
Appt. No. M-41 (2018-2019) Attorney's Roll No. 34562
MCLE Compliance No. V-0010463/5-18-2015
PTR No. 6607917/1-3-2018/Makati City
IBP Lifetime Member Roll No. 05413
Ground Level, Dela Rosa Carpark I
Dela Rosa St. Legaspi Village,
Makati City

Doc. No. 458
Page No. 93
Book No. XXII
Series of 2018.

Consulate General of the Republic of the Philippines
NEW YORK

Foreign Service of the Philippines)
Consulate General of the Philippines)
New York, New York) S.S.
United States of America)

CERTIFICATE OF AUTHENTICATION

I, **KERWIN ORVILLE C. TATE**, Deputy Consul General of the Republic the Philippines, in and for the Consular District of New York, duly nmissioned and qualified in the States of New York, Connecticut, Delaware, ine, Massachusetts, New Hampshire, New Jersey, Pennsylvania, Rhode nd, and Vermont, do hereby certify that

*** ANDREW CASINO ***

w t the time he/she signed and affixed his/her official seal to the annexed certificate,

NOTARY PUBLIC
STATE OF NEW YORK

and t full faith and credit ought to be given to his/her official act.

his Consulate General assumes no responsibility for the contents of the atta document.

N WITNESS WHEREOF, I have hereunto set my hand and caused the seal e Consulate General of the Philippines to be affixed 5th day of April 2018.

KERWIN ORVILLE C. TATE
Deputy Consul General

Doc. No. 04340
Service No. **236-239**
Series of 2018
Fee. $25.00

s document is not valid if it is altered in any way whatsoever
validity of t ertification is for five (5) years, unless specified by the attached document."

556 Fifth Avenue, New York, NY 10036
Tel. No.: (+1) 212 7641330 / Fax: (+1) 212-3821146
email: newyork.pcg@dfa.gov.ph • www.newyorkpcg.org

BenguetCorp

BUREAU OF INTERNAL REVENUE
RECEIVED
APR 25 2018
DIVISION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Benguet Corporation (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

DANIEL GOMEZ ROMUALDEZ
Chairman of the Board

Signed this 5 day of APRIL, 2018.

ACKNOWLEDGMENT

STATE OF NEW YORK}
NEW YORK CITY } SS.

SUBSCRIBED AND SWORN to before me this 5th day of APRIL, 2018 at New York City, New York, personally appeared DANIEL GOMEZ ROMUALDEZ with his Philippine Passport Number P1741994A expiring on January 24, 2022 as identification, known to me to be the person who executed the foregoing document titled Statement of Management's Responsibility for Consolidated Financial Statements and he acknowledged to me that the signature affixed to the document is his true signature, and that such is his own free and voluntary act and lawful deed.

WITNESS MY HAND AND SEAL.

Notary Public

ANDREW CASINO
Notary Public, State of New York
No. 02CA6073575
Qualified in Queens County
Commission Expires April 9, 2018

BenguetCorp

RECEIVED APR 25 2018 REVENUE DIVISION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

LEOPOLDO S. SISON III
President

LINA G. FERNANDEZ
Senior Vice President
Finance & Comptroller

Signed this 16th day of April, 2018.

SUBSCRIBED AND SWORN to before me this ____th day of APR 16 2018, 2018 at Makati City, affiants exhibited to me their identifications, to wit: Mr. Leopoldo S. Sison III with Social Security System No. 03-5925303-2 and Ms. Lina G. Fernandez with SSS No. 03-75370258, both issued by the Office of the Social Security System, Philippines.

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Page No. 71
Book No. XX
Series of 2018.

MA. ESMERALDA R. CUNANAN
Notary Public
Until December 31 2019
Appt. No. M-41 (2018-2019) Attorney's Roll No. 34562
MCLE Compliance No. V-0010463/9-18-2015
PTR No. 6607917/1-3-2018/Makati City
IBP Lifetime Member Roll No. 05418
Ground Level, Dela Rosa Carpark I
Dela Rosa St. Legaspi Village,
Makati City

Universal Re-Building, 106 Paseo de Roxas, 1226 Makati City Philippines
MCPO Box 3488 • Phone: +632.812.1380 • Fax: +632.752.0717

Benguet Corporation and Subsidiaries

Consolidated Financial Statements
as at December 31, 2017 and 2016
and Years Ended December 31, 2017,
2016 and 2015

and

Independent Auditor's Report

SGV
Building a better
working world

A member firm of Ernst & Young Global Limited

SGV
Building a better working world

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Benguet Corporation and Subsidiaries

Opinion

We have audited the consolidated financial statements of Benguet Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of income, 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, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Suspension of Nickel Mining Operations

Benguetcorp Nickel Mines, Inc. (BNMI) was registered primarily to carry on the business of operating mineral properties, mines and of prospecting, exploration and of mining. On July 8, 2016, BNMI received from the regional offices of Department of Environment and Natural Resources (DENR), Mines and Geosciences Bureau (MGB) and Environmental Management Bureau (MGB), a joint suspension order, which suspended its mining operations. Subsequently, BNMI was only allowed to haul and sell its existing stockpile, which was mined before the suspension took effect, in order to avoid any adverse impact on the environment. The suspension of BNMI's operations gives rise to an uncertainty on the Group's ability to continue as a going concern due to its negative impact on the Group's operating cash flows. We consider this as a key audit matter because the Group's assessment on the potential outcome of the suspension order and impact on the Group's operations, financial position and performance requires a significant level of judgment.

The Group's disclosures about the suspension of BNMI's nickel mining operations are included in Note 1 to the consolidated financial statements.

Audit Response

We have obtained an understanding of management's basis for using the going concern basis of accounting. We reviewed management's assessment as to whether a material uncertainty related to going concern exists. We evaluated management's assessment on the (a) potential impact assuming BNMI's operations continue to be suspended; (b) potential outcome of the suspension order based on whether the findings have been substantially addressed; (c) viability of BNMI's operations after the lifting of its suspension; and (d) management's legal position. We also obtained the cash flow projection prepared by management and evaluated the reasonableness of key assumptions. We involved our internal specialist in the evaluation of management's assessment and we also reviewed the Group's disclosures on this matter.

Estimation of Ore Reserves

Reserves are key inputs to depletion, decommissioning provisions and impairment estimates. The Group's mine and mining properties amounting to ₱806.2 million as at December 31, 2017, are depleted using the units of production method. Under the units of production method, cost is amortized based on the ratio of the volume of actual ore extracted during the year over the estimated volume of mineable ore reserves for the remaining life of the mine. The Group estimates its ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The Group also makes estimates and assumptions regarding a number of economic and technical factors affecting ore reserves estimates, such as production rates, grades, foreign exchange rates, production and transport costs, and commodity prices. These estimates will change from time to time to reflect mining activities, analyses of new engineering and geological data, changes in ore reserve and mineral resource holdings, modifications of mining plans or methods, changes in nickel or gold prices or production costs, and other factors. This matter is significant to our audit because the estimation of ore reserves for mining projects located in Benguet and Zambales, for the entire life of the mines, requires significant estimation from management.

The disclosures in relation to ore reserves are included in Note 9 to the consolidated financial statements.

Audit Response

We evaluated the competence, capabilities and objectivity of the management's internal specialists who performed an independent assessment of the Group's ore reserves. We reviewed the specialists' report and obtained an understanding of the nature, scope and objectives of their work, and basis of the estimates, including any changes in the ore reserves during the year. In addition, we tested the ore reserves estimates applied to the relevant areas of the consolidated financial statements including depletion, decommissioning provisions and impairment estimates.

Recoverability of Deferred Mine Exploration Costs

As at December 31, 2017, the carrying value of the Group's deferred mine exploration costs amounted to ₱621.7 million. These deferred exploration costs pertain to the expenditures incurred by the Group for the mining properties located in Benguet and Zambales. Under PFRS 6, *Exploration and Evaluation of Mineral Resources*, these deferred exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amounts exceed the recoverable amounts. The ability of the Group to recover its deferred mine exploration costs would depend on the (a) status of each mine exploration project and plans on exploration and evaluation activities; (b) validity of the licenses, permits and correspondences related to each mine exploration project; (c) plans to abandon existing mine areas and plans to discontinue exploration activities; and (d) availability of information suggesting that the recovery of expenditure is unlikely. We considered this is a key audit matter because of the materiality of the amount involved and the significant judgment required in assessing whether there is any indication of impairment.

The Group's disclosures about deferred exploration costs are included in Note 11 to the consolidated financial statements.

Audit Response

We obtained management's assessment on whether there is any indication that deferred mine exploration costs may be impaired. We inquired the status of each exploration project as of December 31, 2017, as certified by the Group's technical group head and compared it with the disclosures submitted to regulatory agencies. We reviewed contracts and agreements, and budgets for exploration and development costs. We inspected the licenses, permits and correspondences of each mine exploration project to determine that the period for which the Group has the right to explore in the specific area has not expired, will not expire in the near future, and will be renewed accordingly. We also inquired about the existing concession areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas.

Impairment of Property, Plant and Equipment

The Group is adversely affected by the continued volatility in gold and nickel prices in the market. In the event that an impairment indicator is identified, the assessment of the recoverable amount of property, plant and equipment requires significant judgment and involves estimation and assumptions about future production levels and costs, as well as external inputs such as commodity prices, discount rate, and foreign currency exchange rates. Hence, such assessment is a key audit matter in our audit.

The disclosure in relation to property, plant and equipment are included in Note 9 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include the expected life of the mining project, forecasted production levels and cost as well as external inputs such as forecasted average commodity prices, discount rates and foreign currency exchange rates. We compared the key assumptions used against the mine life based on the ore reserve reports, production reports from the operations departments, forecasted average market price of gold and nickel, discount rate based on industry weighted average capital cost, and foreign currency exchange rates of various financial institutions. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of property, plant and equipment.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Alexis Benjamin C. Zaragoza III.

SYCIP GORRES VELAYO & CO.

Alexis Benjamin C. Zaragoza

Alexis Benjamin C. Zaragoza III
Partner
CPA Certificate No. 109217
SEC Accreditation No. 1627-A (Group A),
April 4, 2017, valid until April 3, 2020
Tax Identification No. 246-663-780
BIR Accreditation No. 08-001998-129-2017,
February 9, 2017, valid until February 8, 2020
PTR No. 6621351, January 9, 2018, Makati City

March 21, 2018

BENGUET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, Except Number of Shares)

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱64,528**	₱42,587
Trade and other receivables (Note 5)	**761,707**	723,061
Inventories (Note 6)	**167,274**	238,171
Other current assets (Note 7)	**919,287**	876,508
Total Current Assets	**1,912,796**	1,880,327
Noncurrent Assets		
Property, plant and equipment (Note 9)		
At revalued amount	**1,070,256**	2,640,064
At cost	**1,108,810**	1,171,204
Available-for-sale (AFS) financial assets (Note 8)	**11,441**	10,766
Investment properties (Note 10)	**1,611,746**	31,915
Deferred mine exploration costs (Note 11)	**621,671**	616,120
Deferred tax assets - net (Note 29)	**69,397**	34,456
Other noncurrent assets (Note 12)	**159,246**	173,744
Total Noncurrent Assets	**4,652,567**	4,678,269
TOTAL ASSETS	**₱6,565,363**	₱6,558,596
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Note 13)	**₱678,629**	₱705,121
Trade and other payables (Note 14)	**1,028,034**	1,023,440
Obligations under finance lease (Note 34)	**–**	2,427
Income tax payable	**22,888**	372
Total Current Liabilities	**1,729,551**	1,731,360
Noncurrent Liabilities		
Liability for mine rehabilitation (Note 15)	**100,871**	95,947
Pension liability (Note 28)	**46,423**	78,609
Deferred tax liabilities - net (Note 29)	**665,811**	666,198
Other noncurrent liabilities (Note 16)	**318,063**	329,374
Total Noncurrent Liabilities	**1,131,168**	1,170,128
Total Liabilities	**2,860,719**	2,901,488
Equity		
Capital stock (Note 17)	**616,863**	616,155
Capital surplus (Note 17)	**375,726**	367,862
Retained earnings	**1,910,135**	1,888,663
Other components of equity (Note 17)	**809,936**	792,444
	3,712,660	3,665,124
Treasury shares (Note 17)	**(8,016)**	(8,016)
Total Equity	**3,704,644**	3,657,108
TOTAL LIABILITIES AND EQUITY	**₱6,565,363**	₱6,558,596

See accompanying Notes to Consolidated Financial Statements.

BENGUET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share)

	Years Ended December 31		
	2017	2016	2015
REVENUES			
Sale of mine products (Note 19)	**₱1,379,761**	₱1,424,426	₱3,137,452
Sale of services (Note 19)	**68,358**	100,597	96,303
Trucking services	**11,740**	5,564	16,091
Rental income and others	**3,034**	3,657	7,924
	1,462,893	1,534,244	3,257,770
COSTS AND OPERATING EXPENSES			
Costs of mine products sold (Note 20)	**(859,143)**	(811,235)	(1,430,396)
Costs of services and other sales (Note 21)	**(96,543)**	(101,549)	(144,410)
Selling and general expenses (Note 22)	**(480,666)**	(627,624)	(1,064,027)
Excise taxes and royalty fees (Note 19)	**(56,533)**	(67,702)	(181,105)
	(1,492,885)	(1,608,110)	(2,819,938)
INTEREST EXPENSE (Notes 13 and 34)	**(4,556)**	(13,564)	(37,735)
OTHER INCOME (EXPENSES) - net (Note 25)	**81,195**	(156,300)	(102,667)
INCOME (LOSS) BEFORE INCOME TAX	**46,647**	(243,730)	297,430
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 29)	**25,175**	(76,353)	96,758
NET INCOME (LOSS)	**₱21,472**	(₱167,377)	₱200,672
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE (Note 30)	**₱0.03**	(₱0.27)	₱0.34

See accompanying Notes to Consolidated Financial Statements.

BENGUET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2017	2016	2015
NET INCOME (LOSS)	**₱21,472**	(₱167,377)	₱200,672
OTHER COMPREHENSIVE INCOME - NET OF TAX			
Items to be reclassified to profit or loss in subsequent periods:			
Translation adjustment on foreign subsidiaries	**(277)**	2,226	1,885
Unrealized gain (loss) on AFS financial assets (Note 8)	**203**	139	(129)
Realized gain on disposal of AFS financial asset (Note 8)	**(10)**	(154)	–
	(84)	2,211	1,756
Items not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains on pension liability (Note 28)	**20,845**	4,237	588
Revaluation of artworks (Note 9)	**3,399**	–	367
Revaluation of land (Note 9)	–	1,239	–
	24,244	5,476	955
TOTAL OTHER COMPREHENSIVE INCOME - NET OF TAX	**24,160**	7,687	2,711
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱45,632**	(₱159,690)	₱203,383

See accompanying Notes to Consolidated Financial Statements.

BENGUET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Thousands)

			Other components of equity									
	Capital stock (Note 17)	Capital surplus (Note 17)	Revaluation increment (Note 17)	Deposit for future stocks subscription (Note 17)	Cost of share-based payment (Notes 17 and 18)	Cumulative translation adjustment on foreign subsidiaries (Note 17)	Remeasurement gain on pension liability (Note 28)	Unrealized gain on AFS financial assets (Note 8)	Revaluation increment of assets held for sale	Retained earnings	Treasury shares (Note 17)	Total
Balances at January 1, 2015	**₱586,222**	**₱269,844**	**₱715,931**	**₱–**	**₱65,331**	**₱29,014**	**₱3,604**	**₱1,010**	**₱36,771**	**₱1,802,112**	**(₱8,016)**	**₱3,501,823**
Issuance of stock (Note 17)	29,333	58,667	–	–	–	–	–	–	–	–	–	88,000
Stock options vested (Notes 17 and 18)	–	–	–	–	4,705	–	–	–	–	–	–	4,705
Forfeiture of stock options (Note 17)	–	15,595	–	–	(15,595)	–	–	–	–	–	–	–
Disposal of assets classified as held for sale	–	–	–	–	–	–	–	–	(36,771)	36,771	–	–
Deferred tax liability pertaining to realization of revaluation increment	–	–	–	–	–	–	–	–	–	15,759	–	15,759
Net income	–	–	–	–	–	–	–	–	–	200,672	–	200,672
Other comprehensive income (loss)	–	–	367	–	–	1,885	588	(129)	–	–	–	2,711
Total comprehensive income (loss)	–	–	367	–	–	1,885	588	(129)	–	200,672	–	203,383
Balances at December 31, 2015	**615,555**	**344,106**	**716,298**	**–**	**54,441**	**30,899**	**4,192**	**881**	**–**	**2,055,314**	**(8,016)**	**3,813,670**
Stock options vested (Notes 17 and 18)	–	–	–	–	1,843	–	–	–	–	–	–	1,843
Stock options exercised (Notes 17 and 18)	600	4,184	–	–	(3,717)	–	–	–	–	–	–	1,067
Expiration and forfeiture of stock options (Note 17)	–	19,572	–	–	(19,572)	–	–	–	–	–	–	–
Realized revaluation increment on sale of land (Note 9)	–	–	(508)	–	–	–	–	–	–	508	–	–
Deferred tax liability pertaining to realization of revaluation increment (Note 9)	–	–	–	–	–	–	–	–	–	218	–	218
Net loss	–	–	–	–	–	–	–	–	–	(167,377)	–	(167,377)
Other comprehensive income (loss)	–	–	1,239	–	–	2,226	4,237	(15)	–	–	–	7,687
Total comprehensive income (loss)	–	–	1,239	–	–	2,226	4,237	(15)	–	(167,377)	–	(159,690)
Balances at December 31, 2016	**616,155**	**367,862**	**717,029**	**–**	**32,995**	**33,125**	**8,429**	**866**	**–**	**1,888,663**	**(8,016)**	**3,657,108**
Stock options vested (Notes 17 and 18)	–	–	–	–	660	–	–	–	–	–	–	660
Stock options exercised during the year (Notes 17 and 18)	708	5,123	–	–	(4,587)	–	–	–	–	–	–	1,244
Expiration of stock options (Note 17)	–	2,741	–	–	(2,741)	–	–	–	–	–	–	–
Net income	–	–	–	–	–	–	–	–	–	21,472	–	21,472
Other comprehensive income (loss)	–	–	3,399	–	–	(277)	20,845	193	–	–	–	24,160
Total comprehensive income (loss)	–	–	3,399	–	–	(277)	20,845	193	–	21,472	–	45,632
Balances at December 31, 2017	**₱616,863**	**₱375,726**	**₱720,428**	**₱–**	**₱26,327**	**₱32,848**	**₱29,274**	**₱1,059**	**₱–**	**₱1,910,135**	**(₱8,016)**	**₱3,704,644**

See accompanying Notes to Consolidated Financial Statements.

BENGUET CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱46,647**	(₱243,730)	₱297,430
Adjustments for:			
Depreciation and depletion (Note 24)	**124,075**	159,720	148,241
Change in estimate of liability for mine rehabilitation (Notes 15 and 25)	**(5,771)**	32,174	–
Movements in pension liability	**(2,407)**	7,854	4,630
Revaluation gain on investment property (Note 10)	**(5,167)**	–	(42,865)
Interest expense (Notes 13 and 34)	**4,556**	13,564	37,735
Accretion expense (Notes 15 and 25)	**4,267**	1,128	1,545
Net foreign exchange gains (loss)	**(726)**	10,560	6,702
Stock option expense (Notes 18 and 23)	**660**	1,843	4,705
Interest income (Notes 4, 12 and 25)	**(264)**	(629)	(7,356)
Loss (gain) on:			
Disposal of property, plant and equipment (Notes 9 and 25)	**(45,573)**	(674)	30,278
Write-off of loans (Note 13)	**(38,644)**	–	–
Disposal of AFS financial assets (Note 8)	**(15)**	(230)	–
Sale of investment property (Notes 10 and 25)	**–**	18,040	–
Operating income (loss) before working capital changes	**81,638**	(380)	481,045
Decrease (increase) in:			
Trade and other receivables	**(38,646)**	84,301	179,741
Inventories	**70,897**	(102,045)	(41,240)
Other current assets	**(42,779)**	(153,352)	87,802
Increase (decrease) in trade and other payables	**4,594**	165,972	(528,406)
Cash flows generated from (used in) operations	**75,704**	(5,504)	178,942
Income taxes paid	**(48,441)**	(20,856)	(136,131)
Interest expense paid	**(4,544)**	(14,483)	(29,986)
Interest received	**264**	629	7,356
Net cash flows from (used in) operating activities	**22,983**	(40,214)	20,181
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of:			
Property, plant and equipment (Note 9)	**46,554**	2,279	75,815
AFS financial assets (Note 8)	**1,115**	25,170	–
Investment properties (Note 10)	**–**	191,518	–
Additions to:			
Property, plant and equipment (Note 9)	**(56,234)**	(35,906)	(56,093)
Deferred mine exploration costs (Note 11)	**(5,551)**	(72,100)	(32,526)
AFS financial assets (Note 8)	**(1,500)**	(23,767)	(750)
Decrease in other noncurrent assets	**14,498**	46,117	1,530
Net cash flows from (used in) investing activities	**(1,118)**	133,311	(12,024)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Loans payable (Note 13)	**(58,339)**	(93,738)	(319,771)
Obligations under finance lease (Note 34)	**(2,427)**	(13,783)	(12,532)
Proceeds from:			
Availment of loans (Note 13)	**70,000**	–	250,000
Employees' exercise of stock options (Note 17)	**1,244**	1,067	–
Issuance of stock	**–**	–	88,000
Decrease in other noncurrent liabilities (Note 33)	**(10,341)**	(1,386)	(126,942)
Net cash flows from (used in) financing activities	**137**	(107,840)	(121,245)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**22,002**	(14,743)	(113,088)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(61)**	385	2,486
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**42,587**	56,945	167,547
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱64,528**	₱42,587	₱56,945

See accompanying Notes to Consolidated Financial Statements.

(Amounts in Thousands, except number of shares, per share data and when indicated)

1. Corporate Information, Status of Business Operations and Authorization for the Issuance of the Consolidated Financial Statements

Corporate Information

Benguet Corporation (the Parent Company) was incorporated on August 12, 1903 in the Philippines and was listed in the Philippine Stock Exchange (PSE) on January 4, 1950.

On June 18, 1956 and June 19, 2006, the Philippine Securities and Exchange Commission (SEC) approved the extension of the Parent Company's corporate life for another 50 years. The Parent Company is currently engaged in gold, nickel, and other metallic and nonmetallic mineral production, exploration, research and development and natural resource projects. The nature of business of the Parent Company's subsidiaries are summarized in Note 2 to the consolidated financial statements.

The Parent Company's registered office address is 7th Floor, Universal-Re Building, 106 Paseo de Roxas, 1226 Makati City.

Status of Business Operations

Quasi-reorganization

On December 5, 2011, the Philippine SEC approved the application of the Parent Company for quasi-reorganization to wipe out its deficit as at December 31, 2010, setting it off against its capital surplus and revaluation increment as follows:

	Prior to quasi-reorganization	*Effect of quasi-reorganization*	*After quasi-reorganization*
Capital surplus	₱1,153,579	(₱1,153,579)	₱–
Revaluation increment	1,561,048	(1,010,848)	550,200
Deficit	(2,164,427)	2,164,427	–

For purposes of dividend declaration, the retained earnings of the Parent Company shall be restricted to the extent of the deficit wiped out by the revaluation increment amounting to ₱1.0 billion until the asset to which the revaluation increment relates is disposed.

On December 11, 2012, the Philippine SEC approved the application of Benguet Management Corporation (BMC), a subsidiary, for quasi-reorganization to reduce its deficit as at December 31, 2011 against its revaluation increment and capital surplus as follows:

	Prior to quasi-reorganization	Effect of quasi-reorganization	After quasi-reorganization
Capital surplus	₱300,000	(₱300,000)	₱–
Deposit for future stock subscription	40,000	(40,000)	–
Revaluation increment	12,019	(12,019)	–
Deficit	(364,830)	312,019	(52,811)

After the quasi-reorganization, the Parent Company made an additional deposit for future stock subscriptions in BMC amounting to ₱160.0 million.

Of the ₱47.8 million retained earnings of BMC as at December 31, 2017, the amount of ₱11.8 million, which represents the remaining revaluation increment that was offset against the deficit, cannot be declared as dividend.

Significant developments in the Parent Company's and its subsidiaries' (collectively, the Group) operations follow:

a. Mining Projects

Acupan Gold Project (AGP)
AGP [formerly Acupan Contract Mining Project] was initially conceived as a community based underground mining project, which started commercial operations in January 2003.

The Parent Company is currently working on exploration and drilling programs to upgrade AGP's capacity. The exploration and geology group completed the design for the surface and underground diamond drilling program for the Phase 1 of the Greater Acupan Project.

The related feasibility study for AGP was approved in 2013 and the Parent Company is still raising the necessary funds to start the execution of the project.

Sta. Cruz Nickel Project (SCNP)
On December 10, 2010, the Parent Company and Benguetcorp Nickel Mines, Inc. (BNMI) entered into a Deed of Exchange, whereby the Parent Company transferred its interest in the nickel laterite mine in Sta. Cruz, Zambales. The transfer covers Mineral Production Sharing Agreement (MPSA) No. 226-2005-III, mine technical data and all related environmental and other permits of the nickel laterite mine. BNMI issued 1.0 billion ordinary shares to the Parent Company, with par value of ₱1 per share, as consideration for the transfer. In line with the transfer, BNMI applied for an increase in authorized capital stock from 10.0 million shares to 2.0 billion shares, with par value of ₱1 per share. The transfer of the MPSA was approved by the Mines and Geosciences Bureau (MGB) on January 16, 2012.

On February 28, 2011, the Philippine SEC approved the amended Articles of Incorporation of BNMI covering the increase in authorized capital stock from 10.0 million to 2.0 billion shares, with par value of ₱1 per share, and increase in number of directors from five to seven.

In 2015 and prior years, BNMI was the subject of suspensions, which were all eventually lifted in those years.

On March 11, 2016, TUV Rheinland, an independent evaluation and certification service body, issued to BNMI the ISO 14001:2015, which is an internationally accepted certification and standard for environmental management system. The issuance of the said certification, which is valid until March 10, 2019, makes BNMI fully compliant with the requirement of Department of Environment and Natural Resources (DENR) Department Administrative Order (DAO) 2015-07.

On July 8, 2016, BNMI received from the regional offices of the DENR, MGB, and EMB a joint suspension order, which suspended the mining operations of the SCNP subject to conditions such as the resolution of issues arising from tree-cutting and earth-balling operations, rehabilitation of mined out areas and construction of an exclusive mine haul road, among others.

The suspension order is based on the following grounds:

- The Writ of Kalikasan issued by the Supreme Court in the case filed by the Concerned Citizens of Sta. Cruz, Zambales
- The pronounced Executive Order No. 1 issued by the provincial government of Zambales suspending the mining operations in the said province in view of violation of the mining and environmental laws
- Continuing complaints of various groups against alleged adverse impact of mining operations

The Supreme Court referred the Writ of Kalikasan case to the Court of Appeals for trial proceeding.

On October 18, 2016, BNMI received the mining audit report on the SCNP dated October 3, 2016. The report states that BNMI violated several conditions of its Environmental Compliance Certificate and the provisions of several other laws and regulations.

On October 22, 2016, BNMI filed before the Pampanga Regional Trial Court, a petition for certiorari with injunction to assail the joint suspension order issued by the MGB, EMB and DENR on the SCNP.

BNMI replied to the DENR that it takes strong exception to the mine audit report particularly on the recommendation to maintain the status quo of the suspension order issued by the DENR on July 7, 2016, on grounds summarized as follows:

- The conduct of the audit was irremediably flawed.
- The transparency and fairness of the audit report is under question because the audit team failed to follow its own protocol.
- Assuming the mine audit report was regularly conducted, it is very apparent that none of the findings of deficiencies therein were serious enough (even if taken collectively) to warrant the imposition or the continuance of the suspension order.
- The recommendation of status quo of the suspension order in the mine audit report will have far-reaching effect on its business, employees and the community.

On February 13, 2017, BNMI received from the DENR an order cancelling its MPSA. The cancellation shows that BNMI's operations has impaired the functions of the watershed in the area and was issued on the grounds that BNMI has violated certain provisions of several laws and regulations, majority of which were previously raised in the mine audit report.

On February 14, 2017, the Secretary of the DENR announced the cancellation of a total of 75 MPSAs considered to be situated in watersheds.

On February 22, 2017, BNMI filed a Notice of Appeal before the Office of the President to reverse the cancellation order received. BNMI is operating within the Zambales Chromite Mineral Reservation, a mineral reservation which has been excluded from government declared watersheds. BNMI's nickel project is operated outside of any known critical or declared watershed. BNMI filed before the Office of the President the actual appeal memorandum on March 21, 2017. As of March 21, 2018, the Office of the President has not yet responded to the appeal filed by BNMI.

On March 28, 2017, the local government of Zambales issued a Manifestation of Consent which allows BNMI to proceed with hauling and shipment of its nickel ore inventory, which was mined before the suspension took effect, to avoid any adverse impact on the environment.

On May 22, 2017, the Court of Appeals denied the petition for the Writ of Kalikasan case. Thereafter, the petitioners filed a Motion for Reconsideration.

On December 14, 2017, the Court of Appeals denied the Motion for Reconsideration. Accordingly, the prohibitory injunctive provisional Writ of Kalikasan issued by the Supreme Court is lifted.

Given that BNMI is currently the subject of two suspension orders, resulting in temporary cessation of its mining operations starting July 2016, the management has made an assessment on the BNMIS's ability to continue as a going concern entity and is satisfied that the BNMI has sufficiently improved and remediated the deficiencies mentioned in the mine audit report and has timely appealed the foregoing suspension orders, thereby impeding these orders to become final and operative, and that the BNMI will still be able to generate sufficient cash from the sale of its remaining nickel ore stockpile.

Mineral Industry Coordinating Council (MICC) conducted its initial review of the mine audit results of BNMI. As at March 21, 2018, the results of the review are yet to be communicated to BNMI.

Benguet Gold Operations (BGO)
The Parent Company's BGO in Itogon, Benguet, consisting of the Acupan and Kelly underground mines, were suspended in 1992, following the 1991 earthquake, which flooded the said underground mines. In 2004, BGO resumed operations of the AGP. The BGO property also included three tailings ponds with estimated tailings resource of 16.7 million metric tons, with an average of 0.69 gram of gold per ton, and are estimated to contain some 371.0 thousand ounces of gold.

In 2015, the Parent Company suspended its own line of operations as a means of cost reduction while gold prices are still low, leaving its production dependent on mining contractors. As at December 31, 2017, the said suspension is still in force.

On March 11, 2016, TUV Rheinland, an independent evaluation and certification service body, issued to BGO the ISO 14001:2015, which is an internationally accepted certification and standard for environmental management system. The issuance of the said certification, which is valid until March 10, 2019, makes BGO fully compliant with the requirement of DENR DAO No. 2015-07.

On October 28, 2016, the Parent Company received from the DENR the mine audit report dated October 21, 2016, which was conducted pursuant to DENR Memorandum Circular No. 2016-01 regarding audit of all operating mines and moratorium on new mining projects recommending the suspension of the Parent Company's mining operations and requires the Parent Company to submit an explanation thereof within seven days from the date of receipt.

On November 1, 2016, the Parent Company submitted an explanation to the DENR stating that there are no legal and factual bases to recommend the suspension of the Parent Company's operations due to the following reasons:

- Based on the mine audit report, there are no significant findings of violations that would warrant the suspension order.
- None of the alleged violations found pose imminent danger or threat to the community that would justify the suspension of operation.
- The deficiencies cited, which are mostly permitting issues or operational concerns, can easily be remediated without need of suspending the Parent Company's operation.

On February 14, 2017, the Parent Company received from DENR a cancellation order dated February 8, 2017 cancelling its authority to undertake mining operations under Patent Claim (PC-ACMP-002-CAR) in Itogon, Benguet for violation of certain provisions of mining and environmental laws, rules and regulations such as the following:

- RA No. 6969, otherwise known as the 'Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990'
- DAO No. 2013-22 or the 'Revised Procedures and Standards for the Management of Hazardous Wastes'
- RA No. 7942, otherwise known as 'The Philippine Mining Act of 1995'
- DAO No. 2010-21 or the 'Revised Implementing Rules and Regulations of RA No. 7942'

On February 22, 2017, the Parent Company filed a Notice of Appeal before the Office of the President, which stayed the execution of the cancellation order. On March 22, 2017, the Parent Company submitted to the Office of the President the actual Appeal Memorandum. As at March 21, 2018, the Office of the President has not yet responded to the said appeal.

Irisan Lime Project (ILP)
The Parent Company's ILP in Irisan, Baguio is engaged in the production and trading of quicklime. ILP produced 9,374 tons, 9,408 tons and 7,982 tons of quicklime in 2017, 2016 and 2015, respectively. On September 4, 2017, the Mineral Processing Permit (MPP) for the ILP was renewed for a period of five years or until September 3, 2022.

Benguet Antamok Gold Operation (BAGO)
The Parent Company's BAGO in Itogon, Benguet has been suspended since August 1998. BAGO has an estimated resource of about 12.4 million tons, averaging 3.45 grams of gold per ton, at the end of 1999. Pursuant to DAO No. 2010-04, the Parent Company's Application for Mineral Production Sharing Agreement (APSA) No. 009-Cordillera Administrative Region (CAR) was denied on February 8, 2011. Subsequently, the Parent Company filed an appeal on April 15, 2011 in MGB Central Office.

On November 23, 2016, the Parent Company received from DENR a letter requiring the Parent Company to show cause why its operation should not be suspended and/or mining contract be cancelled in view of the October 2016 tailings spill, which affected the Liang River.

On December 26, 2016, the Parent Company argued that there was no negligence because the incident is due to force majeure and the leak was immediately remediated. The Parent Company also emphasized that it has no existing mining operations in BAGO as it has long been suspended. The BAGO open pit mine and the BAGO underground mine have not operated since 1998 and 1989, respectively. The Parent Company contested that it has been under care and maintenance since then up to the present. On January 1, 2017, the case was elevated to Pollution Adjudication Board (PAB) from the EMB out of which the Parent Company submitted a position paper on May 8, 2017.

On May 9, 2017 a technical conference hearing was held in PAB regarding the case and as a result, the Parent Company submitted a supplemental motion on June 9, 2017. As of March 21, 2018, the Parent Company is still awaiting the decision of PAB.

Masinloc Chromite Operation (MCO)
From 1934 to 2007, the Parent Company managed the Coto mines under an operating agreement with its claimowner, Consolidated Mines, Inc. (CMI). With the expiration of the operating agreement last July 8, 2007, the Parent Company has transferred back the operating rights to

CMI. As at March 21, 2018, the Parent Company is still engaged in discussion with CMI over the liquidation of MCO's assets.

b. Exploration, Research and Development Projects

Balatoc Tailings Project (BTP)
The Parent Company's Board of Directors (BOD) approved an initial ₱10.0 million research and development fund for the Balatoc Tailings Project (BTP) in Itogon, Benguet for the study on the feasibility of reprocessing 16.7 million tons of tailings resource with an average of 0.69 grams gold per ton and is estimated to contain 371,000 ounces of gold. A core research and development team, together with the Beijing Geological Research Institute of Mining and Metallurgy, has done the analysis toward the preparation and completion of the bankable feasibility study.

On October 21, 2009, the Group appointed ATR Kim Eng Capital Partners, Inc. as financial advisor to raise additional development capital for the BTP.

On the same date, the Parent Company entered into a processing agreement with the Balatoc Gold Resources Corporation (BGRC), a subsidiary, to implement the BTP. The Parent Company has completed the bankable feasibility study of the BTP and engaged external Competent Persons to prepare and review reports as required under the Philippine Mineral Reporting Code modeled after the Joint Ore Reserve Committee of Australia.

On September 2010, the Parent Company signed a Deed of Assignment with BGRC, a subsidiary, to transfer, subject to approval by the DENR, MPP No. 13-2010-Cordillera Administrative Region covering the BTP. The MPP allows reprocessing of the impounded mill tailings from the Acupan mines for recovery of residual gold. In November 2011, the transfer of the MPP was approved by the DENR-MGB.

BGRC signed contracts and undertook activities for the detailed engineering of the project, rehabilitation of the tailings ponds and reinforcement of the silt dam. BGRC continues the activities on expansion and rehabilitation of its penstocks at Tailings Pond Nos. 2 and 3 and earthmoving works on the silt dam at Gold Creek and the Ambalanga River pumping station, and the ridge enhancement works on Tailings Ponds Nos. 2 and 3. The excavated materials from its expansion and rehabilitation activities will be used for the raising of the embankment of Tailings Ponds Nos. 2 and 3 to the level in which the BTP will be able to pump the tailings to a processing plant in Balatoc.

On January 17, 2013, the Parent Company's BOD authorized and approved the deed of exchange between the Parent Company and BGRC covering all of the Parent Company's rights and interest in BTP in exchange of BGRC's shares.

Since 2014, minimal costs were incurred on the BTP because BGRC is largely in the process of obtaining funds for the said project.

Following the expiration of MPP No. 13-2010-CAR, BGRC reconveyed to the Parent Company on March 16, 2016, all rights and interest in BTP, including liabilities to third parties, so that the reprocessing of tailings can be made part of the Acupan operation once more. The reconveyance was approved by the DENR-MGB on May 31, 2016.

Antamok Tailings Project (ATP)
The ATP, which targeted the BAGO mill tailings pond, was conceived as a possible additional resource that could be developed similar to BTP. The BAGO tailings pond, located a few hundred meters downstream from the BAGO open pit mine, contains some 7.64 million tons of tailings produced from the BAGO milling operations. In addition, a considerable tonnage of extraneous materials, estimated at about 1.95 million tons washed from the BAGO pit over the years from the Otek marginal grade material dump and from the numerous illegal miners' workings, found its way into the pond and is now resting on top of the tailings deposit. A preliminary sampling of these extraneous materials showed that these can be considered for exploitation together with the original tailings in the pond. More core drilling, however, may be required to firm up the resource estimate of these impounded materials.

The Parent Company has approved an initial ₱7.5 million research fund for the ATP for the feasibility study on the reprocessing. The Parent Company is conducting a feasibility study on the reprocessing of tailings from the BAGO, which are impounded in the tailings pond downstream of the old BAGO mill. The initial drilling conducted to test the impounded materials indicates a grade of 4.0 grams of gold per ton.

As at December 31, 2017, the Parent Company intends to transfer to Benguet-Pantukan Gold Corporation (BPGC), a wholly-owned subsidiary of the Parent Company through BMC, the planned ATP.

Surigao Coal Prospect (SCP)
Pre-development activities for the SCP were put on hold in 2011 due to DENR Circular Executive Order (EO) 23, series of 2011, which declares a moratorium on the cutting of timber in the natural and residual forests. The City Environment and Natural Resources Office of the Municipality of Lianga denied the Group's request for a tree inventory, which is preparatory to the application for a cutting permit. The decision was reversed in January 2012 after the issuance of a memorandum from the Executive Secretary, which exempted exploration and mining activities from the said EO. The Parent Company is in the process of completing the requirements to secure permits for the development of the project. A preliminary hydrology study was done at the nearby Hubo river's water source to assess if the volume capacity of the river system can support a hydro plant, which will complement the Coal Power Plant Study. In 2012, the Parent Company also participated in the bidding under the Philippine Energy Contracting Round four for coal to possibly secure other prospective coal areas. The result of the bidding is awaiting the decision of the Department of Energy.

As at December 31, 2017, the Parent Company plans to transfer the SCP to Batong Buhay Mineral Resources Corporation (BBMRC) when the said prospect materializes.

Ampucao Copper-Gold Prospect (Ampucao Prospect)
The Ampucao prospect is located inside the contract claims of Pugo Mining Company in the southern part of Benguet's Acupan gold mine. The initial exploration work conducted by the Parent Company's geologists indicates a porphyry copper-gold mineralization hosted in diorite below the 2000 level. Two test holes have been programmed to be drilled within the area, but have been put on-hold pending the resolution of the related APSA, which also covers the BAGO.

Pantingan Copper Gold Prospect (PGP)
The PGP in Balanga, Bataan consists of 1,410 hectares covered by MPSA No. 154-2000-III. The property is under an operating agreement with Option to Purchase, with Balanga Bataan Minerals Corporation, signed in March 1996. Surface mineralization consists of quartz and clay veins, ranging from 0.70 meters to 10 meters wide, with values as much as 1.0 gram of gold and 9.60 grams of silver. As at December 31, 2017, the PGP is currently in exploration period.

Zamboanga Gold Prospect (ZGP)
The ZGP in R.T. Lim, Zamboanga Sibugay consists of 340.3 hectares of land area and is under an operating agreement with Oreline Mining Corporation (OMC). A drilling program to evaluate the gold potential of the main structure at depth has been put on-hold pending the resolution of the APSA No. 000015- IX of OMC. The APSA which was denied on May 12, 2010 and has an appeal filed on January 30, 2013, is still pending evaluation by the DENR.

Financial or Technical Assistance Agreement (FTAA) Application
The Parent Company and its subsidiary, Sagittarius Alpha Realty Corporation (SARC), have two pending FTAA applications consisting of land area totaling 72,806,291 hectares. The Parent Company's FTAA application in Ilocos Norte (denominated as AFTA-000003-I) is undergoing Free, Prior and Informed consent requirement through the Regional Office of the National Commission on Indigenous Peoples while SARC's FTAA application in Apayao (denominated as AFTA No. 033-CAR) is pending with the MGB-CAR. Exploration work for the two areas will be undertaken as soon as the applications have been approved by the Philippine government.

c. Water Projects

Baguio City Bulk Water Supply Project (BCBWSP)
On August 16, 2005, the BOD of the Baguio Water District (BWD) issued to the Parent Company a Notice of Award covering the BCBWSP. The Parent Company's proposal is to convert its mined-out 440 Vein Open Pit into a water reservoir with the capability of supplying, at least, 50,000 cubic meters of potable water per day to Baguio City.

On September 7, 2007, the BWD issued Board Resolution Number 30-2007, which resolved to terminate the bulk water supply contract negotiation and to scrap the project. The resolution cited grounds such as the irreconcilable differences of the parties on the contract provisions of parametric formula and rate rebasing, among others. On these issues, the BWD is concerned with the affordability and acceptability of the water tariff to the end-consumers. On the other hand, the Parent Company raised a concern on the delay in implementation and its effect on the viability of the project as justification for the contract provisions. The Parent Company has likewise requested the BWD to conduct a public hearing on these issues, which the BWD has deemed premature. The Parent Company filed a request for reconsideration on September 13, 2007.

On November 29, 2007, the BWD issued a Board Resolution denying the Parent Company's request for reconsideration. The Parent Company has filed a case against BWD, which is still pending at the Regional Trial Court of Baguio City as of March 21, 2018.

Water Rights of Agua de Oro Ventures Corporation (ADOVC)
ADOVC, a wholly-owned subsidiary of BMC, has water rights in various locations in Tuba, Benguet: Kairuz Spring granted on September 12, 2001, Amliang Spring granted on October 17, 2002, and Kias Creek granted on August 13, 2004.

The water rights owned by ADOVC gives free water access to these water sources, except for Kairuz Spring. The owner sold the water source on August 2012. The new owner denied

ADOVC to access the water source. No formal action nor complaint has been filed by ADOVC as of December 31, 2017.

As at December 31, 2017 and 2016, the cost and accumulated amortization of water rights amounted to ₱4.6 million.

d. Land Development Project

Kelly Special Economic Zone (KSEZ)
The Parent Company has approved an initial ₱4.9 million budget for the feasibility study covering the KSEZ and the potential of other real estate project of the Group. The Parent Company plans to transfer the said properties to BC Property Management, Inc. (BCPMI), a wholly-owned subsidiary of BMC. The capital expenditures related to the implementation of the project will then be infused as equity of the Parent Company in BCPMI. As at December 31, 2017, the said project has not yet materialized.

e. Logistics Services

On March 16, 2016, Arrow Freight Corporation (AFC), a wholly-owned subsidiary of BMC, declared cash dividends amounting to ₱23.1 million, which is equivalent to ₱11.25 per share.

On March 16, 2016, the BOD of Keystone Port Logistics and Management Services (KPLMSC), a subsidiary, authorized and approved the appropriation of its retained earnings amounting to ₱2.5 million for additional working capital requirements, repairs to be done in its port facilities and acquisition of new stockpile area in the ensuing year.

On December 18, 2017, the BOD reversed its current appropriation of retained earnings amounting to ₱2.5 million as the purpose for which it was intended had already been achieved upon completion of the repairs done in its port facilities.

On August 31, 2017, the BOD approved the dissolution of Calhorr 1 Marine Services Corporation (CMSC) and Calhorr 2 Marine Services Inc. (CMSI), wholly owned subsidiaries of KPLMSC, by shortening its corporate term until September 30, 2017. CMSC and CMSI are awaiting the clearance letter from the Bureau of Internal Revenue (BIR) before it could apply for liquidation with the SEC. Final liquidation will take place after the SEC's approval of the said application. As at March 21, 2018, CMSC and CMSI have not yet received the clearance letter.

f. Health Care Services

The Parent Company spun off its Benguet Laboratories (BL) Division on September 19, 2012 through its wholly owned subsidiary, Benguetcorp Laboratories, Inc. (BLI), to undertake the expansion of BL into a distinct operating unit that can raise the necessary development funds and create value for the Group. BLI operates two full-fledged tertiary multi-specialty facilities in Baguio under the trade name Benguet Laboratories. BLI operates another facility under the trade name MedCentral in San Fernando City, Pampanga and Taytay, Rizal which started its operations on December 2012 and December 2013, respectively. On April 2014, BLI opened its branch and started its operations in Makati City under the trade name Oncology.

On a regular meeting of the BOD of BLI on January 27, 2016, the President informed the BOD that the Department of Health (DOH) license and Philhealth accreditation for a free standing chemo infusion was not yet obtained. The management then suspended the operations of

Oncology. On January 31, 2017, the BOD decided to terminate the contract of lease in Makati City where the said branch previously operated.

As at December 31, 2017, BLI is still in the process of securing the license for Oncology.

Updates in the Philippine Mining Industry
On February 2, 2017, the Secretary of the DENR ordered the closure and suspension of several mines in the country for alleged environmental violations noted during the industry-wide audit carried in July 2016. The said audit is in line with the issuance of DENR Memorandum Order No. 2016-01 mandating a comprehensive review of all operating mines and mines under suspended and/or care and maintenance status, and a moratorium on the acceptance, processing and/or approval of mining applications and/or new mining projects for all metallic and non-metallic minerals.

In light of concerns expressed by various industry stakeholders, the Mineral Industry Coordinating Council (MICC), issued a resolution on February 9, 2017, which called for the review of the audit conducted on mining companies, and the closure and suspension orders by the DENR Secretary. This mandate of the MICC covers all mining contracts in the Philippines, although the review will start with mining companies affected by the closure order. The multi-stakeholder review shall be based on the guidelines and parameters set forth in mining contracts and in other pertinent laws, and will advise the DENR on the performance of existing mining operations in consultation with local government units. Five technical review teams (TRT) will conduct the review over a three-month period starting in March 2017. The TRTs will check the compliance of affected mining companies with applicable agreements, and laws and regulations taking into account the technical, legal, social, environmental and economic aspects of their mining operations. The results of the review will be submitted to the multi-stakeholder Technical Working Group (TWG) of the MICC. The TWG will verify the results before the final presentation to the MICC. The MICC will then present the findings and submit its recommendations to the Office of the President, which shall make the final decision on the DENR's closure and suspension orders.

In January 2018, the MICC has commissioned 25 experts to undertake the "fact-finding and science-based" review of the operations of 26 mine sites which were suspended or ordered closed last 2017 by former DENR Secretary Regina Lopez. The key results from the said review will be consolidated and discussed generally in one final report.

As of March 21, 2018, MICC already conducted an initial review of the mine audit results of mining companies. MICC announced that it aims to finish the review and release the recommendation within six months' time.

Recovery of Deferred Exploration Costs
The Group's ability to realize its deferred exploration costs with carrying value amounting to ₱621,671 and ₱616,120 as at December 31, 2017 and 2016, respectively (see Note 11), depends on the success of exploration and development work in proving the viability of its mining properties to produce minerals in commercial quantities, and the success of converting the Group's exploration permits to new mineral agreements, which cannot be determined at this time. The consolidated financial statements do not include any adjustment that might result from these uncertainties.

Authorization for the Issuance of the Consolidated Financial Statements
The accompanying consolidated financial statements of the Group as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, were authorized for issuance by the BOD on March 21, 2018.

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

Basis of Preparation and Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with the Philippine Financial Reporting Standards (PFRSs) as issued by the Financial Reporting Standards Council (FRSC).

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for land and artworks, which have been measured at revalued amounts, and AFS financial assets and investment property, which have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency under PFRSs. All values are rounded to the nearest thousands (₱000), except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional consolidated statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the consolidated financial statements.

Basis of Consolidation and Group Information
As at December 31, 2017 and 2016, the consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

	Nature of business	Country of incorporation	Effective percentage of ownership
Berec Land Resources Inc. (BLRI)**	Exploration and development	Philippines	100.00
KPLMSC	Logistics	Philippines	100.00
KPLMSC's Subsidiaries:			
CMSC***	Logistics	Philippines	100.00
CMSI***	Logistics	Philippines	100.00
BNMI	Exploration and development	Philippines	100.00
BMC**	Foundry	Philippines	100.00
BMC's Subsidiaries:			
AFC	Logistics	Philippines	100.00
Benguetrade, Inc. (BTI)	Trading	Philippines	100.00
BMC Forestry Corporation (BFC)	Real estate	Philippines	100.00
ADOVC*	Selling of treated and untreated water	Philippines	100.00
BPGC*	Exploration and development	Philippines	100.00
BCPMI*	Management services	Philippines	100.00
Media Management Corporation (MMC)**	Management services	Philippines	100.00
BenguetCorp International Limited (BIL)**	Holding company	Hong Kong	100.00
BIL Subsidiaries:			
Benguet USA, Inc.**	Exploration and development	United States of America	100.00
Pillars of Exemplary Consultants, Inc. (PECI)**	Professional services	Philippines	100.00
SARC**	Real estate holding	Philippines	100.00

(Forward)

	Nature of business	Country of incorporation	Effective percentage of ownership
SARC's Subsidiary:			
BGRC*	Exploration and development	Philippines	100.00
BBMRC*	Exploration and development	Philippines	100.00
Ifaratoc Mineral Resources Corporation (IMRC)**	Exploration and development	Philippines	100.00
Acupan Gold Mines Incorporation*	Exploration and development	Philippines	100.00
BLI	Health services	Philippines	100.00

* *Preoperating*
** *Nonoperating*
*** *In process of liquidation*

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets, liabilities and other components of equity while any gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The financial statements of the subsidiaries are prepared for the same accounting period as the Parent Company using uniform accounting policies.

Changes in Accounting Policies
The Group applied for the first time certain pronouncements, which are effective for annual periods beginning January 1, 2017. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance, unless otherwise indicated.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities - Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to Philippine Accounting Standards (PAS) 7, *Statement of Cash Flows - Disclosure Initiative*

  The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

  The Group has provided the required information in Note 33 to the consolidated financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2016.

- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses*

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Standards issued but not yet effective
Pronouncements issued but not yet effective are listed below. The Group does not expect the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements, unless otherwise indicated. The Group intends to adopt the following pronouncements when these become effective.

Effective January 1, 2018

- Amendments to PFRS 2, *Share-based Payment - Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The Group is currently assessing the potential effect of the amendments on its consolidated financial statements.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The Group is currently assessing the potential impact of adopting PFRS 9 in 2018.

- Amendments to PFRS 4, *Insurance Contracts - Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

  The Group is currently assessing the potential impact of adopting this standard in 2018.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property - Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation based on International Financial Reporting Interpretations Committee (IFRIC) 22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Group is currently assessing the impact of adopting this standard in 2019.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group is currently assessing the impact of adopting this interpretation.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the FRSC postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Summary of Significant Accounting Policies

Presentation of Consolidated Financial Statements
The Group has elected to present all items of recognized income and expense in two statements: a consolidated statement of income and a consolidated statement of comprehensive income.

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification. An asset as current when it is:
- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purposes of trading
- Expected to be realized within 12 months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Cash and Cash Equivalents
Cash consists of cash on hand and in banks. Cash in banks earns interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term investment rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and are subject to an insignificant risk of changes in value.

Financial instruments - initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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

Loans and Receivables
This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, receivables are measured at amortized cost using the effective interest rate (EIR) method, less impairment. 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 EIR amortization, if any, is included as interest income in the other income (expenses) - net caption in the consolidated statement of income. The losses arising from impairment of receivables, if any, are recognized as provision for impairment loss under selling and general expenses in the consolidated statement of income.

This accounting policy applies to trade receivables, receivables from lessees of bunkhouses and loan receivable under trade and other receivables.

AFS Financial Assets
AFS financial assets include equity investments. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses arising from the fair valuation of AFS financial assets being reported as unrealized gain (loss) on AFS financial assets under other components of equity of the consolidated statement of financial position until the investment is derecognized. These are also reported as OCI in the consolidated statement of comprehensive income. Interest earned while holding AFS financial assets is reported as interest income using the EIR method. Any dividend earned on holding AFS financial assets is recognized in the consolidated statement of income when the right of payment has been established.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for a foreseeable future.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of income.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's statement of financial position) when:
- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

Impairment of financial assets
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors 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 observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost
For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets

that are not individually significant. If the Group determines 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 assets 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 amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event recurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other income in the consolidated statement of income.

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

In case of equity investments classified as AFS, this would include a significant or prolonged decline in the fair value of the investments below its cost. Significant is evaluated against the original cost of the investment and prolonged against the period in which the fair value has been below its original cost. When 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 investment previously recognized in the consolidated statement of income - is removed from OCI and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit of loss; increases in their fair value after impairment are recognized in OCI.

The determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost. The Group treats significant generally as 20% or more of the original cost of investment, and prolonged as greater than 12 months.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Payables

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations (e.g., accounts payable, accrued liabilities). Payables are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

This accounting policy applies to the Group's trade and nontrade payables and accrued expenses under trade and other payables, and equity of claim owners on contract operations under other noncurrent liabilities.

Loans and borrowings

After initial measurement, loans and borrowings are 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 integral part of the EIR. Effects of restatement of foreign currency-denominated liabilities, if any, are recognized in the foreign currency exchange gains (losses) under other income (expenses) - net in the consolidated statement of income.

This category generally applies to the Group's loans payable and obligations under finance lease.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle the liability simultaneously, or to realize the asset and the liability simultaneously.

The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Fair Value Measurement

An analysis of the fair values of financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed and further details as to how they are measured are provided in the following notes:

- Disclosures on significant judgments and estimates — Note 3
- AFS financial assets — Note 8
- Land — Note 9
- Artworks — Note 9
- Investment properties — Note 10

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Inventories

Inventories are valued at the lower of cost or net realizable value (NRV).

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Materials and supplies	-	at purchase price less purchase discount, returns and rebates on a first-in, first-out method
Beneficiated nickel ore	-	at cost on a moving average production method during the year exceeding a determined cut-off grade
Subdivision lots	-	at land costs, amounts paid to contractors for costs incurred in the development and improvement of the properties (planning and design costs, cost of site preparation, professional fees, property taxes, construction overheads and other related costs)

NRV for materials and supplies represents the current replacement cost. NRV for subdivision lots and beneficiated nickel ore is the estimated selling price in the ordinary course of business less costs of completion and estimated costs necessary to make the sale.

Deferred Mine Exploration Costs

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analyzing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

License costs paid in connection with a right to explore in an existing exploration area are capitalized and amortized over the term of the permit.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless the Group concludes that a future economic benefit is more likely than not to be realized. These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

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

Expenditure on exploration and evaluation is accounted for in accordance with the area of interest method. Exploration and evaluation expenditure is capitalized provided the rights to tenure of the area of interest is current and either: the exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, then, any fulfillment exploration and evaluation expenditure is reclassified as mine properties and mine development costs included as part of property, plant and equipment. Prior to reclassification, exploration and evaluation expenditure is assessed for impairment.

When a project is abandoned, the related deferred mine exploration costs are written off. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

Other Current Assets

Other current assets include various prepayments, input value-added tax (VAT), excess creditable withholding taxes (CWTs) and deferred input VAT.

Prepaid Expenses

Prepaid expenses pertain to advance payments for insurance, rent, other services and tax credit certificates (TCC) granted by the BIR to the Group. These are stated at the estimated NRV.

VAT

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

CWT

CWTs are amounts withheld from income of the Group subject to expanded withholding taxes. CWTs can be utilized as payments for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules of Philippine income taxation. CWTs are stated at the estimated NRV.

Deferred Input VAT

Deferred input vat arises from the Groups unsettled purchase of services.

Property, Plant and Equipment

Property, plant and equipment, except land and artworks, are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, depletion and amortization and accumulated impairment in value. Such cost includes the cost of replacing part of such property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of income as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Construction in progress (CIP) is recorded at cost. This includes costs of construction and other direct costs. CIP is not depreciated until such time that the relevant asset is completed, transferred to the appropriate account and put into operational use.

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

Artworks, which the Group holds for aesthetic purposes, are also stated at revalued amount less any impairment in value. The initial cost of artworks includes purchase consideration, the fair value in the case of vested assets, and those costs that are directly attributable to bringing the asset to its location and condition necessary for its intended purpose.

The increment from valuation of land and artworks, net of deferred tax liability, resulting from the revaluation of land is credited to revaluation increment under the other components of equity caption included in the equity section in the consolidated statement of financial position. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in the consolidated statement of income, the increase is recognized in profit or loss. A revaluation deficit is recognized in the consolidated statement of income, except to the extent that it offsets an existing surplus on the same asset recognized in the revaluation increment. Upon derecognition of the revalued property, the relevant portion of the revaluation increment realized in respect of previous valuations is released from the revaluation increment directly to retained earnings.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

Category	Number of years
Port facilities	25
Land improvements	3-25
Buildings	5-20
Machinery, tools and equipment	2-15

Depreciation of an item of property, plant and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the matter intended by management. Depreciation, depletion and amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5 and the date the asset is derecognized.

The estimated useful lives, residual values and depreciation method are reviewed periodically to ensure these are consistent with the expected pattern of economic benefits from items of property, plant and equipment. The useful lives and residual values are reviewed at the end of each reporting period and adjusted prospectively, if appropriate.

Fully depreciated assets are retained in the accounts until these are no longer in use. No further depreciation is charged to current operation for these items.

The carrying values of property, plant, and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

Mine and Mining Properties
Capitalized expenditure is assessed for impairment and is transferred from deferred exploration costs to mine development costs when it has been established that a mineral deposit is commercially mineable, development sanctioned, and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit).

After transfer of the deferred exploration costs, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized in mine development costs. Development expenditure is net of proceeds from the sale of ore extracted during the development phase to the extent that it is considered integral to the development of the mine. Any costs incurred in testing the assets to determine if they are functioning as intended, are capitalized, net of any proceeds received from selling any product produced while testing. If these proceeds exceed the cost of testing, any excess is recognized in the consolidated statement of income.

No depletion is charged during the mine exploration or development phases.
When the Group has already achieved commercial levels of production, mine development costs are moved to mine and mining properties. Commercial production is deemed to have commenced when management determines that the completion of operational commissioning of major mine and plant components is completed, operating results are being achieved consistently for a period of time and that there are indicators that these operating results will be continued.

The carrying value of mine and mining properties represents total expenditures incurred to date on the area of interest, less accumulated depletion and any impairment.

When a mine construction project moves into the production phase, the capitalization of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.

Mine and mining properties are subject to depletion, which is computed using the units-of production method based on the economically recoverable reserves. Mine and mining properties include the initial estimate of provision for mine rehabilitation and decommissioning, for which the Group is constructively liable.

<u>Investment Properties</u>
Investment property pertain to properties, which are held to earn rentals or for capital appreciation that is held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment property is recognized in the consolidated statement of income in the period in which these arise. Fair values are determined based on an annual revaluation performed by an accredited external independent appraiser.

Investment property is derecognized either when these have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of investment property is recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. Transfers between investment property and owner occupied property do not change the carrying amount of the investment property transferred and they do not change the cost of the property.

Other Noncurrent Assets
Other noncurrent assets include prepayments, advances and various restricted bank deposits for the settlement of environmental obligations. These are initially recognized at cost and are carried at NRV.

Impairment of Nonfinancial Assets
Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Disclosures on significant judgments and estimates Note 3
- Nonfinancial receivables Note 5
- Inventories Note 6
- Other current assets Note 7
- Property, plant and equipment Note 9
- Investment properties Note 10
- Deferred mine exploration costs Note 11
- Nonfinancial other noncurrent assets Note 12

The Group assesses, at the end of each reporting period, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable value is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the consolidated statement of income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation.

For assets (except goodwill), an assessment is made at each end of the reporting period to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, depletion or amortization, had no impairment loss been recognized for that asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase.

Deferred Mine Exploration Costs
The Group assesses whether facts and circumstances suggest that the carrying amount of deferred mine exploration costs may exceed its recoverable amount. Below are some of the facts and circumstances, which the Group considers in determining whether there is impairment on deferred mine exploration costs:

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area, and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the deferred mine exploration costs is unlikely to be recovered in full from successful development or by sale

Full provision is made for the impairment unless it is probable that such costs are expected to be recouped through successful exploration and development of the area of interest, or alternatively, by its sale. If the project does not prove to be viable or is abandoned, all revocable cost associated with the project and the related impairment provisions are written off.

Recovery of impairment losses recognized in prior years is recorded if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The recovery is recorded in the consolidated statement of income.

Provisions
General
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of the provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as interest expense in the consolidated statement of income.

Liability for Mine Rehabilitation
Mine rehabilitation costs will be incurred by the Group either while operating, or at the end of the operating life of, the Group's facilities and mine properties. The Group assesses its mine rehabilitation provision at each reporting date. The Group recognizes a rehabilitation provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The nature of these restoration activities includes: dismantling and removing structures; rehabilitating mines and tailings dams; dismantling operating facilities; closing plant and waste sites; and restoring, reclaiming and re-vegetating affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the mining operation's location. When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred as a result of the development or construction of the mine. Any rehabilitation obligations that arise through the production of inventory are recognized as part of the related inventory item. Additional disturbances that arise due to further development or construction at the mine are recognized as additions or charges to the corresponding assets and rehabilitation liability when these occur. Costs related to restoration of site damage (subsequent to start of commercial production) that is created on an ongoing basis during production are provided for at their net present values and recognized in profit or loss as extraction progresses.

Changes in the estimated timing of rehabilitation or changes to the estimated future costs are dealt with prospectively by recognizing an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates, if the initial estimate was originally recognized as part of an asset measured in accordance with PAS 16.

Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the consolidated statement of income.

If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If, for mature mines, the estimate for the revised mine assets net of rehabilitation provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of income as part of interest expense.

For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of income.

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

Capital Stock and Capital Surplus
Common and preferred shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds. The excess of proceeds from issuance of shares over the par value of shares less any incremental costs directly attributable to the issuance, net of tax, is credited to capital surplus.

Other Components of Equity
The ‘Other components of equity’ caption in the consolidated statement of financial position consists of:
- Revaluation increment
- Cost of share-based payment
- Cumulative translation adjustment on foreign subsidiaries
- Remeasurement gain on pension liability
- Unrealized gain on AFS financial assets

Deposits for Future Stock Subscriptions
Deposits for future stock subscriptions represent advance payments of stockholders for subscriptions of shares to be issued in the future but for which the Group has no sufficient unissued authorized capital stock.

In instances where the Group does not have sufficient unissued authorized capital stock, the following elements should be present as of the reporting date in order for the deposits for future subscriptions to qualify as equity:
- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract
- There is BOD approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation)
- There is stockholders’ approval of said proposed increase and
- The application for the approval of the proposed increase has been presented for filing or has been filed with the Philippine SEC

Otherwise, these are recognized as noncurrent liabilities.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policies and other capital adjustments. When the retained earnings account has a debit balance, it is called ‘Deficit’. A deficit is not an asset but a deduction from equity.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders. Appropriated retained earnings represent that portion, which has been restricted and, therefore, not available for dividend declaration.

Appropriation of retained earnings is the allocation of a portion of the Group’s retained earnings for a specific purpose. Costs and losses cannot be charged for such appropriations. The reasons for appropriations may include legal or contractual restrictions, existence of possible or expected loss, expansion projects, and protection of working capital position.

Dividend Distribution
Dividend distribution to the Parent Company’s stockholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are declared and approved by the BOD.

Treasury Shares
Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in capital surplus under the equity section of the consolidated statement of financial position.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

Sale of Mine Products
Revenue is recognized when the significant risks and rewards of ownership have transferred to the buyer, which is normally at the time of shipment, and the selling prices are known or can be reasonably estimated.

Sale of Services
Revenue is recognized when the outcome of a transaction involving the rendering of services can be estimated reliably.

Trucking Services
Revenue is recognized when services are rendered and can be reasonably estimated.

Rental Income and Others
Included under this caption are rental income, sale of real estate, sale of goods, interest and other income.

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

Revenue from the sale of real estate, which pertains to the sale of subdivision lots, is recognized on an installment basis and when the collectibility of the sales price is reasonably assured.

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods and the amount of revenue can be measured reliably. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Interest Income
For all financial instruments measured at amortized cost and interest-bearing financial assets classified as AFS, interest income is recorded using the EIR. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in other income (expenses) - net in the consolidated statement of income.

Other income not directly related to the Group's normal operations is recognized when the earnings process is virtually complete. These are classified under other income (expense) - net in the consolidated statement of income.

Cost and Expense Recognition
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are generally recognized when these arise following the accrual basis of accounting.

Cost of Mine Products Sold
Cost of mine products sold is incurred in the normal course of business and is recognized when incurred. It comprises mainly of outside services, materials and supplies, depreciation, depletion and amortization, personnel expenses, power and utilities and others, which are recognized as expenses in the period when the mine products are delivered.

Cost of Services and Other Sales
Cost of services and other sales incurred in the normal course of business are recognized when the services are rendered, the goods are delivered or the earnings process is virtually complete.

Included under this caption is the cost of real estate sold. Cost of real estate sold is recognized when the significant risks and rewards over the subdivision lots have been transferred to the buyer. This includes land cost, costs of site preparation, professional fees for legal services, property transfer taxes, and other related costs. The cost of real estate sold recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the subdivision lot and an allocation of any non-specific costs based on the relative size of the subdivision lot.

Selling and General Expenses
Selling and general expenses pertain to costs associated in the marketing and general administration of the day-to-day operations of the Group. These are generally recognized when incurred.

Excise Taxes and Royalty Fees
Excise taxes and royalty fees pertain to the taxes paid or accrued by the Group arising from the production of gold and nickel ore. These taxes and royalties are recognized once revenue from the sale of the related mine product is recognized.

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 at inception date of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of the specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A reassessment is made after the inception on 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 the 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) and (d) and at the date of renewal or extension period for scenario (b).

Group as a Lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the consolidated statement of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.
Operating lease payments are recognized as operating expenses in the consolidated statement of income on a straight-line basis over the lease term.

Group as a Lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

<u>Pension and other post-employment benefits</u>
The Parent Company and AFC have separate, noncontributory, defined benefit pension plans, covering all permanent, regular and full-time employees.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains or losses, the effect of the ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in the net interest on the net defined benefit liability), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which these occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past services costs are recognized in profit or loss on the earlier of:
- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group recognizes the following changes in the net defined benefit obligation under costs of mine products sold, costs of services and selling and general expenses in the consolidated statement of income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Share-based Payment Transactions

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, in employee benefits expense.

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit and loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits.

No expense is recognized for awards that do not ultimately vest, except for equity settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense computed based on the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the Group or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

When the terms of an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Where an equity-settled award expires or is cancelled, its cost is transferred to additional paid-in capital.

Forfeitures revise the expense to reflect the best available estimate of the number of equity instruments expected to vest.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Foreign Currencies

The Group's consolidated financial statements are presented in Philippine peso, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation.

Transactions and Balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss on translation of non-monetary items measured at fair value of the item is treated in line with the recognition of the gain or loss arising on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

Foreign Subsidiaries

On consolidation, the assets and liabilities of foreign operations are translated into Philippine peso at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the average exchange rates for the year. The exchange differences arising on the translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in the consolidated statement of 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 authorities. The income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted as of the end of the reporting period in the country where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:
- Where the deferred tax liability arises from the initial recognition of goodwill or 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 (tax loss)
- 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 by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits from excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carry-over (NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences, excess MCIT and unused NOLCO can be utilized, except:
- Where the deferred 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
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred 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 tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year 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 end of the reporting period.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

<u>Earnings Per Share (EPS)</u>
Basic EPS amount is calculated by dividing net income for the year 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 EPS amount is calculated by dividing the net profit attributable to ordinary equity holders of the Parent Company (after deducting interest on the convertible cumulative preference shares) by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalization, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively. If these changes occur after the reporting period but before the financial statements are authorized for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares. The fact that per share calculations reflect such changes in the number of shares shall be disclosed. In addition, basic and diluted earnings per share of all periods presented shall be adjusted for the effects of errors and adjustments resulting from changes in accounting policies accounted for retrospectively.

<u>OCI</u>
OCI comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income.

<u>Operating Segments</u>
The Group's operating businesses are recognized and managed according to the nature of the products or services offered, with each segment representing a strategic business unit that serves different markets.

Segment assets include operating assets used by a segment and consist principally of operating cash, trade and other receivables, inventories and property, plant and equipment, net of allowances and provisions.

Segment liabilities include all operating liabilities and consist principally of trade and other payables, accrued expenses and bank loans. Segment assets and liabilities do not include deferred taxes.

Segment revenue, expenses and profit include transfers between business segments. The transfers are accounted for at competitive market prices charged to unaffiliated customers for similar products. Such transfers are eliminated in the consolidation.

<u>Contingencies</u>
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.

<u>Events After the Reporting Period</u>
Post year-end events that provide additional information about the Group's position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed when material.

3. **Summary of Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements in accordance with PFRSs requires the Group to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the accompanying disclosures, and the disclosure of contingent liabilities. 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. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties include capital management, financial risk management and policies and sensitivity analyses disclosures (see Note 32).

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

Going Concern
Management has made an assessment on the Group's ability to continue as a going concern and is satisfied based on its assumptions and cash flow projection that it has the resources to continue business for the foreseeable future.

Determining Functional Currency
The Parent Company, based on the relevant economic substance of the underlying circumstances, has determined the functional currency of each entity, except for foreign subsidiaries, under the Group to be the Philippine peso. It is the currency of the primary economic environment in which the Group primarily operates.

Assessment Whether an Agreement is a Finance or Operating Lease
Management assesses at the inception of the lease whether an arrangement is a finance or operating lease based on who bears substantially all the risk and benefits incidental to the ownership of the leased item. Based on management's assessment, the risk and rewards of owning the items leased by the Group are retained by the lessor and, therefore, accounts for such lease as operating leases. Further, management assessed that the Group's finance lease transfers substantially all the risks and rewards incidental to ownership to the Group and therefore accounts for such as finance lease.

Assessing Provisions and Contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently assessed that these proceedings will not have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

Distinction between Investment Property and Owner-Occupied Property
The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property is not occupied substantially for use by, or in operations of the Group, not for sale in the ordinary course of business, but is held primarily to earn rental income or capital appreciation. Owner-occupied properties generate cash flows that are attributable not only

to the property but also to the other assets used in the production or supply process. Management concluded that some of its parcels of land at Irisan, Baguio City and Itogon, Benguet are investment properties.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year, are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when these occur.

Estimating Ore Reserves

Ore reserves estimates are, to a large extent, based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies. The Group estimates its ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The Group also makes estimates and assumptions regarding a number of economic and technical factors affecting ore reserves estimates, such as production rates, grades, foreign exchange rates, production and transport costs, and commodity prices.

These geological, economic and technical estimates and assumptions may change in the future in ways, which can affect the quality and quantity of the ore reserves. The Group reviews and updates estimates as required to reflect actual production, new exploration data or developments and changes in other assumptions or parameters. These estimates will change from time to time to reflect mining activities, analyses of new engineering and geological data, changes in ore reserve and mineral resource holdings, modifications of mining plans or methods, changes in nickel or gold prices or production costs, and other factors.

Changes in the ore reserves estimates may impact the carrying values of property, plant and equipment, provision for mine rehabilitation and decommissioning and depletion charges.

Assessing Recoverability of Deferred Mine Exploration Costs

The Group reviews the recoverability of deferred mine exploration costs when events or changes in circumstances indicate that the carrying amount of deferred mine exploration costs may exceed its estimated recoverable amount. The Group considers the following factors, among others, in its assessment:

- Status of each mine exploration project and plans on exploration and evaluation activities
- Validity of the licenses, permits and correspondences related to each mine exploration project
- Plans to abandon existing mine areas and plans to discontinue exploration activities
- Availability of information suggesting that the recovery of expenditure is unlikely

As at December 31, 2017 and 2016, deferred mine exploration costs amounted to ₱621,671 and ₱616,120, respectively (see Note 11). No impairment loss was recognized in 2017, 2016 and 2015.

Estimating Recoverability of Property, Plant and Equipment

The Group assesses impairment on property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of the property, plant and equipment 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 property, plant and equipment, the Group is required to make estimates and assumptions such as commodity prices, discount rates and foreign currency exchange rates, which can materially affect the consolidated financial statements. Commodity prices and foreign exchange rates are based on forecasts of various financial institutions while the discount rate is based on industry weighted average cost of capital.

An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, property, plant and equipment are grouped at the lowest levels for which there are separately identifiable cash flows. An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. 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 Group did not recognize any impairment loss in 2017, 2016 and 2015 on property, plant and equipment.

As at December 31, 2017 and 2016, property, plant and equipment (at revalued amount and at cost) amounted to ₱3,753,730 and ₱3,811,268, respectively (see Note 9).

Estimating Allowance for Impairment Losses on Trade and Other Receivables
The Group evaluates specific accounts where the Group has information that certain customers are unable to meet their financial obligations. Factors, such as the Group's length of relationship with the customers and the customer's current credit status, are considered to ascertain the amount of reserves that will be recorded in the receivables account. In addition to specific allowances against individually significant accounts, the Group also makes a collective impairment assessment against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any past collection experiences, the current economic conditions, and average age of the group of receivables. Allowance is re-evaluated and adjusted as additional information is received. Provision for impairment loss on trade and other receivables amounting to ₱1,368, ₱9,735, and ₱122 were recognized in 2017, 2016 and 2015, respectively (see Notes 5 and 22). As at December 31, 2017 and 2016, the carrying value of trade and other receivables amounted to ₱761,707 and ₱723,061, respectively, net of allowance for impairment losses of ₱114,993 and ₱113,667 as at December 31, 2017 and 2016, respectively (see Note 5).

Estimating Allowance for Inventory Obsolescence
The Group maintains allowance for inventory losses at a level considered adequate to reflect the excess of cost of inventories over their NRV. NRV of inventories are assessed regularly based on prevailing estimated selling prices of inventories and the corresponding cost of disposal. Increase in the NRV of inventories will increase cost of inventories but only to the extent of their original acquisition costs. As at December 31, 2017 and 2016, the carrying value of inventories amounted to ₱167,274 and ₱238,171, respectively (see Note 6).

Assessing Impairment of Other Current Assets and Other Noncurrent Assets
The Group provides allowance for impairment losses on other current assets and other noncurrent assets when these can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for probable loss would increase recorded expenses and decrease other current and noncurrent assets. No provision for impairment loss on other current assets and other noncurrent assets was recognized in 2017 and 2016. The total carrying value of other current assets and other noncurrent assets amounted to ₱1,078,533 and ₱1,050,252 as at December 31, 2017 and 2016, respectively (see Notes 7 and 12).

Determining the Fair Value of Land
The appraised value of land is based on a valuation by an independent appraiser firm conducted on March 15, 2013, which management believes, holds recognized and relevant professional qualification and has recent experience in the location and category of the land being valued. The appraiser firm used the sales comparison approach in determining the appraised value of land. As at December 31, 2017 and 2016, the appraised value of land amounted to ₱2,623,583 (see Note 9).

Determining the Fair Value of Investment Properties
The Group carries investment properties at fair value. On March 10, 2017, the Group engaged an independent valuation specialist to determine fair value as at December 31, 2017 and 2016. The appraised value of investment properties amounted to ₱1,611,746 and ₱31,915 as at December 31, 2017 and 2016, respectively (see Note 10).

Determining the Appraised Values of Artworks
The appraised value of artworks is based on a valuation by an independent appraiser firm. The assigned value was estimated using the sales comparison approach, which considers the sales of similar or substitute properties and related market values and establishes value estimates by processes involving comparisons. In general, a property being valued is compared with sales of similar properties that have been transacted in the open market. Listings and offerings may also be considered. As at December 31, 2017 and 2016, the revalued amount of the artworks amounted to ₱21,337 and ₱16,481, respectively (see Note 9).

Estimating Liability for Mine Rehabilitation
The Group estimates the costs of mine rehabilitation based on previous experience in rehabilitating fully mined areas in sections of the mine site. These costs are adjusted for inflation factor based on the average annual inflation rate as of adoption date or re-evaluation of the asset dismantlement, removal or restoration costs. Such adjusted costs are then measured at present value using the market interest rate for a comparable instrument adjusted for the Group's credit standing. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's liability for mine rehabilitation. The change in estimate for mine rehabilitation asset included under property, plant and equipment amounted to ₱6,428 and ₱25,252 as at December 31, 2017 and 2016, respectively (see Note 9). Liability for mine rehabilitation amounted to ₱100,871 and ₱95,947 as at December 31, 2017 and 2016, respectively (see Note 15).

Estimating Cost of Share-Based Payment
The Parent Company's Nonqualified Stock Option Plan grants qualified participants the right to purchase common shares of the Parent Company at a grant price. The ESOIP recognizes the services received from the eligible employees and an equivalent adjustment to the equity account over the vesting period. The Parent Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate

valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 19. While management believes that the estimates and assumptions used are reasonable and appropriate, significant differences in actual experience or significant changes in the estimates and assumptions may materially affect the stock compensation costs charged to operations. Cost of share-based payment amounted to ₱26,327 and ₱32,995 as at December 31, 2017 and 2016, respectively (see Notes 17 and 18).

Estimating Pension Benefits
The cost of defined benefit pension and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at the end of each reporting period. Net pension liability of the Parent Company amounted to ₱42,657 and ₱74,922 as at December 31, 2017 and 2016, respectively (see Note 28). Net pension liability of AFC amounted to ₱3,766 and ₱3,687 as at December 31, 2017 and 2016, respectively (see Note 28).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the Philippines and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the Philippines.

Further details about the assumptions used are provided in Note 28.

Assessing Realizability of Deferred Tax Assets
The Group reviews the carrying amounts of deferred tax assets at each end of the reporting period and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group recognized net deferred tax assets amounting to ₱69,397 and ₱34,456 as at December 31, 2017 and 2016, respectively. The Group has unused NOLCO, MCIT and deductible temporary differences amounting to ₱327,866 and ₱353,367, respectively, as at December 31, 2017 and 2016 for which deferred tax assets were not recognized as it is not probable that sufficient future taxable profits will be available against which the benefit of the deferred tax assets can be utilized (see Note 29).

4. Cash and Cash Equivalents

	2017	2016
Cash on hand and in banks	**₱35,297**	₱42,539
Short-term deposits	**29,231**	48
	₱64,528	₱42,587

Cash in banks earns interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term investment rates. Interest income from cash and cash equivalents amounted to ₱0.1 million, ₱0.3 million and ₱6.8 million in 2017, 2016 and 2015, respectively (see Note 25).

Cash in banks denominated in United States Dollar (US$) as at December 31, 2017 and 2016, amounted to ₱0.7 million (US$14,370) and ₱6.4 million (US$128,828), respectively (see Note 32).

5. Trade and Other Receivables

	2017	2016
Trade	**₱188,062**	₱176,181
Nontrade	**459,863**	439,333
ESOIP (Note 26)	**58,416**	58,416
Advances to officers and employees	**55,472**	66,304
Loan receivable	**49,763**	49,763
Receivables from lessees of bunkhouses	**39,215**	35,704
Others	**25,909**	11,027
	876,700	836,728
Less allowance for impairment losses	**114,993**	113,667
	₱761,707	₱723,061

Trade receivables and receivables from lessees of bunkhouses are non-interest bearing and are generally collectible within a period of one year. Advances to officers and employees are non-interest bearing and are subject to liquidation.

Nontrade receivables pertains to advances made to suppliers by the Group relating to materials and supplies necessary in the Group's operation. These are non-interest bearing and will be realized through offsetting against future billings from suppliers.

Other receivables comprised of various receivable items from different debtors of the Group, while advances to officers and employees pertain to cash advances that are used in the operations of the Group.

Most of the receivables of the Group consist of individually significant accounts and are therefore subject to specific impairment assessment. Based on the impairment assessment performed, the Group recognized allowance for impairment loss amounting to ₱115.0 million and ₱113.7 million as at December 31, 2017 and 2016, respectively, covering the said receivables, which are considered as individually impaired.

Receivables, which are not individually significant and for which no specific impairment assessment was made, were subjected to collective assessment.

The Group recognized provision for impairment loss on trade and other receivables amounting to ₱1.4 million, ₱9.7 million and ₱0.1 million in 2017, 2016 and 2015, respectively (see Note 22).

In 2017 and 2016, the Group wrote off nontrade and other receivables amounting to ₱0.04 million and ₱0.6 million, respectively, which were already provided with allowance for impairment loss, as such were assessed to be impaired.

In 2017 and 2016, the Group directly wrote off nontrade and other receivables amounting to nil and ₱23.4 million, respectively, resulting in losses for the same amounts (see Note 25).

Movements of allowance for impairment loss are as follows:

	2017						
	Trade receivables	**Nontrade receivables**	**Advances to officers and employees**	**ESOIP**	**Receivables from lessees of bunkhouses**	**Others**	**Total**
Balances at beginning of year	**₱5,115**	**₱11,732**	**₱2,149**	**₱58,416**	**₱35,079**	**₱1,176**	**₱113,667**
Provisions (Note 22)	**725**	**–**	**8**	**–**	**–**	**635**	**1,368**
Recoveries	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Write-off	**(42)**	**–**	**–**	**–**	**–**	**–**	**(42)**
Balances at end of year	**₱5,798**	**₱11,732**	**₱2,157**	**₱58,416**	**₱35,079**	**₱1,811**	**₱114,993**

	2016						
	Trade receivables	Nontrade receivables	Advances to officers and employees	ESOIP	Receivables from lessees of bunkhouses	Others	Total
Balances at beginning of year	3,168	₱12,322	₱2,116	₱58,416	₱27,328	₱1,176	₱104,526
Provisions (Note 22)	1,951	–	33	–	7,751	–	9,735
Write-off	(4)	(590)	–	–	–	–	(594)
Balances at end of year	₱5,115	₱11,732	₱2,149	₱58,416	₱35,079	₱1,176	₱113,667

Except for those impaired accounts, the Group assessed trade and other receivables as collectible and in good standing.

Loan Receivable
On March 3, 2010, MMC granted an unsecured loan facility to a third party amounting to ₱135.0 million with an interest rate of 9% per annum. Outstanding loans receivable, including accrued interest, amounted to ₱49.8 million as at December 31, 2017 and 2016.

6. Inventories

	2017	2016
Beneficiated nickel ore - at cost	**₱141,615**	₱205,012
Materials and supplies - at NRV	**20,150**	27,316
Subdivision lots - at cost	**5,509**	5,843
	₱167,274	₱238,171

Movements in subdivision lots are as follows:

	2017	2016
Balances at beginning of year	**₱5,843**	₱6,466
Sales (recognized as cost of real estate sales; Note 21)	**(334)**	(623)
Balances at end of year	**₱5,509**	₱5,843

As at December 31, 2017 and 2016, the NRV of the Group's beneficiated nickel ore and subdivision lots is higher than the related cost.

The amount of beneficiated nickel ore inventory recognized as expense, included in the costs of mine products sold in the consolidated statements of income, amounted to ₱270.3 million, ₱314.9 million and ₱819.6 million in 2017, 2016 and 2015, respectively.

The aggregate cost of beneficiated nickel ore inventory that increased (decreased) cost of mine products sold amounted to ₱63.4 million, (₱103.7 million) and (₱36.5 million) in 2017, 2016 and 2015, respectively (see Note 20).

The cost of materials and supplies, which are carried in the books at NRV, amounted to ₱311.3 million and ₱318.4 million as at December 31, 2017 and 2016, respectively.

Movements of allowance for impairment loss on materials and supplies are as follows:

	2017	2016
Balances at beginning of year	**₱291,055**	₱294,154
Provision	**97**	–
Write-off	–	(3,099)
Balances at end of year	**₱291,152**	₱291,055

The Group recognized an allowance for impairment loss relating to materials and supplies inventory amounting to ₱0.1 million and nil in 2017 and 2016, respectively.

Materials and supplies amounting to nil and ₱3.1 million, which were already provided with allowance for impairment loss, were written off in 2016 as the Group assessed that such can no longer be used.

Materials and supplies charged to current operations amounted to ₱157.8 million, ₱151.3 million and ₱248.7 million in 2017, 2016 and 2015, respectively (see Notes 20, 21 and 22). There are no purchase commitments related to inventories or inventories pledged as security for liabilities as at December 31, 2017 and 2016.

7. Other Current Assets

	2017	2016
Prepaid expenses	**₱335,294**	₱193,564
Input VAT - net	**274,912**	395,017
CWTs	**181,233**	184,718
Deferred input VAT	**104,431**	87,967
Advances to contractors	**52,373**	50,952
Others	**12,991**	6,237
	961,234	918,455
Less: Allowance for impairment loss on advances to contractors	**41,947**	41,947
	919,287	876,508

Prepaid expenses include tax credit certificates (TCC), which can be utilized as payment for income taxes. These also include prepayments for insurance, rent and other services.

The BIR disallowed input VAT claims filed for TCC by BNMI and KPLMSC totaling ₱4.5 million, ₱16.7 million and ₱78.9 million in 2017, 2016 and 2015, respectively (see Note 25).

CWTs are amounts withheld from income of the Group subject to expanded withholding tax.

Deferred input VAT represents tax on unpaid purchases of applicable services and will be claimed as input VAT upon payment.

Advances to contractors comprise mainly of advance payments made by the Group relating to services, materials and supplies necessary in the Group's operations. These are non-interest bearing and will be realized through offsetting against future billings from contractors.

Allowance for impairment losses on advances to contractors amounting to ₱41.9 million was recognized as at December 31, 2017 and 2016, as the Group believes that such advances may no longer be realized.

Others include security deposits which pertain to deposits to satisfy lease obligations of the Group. These are refundable at the end of the related lease term.

8. AFS Financial Assets

	2017	2016
UITF	**₱9,947**	₱9,436
Quoted shares	**893**	759
Unquoted shares	**601**	571
	₱11,441	₱10,766

Movements in AFS financial assets are as follows:

	2017	2016
Balances at beginning of year	**₱10,766**	₱11,970
Additions	**1,500**	23,767
Disposals	**(1,115)**	(25,170)
Change in fair value of AFS financial assets	**290**	199
Balances at end of year	**₱11,441**	₱10,766

The unrealized gain representing the change in fair value of these financial assets, net of deferred tax liability, amounting to ₱1.1 million and ₱0.9 million as at December 31, 2017 and 2016, respectively, is shown as part of the other components of equity in the consolidated statements of financial position and in the consolidated statements of changes in equity (see Note 17). The fluctuations in value of these investments are also reported as part of other comprehensive income (loss) in the consolidated statements of comprehensive income.

Movements in unrealized gain on AFS financial assets, net of deferred tax, recognized as a separate component of equity are as follows (see Note 17):

	2017	2016
Balances at beginning of year	**₱866**	₱881
Unrealized gain on fair value change	**203**	139
Realized gain on sale of AFS financial asset	**(10)**	(154)
Balances at end of year	**₱1,059**	₱866

Unquoted shares pertain to shares of stock that are not traded in an active market. These investments are carried at cost, less any impairment in value, since these investments do not have quoted market prices in an active market and their fair values cannot be reliably measured.

In 2017 and 2016, the Group sold AFS financial assets with cost amounting to ₱1.1 million and ₱25.0 million, respectively. Proceeds from these disposals amounted to ₱1.1 million and ₱25.2 million, respectively, resulting in realized gain amounting to ₱0.02 million and ₱0.2 million in 2017 and 2016, respectively (see Note 25).

9. Property, Plant and Equipment

a. Property, plant and equipment - at revalued amount

The Group's property, plant and equipment items carried at revalued amounts are as follows:

	2017	2016
Land	**₱1,048,919**	₱2,623,583
Artworks	**21,337**	16,481
	₱1,070,256	₱2,640,064

i. Land - at revalued amount

The Group adopted the revaluation model and engaged independent firms of appraisers to determine the fair value of its land and artworks classified under property, plant and equipment in the consolidated statements of financial position. The appraisers determined the fair value of the Group's land based on its market value as at March 15, 2013. The assigned values were estimated using the sales comparison approach, which considers the sales of similar or substitute properties and their related market values, and establishes value estimates through processes involving comparisons. Management has assessed that the difference of the fair values at the time of latest valuation and at December 31, 2017 is not significant and as such, therefore, no appraisal was performed in 2017.

In 2016, the Group recognized revaluation increment on land amounting to ₱1.2 million, net of deferred tax liability of ₱0.5 million.

	2017		
	Cost	**Revaluation increment**	**Total**
Balances at beginning of year	**₱39,486**	**₱2,584,097**	**₱2,623,583**
Reclassification (Note 10)	**–**	**(1,574,664)**	**(1,574,664)**
Balances at end of year	**39,486**	**1,009,433**	**1,048,919**

	2016		
	Cost	Revaluation increment	Total
Balances at beginning of year	₱40,334	₱2,583,053	₱2,623,387
Change in fair value	–	1,770	1,770
Disposal	(848)	(726)	(1,574)
Balances at end of year	₱39,486	₱2,584,097	₱2,623,583

ii. Artworks - at revalued amount

Artworks owned by the Group are stated at revalued amounts. Independent revaluations are performed every three to five years by an independent appraiser. The latest appraisal was performed by Salcedo Auctions, Inc., an independent appraiser, on December 8, 2017. The assigned value was estimated using the sales comparison approach, which considers the sales of similar or substitute properties and related market values and establishes value estimates by processes involving comparisons. In general, a property being valued is compared with sales of similar properties that have been transacted in the open market. Listings and offerings may also be considered. As at December 31, 2017 and 2016, the revalued amount of the artworks amounted to ₱21,337 and ₱16,481, respectively.

The artworks would have been recorded at ₱896 in the consolidated statement of financial position had these been carried at cost.

	2017		
	Cost	**Revaluation increment**	**Total**
Balances at beginning of year	**₱896**	**₱15,585**	**₱16,481**
Change in fair value	**–**	**4,856**	**4,856**
Balances at end of year	**₱896**	**₱20,441**	**₱21,337**

	2016		
	Cost	Revaluation increment	Total
Balances at beginning and end of year	₱896	₱15,585	₱16,481

In 2017, the Group recognized revaluation increment on artworks amounting to ₱3.4 million, net of deferred tax liability of ₱1.5 million.

b. Property, Plant and Equipment - at cost

2017

	Land improvements	Buildings	Machinery, tools and equipment	Mine and mining properties	Port facilities	CIP	Total
Cost:							
Beginning balance	₱73,798	₱326,833	₱1,615,230	₱1,602,054	₱100,637	₱139,343	₱3,857,895
Additions	285	10,659	18,693	25,681	–	916	56,234
Disposals	–	–	(714,278)	–	–	–	(714,278)
Change in estimate of the liability for mine rehabilitation (Note 15)	–	–	–	6,428	–	–	6,428
Reclassifications	–	3,658	1,619	–	880	(6,157)	–
Retirements	–	(20,790)	(32)	–	–	–	(20,822)
Ending balance	74,083	320,360	921,232	1,634,163	101,517	134,102	3,185,457
Accumulated depreciation and depletion:							
Beginning balance	63,089	298,582	1,502,251	808,050	14,719	–	2,686,691
Depreciation and depletion (Note 24)	1,826	13,646	84,486	19,926	4,191	–	124,075
Disposals	–	–	(713,297)	–	–	–	(713,297)
Retirements	–	(20,790)	(32)	–	–	–	(20,822)
Ending balance	64,915	291,438	873,408	827,976	18,910	–	2,076,647
Net book values	₱9,168	₱28,922	₱47,824	₱806,187	₱82,607	₱134,102	₱1,108,810

2016

	Land improvements	Buildings	Machinery, tools and equipment	Mine and mining properties	Port facilities	CIP	Total
Cost:							
Beginning balance	₱105,553	₱339,394	₱1,593,093	₱1,565,715	₱100,533	₱130,863	₱3,835,151
Additions	211	1,014	15,010	11,087	104	8,480	35,906
Disposals	(51)	–	(55)	–	–	–	(106)
Change in estimate of the liability for mine rehabilitation (Note 15)	–	–	–	25,252	–	–	25,252
Reclassifications	–	(7,182)	7,182	–	–	–	–
Reclassifications to investment property (Note 10)	(31,915)	–	–	–	–	–	(31,915)
Retirements	–	(6,393)	–	–	–	–	(6,393)
Ending balance	73,798	326,833	1,615,230	1,602,054	100,637	139,343	3,857,895
Accumulated depreciation and depletion:							
Beginning balance	61,323	293,009	1,383,996	784,581	10,530	–	2,533,439
Depreciation and depletion (Note 24)	1,817	11,966	118,279	23,469	4,189	–	159,720
Disposals	(51)	–	(24)	–	–	–	(75)
Retirements	–	(6,393)	–	–	–	–	(6,393)
Ending balance	63,089	298,582	1,502,251	808,050	14,719	–	2,686,691
Net book values	₱10,709	₱28,251	₱112,979	₱794,004	₱85,918	₱139,343	₱1,171,204

Proceeds totaling ₱46.6 million, ₱2.3 million and ₱75.8 million in 2017, 2016 and 2015, respectively, from the disposal of property, plant and equipment items resulted in net gain of ₱45.6 million in 2017, ₱0.7 million in 2016 and net losses of ₱30.3 million in 2015 (see Note 25).

In 2017, the Group retired fully depreciated building and machinery, tools and equipment with a total cost and accumulated depreciation of ₱20.8 million.

In 2016, the Group reclassified a land improvement from property, plant and equipment to investment property with a cost of ₱31.9 million due to the change in use, evidenced by the ending of owner-occupation. This property is being held by the Group for capital appreciation (see Note 10).

The cost of fully depreciated property, plant and equipment still being used in the Group's operations amounted to ₱0.77 billion and ₱1.2 billion as at December 31, 2017 and 2016, respectively.

Movements in mine and mining properties in 2017 and 2016 are as follows:

	2017			
	Mine and mining properties	**Mine development costs**	**Mine rehabilitation asset**	**Total**
Cost:				
Balances at beginning of year	**₱1,488,064**	**₱–**	**₱113,990**	**₱1,602,054**
Additions	**25,681**	**–**	**–**	**25,681**
Change in estimate of the liability for mine rehabilitation (Note 15)	**–**	**–**	**6,428**	**6,428**
Balances at end of year	**1,513,745**	**–**	**120,418**	**1,634,163**
Accumulated depletion:				
Balances at beginning of year	**780,862**	**–**	**27,188**	**808,050**
Depletion (Note 24)	**16,330**	**–**	**3,596**	**19,926**
Balances at end of year	**797,192**	**–**	**30,784**	**827,976**
Net book values	**₱716,553**	**₱–**	**₱89,634**	**₱806,187**

	2016			
	Mine and mining properties	Mine development costs	Mine rehabilitation asset	Total
Cost:				
Balances at beginning of year	₱1,234,484	₱242,493	₱88,738	₱1,565,715
Additions	–	11,087	–	11,087
Change in estimate of the liability for mine rehabilitation (Note 15)	–	–	25,252	25,252
Reclassifications from mine development costs to mine and mining properties	253,580	(253,580)	–	–
Balances at end of year	1,488,064	–	113,990	1,602,054
Accumulated depletion:				
Balances at beginning of year	₱758,802	₱–	₱25,779	₱784,581
Depletion (Note 24)	22,060	–	1,409	23,469
Balances at end of year	780,862	–	27,188	808,050
Net book values	₱707,202	₱–	₱86,802	₱794,004

10. **Investment Properties**

	2017	2016
Balances at beginning of year	**₱31,915**	₱209,558
Reclassification from property, plant and equipment (Note 9)	**1,574,664**	31,915
Revaluation (Note 25)	**5,167**	–
Disposals	–	(209,558)
Balances at end of year	**₱1,611,746**	₱31,915

Investment property consists of a parcel of land located in Irisan, Baguio City with an area of 18,541 square meters and a cost of ₱31,915 million.

In 2016, the reclassification from property, plant and equipment pertains to the change in use of a property from being an owner-occupied property to an investment property that is held for long-term capital appreciation.

On July 8, 2016, the Group sold investment property with a carrying value of ₱209.6 million for ₱191.5 million, resulting in a loss on sale of ₱18.0 million (see Note 25).

On March 10, 2017, the Group engaged an independent appraiser to assess the fair market value of the investment property. The market value of the investment property was estimated using the sales comparative approach, which considers the sales of similar or substitute properties and related market values and establishes value estimates by processes involving comparisons. In general, a property being valued is compared with sales of similar properties that have been transacted in the open market. Listings and offerings may also be considered. The Group recognized a gain on revaluation amounting to ₱5.2 million in 2017 (see Note 25).

On May 9, 2017, the PAB held a technical conference on the discovered tailings spill at Antamok, Itogon, Benguet during 2016. On the same date, the Parent Company, in response to the said conference, carried out a change in use of its Antamok property and other nearby properties, and therefore reclassified their revalued amount totaling ₱1,575,664, from property, plant and equipment to investment properties. The change in use takes into account the fact that the Group no longer undertakes any operational activity in the said properties other than to hold these for capital appreciation.

As at December 31, 2017, the fair value of the Group's investment properties in Itogon, Benguet still amounted to ₱1,574,664. An independent firm of appraisers, Cuervo Appraisers, Inc, performed the appraisal of the land and determined its fair value based on its market value as at February 23, 2013. The market value of the investment properties was estimated using the sales comparative approach, which considers the sales of similar or substitute properties and related market values and establishes value estimates by processes involving comparisons. In general, a property being valued is compared with sales of similar properties that have been transacted in the open market. Listings and offerings may also be considered.

Certain parcels of land totaling to ₱237,082 are used as collateral for the Malayan Bank loan of the Parent Company (see Note 13).

11. **Deferred Mine Exploration Costs**

Movements in deferred mine exploration costs are as follows:

	2017	2016
Balances at beginning of year	**₱616,120**	₱544,020
Additions	**5,551**	72,100
Balances at end of year	**₱621,671**	₱616,120

Additions pertain to drilling, hauling, and other ongoing exploration and evaluation activities of the Group.

The Parent Company is currently working on exploration and drilling programs to upgrade AGP's capacity.

During the third quarter of 2015, BNMI conducted confirmatory exploration drilling activities in Area 1. The said drilling activities are intended to confirm the remaining resource potential of the said area. During 2017, BNMI did not incur additional exploration costs due to the suspension order issued by DENR.

12. **Other Noncurrent Assets**

	2017	2016
Advances to contractors and suppliers	**₱98,275**	₱108,470
MRF	**51,352**	51,893
Advance royalties	**4,983**	4,983
Prepaid rent	**2,890**	6,303
Others	**1,746**	2,095
	₱159,246	₱173,744

Advances to contractors and suppliers pertain to prepayments of the Group to its contractors and suppliers for exploration and other related activities and projects.

MRF pertains to accounts opened with local banks in compliance with the requirements of DAO No. 2010-21, otherwise known as The Revised Implementing Rules and Regulations of the Philippine Mining Act of 1995. The MRF shall be used for physical and social rehabilitation of areas and communities affected by the mine operations, and for research in the social, technical and preventive aspects of the mine's rehabilitation. The funds earn interest at the respective bank deposit rates. Interest income earned from MRF amounted to ₱0.2 million, ₱0.3 million and ₱0.6 million in 2017, 2016 and 2015, respectively (see Note 25).

On May 23, 1995, the Group entered into a Royalty Agreement with an Option to Purchase (Agreement) with Pantukan Mineral Corporation (PMC). Under this Agreement, the Group is allowed to perform exploration, development and mining activities over the mining properties of PMC, located in Pantukan, Davao del Norte and Davao Oriental. The Group shoulders all the costs of such activities while PMC is entitled to royalty calculated on the bases as specified in the Agreement.

Prepaid rent represents the noncurrent portion of advance rentals made by the Group for various lease obligations.

Others pertain to various assets of the Group, which are individually insignificant and are expected to be realized beyond 12 months after the reporting period.

13. **Loans Payable**

	2017	2016
Unsecured loans	**₱270,062**	₱308,705
Accrued interest and penalties	**237,831**	237,819
Secured loans	**70,000**	52,890
Others	**100,736**	105,707
	₱678,629	₱705,121

a. Unsecured loans

In 2015, BNMI obtained an interest bearing loan from Trans Middle East Phils. Equities, Inc. amounting to ₱250.0 million. During the same year, BNMI paid ₱65.0 million of the outstanding principal balance, after which the parties agreed that the loan becomes due and demandable. Outstanding principal amount of the loan amounted to ₱185.0 million as at December 31, 2017 and 2016.

The Parent Company has various loans, which are being renegotiated and are undergoing restructuring. Nominal interest rates vary from floating rate of 91-day Philippine PhP T-bill rate for peso loans and 3-month London Interbank Offered Rate (LIBOR) foreign loans, plus a margin of 3.5% for secured loans. Remaining balance related to these loans amounted to ₱85.1 million and ₱123.7 million as at December 31, 2017 and 2016, respectively.

In 2017, the Parent Company wrote-off a loan payable to a creditor and realized a gain amounting to ₱38.6 million since the Parent Company can no longer locate the said creditor (see Note 25).

b. Secured loans

The Parent Company has a revolving secured promissory note from a local bank to finance its working capital requirements. This loan facility has an outstanding balance of ₱70.0 million and ₱52.9 million as at December 31, 2017 and 2016, respectively.

Certain parcels of land amounting to ₱237.1 million was used as collateral to secure the loan.

c. Others

Nickel Off-take Agreements
On August 24, 2011, BNMI signed a tri-partite off-take agreement with the Parent Company and a Chinese trading company, for the sale of nickel ore. In accordance with the agreement, the Chinese trading company shall extend a loan of US$6.0 million to the Parent Company. BNMI will deliver and sell 1.8 million tons of 1.8% grade nickel ore over a period of 36 months at 0.6 million tons per 12 months, to start six months after signing of the agreement. The Chinese trading company will deduct US$3.33 per ton from the selling price of the nickel ore to be treated as repayment of the loan to the Parent Company.

As at December 31, 2017 and 2016, the remaining advances amounted to $2 million (₱100.7 million) and $2.1 million (₱105.7 million), respectively.

Total proceeds from these loans amounted to ₱70.0 million and nil in 2017 and 2016, respectively.

Total principal payments for these loans amounted to ₱58.3 million and ₱93.7 million in 2017 and 2016, respectively.

Accrued interest and penalties represent cumulative interest and default charges as at December 31, 2017 and 2016. Total interest related to loans payable amounted to ₱4.1 million, ₱13.4 million and ₱35.4 million in 2017, 2016 and 2015, respectively.

14. Trade and Other Payables

	2017	2016
Trade	**₱672,332**	₱606,544
Nontrade	**184,921**	173,476
Output VAT	**63,902**	52,028
Accrued expenses:		
Professional fees and contracted services	**21,974**	23,818
Power and utilities	**14,800**	15,739
Others	**20,951**	20,554
Customer advances	**17,465**	108,470
Excise taxes and royalties	**7,243**	–
Payables to officers and employees	**6,576**	10,649
Others	**17,870**	12,162
	₱1,028,034	₱1,023,440

Trade payables include import and local purchases of equipment, inventories and various parts and supplies used in the operations of the Group. These are non-interest bearing and are normally settled in 60 to 90 days' terms.

Nontrade payables represent other operating expenses that are payable to various suppliers and contractors and regulatory agencies.

Customer advances pertain to cash advances from BNMI's customers, which can be settled through future nickel ore shipments to the said customers (see Note 16).

Payables to officers and employees include unclaimed wages, accrued vacation and sick leave credits and accrued payroll, which are payable within 30 days.

Excise taxes and royalties pertain to taxes payable by the Group for its legal obligation arising from the production of mine products.

Others represent individually insignificant payables, operating and administrative expenses.

15. **Liability for Mine Rehabilitation**

	2017	2016
Balances at beginning of year	**₱95,947**	₱37,393
Change in estimate:		
Recognized as adjustment to the mine rehabilitation asset (Note 9)	**6,428**	25,252
Recognized in profit or loss (Note 25)	**(5,771)**	32,174
Accretion (Note 25)	**4,267**	1,128
Balances at end of year	**₱100,871**	₱95,947

This provision is based on the Group's estimates. Assumptions based on the current economic environment have been made, which management believes are reasonable bases upon which to estimate the future liability.

The final rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes and changes inflation rates (3.14% in 2017 and 3.94% 2016) and changes in discount rates (4.96% in 2017 and 4.44% 2016).

These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for mine rehabilitation. As a result, there could be significant adjustments to the provision established that could affect future financial results.

The provision at the end of each reporting period represents management best estimate of the present value of the future rehabilitation cost required. This estimate is reviewed regularly to take into account any material changes in the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required, which will reflect market conditions at the relevant time. The timing of rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. This, in turn, will depend upon future ore prices, which are inherently uncertain.

16. **Other Noncurrent Liabilities**

	2017	2016
Customer advances	**₱236,162**	₱247,678
Equity of claimowners in contract operations	**49,136**	49,136
Deposit for future stock subscriptions	**32,000**	32,000
Others	**765**	560
	₱318,063	₱329,374

Customer advances of BNMI may be settled through future nickel ore shipments to its customers. The current portion of the said advances is presented as part of trade and other payables (see Note 14). On September 18, 2013 and April 11, 2014, BNMI entered into off-take agreements with a Korean trading company for a total amount of US$8.0 million in exchange for future shipments. The advances under the said offtake agreement are non-interest bearing and will be settled through deductions from the selling price of every shipment. On December 31, 2016, the first off-take agreement amounting to US$2.0 million became fully paid, which left only the

April 11, 2014 off-take agreement amounting to US$6.0 million as outstanding. As at December 31, 2017, the remaining balance of the advances amounted to US$5.1 million.

Equity of claimowners in contract operations pertain to the outstanding liability of the Parent Company to Consolidated Mines, Inc. Discussions on the settlement of said liability are still on-going as at December 31, 2017.

As at December 31, 2017 and 2016, deposit for future stock subscriptions received by BLI from Almega Management and Investment, Inc. amounted to ₱32.0 million. The related increase in authorized capital stock of BLI has been approved by BLI's BOD and majority of its stockholders on March 16, 2016. As at March 20, 2018, the application with and the approval by the Philippine SEC of the increase in authorized capital stock are still pending.

Others pertain to payables of the Group not expected to be paid within 12 months after the reporting period.

17. Equity

Capital Stock

	2017		2016	
	No. of shares	**Amount**	No. of shares	Amount
Authorized				
Convertible Preferred Class A - ₱3.43 par value	**19,652,912**	**₱67,500**	19,652,912	₱67,500
Common Class A - ₱1 par value in 2017 and ₱3 par value in 2016	**430,380,000**	**430,874**	430,380,000	430,380
Common Class B - ₱1 par value in 2017 and ₱3 par value in 2016	**286,920,000**	**287,135**	286,920,000	286,920
	736,952,912	**785,509**	736,952,912	784,800
Issued				
Convertible Preferred Class "A"	**217,061**	**745**	217,061	745
Common Class "A"	**371,050,755**	**371,050**	370,557,255	370,557
Common Class "B"	**245,068,497**	**245,068**	244,853,697	244,853
Total shares issued and subscribed	**616,336,313**	**616,863**	615,628,013	616,155
Treasury Shares				
Convertible Preferred Class "A"	**–**	**–**	–	–
Common Class "A"	**310,794**	**7,158**	310,794	7,158
Common Class "B"	**37,275**	**858**	37,275	858
Total treasury shares	**348,069**	**8,016**	348,069	8,016
Outstanding				
Convertible Preferred Class "A"	**217,061**	**₱745**	217,061	₱745
Common Class "A"	**370,739,961**	**363,892**	370,246,461	363,399
Common Class "B"	**245,031,222**	**244,210**	244,816,422	243,995
Total outstanding shares	**615,988,244**	**₱608,847**	615,279,944	₱608,139

The two classes of common shares of the Group are identical in all respects, except that ownership of Common Class A is restricted to Philippine nationals.

The convertible preferred shares are limited to Philippine nationals and convertible into Common Class A shares at a conversion premium of ₱6.02 per share. Each preferred share is convertible into 9.4875 Common Class A shares. The convertible preferred shares are also entitled to have one vote for each full share of Common Class A stock into which such share of convertible preferred stock is, at any stockholders’ meeting, then convertible. It does not enjoy the same dividend right as the two classes of common stock but is entitled to a fixed cumulative dividend of 8% a year if there is surplus profit and when declared by the BOD.

On May 4, 2012, the Parent Company entered into a Stock Subscription Agreement with RYM Business Management Corporation (RBMC) for the subscription of 7.9 million Class A common shares and 5.3 million Class B common shares of the Parent Company pursuant to the Memorandum of Agreement (MOA) dated April 7, 2010 and the Addendum to the MOA dated September 17, 2010. The total subscription price for the aforementioned Class A and Class B shares amounting to ₱180.0 million was received on May 31, 2012. On February 18, 2013, the Parent Company issued a total of 7.9 million Common Class A and 5.3 million Common Class B shares to RBMC pursuant to the terms and conditions of the MOA on Private Placement dated April 7, 2010, Addendum to the MOA dated September 17, 2010, Stock Subscription Agreement dated May 4, 2012 and Letter of Agreement dated December 14, 2012 between the Parent Company and RBMC.

On August 23, 2013, the Parent Company’s BOD approved the private placement of RBMC. RBMC is willing to infuse additional capital up to ₱250.0 million in exchange for Class A and B shares at the average price of the last five trading days from August 5 to 15, 2013. The first part of the placement calls for subscription by RBMC to 18.0 million common shares, which are the remaining available unissued shares of the Parent Company, in the amount of ₱162.0 million. The remainder of the placement will follow after the Parent Company has increased its authorized capital stock.

On March 20, 2014, the Parent Company issued a total of 7.2 million Class A and 10.8 million Class B common shares pursuant to the terms and conditions of the MOA on Private Placement dated August 23, 2013 and Stock Subscription Agreement dated September 23, 2013 between the Parent Company and RBMC.

On March 28, 2014, the BOD approved the increase in the Parent Company’s authorized capital stock from ₱600.0 million (consisting of 120.0 million Common Class A shares and 80.0 million Common Class B shares, both having par value of ₱3.00 each) to ₱717.3 million (consisting of 143.5 million Common Class A shares and 95.6 million Common Class B shares, both having par value of ₱3.00 each). After the amendment, the total authorized capital stock of the Parent Company has increased from ₱667.5 million to ₱784.8 million. The application for the increase was approved by the stockholders during the annual meeting held last May 28, 2014.

On February 9, 2015, RBMC paid the full subscription price of ₱88.0 million related to the MOA on Private Placement dated August 23, 2013, representing the second tranche of the private placement in the Parent Company. The private placement covers 9,777,777 shares representing 5,866,697 Common Class A shares and 3,911,080 Class B shares. On April 28, 2016, the PSE approved the listing of the said shares.

On March 27, 2015, the BOD approved amendments on the Articles of Incorporation of the Parent Company, which include the change in the par value of both Common Class A and Class B shares from ₱3.00 to ₱1.00 per share, and the creation of a new class of redeemable non-retirable Common Class B shares, with par value of 1 per share. During the annual stockholders’ meeting on May 28, 2015, the said amendments were approved by a majority vote of the Parent Company’s stockholders and by the SEC on July 29, 2016. On September 28, 2015, the Philippine SEC approved the application of the increase in the Parent Company's authorized capital stock from ₱600.0 million to ₱717.3 million.

On July 29, 2016, the Philippine SEC approved the amendment to the Article Seventh of the Amended Articles of Incorporation and Article 1, Section 1 of the Amended By-Laws of the Parent Company, which changed the par value of its Common Class A and Common Class B shares from ₱3.00 to ₱1.00 per share and increased the number of common shares by threefold. The reduction in par value essentially resulted in a stock split.

The following are the movements in the number of issued shares of the Parent Company:

2017

	Convertible Preferred Class A	**Common Class A**	**Common Class B**
Issued shares at beginning of year	**217,061**	**370,557,255**	**244,853,697**
Exercise of stock options (Note 18)	**–**	**493,500**	**214,800**
Issued shares at end of year	**217,061**	**371,050,755**	**245,068,497**

2016

	Convertible Preferred Class A	Common Class A	Common Class B
Issued shares at beginning of year	217,061	123,399,085	81,537,899
Effect of increase in number of common shares and reduction in par value	–	246,798,170	163,075,798
Exercise of stock options (Note 18)	–	360,000	240,000
Issued shares at end of year	217,061	370,557,255	244,853,697

All issuances of capital stock made in 2017 and 2016 were exempted from the registration requirements of Securities Regulation Code (SRC) Rule 10.1 and 10.2. Total proceeds on the issuance of shares due to the exercise of stock options amounted to ₱1.2 million and ₱1.1 million in 2017 and 2016, respectively.

Below is the Parent Company's track record of registration of securities under the Philippine SEC:

Date of Registration (SEC Approval)	Description	Number of shares	Par value per share	Total amount (in 000's)
June 18, 1956	Capital upon registration:			
	Common shares	18,000,000	₱1.00	₱18,000
November 25, 1960	Increase in number and par value of common shares:			
	Common shares	20,000,000	2.00	40,000
November 9, 1964	Increase in par value of common shares:			
	Common shares	20,000,000	3.00	60,000
October 22, 1968	Increase in number of common shares and introduction of preferred shares:			
	Common shares	50,000,000	3.00	150,000
	Preferred shares	6,000,000	5.00	30,000
March 12, 1974	Split of common share into two classes and change in number and par value and addition of conversion feature to the preferred shares:			
	Common class A	30,000,000	3.00	90,000
	Common class B	20,000,000	3.00	60,000
	Convertible preferred shares	19,652,912	3.43	67,500

(Forward)

Date of Registration (SEC Approval)	Description	Number of shares	Par value per share	Total amount (in 000's)
July 27, 1989	Increase in number of common shares			
	Common class A	120,000,000	3.00	360,000
	Common class B	80,000,000	3.00	240,000
	Convertible preferred shares	19,652,912	3.43	67,500
September 28, 2015	Increase in number of common shares			
	Common class A	143,460,000	3.00	430,380
	Common class B	95,640,000	3.00	286,920
	Convertible preferred shares	19,652,912	3.43	67,500
July 29, 2016	Increase in number of common shares and reduction in par value			
	Common class A	430,380,000	1.00	430,380
	Common class B	286,920,000	1.00	286,920
	Convertible preferred shares	19,652,912	₱3.43	₱67,500
As at December 31, 2017:				
	Common class A	430,380,000	1.00	430,380
	Common class B	286,920,000	1.00	286,920
	Convertible preferred shares	19,652,912	3.43	67,500

As at December 31, 2017, 2016 and 2015, the Parent Company has 16,931, 16,905 and 16,891 stockholders, respectively.

Other Components of Equity

	2017	2016
Revaluation increment - net of deferred tax	**₱720,428**	₱717,029
Cumulative translation adjustments of foreign subsidiaries - net of deferred tax	**32,848**	33,125
Remeasurement gain on retirement obligation - net of deferred tax (Note 29)	**29,274**	8,429
Cost of share-based payment (Note 18)	**26,327**	32,995
Unrealized gain on AFS financial assets - net of deferred tax (Note 9)	**1,059**	866
	₱809,936	₱792,444

As at December 31, 2017 and 2016, the Parent Company has 0.3 million shares held in treasury amounting to ₱8.0 million at ₱23 per share.

Movements in cost of share-based payment are as follows:

	2017	2016
Balances at beginning of year	**₱32,995**	₱54,441
Stock options exercised	**(4,587)**	(3,717)
Stock options expired	**(2,741)**	(14,328)
Stock options vested	**660**	1,843
Stock options forfeited	–	(5,244)
Balances at end of year	**₱26,327**	₱32,995

Capital Surplus

	2017	2016
Balances at beginning of year	**₱367,862**	₱344,106
Employees' exercise of stock options	**5,123**	4,184
Expiration of stock options	**2,741**	14,328
Forfeiture of stock options	**–**	5,244
Balances at end of year	**₱375,726**	₱367,862

18. **Stock Option Plan**

Under the 1975 Nonqualified Stock Option Plan (Plan), as amended, 9.9 million shares of the unissued common stock of the Parent Company have been reserved for stock options to selected managers, directors and consultants of the Parent Company. The option price is payable on exercise date and should not be less than the fair market value of the shares quoted on the date of the grant. The Plan, valid up to May 31, 1998, allows a maximum of 632,500 shares to be available to any one optionee. On May 26, 1998, the BOD and the stockholders approved the extension of the Plan until May 31, 2003, which was extended further on December 18, 2002 with the BOD and the stockholders' approval until May 31, 2008. On December 18, 2007, the BOD and the stockholders approved a further extension of the Plan until May 31, 2013.

On March 23, 2012, the BOD and the stockholders approved the proposed amendments to the existing Amended Stock Option Plan and to extend the termination date of the existing Plan for five years or until May 31, 2018.

As per amendments, there will be an increase in the maximum award per employee from 200,000 shares over the life of the plan to 500,000 shares per grant and an increase in the shares reserved for issuance under the Plan from the total of 9,906,661 to 22,000,000.

Options granted to Filipino optionees are exercisable in the form of 60% Common Class A and 40% Common Class B shares. Options for Common Class B shares may be exercised only if Common Class A shares had been previously or simultaneously exercised so as to maintain a minimum 60:40 ratio of Common Class A to Common Class B shares.

The options under the Plan are non-transferable and are exercisable to the extent of 30% after one year from the date of grant, 60% after two years from the date of grant, and 100% after three years from the date of grant. No option is exercisable after 10 years from the date of grant.

On July 29, 2016, the Philippine SEC approved the decrease in the par value of the Parent Company's Common Class A and Common Class B shares from ₱3.00 to ₱1.00 per share, which increased the number of common shares by threefold (see Note 17).

Unexercised share options per grant are as follows:

	Unexercised share options as at January 1, 2017	Exercised in 2017	Expired in 2017	Unexercised share options as at December 31, 2017
Class A - April 2006 Grant	–	–	–	–
- May 2011 Grant	2,483,997	(313,500)	(169,200)	2,001,297
- September 2012 Grant	666,000	(180,000)	(90,000)	396,000
- May 2014 Grant	1,080,000	–	–	1,080,000
Class B - April 2006 Grant	–	–	–	–
- May 2011 Grant	1,656,345	(94,800)	(112,800)	1,448,745
- September 2012 Grant	444,000	(120,000)	(60,000)	264,000
- May 2014 Grant	720,000	–	–	720,000
Total	**7,050,342**	**(708,300)**	**(432,000)**	**5,910,042**

On April 6, 2016, all of the share options awarded on April 6, 2006 have expired.

On August 31, 2016, the Parent Company's BOD approved the following amendments to the Plan due to the effect of the share split on July 29, 2016:

- change in the exercise price of outstanding options
- change in the maximum number of shares per grant from 500,000 to 1,500,000
- repricing of the unexercised share options brought about by the low turn-out in the availment of the grant due to high exercise price compared to market price. The repricing was based on the closing price on August 18, 2016 of Class A and Class B common shares amounting to ₱2.25 and ₱2.55, respectively, less 25% discount pursuant to the provisions of the amended stock option plan of the Parent Company.

The exercise prices of outstanding options considers the effect of the stock split and the change in exercise prices, are as follows:

	At grant date	After effect of stock split	As modified
Class A - May 2011 Grant	₱16.50	₱5.50	₱1.69
- September 2012 Grant	17.96	5.99	1.69
- May 2014 Grant	7.13	2.38	1.69
Class B - May 2011 Grant	17.50	5.83	1.91
- September 2012 Grant	17.63	5.88	1.91
- May 2014 Grant	7.13	2.38	1.91

	2017	2016
Average exercise price per share	**₱1.76**	₱1.78
Shares available for future option grants	**32,929,698**	31,633,698

The change in exercise price of outstanding options is treated as a modification of the Plan terms, which resulted in an additional expense, measured as at the date of modification, for the increase in the total fair value of the outstanding share options. The table below shows the increase in fair value due to the change in the exercise price of each grant:

		Fair value after change in exercise price	Fair value before change in exercise price	Increase in fair value
Class A	- May 2011 Grant	₱2,718	₱2,462	₱256
	- September 2012 Grant	792	763	29
	- May 2014 Grant	781	775	6
Class B	- May 2011 Grant	2,075	1,920	155
	- September 2012 Grant	604	587	17
	- May 2014 Grant	593	591	2
Total		₱7,563	₱7,098	₱465

Stock option expense relating to the Plan recognized in 2017, 2016 and 2015 amounted to ₱0.7 million, ₱1.8 million and ₱4.7 million, respectively (see Note 23), the expense pertains to shares vested in the current year.

A summary of the number of shares under the Plan is shown below:

	2017	2016
Outstanding at beginning of year	**7,050,342**	4,719,394
Exercised during the year (Note 18)	**(708,300)**	(600,000)
Expiration	**(432,000)**	(1,847,280)
Change in the maximum number of shares per grant	**–**	5,744,228
Forfeiture	**–**	(966,000)
Outstanding at end of year	**5,910,042**	7,050,342
Exercisable at end of year	**5,910,042**	6,330,342

The Parent Company used the binomial options pricing model to determine the fair value of the stock options.

The following assumptions were used to determine the fair value of the stock options:

	Share price	Exercise price	Expected volatility	Option life	Expected dividends	Risk-free interest rate
May 3, 2011 Grant	16.5	16.5	91.20%	10 years	0.00%	6.46%
	17.5	17.5	155.57%	10 years	0.00%	6.46%
Sep 9, 2012 Grant	23.95	17.96	57.35%	10 years	0.00%	4.80%
	23.5	17.63	65.53%	10 years	0.00%	4.80%
May 26, 2014 Grant	9.5	7.13	77.28%	10 years	0.00%	3.90%
	9.5	7.13	84.29%	10 years	0.00%	3.90%

The expected volatility measured at the standard deviation of expected share price returns was based on the analysis of share prices for the past 365 days. The cost of share-based payment amounted to ₱26.3 million and ₱33.0 million as at December 31, 2017 and 2016, respectively (see Note 17).

19. Sale of Mine Products and Sale of Services

Sale of mine products is broken down as follows:

	2017	2016	2015
Nickel	**₱603,791**	₱810,149	₱2,390,520
Gold	**688,896**	540,791	679,019
Lime	**84,789**	72,024	64,791
Silver	**2,285**	1,462	3,122
	₱1,379,761	₱1,424,426	₱3,137,452

Sale of mine products includes sales of nickel, gold, silver and lime, which are subject to 2% excise tax based on gross revenues.

As a requirement under DAO No. 2010-21, 'The Mining Act Implementing Rules and Regulations', BNMI pays royalty to the MGB for every shipment of nickel ore equivalent to 5% of the peso equivalent of the nickel ore shipped since the SCNP is within a Mineral Reservation.

Excise taxes and royalty fees related to the sale of mine products amounted to ₱56.5 million, ₱67.7 million and ₱181.1 million in 2017, 2016 and 2015, respectively.

Sale of services is broken down as follows:

	2017	2016	2015
Health care	**₱64,215**	₱78,223	₱68,956
Trucking and logistics	**4,143**	22,374	27,347
	₱68,358	₱100,597	₱96,303

20. Costs of Mine Products Sold

	2017	2016	2015
Outside services	**₱320,389**	₱406,137	₱735,788
Contractor fees	**139,434**	190,382	273,331
Materials and supplies (Note 6)	**124,327**	117,744	184,746
Depreciation and depletion (Note 24)	**65,703**	68,013	80,824
Personnel expenses (Note 23)	**58,140**	62,320	101,481
Power, rent and utilities	**41,892**	32,631	47,596
Repairs and maintenance	**22,755**	21,451	29,914
Smelting, refining and marketing	**7,062**	6,160	9,993
Travel and transportation	**369**	109	811
Taxes and licenses	**26**	55	174
Others	**15,649**	9,886	2,263
	795,746	914,888	1,466,921
Net change in beneficiated nickel ore (Note 6)	**63,397**	(103,653)	(36,525)
	₱859,143	₱811,235	₱1,430,396

Outside services pertain to the amounts paid to contractors and consultants involved in the mining operations of the Group.

Other expenses consist of various direct charges to cost of mine products, which are individually insignificant.

21. Cost of Services and Other Sales

	2017	2016	2015
Personnel expenses (Note 23)	**₱29,234**	₱29,264	₱35,595
Professional fees	**22,237**	20,647	9,842
Materials and supplies (Note 6)	**17,615**	13,105	22,185
Depreciation and depletion (Note 24)	**11,422**	16,098	34,013
Rent	**8,906**	10,778	17,000
Retainers and consultancy fees	**1,645**	2,541	6,274
Travel and transportation	**1,400**	6,523	11,200
Repairs and maintenance	**709**	659	863
Cost of real estate sold (Note 6)	**334**	623	3,040
Taxes and licenses	**–**	–	867
Others	**3,041**	1,311	3,531
	₱96,543	₱101,549	₱144,410

Others consist of various direct charges, which are individually insignificant.

22. Selling and General Expenses

	2017	2016	2015
Personnel expenses (Note 23)	**₱124,406**	₱134,123	₱189,359
Outside services	**76,917**	99,153	163,930
Rent	**47,753**	51,345	251,749
Depreciation and depletion (Note 24)	**46,950**	75,609	33,404
Community development programs	**38,597**	61,556	64,193
Taxes and licenses	**25,982**	35,359	36,647
Contract labor	**25,833**	27,371	63,382
Materials and supplies (Note 6)	**15,856**	20,430	41,791
Repairs and maintenance	**11,709**	30,215	53,832
Representation	**10,671**	16,048	35,687
Communication, light and power	**10,605**	11,821	12,220
Transportation and travel	**8,473**	15,624	19,267
Wharfage fees	**4,940**	6,687	14,265
Provision for impairment loss on receivables (Note 5)	**1,368**	9,735	122
Professional fees	**769**	11,494	45,586
Freight and handling	**313**	3,013	4,800
Insurance	**166**	2,644	7,690
Others	**29,358**	15,397	26,103
	₱480,666	₱627,624	₱1,064,027

Others consist of various administrative expenses, which are individually insignificant.

23. **Personnel Expenses**

	2017	2016	2015
Salaries and wages	**₱177,833**	₱187,104	₱238,571
Benefits and allowances	**19,240**	21,790	70,375
Pension expense (Note 28)	**14,047**	14,970	12,784
Stock option expense (Note 18)	**660**	1,843	4,705
	₱211,780	₱225,707	₱326,435

Total personnel expenses were distributed as follows:

	2017	2016	2015
Selling and general expenses (Note 22)	**₱124,406**	₱134,123	₱189,359
Cost of mine products sold (Note 20)	**58,140**	62,320	101,481
Cost of services and other sales (Note 21)	**29,234**	29,264	35,595
	₱211,780	₱225,707	₱326,435

24. **Depreciation and Depletion**

Total depreciation and depletion is composed of the following (see Note 9):

	2017	2016	2015
Depreciation	**₱104,149**	₱136,251	₱115,102
Depletion	**19,926**	23,469	33,139
	₱124,075	₱159,720	₱148,241

Depreciation and depletion are broken down as follows:

	2017	2016	2015
Cost of mine products sold (Note 20)	**₱65,703**	₱68,013	₱80,824
Selling and general expenses (Note 22)	**46,950**	75,609	33,404
Cost of services and other sales (Note 21)	**11,422**	16,098	34,013
	₱124,075	₱159,720	₱148,241

25. **Other Income (Expenses) -** net

	2017	2016	2015
Gain (loss) on sale of property, plant and equipment - net (Note 9)	**₱45,573**	₱674	(₱30,278)
Gain on write-off of loans (Note 13)	**38,644**	–	–
Despatch (demurrage)	**(13,891)**	(1,860)	4,191
Change in estimate of provision for mine rehabilitation (Note 15)	**5,771**	(32,174)	–
Gain on revaluation of investment property (Note 10)	**5,167**	–	42,865
Loss on sale of investment property - net (Note 10)	**–**	(18,040)	–
(Forward)			

	2017	2016	2015
Foreign currency exchange losses - net	**(4,827)**	(18,696)	(6,843)
Loss on disallowed input VAT (Note 7)	**(4,485)**	(16,674)	(78,858)
Accretion on the liability for mine rehabilitation (Note 15)	**(4,267)**	(1,128)	(1,545)
Penalties	**(1,010)**	(21,432)	–
Interest income (Notes 4 and 12)	**264**	629	7,356
Gain on disposal of AFS financial assets (Note 8)	**15**	230	–
Provision for impairment loss on input tax	**(4)**	(7,508)	–
Write-off of receivables (Note 5)	–	(23,354)	(28,242)
Retrenchment pay	–	(10,530)	–
Others - net	**14,245**	(6,437)	(11,313)
	₱81,195	(₱156,300)	(₱102,667)

Penalties include charges for late payment of amounts owing to various government agencies.

Others consist of various income and expenses, which are not directly related to the operations of the Group.

26. ESOIP

The ESOIP, as approved by the stockholders in 1986, allows employees of the Parent Company to buy up to 6,000,000 shares of the Common Class A shares of the Parent Company at either of two prices. If the shares are acquired by the Parent Company from a seller or are treasury shares, these can be bought at acquisition cost. If the shares are sourced from the authorized but unissued shares of the Parent Company, these can be bought at the average closing price quoted in the PSE on the last day that such shares were traded prior to the start of the purchase period. Payment for the shares purchased shall be advanced by the Parent Company on behalf of the employees and repaid through salary deduction without interest. The shares acquired by employees under the ESOIP may be subjected to a holding period from the date of purchase.

In January 1990, the BOD approved the Employees Stock Purchase Plan, which allows the employees of the Parent Company (but excluding directors of the Parent Company) to buy, basically under similar terms and conditions as that of the ESOIP, 2,000,000 shares of the Common Class A shares of the Parent Company.

The balance of the employees stock ownership pursuant to the said plan shown as part of the trade and other receivables in the consolidated statements of financial position amounted to ₱58.4 million as at December 31, 2017 and 2016 and was provided an allowance for the same amount (see Note 5).

27. Related Party Disclosures

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the

Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

Compensation of Key Management Personnel of the Group
The Group considered all senior officers as key management personnel. Below are the details of compensation of the Group's key management personnel.

	2017	2016	2015
Salaries	**₱61,444**	₱73,226	₱73,317
Employee benefits	**6,940**	7,588	8,632
	₱68,384	₱80,814	₱81,949

Employee benefits include net pension expense and stock compensation expense.

All intercompany transactions are eliminated at the consolidated level. Items eliminated are separately disclosed in a schedule in accordance with Philippine SEC requirements under SRC Rule 68, as Amended (2011).

28. Pension Benefits Plans

The Parent Company has a funded, noncontributory pension benefit plan, while AFC has an unfunded noncontributory pension benefit plan covering substantially all of their regular employees. The benefits are based on a certain percentage of the final monthly basic salary for every year of credited service of the employees. The defined pension benefit obligation is determined using the projected unit credit method.

The following tables summarize the components of net pension benefit in the consolidated statements of income and fund status, and the amounts recognized in the consolidated statements of financial position.

Net pension expense

	2017	2016	2015
Parent Company			
Current service cost	**₱9,517**	₱10,381	₱8,913
Net interest cost	**3,851**	3,536	2,810
	13,368	13,917	11,723
AFC			
Current service cost	**₱496**	₱749	₱781
Net interest cost	**183**	304	280
	679	1,053	1,061
Net pension expense	**₱14,047**	₱14,970	₱12,784

Pension liability as at December 31, 2017 and 2016

	2017			2016		
	Parent Company	**AFC**	**Total**	Parent Company	AFC	Total
Present value of defined benefit obligation	**₱47,673**	**₱3,766**	**₱51,439**	₱79,891	₱3,687	₱83,578
Fair value of plan assets	**(5,016)**	**–**	**(5,016)**	(4,969)	–	(4,969)
Pension liability	**₱42,657**	**₱3,766**	**₱46,423**	₱74,922	₱3,687	₱78,609

Reconciliation of other comprehensive income:

	2017			2016		
	Parent Company	**AFC**	**Total** (Note 18)	Parent Company	AFC	Total (Note 18)
Balances at beginning of year	**(₱9,389)**	**₱960**	**(₱8,429)**	(₱5,948)	₱1,756	(₱4,192)
Loss (gain) on remeasurement of pension liability	**(20,425)**	**(420)**	**(20,845)**	(3,441)	(796)	(4,237)
Balances at end of year	**(₱29,814)**	**₱540**	**(₱29,274)**	(₱9,389)	₱960	(₱8,429)

Changes in the present value of defined benefits obligation follow:

	2017			2016		
	Parent Company	**AFC**	**Total**	Parent Company	AFC	Total
Balances at beginning of year	**₱79,891**	**₱3,687**	**₱83,578**	₱75,794	₱5,957	₱81,751
Interest cost	**4,106**	**183**	**4,289**	3,783	304	4,087
Current service cost	**9,517**	**496**	**10,013**	10,381	749	11,130
Actuarial losses (gains)	**(29,387)**	**(600)**	**(29,987)**	(5,137)	(1,137)	(6,274)
Benefits paid	**(16,454)**	**–**	**(16,454)**	(4,930)	(2,186)	(7,116)
Balances at end of year	**₱47,673**	**₱3,766**	**₱51,439**	₱79,891	₱3,687	₱83,578

Breakdown of actuarial gains (losses) on defined benefits obligation follows:

	2017			2016		
	Parent Company	**AFC**	**Total**	Parent Company	AFC	Total
Change in financial assumptions	**₱2,404**	**₱207**	**₱2,611**	₱898	(₱46)	₱852
Experience adjustments	**26,983**	**393**	**27,376**	4,239	1,183	5,422
	₱29,387	**₱600**	**₱29,987**	₱5,137	₱1,137	₱6,274

Fair value of plan assets of the Parent Company follows:

	2017	2016
Balances at beginning of year	**₱4,969**	₱4,943
Asset return in net interest cost	**255**	247
Remeasurement	**(208)**	(221)
Balances at end of year	**₱5,016**	₱4,969

The plan assets of the Parent Company comprised mostly of cash in bank as at December 31, 2017 and 2016.

	2017	2016
Cash in bank	**96.19%**	96.17%
Investment in shares	**1.92%**	1.93%
Fixed income securities	**1.89%**	1.90%
	100.00%	100.00%

The Parent Company's plan assets are being managed by trustee banks. The retirement fund includes time deposits, shares of stocks, which are traded in the PSE, and unquoted shares of stocks. The Parent Company has no transactions with its retirement fund and the retirement fund has no investments in shares of stocks of the Parent Company.

In 2017 and 2016, the Parent Company directly paid pension benefits amounting to ₱16.5 million and ₱4.9 million, which resulted in a net movement in pension liability of ₱32.2 million and ₱1.8 million, respectively.

The Parent Company expects to contribute ₱21.5 million to the defined benefits retirement plan in 2018.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2017:

	Expected benefit payments	
Plan Year	Parent Company	AFC
Less than 1 year	₱22,113	₱1,572
More than 1 year to 5 years	25,264	1,885
More than 5 years to 10 years	36,335	300
More than 10 years to 15 years	26,933	2,912
More than 15 years to 20 years	57,432	4,019
More than 20 years	502,256	10,645

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

The principal assumptions used in determining the pension liability of the Group's plans are shown below.

	Parent Company		AFC	
	2017	2016	**2017**	2016
Discount rate	**5.64%**	5.14%	**5.61%**	4.97%
Salary increase rate	**5.00%**	5.00%	**11.00%**	11.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the pension liability as at the end of the reporting period, assuming if all other assumptions were held constant:

Parent Company

	Increase (decrease)	**December 31, 2017** **Present value of the defined benefit obligation**
Discount rates	**5.97% (+1.00%)**	**₱38,089**
	4.97% actual	**42,657**
	3.97% (-1.00%)	**48,173**
Salary increase rate	**12.00% (+1.00%)**	**₱47,881**
	11.00% actual	**42,657**
	10.00% (-1.00%)	**38,248**

	Increase (decrease)	December 31, 2016 Present value of the defined benefit obligation
Discount rates	6.14% (+1.00%)	₱69,443
	5.14% actual	74,922
	4.14% (-1.00%)	81,341
Salary increase rate	6.00% (+1.00%)	₱80,936
	5.00% actual	74,922
	4.00% (-1.00%)	69,686

AFC

	Increase (decrease)	**December 31, 2017** **Present value of the defined benefit obligation**
Discount rates	**6.61% (+1.00%)**	**₱3,485**
	5.61% (actual)	**3,766**
	4.61% (-1.00%)	**4,101**
Salary increase rate	**12% (+1.00%)**	**₱4,065**
	11% (actual)	**3,766**
	10% (-1.00%)	**3,508**

	Increase (decrease)	December 31, 2016 Present value of the defined benefit obligation
Discount rates	5.97% (+1.00%)	₱3,362
	4.97% (actual)	3,687
	3.97% (-1.00%)	4,075
Salary increase rate	12% (+1.00%)	₱4,034
	11% (actual)	3,687
	10% (-1.00%)	3,388

29. **Income Taxes**

The provision for (benefit from) current and deferred tax in 2017, 2016 and 2015 include the following:

	2017	2016	2015
RCIT	**₱64,282**	₱10,240	₱136,211
MCIT	**6,675**	10,951	61
Benefit from deferred taxes	**(45,782)**	(97,544)	(39,514)
	₱25,175	(₱76,353)	₱96,758

The components of the Group's deferred tax assets and liabilities are as follows:

	Deferred tax assets - net		Deferred tax liabilities - net	
	2017	2016	**2017**	2016
Deferred tax assets on:				
NOLCO	**₱46,160**	₱13,961	**₱–**	₱–
MCIT	**16,785**	10,457	**–**	–
Unrealized foreign exchange loss	**90**	4,539	**–**	–
Depletion of asset retirement obligation	**2,404**	2,404	**–**	–
Accrued pension liability	**2,432**	2,228	**25,575**	26,501
Accumulated accretion on liability for mine rehabilitation	**1,615**	1,270	**–**	–
Allowance for inventory loss, impairment loss and others	**1,355**	1,250	**128,352**	128,452
Straight-line amortization of accrued rent	**396**	439	**–**	–
	71,237	36,548	**153,927**	154,953
Deferred tax liabilities on:				
Remeasurement gain on retirement liability	**(1,302)**	(1,122)	**(12,778)**	(4,024)
Unrealized foreign exchange gain	**(324)**	(756)	**–**	(96)
Revaluation increment on land	**(214)**	(214)	**(776,490)**	(776,390)
Cumulative translation adjustment of foreign subsidiaries	**–**	–	**(14,079)**	(14,196)
Capitalized interest	**–**	–	**–**	(11,593)
Revaluation increment on property, plant and equipment	**–**	–	**(10,009)**	(10,009)
Revaluation increment on artworks	**–**	–	**(6,132)**	(4,676)
Unrealized gain of AFS financial assets	**–**	–	**(250)**	(167)
	(1,840)	(2,092)	**(819,738)**	(821,151)
Net deferred tax assets (liabilities)	**₱69,397**	₱34,456	**(₱665,811)**	(₱666,198)

The Group has deductible temporary differences, unused NOLCO and MCIT, for which no deferred tax assets were recognized as management believes that it is not probable that sufficient future taxable profit will be available against which the benefit of the deferred tax assets can be utilized. These are as follows:

	2017	2016	2015
NOLCO	**₱185,070**	₱206,114	₱177,818
Accumulated accretion on liability for mine rehabilitation	**51,298**	53,954	21,466
Accumulated depletion on asset retirement obligation	**38,294**	18,368	18,072
Share-based payment	**26,327**	32,995	54,442
Allowance for inventory loss, impairment loss and others	**16,216**	24,537	24,762
Accrued expenses	**8,662**	8,733	8,718
Unrealized foreign exchange losses	**925**	7,723	7,579
MCIT	**690**	600	168
Straight-line amortization of accrued rent	**384**	343	179
	₱327,866	₱353,367	₱313,204

As at December 31, 2017, the Group has NOLCO and MCIT that can be claimed against future taxable income and income tax due, respectively, as follows:

Movements of NOLCO follow:

	2017	2016	2015
Balances at beginning of year	**₱252,651**	₱177,818	₱161,528
Additions	**150,758**	116,354	77,604
Application	**(5,779)**	–	(34,537)
Expirations	**(58,693)**	(41,521)	(26,777)
Balances at end of year	**₱338,937**	₱252,651	₱177,818

Movements of MCIT follow:

	2017	2016	2015
Balances at beginning of year	**₱11,057**	₱168	₱30,629
Additions	**6,675**	10,951	61
Application	**(212)**	–	(30,273)
Expirations	**(45)**	(62)	(249)
Balances at end of year	**₱17,475**	₱11,057	₱168

The Group has NOLCO and MCIT that can be claimed as deduction from future taxable income and future tax due, respectively, as follows:

Year incurred	Year of expiration	NOLCO	MCIT
2015	2018	₱77,604	₱61
2016	2019	110,575	10,951
2017	2020	150,758	6,463
		₱338,937	₱17,475

The reconciliation of pretax income (loss) computed at the statutory income tax rate to provision for (benefit from) income tax shown in the consolidated statements of income is as follows:

	2017	2016	2015
Pretax income (loss) computed at statutory rate	**₱13,994**	(₱73,119)	₱89,229
Nondeductible expenses	**25,284**	19,594	60,790
Nontaxable income	**(24,676)**	(54,541)	(3,219)
Expiration of NOLCO	**17,608**	12,456	8,033
Changes in unrecognized deferred tax assets and others	**(7,587)**	12,351	(25,727)
Forfeiture and expiry of stock options	**822**	6,987	–
Application of MCIT	**(212)**	–	(30,273)
Interest income subject to final tax	**(58)**	(81)	(2,075)
	₱25,175	(₱76,353)	₱96,758

30. **Basic/Diluted EPS**

Basic EPS is calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of common shares on issue during the year, excluding any ordinary shares purchased by the Parent Company and held as treasury shares.

In computing for the 2017 diluted EPS, the Parent Company did not consider the effect of stock options outstanding and convertible preferred shares since these are anti-dilutive. However, the convertible preferred shares were considered in computing for the 2016 and 2015 diluted EPS, whereas the stock options outstanding (excluding those granted in 2006 and 2011, which are anti-dilutive) were considered in computing for the 2015 diluted EPS.

	2017	2016	2015
Net income (loss)	**₱21,472**	(₱167,377)	₱200,672

Number of shares for computation of EPS as a result of stock split:

	2017	2016	(As restated) 2015
Basic EPS			
Weighted average common shares issued	**615,647,052**	615,010,952	595,255,398
Less: treasury shares	**348,069**	348,069	348,069
Weighted average common shares outstanding	**615,298,983**	614,662,883	594,907,329
Diluted EPS			
Weighted average common shares issued	**615,647,052**	615,010,952	595,255,398
Less: treasury shares	**348,069**	348,069	348,069
	615,298,983	614,662,883	594,907,329
Stock options	–	–	–
Convertible preferred shares	–	–	2,059,365
Weighted average common shares outstanding	**615,298,983**	614,662,883	596,966,694
Basic EPS	**₱0.03**	(₱0.27)	₱0.34
Diluted EPS	**₱0.03**	(₱0.27)	₱0.34

On July 29, 2016, the Philippine SEC approved the decrease in the par value of the Parent Company's Common Class A and Common Class B shares from ₱3.00 to ₱1.00 per share, which increased the number of common shares by threefold (see Note 17).

The reconciliation of the number of weighted average common shares outstanding in 2015 after the effect of the stock split on July 29, 2016 is as follows:

	2015
Basic EPS	
Weighted average common shares issued	198,418,466
Less: treasury shares	116,023
Weighted average common shares outstanding before the stock split	198,302,443
Effect of the stock split	396,604,886
Weighted average common shares outstanding after the stock split	594,907,329
Diluted EPS	
Weighted average common shares issued	198,418,466
Less: treasury shares	116,023
	198,302,443
Stock options	–
Convertible preferred shares	686,455
Weighted average common shares outstanding before the stock split	198,988,898
Effect of the stock split	397,977,796
Weighted average common shares outstanding after the stock split	596,966,694

31. Segment Information

PFRS 8, *Operating Segments*, requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, who is the Senior Vice President - Finance, Marketing and Compliance Officer for Corporate Governance of the Parent Company.

For management purposes, the Group's operating segments are determined to be business segments as the risks and rates of return are affected predominantly by differences in the products produced and services rendered.

The mining segment is engaged in exploration, nickel and gold mining operations. The real estate segment is engaged in the sale of subdivision lots. The logistics segment is engaged in logistics services to the supply-chain requirements of various industries. The other segments are engaged in research, development, health services and water projects.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating income or loss and is measured consistently with income or loss before income tax as reported in the consolidated financial statements.

Business Segments

The following tables present revenue and profit and certain asset and liability information regarding the Group's business segments in 2017, 2016 and 2015:

2017

	Mining	Real estate	Logistics	Others	Total	Eliminations	Consolidated
Revenue							
External customers	**₱1,379,761**	**₱3,034**	**₱15,883**	**₱64,215**	**₱1,462,893**	**₱–**	**₱1,462,893**
Interest income	**180**	**71**	**2**	**11**	**264**	**–**	**264**
Inter-segment	**–**	**–**	**72,445**	**–**	**72,445**	**(72,445)**	**–**
Other income	**263,631**	**32**	**351**	**5,167**	**269,181**	**(151,394)**	**117,787**
	1,643,572	**3,137**	**88,681**	**69,393**	**1,804,783**	**(223,839)**	**1,580,944**
Cost and Expenses							
Interest expense	**4,556**	**–**	**–**	**–**	**4,556**	**–**	**4,556**
Direct costs	**836,924**	**334**	**40,236**	**50,691**	**928,185**	**(49,626)**	**878,559**
Selling and general expenses	**578,987**	**2,264**	**19,003**	**23,890**	**624,144**	**(190,428)**	**433,716**
Accretion expense	**4,267**	**–**	**–**	**–**	**4,267**	**–**	**4,267**
Impairment losses	**4**	**–**	**–**	**–**	**4**	**–**	**4**
Depreciation, depletion and amortization	**163,312**	**–**	**6,468**	**20,962**	**190,742**	**(66,667)**	**124,075**
Excise taxes and royalty fees	**56,533**	**–**	**–**	**–**	**56,533**	**–**	**56,533**
Other expenses	**23,193**	**–**	**8,225**	**1,169**	**32,587**	**–**	**32,587**
	1,667,776	**2,598**	**73,932**	**96,712**	**1,841,018**	**(306,721)**	**1,534,297**
Provision for (benefit from) income tax	**17,862**	**208**	**4,542**	**2,563**	**25,175**	**–**	**25,175**
Net income (loss)	**(₱42,066)**	**₱331**	**₱10,207**	**(₱29,882)**	**(₱61,410)**	**₱82,882**	**₱21,472**
Operating assets	**₱9,895,352**	**₱38,819**	**₱243,033**	**₱1,234,499**	**₱11,411,703**	**(₱4,915,737)**	**₱6,495,966**
Operating liabilities	**(₱3,354,724)**	**(₱9,821)**	**(₱491,008)**	**(₱326,667)**	**(₱4,182,220)**	**₱1,987,312**	**(₱2,194,908)**
Other disclosure:							
Capital expenditure	**₱53,002**	**₱–**	**₱281**	**₱8,504**	**₱61,787**	**₱–**	**₱61,787**

2016

	Mining	Real estate	Logistics	Others	Total	Eliminations	Consolidated
Revenue							
External customers	₱1,424,426	₱3,657	₱27,938	₱78,223	₱1,534,244	₱–	₱1,534,244
Interest income	210	376	4	39	629	–	629
Inter-segment	–	–	401,939	–	401,939	(401,939)	–
Other income	217,861	233	678	23,143	241,915	(203,121)	38,794
	1,642,497	4,266	430,559	101,405	2,178,727	(605,060)	1,573,667
Cost and Expenses							
Interest expense	13,197	–	27	340	13,564	–	13,564
Direct costs	762,543	623	400,075	44,827	1,208,068	(379,395)	828,673
Selling and general expenses	694,758	1,750	23,379	42,565	762,452	(210,437)	552,015
Accretion expense	1,127	–	–	–	1,127	–	1,127
Impairment losses	7,508	–	–	–	7,508	–	7,508
Depreciation, depletion and amortization	179,242	–	8,174	38,019	225,435	(65,715)	159,720
Excise taxes and royalty fees	67,702	–	–	–	67,702	–	67,702
Other expenses	169,000	–	48	18,040	187,088	–	187,088
	1,895,077	2,373	431,703	143,791	2,472,944	(655,547)	1,817,397
Provision for (benefit from) income tax	(25,929)	495	(374)	(50,545)	(76,353)	–	(76,353)
Net income (loss)	(₱226,651)	₱1,398	(₱770)	₱8,159	(₱217,864)	₱50,487	(₱167,377)
Operating assets	₱9,444,988	₱88,710	₱768,794	₱800,347	₱11,102,839	(₱4,578,699)	₱6,524,140
Operating liabilities	(₱2,776,969)	(₱60,079)	(₱507,670)	(₱473,443)	(₱3,818,161)	₱1,582,871	(₱2,235,290)
Other disclosure:							
Capital expenditure	₱103,119	₱–	₱3,817	₱1,070	₱108,006	₱–	₱108,006

2015

	Mining	Real estate	Logistics	Others	Total	Eliminations	Consolidated
Revenue							
External customers	₱3,137,452	₱7,924	₱43,438	₱68,956	₱3,257,770	₱–	₱3,257,770
Interest income	6,900	422	23	11	7,356	–	7,356
Inter-segment	–	–	822,920	20,406	843,326	(843,326)	–
Other income	296,688	76	5,709	44,050	346,523	(310,340)	36,183
	3,441,040	8,422	872,090	133,423	4,454,975	(1,153,666)	3,301,309
Cost and Expenses							
Interest expense	32,397	–	578	4,760	37,735	–	37,735
Direct costs	1,420,788	3,040	790,636	50,520	2,264,984	(805,015)	1,459,969
Selling and general expenses	1,315,210	3,041	25,352	37,676	1,381,279	(350,656)	1,030,623
Accretion expense	1,546	–	–	–	1,546	–	1,546
Impairment loss	107,700	–	–	–	107,700	–	107,700
Depreciation, depletion and amortization	181,238	–	8,906	33,252	223,396	(75,155)	148,241
Excise taxes and royalty fees	181,105	–	–	–	181,105	–	181,105
Other expenses	4,190	–	32,745	25	36,960	–	36,960
	3,244,174	6,081	858,217	126,233	4,234,705	(1,230,826)	3,003,879
Provision for income tax	68,717	282	15,088	12,671	96,758	–	96,758
Net income (loss)	₱128,149	₱2,059	(₱1,215)	(₱5,481)	₱123,512	₱77,160	₱200,672
Operating assets	₱6,719,776	₱87,137	₱910,276	₱3,695,179	₱11,412,368	(₱4,761,790)	₱6,650,578
Operating liabilities	(₱1,875,784)	(₱59,851)	(₱814,137)	(₱1,827,326)	(₱4,577,098)	₱1,740,190	(₱2,836,908)
Other disclosure:							
Capital expenditure	₱52,435	₱13,345	₱12,213	₱10,626	₱88,619	₱–	₱88,619

Capital expenditures consist of additions to property, plant and equipment and deferred mine exploration costs.

32. Financial Risk Management Objectives and Policies

The Group's principal financial instruments pertain to unsecured and secured bank loans. The main purpose of these financial instruments is to fund the Group's operations. The Group has other financial instruments such as cash and cash equivalents, trade receivables, receivable from lessees of bunkhouses, and loans receivable under trade and other receivables, trade and accrued expenses under trade and other payables and obligations under finance lease, which arise directly from its operations. Other financial assets include AFS financial assets.

The significant risks arising from the Group's financial instruments are liquidity risk, credit risk, interest rate risk and foreign currency risk. The BOD reviews and agrees policies for managing each of these risks and these are summarized below.

Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial liabilities. The Group's objective is to maintain a balance between continuity of funding in order to continuously operate and support its exploration activities. The Group considers its available funds and liquidity in managing its immediate financial requirements.

As at December 31, 2017 and 2016, cash and cash equivalents may be withdrawn anytime while quoted AFS financial assets may be converted to cash by selling them during the normal trading hours in any business day.

The tables below summarize the aging analysis of the Group's financial assets and the maturity profile of the Group's financial liabilities as at December 31, 2017 and 2016.

2017	On demand	0-90 days	More than 90 days	More than one year	Total
Cash and cash equivalents					
Cash on hand	₱862	₱–	₱–	₱–	₱862
Cash in banks	34,435	–	–	–	34,435
Short-term deposits	29,231	–	–	–	29,231
Trade and other receivables					
Trade	182,264	–	–	–	182,264
Receivables from lessees of bunkhouses	–	–	4,136	–	4,136
Loan receivable	–	–	–	49,763	49,763
AFS financial assets					
UITF	–	–	–	9,947	9,947
Quoted shares	–	–	–	893	893
Unquoted shares	–	–	–	601	601
Total	₱246,792	₱–	₱4,136	₱61,204	₱312,132

2017	On demand	0-90 days	More than 90 days	More than one year	Total
Loans payable	₱422,831	₱–	₱255,798	₱–	₱678,629
Trade and other payables					
Trade	348,576	–	323,756	–	672,332
Nontrade	25,843	–	25,369	–	51,212
Accrued expenses	36,882	–	20,843	–	57,725
Other noncurrent liabilities					
Equity of claimowner in contract operations	–	–	–	49,136	49,136
Total	₱834,132	₱–	₱625,766	₱49,136	₱1,509,034

2016	On demand	0-90 days	More than 90 days	More than one year	Total
Cash and cash equivalents					
Cash on hand	₱776	₱–	₱–	₱–	₱776
Cash in banks	41,763	–	–	–	41,763
Short-term deposits	48	–	–	–	48
Trade and other receivables					
Trade	158,797	993	11,276	–	171,066
Receivables from lessees of bunkhouses	–		625	–	625
Loan receivable	–	–	49,763	–	49,763
AFS financial assets					
UITF	–	–	–	9,436	9,436
Quoted shares	–	–	–	759	759
Unquoted shares	–	–	–	571	571
Total	₱201,384	₱993	₱61,664	₱10,766	₱274,807

2016	On demand	0-90 days	More than 90 days	More than one year	Total
Loans payable	₱475,709	₱–	₱229,412	₱–	₱705,121
Trade and other payables					
Trade	398,709	–	207,835	–	606,544
Nontrade	36,902	–	24,118	–	61,020
Accrued expenses	39,557	–	20,554	–	60,111
Other noncurrent liabilities					
Equity of claimowner in contract operations	–	–	–	49,136	49,136
Total	₱950,877	₱–	₱481,919	₱49,136	₱1,481,932

Credit Risk

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations as these fall due. It is inherent to the business that 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.

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

With respect to credit risk arising from other financial assets of the Group, which comprise of cash and cash equivalents, trade receivables, receivables from lessees of bunkhouses and loans receivable under trade and other receivables, and AFS financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognized third parties, there is no requirement for collateral.

The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position. The maximum exposure is shown at gross amount, before the effect of mitigation through the use of master netting and collateral agreements.

	2017	2016
Cash and cash equivalents		
Cash in banks	**₱34,435**	₱41,763
Short-term deposits	**29,231**	48
Trade and other receivables		
Trade	**188,062**	176,181
Receivables from lessees of bunkhouses	**39,215**	35,704
Loan receivable	**49,763**	49,763
AFS financial assets		
UITF	**9,947**	9,436
Quoted shares	**893**	759
Unquoted shares	**601**	571
	₱352,147	₱314,225

The table below shows the credit quality by class of financial assets based on the Group's rating:

2017	**Neither past due nor impaired**				
	High-grade	**Standard-grade**	**Past due but not impaired**	**Impaired**	**Total**
Cash and cash equivalents					
Cash in banks	**₱34,435**	**₱–**	**₱–**	**₱–**	**₱34,435**
Short-term deposits	**29,231**	**–**	**–**	**–**	**29,231**
Trade and other receivables					
Trade	**67,380**	**66,527**	**48,357**	**5,798**	**188,062**
Receivables from lessees of bunkhouses	**–**		**4,136**	**35,079**	**39,215**
Loan receivable	**–**	**49,763**	**–**	**–**	**49,763**
AFS financial assets					
UITF	**9,947**	**–**	**–**	**–**	**9,947**
Quoted shares	**893**	**–**	**–**	**–**	**893**
Unquoted shares	**–**	**601**	**–**	**–**	**601**
Total credit risk exposure	**₱141,886**	**₱116,891**	**₱52,493**	**₱40,877**	**₱352,147**

2016	Neither past due nor impaired				
	High-grade	Standard-grade	Past due but not impaired	Impaired	Total
Cash and cash equivalents					
Cash in banks	₱41,763	₱–	₱–	₱–	₱41,763
Short-term deposits	48	–	–	–	48
Trade and other receivables					
Trade	56,182	66,527	48,357	5,115	176,181
Receivables from lessees of bunkhouses	–		625	35,079	35,704
Loan receivable	–	49,763	–	–	49,763
AFS financial assets					
UITF	9,436	–	–	–	9,436
Quoted shares	759	–	–	–	759
Unquoted shares	–	571	–	–	571
Total credit risk exposure	₱108,188	₱116,861	₱48,982	₱40,194	₱314,225

The Group has assessed the credit quality of the following financial assets:

a. Cash and cash equivalents are assessed as high-grade since these are deposited in reputable banks, which have a low probability of default.
b. Trade receivables, which pertain mainly to receivables from sale of nickel ore, were assessed as high-grade. Included in trade receivables are receivables from sales of services, some of which were assessed as other than high-grade. These were assessed based on past collection experience and the debtors' ability to pay.
c. UITF and quoted AFS financial assets were assessed as high-grade since these are instruments from companies with good financial condition and are operating in an industry, which has potential growth.
d. Other financial assets such as receivables from lessees of bunkhouses, loans receivables and unquoted shares were assessed as standard-grade, based on past collection experience and debtors' ability to pay.

Market Risks

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates primarily to the Group's long-term debt obligations with floating interest rates.

As at December 31, 2017 and 2016, the Group's exposure to the risk for changes in market interest rate relates primarily to its secured bank loans and unsecured bank loans with floating interest rates. The Group regularly monitors its interest due to exposure from interest rates movements.

The Group's secured and unsecured loans payable are both payable on demand while other loans payable are payable within 3 years. Nominal interest rates vary from floating rate of 91-day Philippine PhP T-bill rate for peso loans and 3-month LIBOR foreign loans, plus a margin of 2.5% for unsecured loans and 3.5% for secured loans.

The following table sets forth, for the years indicated, the impact of changes of interest rate on the consolidated statements of income:

2017	**Change in interest rates (in basis points)**	**Sensitivity of pretax income**
PHP	**+100**	**(₱3,170)**
PHP	**-100**	**3,170**
US$	**+100**	**(3,615)**
US$	**-100**	**3,615**

2016	Change in interest rates (in basis points)	Sensitivity of pretax income
PHP	+100	(₱3,435)
PHP	-100	3,435
US$	+100	(3,615)
US$	-100	3,615

There is no other impact on the Group's equity other than those already affecting the consolidated statement of income. Based on the historical movement of the interest rates, management believes that the reasonably possible change for the next quarter would result in an increase (decrease) of 100 basis points for US$ LIBOR and PhP T-bill.

Foreign Currency Risk
Foreign currency 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 financial performance and cash flows. The Group has transactional currency exposures. Such exposure arises from the sale of gold and nickel ore and the purchase of certain goods and services denominated in US$. All sales of gold and nickel ore are denominated in US$. 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 did not seek to hedge the exposure on the change in foreign exchange rates between the US$ and the Philippine peso. The Group believes that active currency hedging would not provide long-term benefits to stockholders.

The Group's foreign currency-denominated monetary assets and liabilities as at December 31, 2017 and 2016 follow:

	2017		2016	
	US$	**Peso equivalent**	US$	Peso equivalent
Financial Assets				
Cash in banks	**$14**	**₱699**	$129	₱6,414
Trade receivables under trade and other receivables	**1,301**	**64,959**	828	41,168
Total monetary assets	**1,315**	**65,658**	957	47,582
Financial Liability				
Secured bank loans	**–**	**–**	777	38,632
Net asset position	**$1,315**	**₱65,658**	$180	₱8,950

As at December 31, 2017 and 2016, the exchange rates of the Philippine peso to the US$ based on the Philippine Dealing System are ₱49.93 and ₱49.72, respectively.

The sensitivity to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Group's income before income tax as at December 31, 2017 and 2016 is as follows:

2017	**Change in foreign exchange rate**	**Sensitivity of pretax income**
	Strengthens by ₱1.62	**(₱2,130)**
	Weakens by ₱1.88	**2,472**

2016	Change in foreign exchange rate	Sensitivity of pretax income
	Strengthens by ₱0.65	(₱117)
	Weakens by ₱0.48	86

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

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

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

Management believes that its exposure to equity price risk is not material to the consolidated financial statements as a whole; thus, disclosure of equity price risk analysis was deemed unnecessary.

Fair Values of Financial Instruments
Fair value is defined as the amount at which a financial instrument can be exchanged in an orderly transaction between market participants at the measurement date.

Set out below is a comparison by category and class of carrying amounts and estimated fair values of the Group's significant financial assets and liabilities as at December 31, 2017 and 2016:

	Carrying amounts		Fair values	
	2017	2016	**2017**	2016
Financial Assets:				
AFS financial assets:				
UITF	**₱9,947**	₱9,436	**₱9,947**	₱9,436
Quoted	**893**	759	**893**	759
Unquoted	**601**	571	**601**	571
Financial Liabilities:				
Loans payable	**₱678,630**	₱707,549	**₱678,630**	₱707,549

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

Cash and Cash Equivalents, trade receivables and receivable from lessees of bunkhouses under Trade and Other Receivables, trade and accrued expenses under Trade and Other Payables, and equity of claimowner in contract operations under Other Noncurrent Liabilities

The fair values of these instruments approximate their carrying amounts as of reporting date due to the short-term nature.

Loan Receivable
The fair value of loans receivable approximate their carrying amounts as of reporting date due to the short-term nature. Loans receivable carry interest at 9% per annum and are due and demandable.

AFS Financial Assets
The fair value of investments that are actively traded in organized markets is determined by reference to quoted market bid prices at the close of business on reporting date. The fair value of unquoted AFS equity investments cannot be reliably measured and accordingly measured at cost, net of impairment.

As at December 31, 2017 and 2016, the Group had UITF and quoted AFS financial assets amounting to ₱10.8 million and ₱10.2 million, respectively, carried at fair value in the consolidated statement of financial position. The quoted AFS financial assets are classified under Level 1 of the fair value hierarchy since these are based on quoted market prices or binding dealer price quotations. The Group has no financial instruments measured at fair value under Levels 2 and 3 of fair value hierarchy. There were no transfers between levels in 2017 and 2016.

Loans Payable
Where the repricing of the variable-rate interest bearing loan is frequent (i.e., three-month repricing), the carrying value approximates the fair value. The fair value of other loans payable is determined by discounting the principal using the 3-month LIBOR rate of 0.58% plus credit spread of 5.42%.

Capital Management
The Group maintains a capital base to cover risks inherent in the business. The primary objective of the Group's capital management is to optimize the use and earnings potential of the Group's resources, ensuring that the Group complies with externally imposed capital requirements, if any, and considering changes in economic conditions and the risk characteristics of the Group's activities.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may obtain additional advances from stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2017, 2016 and 2015. The Group monitors capital using the parent company financial statements. As at December 31, 2017 and 2016, the Group has met its capital management objectives.

The following table summarizes the total capital considered by the Group:

	2017	2016
Capital stock	**₱616,863**	₱616,155
Capital surplus	**375,726**	367,862
Retained earnings	**1,910,135**	1,888,663
Other components of equity	**809,936**	792,444
Treasury shares	**(8,016)**	(8,016)
	₱3,704,644	₱3,657,108

Further, the Group monitors capital using debt to equity ratio, which is total liabilities divided by total equity. Debt to equity ratios of the Group as at December 31, 2017 and 2016 are as follows:

	2017	2016
Total liabilities (a)	**₱2,860,719**	₱2,901,488
Total equity (b)	**3,704,644**	3,657,108
Debt-to-equity ratio (a/b)	**0.77:1**	0.79:1

33. Changes in liabilities arising from financing activities

Movements on the reconciliation of liabilities arising from financing activities are as follows:

	January 1, 2017	Cash flows	Gain on write-off	Foreign exchange movement	Other	December 31, 2017
Loans payable	₱705,121	₱11,661	(₱38,644)	₱479	₱12	₱678,629
Obligations under finance lease	2,427	(2,427)	–	–	–	–
Other noncurrent liabilities	329,374	(10,341)	–	(970)	–	318,063
	₱1,036,922	(₱1,107)	(₱38,644)	(₱491)	₱12	₱996,692

Other includes the effect of accrued but not yet paid interest on loans payable. The Group classifies interest paid as cash flow from operating activities.

34. Leases, Agreements, and Contingencies

Lease Agreements

Operating Leases
The Group leases its office spaces up to June 30, 2020 and parcels of land on which its mine site offices are located for varying periods. These leases are renewable upon mutual agreement with the lessors. Total rental expense on these leases amounted to ₱12.1 million, ₱12.5 million and ₱11.8 million in 2017, 2016 and 2015, respectively.

Future minimum lease payments for the said operating leases are as follows:

	2017	2016
Lease payments due in:		
Less than one year	**₱7,956**	₱8,615
Between one and five years	**10,243**	13,226
More than five years	**3,601**	5,064
Future minimum lease payments	**₱21,800**	₱26,905

Finance Lease
In 2012, the Parent Company entered into a lease agreement with a leasing and finance company to finance the purchase of an item of property and equipment, the remaining obligation amounted to nil, ₱2.4 million and ₱13.8 million in 2017, 2016 and 2015, respectively.

Principal lease payments under the said finance lease amounted to ₱2.4 million, ₱13.8 million and ₱12.5 million in 2017, 2016 and 2015, respectively.

Interest expense recognized on the above finance lease obligations amounted to ₱0.5 million, ₱0.2 million and ₱2.3 million in 2017, 2016 and 2015, respectively.

Agreements and Contingencies

a. The Parent Company and certain subsidiaries are contingently liable for liabilities arising from lawsuits or claims (mostly labor, civil, mines administrative and ports related cases) filed by third parties, which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements.

b. On December 6, 2010, the Parent Company and BLRI signed an agreement for the management of the operation of the AGP. Under the management contract, BLRI will provide the necessary technical and financial assistance to expand the production capacity of AGP to 300 tons per day in exchange for a management fee based on 25% of the net operating profit of AGP. BLRI also leases its equipment to the AGP mining operations. However, due to the significant decline in average gold price from 2011 to 2014, the management rate was reduced to 15% effective January 2014. On December 31, 2015, the Parent Company and BLRI mutually agreed to pre-terminate the management contract and release each other from any and all responsibilities thereunder.

c. In 2011, the Parent Company signed a 20-year power supply agreement with Therma Luzon, Inc. (TLI), a wholly-owned subsidiary of Aboitiz Power Corporation, to supply power to its current and future mining operations in Itogon, Benguet. The contract provides for a payment discount of 0.5% on its monthly billing if the Parent Company pays TLI on or before the 15th of the payment month.

d. On August 8, 2011, the Parent Company signed a Marketing Agreement to be the exclusive marketing agent of BNMI for its nickel ore sales. Through this arrangement, BNMI signed on August 24, 2011, a tri-partite off-take agreement with the Parent Company and a Chinese trading company for the sale of nickel ore. In accordance with the agreement, the Chinese trading company shall extend an advance of US$6.0 million to the Parent Company. BNMI will deliver and sell 1.8 million tons of 1.8% grade laterite nickel ore to the Chinese trading company over a period of 36 months at 0.6 million tons per 12 months, to start six months after signing of the agreement. The Chinese trading company will deduct US$3.33 per ton from the selling price of the nickel ore to be treated as repayment of the advance to the Parent Company. The advance bears an interest of 6% per annum to be computed on the unpaid balance based on the number of days that lapsed from signing of the agreement. The interest will also be deducted from the selling price of the nickel ore on each delivery date. As at December 31, 2017, the marketing agreement between the Parent Company and BNMI still holds as intended by both parties.

e. On September 18, 2013, BNMI entered into an off-take agreement with a Korean trading company, for the sale of nickel ore. In accordance with the agreement, the Korean trading company extended advances of US$2.0 million to BNMI in exchange for 10 future shipments. The advances are non-interest bearing and an amount of US$0.2 million will be deducted from the selling price of every shipment. On April 11, 2014, BNMI entered into another off-take agreement with the same Korean trading company. In conformity with the contract, the Korean trading Company extended advances totaling to US$6.0 million to BNMI in exchange for future shipments and is to be applied as follows; US$5.3 million as first advance payment to BNMI and the remaining US$0.7 million is to be paid to a technical service provider of Korean trading company pursuant to a separate contract between the Korean trading company and the technical service provider. The first advance payment shall be deducted at a rate of US$0.3 million from each shipment until the full amount is fully offset or paid to Korean trading company. As at December 31, 2017, the first off-take agreement amounting to US$2.0 million became fully paid, which left only the April 11, 2014 off-take agreement amounting to US$6.0 million as outstanding. As at December 31, 2017, the remaining balance amounts to US$5.1 million.

f. BNMI and KPLMSC agreed to enter into a non-exclusive port use agreement for an initial term of 10 years starting on June 1, 2012. BNMI shall pay KPLMSC on a per wet metric ton of nickel ore loaded based on the final draft survey, and shall be due five days after completion of every shipment.

g. In 2013, the Parent Company changed the terms of its agreement with mine contractors in the AGP from ore-sharing to metal sharing. Based on the new agreement, ore mined by contractors will all be milled and sold by the Parent Company to Bangko Sentral ng Pilipinas, the proceeds of which are shared between the Parent Company and its contractors.

35. **Other Matters**

Tax Reform for Acceleration and Inclusion Act (TRAIN)

Republic Act (RA) No. 10963 or the TRAIN was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balances as of the reporting date.

Starting January 1, 2018, the TRAIN will have an impact to the Group for the sale of mine products that will be subjected to excise tax of four percent (4%).

SGV
Building a better
working world

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ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Benguet Corporation and Subsidiaries
7th Floor, Universal-Re Building
106 Paseo de Roxas, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Benguet Corporation and its subsidiaries as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, included in this Form 17-A, and have issued our report thereon dated March 21, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, as Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Alexis Benjamin C. Zaragoza

Alexis Benjamin C. Zaragoza III
Partner
CPA Certificate No. 109217
SEC Accreditation No. 1627-A (Group A),
April 4, 2017, valid until April 3, 2020
Tax Identification No. 246-663-780
BIR Accreditation No. 08-001998-129-2017,
February 9, 2017, valid until February 8, 2020
PTR No. 6621351, January 9, 2018, Makati City

March 21, 2018

BENGUET CORPORATION AND SUBSIDIARIES

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE I
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
As at December 31, 2017

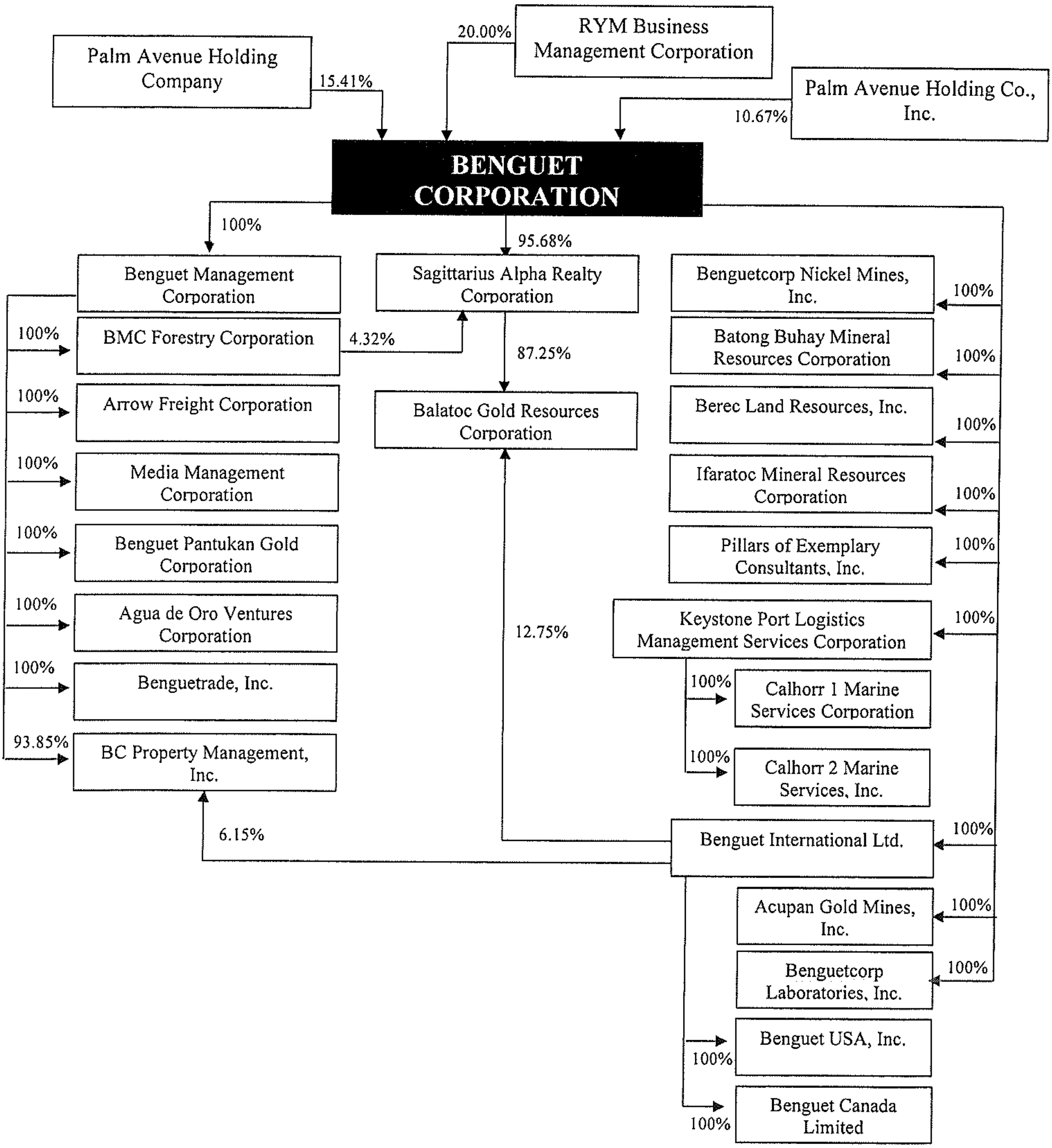
BENGUET CORPORATION
7th Floor, Universal-Re Building, 106 Paseo de Roxas, Makati City

Items	Amount
Unappropriated Retained Earnings, beginning	**₱1,888,663**
Adjustment: (see adjustments in previous year's reconciliation)	–
Effect of quasi-reorganization on revaluation increment	(1,010,848)
Unappropriated Retained Earnings, as adjusted, beginning	**877,815**
Net income based on the annual financial statements	21,472
Less: Non-actual/unrealized income net of tax	–
• Equity in net income of associate/joint venture	–
• Unrealized foreign exchange gain - net (except those	–
attributable to cash and cash equivalents)	–
• Unrealized actuarial gain	–
• Fair value adjustment (mark-to-market gains)	–
• Fair value adjustment of investment property resulting to gain	(5,167)
• Adjustment due to deviation from PFRS/GAAP - gain	–
• Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRSs	–
Add: Non-actual losses	
• Depreciation on revaluation increment (after tax)	–
• Adjustment due to deviation from PFRS/GAAP - loss	–
• Loss on fair value adjustment of investment property (after tax)	–
Net income actually incurred during the period	16,305
Unappropriated Retained Earnings, as adjusted, ending	**₱894,120**

SCHEDULE II
BENGUET CORPORATION AND SUBSIDIARIES
FINANCIAL RATIOS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2017

	2017	2016
Profitability Ratios:		
Return on assets	**0.33%**	2.55%
Return on equity	**0.58%**	4.58%
Gross profit margin	**34.67%**	36.09%
Operating profit margin	**2.05%**	4.81%
Net profit margin	**1.47%**	10.91%
Liquidity and Solvency Ratios:		
Current ratio	**1.11:1**	1.09:1
Quick ratio	**0.48:1**	0.44:1
Solvency ratio	**2.30:1**	2.26:1
Financial Leverage Ratios:		
Asset to equity ratio	**1.77:1**	1.79:1
Debt ratio	**0.44:1**	0.44:1
Debt to equity ratio	**0.77:1**	0.79:1
Interest coverage ratio	**11.24:1**	16.97:1

SCHEDULE III
BENGUET CORPORATION AND SUBSIDIARIES
A MAP SHOWING THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2017



SCHEDULE IV
BENGUET CORPORATION AND SUBSIDIARIES
SCHEDULE OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER THE PFRS PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2017

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as at December 31, 2017:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
PFRS 2	Share-based Payment	✓		
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS for Small and Medium-sized Enterprises (SMEs)				✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2017		Adopted	Not Adopted	Not Applicable
	Estimates and Errors			
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 41	Agriculture			✓
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
SIC 7	Introduction of the Euro			✓
SIC 10	Government Assistance – No Specific Relation to Operating Activities			✓
SIC 15	Operating Leases – Incentives			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2017		Adopted	Not Adopted	Not Applicable
SIC 25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders			✓
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC 29	Service Concession Arrangements: Disclosures			✓
SIC 31	Revenue – Barter Transactions Involving Advertising Services			✓
SIC 32	Intangible Assets – Web Site Costs			✓

The Group did not early adopt any accounting pronouncement effective after December 31, 2017.

SCHEDULE A

BENGUET CORPORATION AND SUBSIDIARIES
FINANCIAL ASSETS
DECEMBER 31, 2017
(Amounts in Thousands)

Name of issuing entity and association of each issue	Number of shares or principal amounts of bonds and notes	Amount shown in the balances sheet (figures in thousands)	Income received and accrued
BDO Unit Investment Trust Fund (UITF) - Peso	₱6,224	₱6,630	₱15
BDO UITF - Dollar	2,023	3,317	–
TVI Pacific shares of stock	461	288	–
Sherwood Hills Development Inc.	285	285	–
Philippine Long Distance Telephone Co.	412	305	–
Club Filipino	1	300	–
Camp John Hay Golf Share	1,235	200	–
Piltel Corporation	66	66	–
Shape Center, Inc.	50	50	–

SCHEDULE B

BENGUET CORPORATION AND SUBSIDIARIES
AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2017
(Amounts in Thousands)

Name and Designation of Debtor	Balance at beginning period	Additions	Amounts collected / settlements	Amounts written off	Current	Not current	Balance at end period
Lina G. Fernandez *VP - Corporate Planning, Nickel Marketing Asst. Treasurer & Risk Management Officer (Corplan)*	₱3,972	₱–	₱3,972	₱–	₱–	₱–	₱–
Max D. Arceno *VP - Accounting & Treasurer (Treasury)*	2,739	–	1,196	–	1,543	–	1,543
Reynaldo P. Mendoza *SVP - Public Affairs, Asst.Corp.Sec. (Legal)*	767	500	–	–	1,267	–	1,267
Cynthia Lazaro *Sec. Mgr - Insurance (Treasury)*	560	–	–	–	560	–	560
Marcelo A. Bolano *SVP-Operation (CHQ)*	526	–	–	–	526	–	526
Romy L. Tangalin *Legal Assistant (Legal)*	492	–	–	–	492	–	492
Sheena Irish Barra *Finance Manager (Accounting)*	251	–	–	–	251	–	251
Camilo Bernaldo *Section Mgr - Gov't Liaison (Legal)*	166	–	4	–	162	–	162
Hizon Fernando *Instrumentman (Eng'g & Projects)*	151	–	151	–	–	–	–
Leonila C. Villegas *Sec. Mgr - Administration (HR & Admin)*	140	–	140	–	–	–	–
Mario Ymbang *Division Mgr - Projects-Technical Grp (Eng'g & Projects)*	120	–	120	–	–	–	–
Maricel Ulep *Group Asst. for SVP-Finance & SVP- Nickel Op'n (Logistics)*	119	–	–	–	119	–	119
Julieta Rabina *Sec. Mgr - Accounting (Accounting)*	82	1	83	–	–	–	–
Lanolyn Pangilinan *Sec. Mgr - Programmer (Accounting)*	76	–	10	–	66	–	66

Name and Designation of Debtor	Balance at beginning period	Additions	Amounts collected / settlements	Amounts written off	Current	Not current	Balance at end period
Miriam San Pedro *Sec. Mgr - Accounting (Accounting)*	₱65	₱–	₱17	₱–	₱48	₱–	₱48
Eden Barcelona *Asst. to the Chief of Staff (Corplan)*	52	60	–	–	112	–	112
Ana Margarita Hontiveros *VP-Healthcare (Office of the President)*	46	–	–	–	46	–	46
Mary Jean Dalit *Accountant (Accounting)*	35	–	–	–	35	–	35
Pamela Gendrano *AVP - Environmental Compliance (Compliance)*	33	–	20	–	13	–	13
Marlene Villanuevaloa *Purchasing Asst (Materials)*	26	30	15	–	41	–	41
Lourdes O. Calub *Finance Manager (Finance)*	20	–	–	–	20	–	20
Harold Jacinto *Technical Asst. (Trade)*	15	–	–	–	15	–	15

SCHEDULE C

BENGUET CORPORATION AND SUBSIDIARIES
AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE
CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Amounts in Thousands)

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts collected/ settlements	Amounts Written off	Current	Not Current	Balance at end period
Benguetcorp Nickel Mines, Inc.	(₱600,335)	₱–	₱121,192	₱–	(₱479,143)	₱–	(₱479,143)
Balatoc Gold Resources Corporation	93,728	151	–	–	93,879	–	93,879
Benguetcorp Laboratories, Inc.	79,038	–	(31,336)	–	47,702	–	47,702
Benguetrade, Inc.	(46,826)	(79)	–	–	(46,905)	–	(46,905)
Berec Land Resources, Inc.	(36,872)	–	321	–	(36,551)	–	(36,551)
BC Property Management, Inc.	29,827	150	–	–	29,977	–	29,977
Ifaratoc Mineral Resources Corporation	29,741	60	–	–	29,801	–	29,801
Benguet-Pantukan Gold Corporation	29,457	43	–	–	29,500	–	29,500
BMC Forestry Corporation	(22,639)	(289)	–	–	(22,928)	–	(22,928)
Media Management Corporation	22,183	–	–	–	22,183	–	22,183
Benguet Management Corporation	(20,218)	–	1,189	–	(19,029)	–	(19,029)
Keystone Port Logistics Management Services Corporation	18,387	–	(12,402)	–	5,985	–	5,985
Agua de Oro Ventures Corporation	11,008	286	–	–	11,294	–	11,294
Sagittarius Alpha Realty Corporation	(3,054)	(95)	–	–	(3,149)	–	(3,149)
BenguetCorp International Limited	2,730	478	–	–	3,208	–	3,208
Batong Buhay Mineral Resources Corporation	2,353	26	–	–	2,379	–	2,379
Acupan Gold Mines, Inc.	(2,231)	–	41	–	(2,190)	–	(2,190)
Calhorr 2 Marine Services, Inc.	(1,924)	–	1,924	–	–	–	–
Arrow Freight Corporation	691	620	–	–	1,311	–	1,311
Pillars of Exemplary Consultants, Inc.	577	42	–	–	619	–	619
Calhorr 1 Marine Services Corporation	520	–	(520)	–	–	–	–

SCHEDULE D

BENGUET CORPORTION AND SUBSIDIARIES
INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2017
(Amounts in Thousands)

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Deferred mine exploration costs	₱616,120	₱5,551	₱–	₱–	₱–	₱621,671

SCHEDULE E

BENGUET CORPORATION AND SUBSIDIARIES
LONG-TERM DEBT
DECEMBER 31, 2017
(Amounts in Thousands)

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under the caption 'Current Portion of long-term borrowings' in related balance sheet	Amount shown under the caption 'Long-term borrowings - net of current portion' in related balance sheet
Secured bank loans	₱70,000	₱70,000	₱–
Other loans			
Nickel ore customers	100,736	100,736	–
Others	422,831	422,831	–
	₱593,567	₱593,567	₱–

SCHEDULE F

BENGUET CORPORATION AND SUBSIDIARIES
INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2017

Name of related party	Balance at beginning of period	Balance at end of period
	NOT APPLICABLE	

SCHEDULE G

BENGUET CORPORATION AND SUBSIDIARIES
GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2017

Name of issuing entity of securities guaranteed by the Group for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owed by person for which statement is filed	Nature of guarantee

NOT APPLICABLE

SCHEDULE H

BENGUET CORPORATION AND SUBSIDIARIES
CAPITAL STOCK
DECEMBER 31, 2017

The Parent Company's authorized share capital is ₱784.8 million divided into 736,952,912 shares consisting of 19.7 million Convertible Preferred Class A shares with par value of ₱3.43 each and 430.4 million Class A common shares and 287.0 million Class "B" common shares with par value of ₱1.00 each. As at December 31, 2017, shares issued and outstanding totaled 615,988,224 held by 16,931 shareholders.

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for option, warrants, conversions and other rights	Affiliates	No of shares held by Directors and Officers	Others
Convertible Preferred Stock						
Class A	217,061	217,061		–	–	217,061
Common Stock						
Class A	430,380,000	370,739,961		–	4,409,640	366,330,321
Class B	286,920,000	245,031,222		–	69,909	244,961,313

Consulate General of the Republic of the Philippines
NEW YORK

Foreign Service of the Philippines)
Consulate General of the Philippines)
New York, New York) S.S.
United States of America)

CERTIFICATE OF AUTHENTICATION

I, **KERWIN ORVILLE C. TATE**, Deputy Consul General of the Republic the Philippines, in and for the Consular District of New York, duly mmissioned and qualified in the States of New York, Connecticut, Delaware, ine, Massachusetts, New Hampshire, New Jersey, Pennsylvania, Rhode nd, and Vermont, do hereby certify that

*** ANDREW CASINO ***

at the time he/she signed and affixed his/her official seal to the annexed certificate,

NOTARY PUBLIC
STATE OF NEW YORK

ar at full faith and credit ought to be given to his/her official act.

This Consulate General assumes no responsibility for the contents of the att d document.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal the Consulate General of the Philippines to be affixed 5th day of April 201

KERWIN ORVILLE C. TATE
Deputy Consul General

Doc. No. 0434[illegible]
Service No. **236-239**
Series of 2018
Fee. $25.00

his document is not valid if it is altered in any way whatsoever
e validity is certification is for five (5) years, unless specified by the attached document."

556 Fifth Avenue, New York, NY 10036
Tel. No.: (+1) 212 7641330 / Fax: (+1) 212-3821146
email: newyork.pcg@dfa.gov.ph • www.newyorkpcg.org

BenguetCorp

BUREAU OF INTERNAL REVENUE
RECEIVED
APR 25 2018
REGULATORY DIVISION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Benguet Corporation (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

DANIEL GOMEZ ROMUALDEZ
Chairman of the Board

Signed this 5 day of APRIL, 2018.

ACKNOWLEDGMENT

STATE OF NEW YORK}
NEW YORK CITY } SS

SUBSCRIBED AND SWORN to before me this 5th day of APRIL, 2018 at New York City, New York, personally appeared DANIEL GOMEZ ROMUALDEZ with his Philippine Passport Number P1741994A expiring on January 24, 2022 as identification, known to me to be the person who executed the foregoing document titled Statement of Management's Responsibility for Financial Statements and he acknowledged to me that the signature affixed to the document is his true signature, and that such is his own free and voluntary act and lawful deed.

WITNESS MY HAND AND SEAL.

Notary Public

ANDREW CASINO
Notary Public, State of New York
No. 02CA6073676
Qualified in Queens County

BenguetCorp

BUREAU OF INTERNAL REVENUE
RECEIVED
APR 25 2018
REGULATORY DIVISION

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The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

LEOPOLDO S. SISON III
President

LINA G. FERNANDEZ
Senior Vice President
Finance & Comptroller

Signed this 16th day of April, 2018.

SUBSCRIBED AND SWORN to before me this ____th day of APR 16 2018, 2018 at Makati City, affiants exhibited to me their identifications, to wit: Mr. Leopoldo S. Sison III with Social Security System No. 03-5925303-2 and Ms. Lina G. Fernandez with SSS No. 03-75370258, both issued by the Office of the Social Security System, Philippines.

Doc. No. 338
Page No. 71
Book No. XX
Series of 2018.

MA. ESMERALDA R. CUNANAN
Notary Public
Until December 31, 2019
Appt. No. M-4 (2018-2019) Attorney's Roll No. 34562
MCLE Compliance No. V-0010463/9-18-2015
PTR No. 6607917/1-3-2018/Makati City
IBP Lifetime Member Roll No. 05413
Ground Level, Dela Rosa Carpark I
Dela Rosa St. Legaspi Village,
Makati City

Benguet Corporation

Parent Company Financial Statements
December 31, 2017 and 2016

and

Independent Auditor's Report

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Benguet Corporation

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Benguet Corporation (the Company), which comprise the parent company statements of financial position as at December 31, 2017 and 2016, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

The supplementary information required under Revenue Regulations No. 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of Benguet Corporation in a separate schedule. Revenue Regulations No. 15-2010 requires the information to be presented in the notes to parent company financial statements. Such information is not a required part of the basic financial statements. The information is also not required by Securities Regulation Code Rule 68. Our opinion on the parent company financial statements is not affected by the presentation of the information in a separate schedule.

The engagement partner on the audit resulting in this independent auditor's report is Alexis Benjamin C. Zaragoza III.

SYCIP GORRES VELAYO & CO.

Alexis Benjamin C. Zaragoza

Alexis Benjamin C. Zaragoza III
Partner
CPA Certificate No. 109217
SEC Accreditation No. 1627-A (Group A),
April 4, 2017, valid until April 3, 2020
Tax Identification No. 246-663-780
BIR Accreditation No. 08-001998-129-2017
February 9, 2017, valid until February 8, 2020
PTR No. 6621351, January 9, 2018, Makati City

March 21, 2018

BENGUET CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands, Except Number of Shares)

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱56,800**	₱30,506
Trade and other receivables (Note 5)	**1,029,726**	866,093
Inventories (Note 6)	**19,891**	26,052
Other current assets (Note 7)	**213,374**	223,238
Total Current Assets	**1,319,791**	1,145,889
Noncurrent Assets		
Investments in subsidiaries (Note 8)	**2,068,204**	2,024,454
Available-for-sale (AFS) financial assets (Note 9)	**1,005**	872
Property, plant and equipment (Note 10):		
At revalued amount – land	**990,460**	2,565,124
At cost	**670,516**	705,100
Investment properties (Note 32)	**1,574,664**	–
Deferred mine exploration costs (Note 11)	**547,389**	542,097
Other noncurrent assets (Note 12)	**108,430**	121,178
Total Noncurrent Assets	**5,960,668**	5,958,825
TOTAL ASSETS	**₱7,280,459**	₱7,104,714
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	**₱1,105,954**	₱999,729
Loans payable (Note 13)	**493,630**	520,121
Obligations under finance lease (Note 32)	**–**	2,427
Total Current Liabilities	**1,599,584**	1,522,277
Noncurrent Liabilities		
Liability for mine rehabilitation (Note 16)	**77,963**	72,268
Pension liability (Note 26)	**42,657**	74,922
Other noncurrent liability (Note 15)	**49,136**	49,136
Deferred tax liabilities - net (Note 27)	**628,273**	630,312
Total Noncurrent Liabilities	**798,029**	826,638
Total Liabilities	**2,397,613**	2,348,915
Equity		
Capital stock (Note 17)	**616,863**	616,155
Capital surplus (Note 17)	**375,726**	367,862
Other components of equity:		
Unrealized gain on transfer of mining rights (Note 1)	**1,000,000**	1,000,000
Revaluation increment on land (Note 10)	**784,738**	784,738
Cost of share-based payment (Notes 17 and 18)	**26,327**	32,995
Remeasurement gain on pension liability (Note 26)	**29,814**	9,389
Unrealized gain on AFS financial assets (Note 9)	**131**	38
Retained earnings	**2,057,263**	1,952,638
	4,890,862	4,763,815
Treasury shares (Note 17)	**(8,016)**	(8,016)
Total Equity	**4,882,846**	4,755,799
TOTAL LIABILITIES AND EQUITY	**₱7,280,459**	₱7,104,714

See accompanying Notes to Financial Statements.

BENGUET CORPORATION

PARENT COMPANY STATEMENTS OF INCOME

(Amounts in Thousands)

	Years Ended December 31	
	2017	2016
REVENUE		
Sales of mine products (Note 19)	**₱775,970**	₱614,277
OPERATING COSTS AND EXPENSES		
Cost of mine products sold (Note 20)	**620,115**	490,678
Selling, general and administrative (Note 21)	**216,195**	278,107
Taxes on sale of mine products (Note 19)	**14,268**	10,992
	850,578	779,777
INTEREST EXPENSE (Notes 13 and 32)	**3,059**	11,324
OTHER INCOME - net (Note 23)	**223,080**	71,607
INCOME (LOSS) BEFORE INCOME TAX	**145,413**	(105,217)
BENEFIT FROM (PROVISION FOR) INCOME TAX (Note 27)	**(40,788)**	10,769
NET INCOME (LOSS)	**₱104,625**	(₱94,448)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE (Note 28)	**₱0.17**	(₱0.15)

See accompanying Notes to Financial Statements.

BENGUET CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31	
	2017	2016
NET INCOME (LOSS)	**₱104,625**	(₱94,448)
OTHER COMPREHENSIVE INCOME (LOSS) - NET OF TAX		
Item to be reclassified to profit or loss in subsequent periods:		
Unrealized gain (loss) on AFS financial assets (Note 9)	**93**	(97)
Item not to be reclassified to profit or loss in subsequent periods:		
Remeasurement gain on pension liability (Note 26)	**20,425**	3,441
TOTAL OTHER COMPREHENSIVE INCOME	**20,518**	3,344
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱125,143**	(₱91,104)

See accompanying Notes to Financial Statements.

BENGUET CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Amounts in Thousands)

	Capital stock (Note 17)	Capital surplus (Note 17)	Other components of equity					Retained earnings	Treasury stock (Note 17)	Total
			Unrealized gain from transfer of mining right (Note 1)	Revaluation increment on land (Note 10)	Cost of share-based payment (Note 17)	Remeasurement gain on pension liability (Note 26)	Unrealized gain on AFS financial assets (Note 9)			
Balances at January 1, 2016	**₱615,555**	**₱344,106**	**₱1,000,000**	**₱784,738**	**₱54,441**	**₱5,948**	**₱135**	**₱2,047,086**	**(₱8,016)**	**₱4,843,993**
Employees' exercise of stock options (Note 17)	600	4,184	–	–	(3,717)	–	–	–	–	1,067
Stock options expired (Note 17)	–	14,328	–	–	(14,328)	–	–	–	–	–
Stock options forfeited (Note 17)	–	5,244	–	–	(5,244)	–	–	–	–	–
Stock options vested (Notes 17 and 18)	–	–	–	–	1,843	–	–	–	–	1,843
Net income for the year	–	–	–	–	–	–	–	(94,448)	–	(94,448)
Other comprehensive income (loss) for the year (Notes 9 and 26)	–	–	–	–	–	3,441	(97)	–	–	3,344
Total comprehensive income (loss) for the year	–	–	–	–	–	3,441	(97)	(94,448)	–	(91,104)
Balances at December 31, 2016	**616,155**	**367,862**	**1,000,000**	**784,738**	**32,995**	**9,389**	**38**	**1,952,638**	**(8,016)**	**4,755,799**
Employees' exercise of stock options (Note 17)	708	5,123	–	–	(4,587)	–	–	–	–	1,244
Stock options expired (Note 17)	–	2,741	–	–	(2,741)	–	–	–	–	–
Stock options vested (Notes 17 and 18)	–	–	–	–	660	–	–	–	–	660
Net income for the year	–	–	–	–	–	–	–	104,625	–	104,625
Other comprehensive income for the year (Notes 9 and 26)	–	–	–	–	–	20,425	93	–	–	20,518
Total comprehensive income (loss) for the year	–	–	–	–	–	20,425	93	104,625	–	125,143
Balances at December 31, 2017	**₱616,863**	**₱375,726**	**₱1,000,000**	**₱784,738**	**₱26,327**	**₱29,814**	**₱131**	**₱2,057,263**	**(₱8,016)**	**₱4,882,846**

See accompanying Notes to Financial Statements.

BENGUET CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before tax	**₱145,413**	(₱105,217)
Adjustments for:		
Depreciation and depletion (Notes 20 and 21)	**89,208**	84,976
Gain on sale of property, plant and equipment (Note 10)	**(48,093)**	–
Gain on write off of loans payable (Note 13)	**(38,644)**	–
Change in estimate on liability for mine rehabilitation (Note 23)	**(5,771)**	32,174
Accretion expense (Notes 16 and 23)	**3,116**	314
Movements in pension liability (Note 26)	**(3,086)**	8,986
Interest expense (Notes 13 and 32)	**3,059**	11,324
Stock option expense (Note 18)	**660**	1,843
Net foreign exchange losses	**477**	7,409
Interest income (Note 23)	**(108)**	(102)
Dividend income (Note 23)	**–**	(17,100)
Operating income before working capital changes	**146,231**	24,607
Decrease (increase) in:		
Trade and other receivables	**(163,633)**	(11,439)
Inventories	**6,161**	917
Other current assets	**9,864**	24,356
Increase in trade and other payables	**106,225**	92,463
Net cash from operations	**104,848**	130,904
Income taxes paid	**(51,620)**	(8,840)
Interest paid	**(3,046)**	(12,814)
Interest received	**108**	102
Dividends received	**–**	8,550
Net cash from operating activities	**50,290**	117,902
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment (Note 10)	**48,564**	–
Additions to:		
Property, plant and equipment (Note 10)	**(46,745)**	(21,876)
Investment in subsidiaries	**(43,750)**	–
Deferred mine exploration costs (Note 11)	**(5,292)**	(66,660)
Decrease in other noncurrent assets	**12,748**	41,005
Net cash used in investing activities	**(34,475)**	(47,531)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availment of loans	**70,000**	–
Settlement of loans (Note 13)	**(58,339)**	(67,233)
Lease payments under finance lease (Note 32)	**(2,427)**	(13,783)
Proceeds from issuance of shares (Note 17)	**1,244**	1,067
Net cash flows generated from (used in) financing activities	**10,478**	(79,949)
NET INCREASE (DECREASE) IN CASH	**26,293**	(9,578)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**1**	314
CASH AT BEGINNING OF YEAR	**30,506**	39,770
CASH AT END OF YEAR (Note 4)	**₱56,800**	₱30,506

See accompanying Notes to Financial Statements.

(Amounts in Thousands, Except Number of Shares, Per Share Data and When Indicated)

1. Corporate Information, Status of Business Operations and Authorization for the Issuance of the Parent Company Financial Statements

Corporate Information

Benguet Corporation (the Company) was incorporated on August 12, 1903, and was listed in the Philippine Stock Exchange (PSE) on January 4, 1950.

On June 18, 1956 and June 19, 2006, the Philippine Securities and Exchange Commission (SEC) approved the extension of the Company's corporate life for another 50 years. The Company is currently engaged in gold and other metallic and nonmetallic mineral production, exploration, research and development and natural resource projects.

The Company's registered office address is 7th Floor, Universal-Re Building, 106 Paseo de Roxas, 1226 Makati City.

Status of Business Operations

Quasi-reorganization

On December 5, 2011, the Philippine SEC approved the application of the Company for quasi-reorganization to wipe out its deficit as at December 31, 2010 against its capital surplus and revaluation increment as follows:

	Prior to Quasi-reorganization	Effect of Quasi-reorganization	After Quasi-reorganization
Capital surplus	₱1,153,579	(₱1,153,579)	₱–
Revaluation increment	1,561,048	(1,010,848)	550,200
Deficit	(2,164,427)	2,164,427	–

For purposes of dividend declaration, the retained earnings of the Company shall be restricted to the extent of the deficit wiped out by the revaluation increment amounting to ₱1,010,848, until the asset to which the revaluation increment relates is disposed.

On December 10, 2010, the Company and Benguetcorp Nickel Mines, Inc. (BNMI) entered into a Deed of Exchange, whereby the Company transferred its interest in the nickel laterite mine in Sta. Cruz, Zambales. The transfer covers Mineral Production Sharing Agreement (MPSA) No. 226-2005-III, mine technical data and all related environmental and other permits of the nickel laterite mine valued at a total of ₱1,000,000. BNMI issued 1.0 billion ordinary shares to the Company, with par value of 1 per share, as consideration for the transfer. The transfer of the MPSA was approved by the Mines and Geosciences Bureau (MGB) on January 16, 2012.

Business Operations

Significant developments in the Company's operations follow:

a. Mining Projects

Acupan Gold Project (AGP)

AGP [formerly Acupan Contract Mining Project (ACMP)] was initially conceived as a community based underground mining project, which started commercial operations in January 2003.

The Company is currently working on exploration and drilling programs to increase AGP's capacity. The exploration and geology group completed the design for the surface and underground diamond drilling program for the Phase 1 of the Greater Acupan Project.

The related feasibility study for AGP was approved in 2013 and the Company is still raising the necessary funds to start the execution of the project.

Benguet Gold Operations (BGO)

The Company's BGO in Itogon, Benguet, consisting of the Acupan and Kelly underground mines, were suspended in 1992, following the 1991 earthquake, which flooded the said underground mines. In 2004, BGO resumed operations of the ACMP. The BGO property also included three tailings ponds with estimated tailings resource of 16.7 million metric tons, with an average of 0.69 gram of gold per ton, and are estimated to contain some 371.0 thousand ounces of gold.

In 2015, the Company suspended its own line of operations as a means of cost reduction while gold prices are still on the low, leaving its production dependent on mining contractors. As at December 31, 2017, the said suspension is still in force.

On March 11, 2016, TUV Rheinland, an independent evaluation and certification service body, issued to BGO the ISO 14001:2015, which is an internationally accepted certification and standard for environmental management system. The issuance of the said certification, which is valid until March 10, 2019, makes the BGO fully compliant with the requirement of Department of Environment and Natural Resources (DENR) Administrative Order (DAO) No. 2015-07.

On October 28, 2016, the Company received from the DENR the mine audit report dated October 21, 2016, which was conducted pursuant to DENR Memorandum Circular No. 2016-01 regarding audit of all operating mines and moratorium on new mining projects recommending the suspension of the Company's mining operations and requires the Company to submit an explanation thereof within seven days from the date of receipt.

On November 1, 2016, the Company submitted an explanation to the DENR stating that there are no legal and factual bases to recommend the suspension of the Company's operations due to the following reasons:

- Based on the mine audit report, there are no significant findings of violations that would warrant the suspension order.
- None of the alleged violations found pose imminent danger or threat to the community that would justify the suspension of operation.
- The deficiencies cited, which are mostly permitting issues or operational concerns, can easily be remediated without need of suspending the Company's operation.

On February 14, 2017, the Company received from DENR a cancellation order dated February 8, 2017 cancelling its authority to undertake mining operations under Patent Claim (PC-ACMP-002-CAR) in Itogon, Benguet for violation of certain provisions of mining and environmental laws, rules and regulations such as the following:

- RA No. 6969, otherwise known as the 'Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990'
- DAO No. 2013-22 or the 'Revised Procedures and Standards for the Management of Hazardous Wastes'
- RA No. 7942, otherwise known as 'The Philippine Mining Act of 1995'
- DAO No. 2010-21 or the 'Revised Implementing Rules and Regulations of RA No. 7942'

On February 22, 2017, the Company filed a Notice of Appeal before the Office of the President, which stayed the execution of the cancellation order. On March 22, 2017, the Company submitted to the Office of the President the actual Appeal Memorandum. As at March 21, 2018, the Office of the President has not yet responded to the said appeal.

Irisan Lime Project (ILP)
The Company's ILP in Irisan, Baguio is engaged in the production and trading of quicklime. ILP produced 9,374 tons and 9,408 tons of quicklime in 2017 and 2016, respectively. On September 4, 2017, the Mineral Processing Permit (MPP) for the ILP was renewed for a period of five years or until September 3, 2022.

Benguet Antamok Gold Operation (BAGO)
The Company's BAGO in Itogon, Benguet has been suspended since August 1998. BAGO has an estimated resource of about 12.4 million tons, averaging 3.45 grams of gold per ton, at the end of 1999. Pursuant to DAO No. 2010-04, the Company's Application for Mineral Production Sharing Agreement (APSA) No. 009-CAR was denied on February 8, 2011. Subsequently, the Company filed an appeal on April 15, 2011 in MGB Central Office.

On November 23, 2016, the Company received from DENR a letter requiring the Company to show cause why its operation should not be suspended and/or mining contract be cancelled in view of the October 2016 tailings spill, which affected the Liang River.

On December 26, 2016, the Company argued that there was no negligence because the incident is due to force majeure and the leak was immediately remediated. The Company also emphasized that it has no existing mining operations in BAGO as it has long been suspended. The BAGO open pit mine and the BAGO underground mine has not operated since 1998 and 1989, respectively. The Company contested that it has been under care and maintenance since then up to the present. On January 1, 2017, the case was elevated to Pollution Adjudication Board (PAB) from the EMB out of which the Company submitted a position paper on May 8, 2017.

On May 9, 2017 a technical conference hearing was held in PAB regarding the case and as a result, the Company submitted a supplemental motion on June 9, 2017. As of March 21, 2018, the Company is still awaiting the decision of PAB.

Masinloc Chromite Operation (MCO)
From 1934 to 2007, the Company managed the Coto Mine under an operating agreement with its claimowner, Consolidated Mines, Inc. (CMI). With the expiration of the operating agreement last July 8, 2007, the Company has transferred back the operating rights to CMI. As at March 17, 2017, the Company is still engaged in discussion with CMI over the liquidation of MCO's assets (see Note 15).

b. Exploration, Research and Development Projects

Balatoc Tailings Project (BTP)
The Company's Board of Directors (BOD) approved an initial ₱10.0 million research and development fund for the BTP in Itogon, Benguet for the study on the feasibility of reprocessing 16.7 million tons of tailings resource with an average of 0.69 grams gold per ton and is estimated to contain 371,000 ounces of gold. A core research and development team, together with the Beijing Geological Research Institute of Mining and Metallurgy, has done the analysis toward the preparation and completion of the bankable feasibility study.

On October 21, 2009, the Company appointed ATR Kim Eng Capital Partners, Inc. as financial advisor to raise additional development capital for the BTP.

On the same date, the Company entered into a processing agreement with the Balatoc Gold Resources Corporation (BGRC), a subsidiary, to implement the BTP. The Company has completed the bankable feasibility study of the BTP and engaged external Competent Persons to prepare and review reports as required under the Philippine Mineral Reporting Code modeled after the Joint Ore Reserve Committee of Australia.

On September 2010, the Company signed a Deed of Assignment with BGRC to transfer, subject to approval by the DENR, MPP No. 13-2010-CAR covering the BTP. The MPP allows reprocessing of the impounded mill tailings from the Acupan mines for recovery of residual gold. In November 2011, the transfer of the MPP was approved by the DENR-MGB.

BGRC signed contracts and undertook activities for the detailed engineering of the project, rehabilitation of the tailings ponds and reinforcement of the silt dam. BGRC continues the activities on expansion and rehabilitation of its penstocks at Tailings Pond Nos. 2 and 3 and earthmoving works on the silt dam at Gold Creek and the Ambalanga River pumping station, and the ridge enhancement works on Tailings Ponds Nos. 2 and 3. The excavated materials from its expansion and rehabilitation activities will be used for the raising of the embankment of Tailings Ponds Nos. 2 and 3 to the level in which the BTP will be able to pump the tailings to a processing plant in Balatoc.

On January 17, 2013, the Company's BOD authorized and approved the deed of exchange between the Company and BGRC covering all of the Company's rights and interest in BTP in exchange of BGRC's shares.

Since 2014, minimal costs were incurred on the BTP because BGRC is largely in the process of obtaining funds for the said project.

Following the expiration of MPP No. 13-2010-CAR, BGRC reconveyed to the Company on March 16, 2016, all rights and interest in BTP, including liabilities to third parties, so that the reprocessing of tailings can be made part of the Acupan operation once more. The reconveyance was approved by the DENR-MGB on May 31, 2016.

Antamok Tailings Project (ATP)
The ATP, which targeted the BAGO mill tailings pond, was conceived as a possible additional resource that could be developed similar to the Balatoc Tailings Project. The BAGO tailings pond, located a few hundred meters downstream from the BAGO open pit mine, contains some 7.64 million tons of tailings produced from the BAGO milling operations. In addition, a

considerable tonnage of extraneous materials, estimated at about 1.95 million tons washed from the BAGO pit over the years from the Otek marginal grade material dump and from the numerous illegal miners workings, found its way into the pond and is now resting on top of the tailings deposit. A preliminary sampling of these extraneous materials showed that these can be considered for exploitation together with the original tailings in the pond. More core drilling, however, may be required to firm up the resource estimate of these impounded materials.

The Company has approved an initial ₱7.5 million research fund for the ATP for the feasibility study on the reprocessing. The Company is conducting a feasibility study on the reprocessing of tailings from the BAGO, which are impounded in the tailings pond downstream of the old BAGO mill. The initial drilling conducted to test the impounded materials indicates a grade of 4.0 grams of gold per ton.

As at December 31, 2017, the Company intends to transfer to Benguet-Pantukan Gold Corporation (BPGC), a wholly owned subsidiary of the Company through Benguet Management Corporation (BMC), the planned ATP.

Surigao Coal Prospect (SCP)
Pre-development activities for the SCP were put on hold in 2011 due to Executive Order (EO) 23, series of 2011, which declares a moratorium on the cutting and harvesting of timber in the natural and residual forests. The City Environment and Natural Resources Office of the Municipality of Lianga denied the Company's request for a tree inventory, which is preparatory to the application for a cutting permit. The decision was reversed in January 2012 after the issuance of a memorandum from the Executive Secretary, which exempted exploration and mining activities from the said EO. The Company is in the process of completing the requirements to secure permits for the development of the project. A preliminary hydrology study was done at the nearby Hubo river's water source to assess if the volume capacity of the river system can support a hydro plant, which will complement the Coal Power Plant Study. In 2012, the Company also participated in the bidding under the Philippine Energy Contracting Round four for coal to possibly secure other prospective coal areas. The result of the bidding is awaiting the decision of the Department of Energy.

As at December 31, 2017, the Company plans to transfer the SCP to Batong Buhay Mineral Resources Corporation (BBMRC) when the said prospect materializes.

Ampucao Copper-Gold Prospect (Ampucao Prospect)
The Ampucao Prospect is located inside the contract claims of Pugo Mining Company in the southern part of Benguet's Acupan gold mine. The initial exploration work conducted by the Company's geologists indicates a porphyry copper-gold mineralization hosted in diorite below the 2000 level. Two test holes have been programmed to be drilled within the area, but have been put on-hold pending the resolution of the APSA, which also covers the BAGO. As at December 31, 2017, the Company is still awaiting the decision on the appeal filed.

Pantingan Gold Prospect (PGP)
The PGP in Balanga, Bataan consists of 1,410 hectares covered by MPSA No. 154-2000-III. The property is under an operating agreement with an Option to Purchase, with Balanga Bataan Minerals Corporation, signed in March 1996. Surface mineralization consists of quartz and clay veins, ranging from 0.70 meters to 10 meters wide, with values as much as 1.0 gram of gold and 9.60 gram of silver. In 2016, a team of geologists continued its semi detailed survey and the accompanying follow-up study related to its two year Environmental and Exploration Work Program. MGB central office personnel conducted an inspection at the site, including water sampling at the Pantingan river to validate the submitted Environmental and Exploration Work

Program. As at December 31, 2017, the Company is in discussion with interested parties for a possible joint venture which will allow the conduct of a comprehensive drilling program.

Zamboanga Gold Prospect (ZGP)
The ZGP in R.T. Lim, Zamboanga Sibugay consists of 399.3 hectares of land area and is under an operating agreement with Oreline Mining Company (OMC). A drilling program to evaluate the gold potential of the main structure at depth has been put on-hold pending the resolution of APSA No. IX-015 of OMC. The APSA which was denied on May 12, 2010 and has an appeal filed on January 30, 2013, is still pending evaluation by the DENR.

Financial and Technical Assistance Agreement (FTAA) Application
The Company and its subsidiary, Sagittarius Alpha Realty Corporation (SARC) have two pending FTAA applications consisting of land area totaling 72,806,291 hectares. The Company's FTAA application in Ilocos Norte (denominated as AFTA-003-I) is undergoing Free, Prior and Informed consent requirement through the Regional Office of the National Commission of Indigenous Peoples while SARC's FTAA application in Apayao (denominated as AFTA No. 00033-CAR) is pending with the MGB-CAR. Exploration work for the two areas will be undertaken as soon as the applications have been approved by the Philippine government.

c. Water Projects

Baguio City Bulk Water Supply Project (BCBWSP)
On August 16, 2005, the BOD of the Baguio Water District (BWD) issued to the Company a Notice of Award covering the BCBWSP. The Company's proposal is to convert its mined-out 440 Vein Open Pit into a water reservoir with the capability of supplying, at least, 50,000 cubic meters of potable water per day to Baguio City as of March 17, 2017.

On September 7, 2007, the BWD issued Board Resolution Number 30-2007, which resolved to terminate the bulk water supply contract negotiation and to scrap the project. The resolution cited grounds such as the irreconcilable differences of the parties on the contract provisions of parametric formula and rate rebasing, among others. On these issues, the BWD is concerned with the affordability and acceptability of the water tariff to the end-consumers. On the other hand, the Company raised a concern on the delay in implementation and its effect on the viability of the project as justification for the contract provisions. The Company has likewise requested the BWD to conduct a public hearing on these issues, which the BWD has deemed premature. The Company filed a request for reconsideration on September 13, 2007.

On November 29, 2007, the BWD issued a Board Resolution denying the Company's request for reconsideration. The Company has filed a case against BWD, which is now pending at the Regional Trial Court of Baguio City as of March 21, 2018.

d. Land Development Projects

Kelly Special Economic Zone (KSEZ)
The Company has approved an initial ₱4.9 million budget for the feasibility study covering the KSEZ and the potential of other real estate properties of the Company. The Company plans to transfer the said properties to BC Property Management, Inc. (BCPMI), a wholly-owned subsidiary of BMC. The capital expenditures related to the implementation of the project will then be infused as equity of the Company in BCPMI. As of December 31, 2017, the said project has not yet materialized.

Updates in the Philippine Mining Industry
On February 2, 2017, the Secretary of the DENR ordered the closure and suspension of several mines in the country for alleged environmental violations noted during the industry-wide audit carried on since July 2016. The said audit is in line with the issuance of DENR Memorandum Order No. 2016-01 mandating a comprehensive review of all operating mines and mines under suspended and/or care and maintenance status, and a moratorium on the acceptance, processing and/or approval of mining applications and/or new mining projects for all metallic and non-metallic minerals. On February 14, 2017, the Secretary of the DENR announced the cancellation of a total of 75 MPSA considered to be situated in watersheds.

In light of concerns expressed by various industry stakeholders, the Mineral Industry Coordinating Council (MICC), issued a resolution on February 9, 2017, which called for the review of the audit conducted on mining companies, and the closure and suspension orders by the DENR Secretary. This mandate of the MICC covers all mining contracts in the Philippines, although the review will start with mining companies affected by the closure order. The multi-stakeholder review shall be based on the guidelines and parameters set forth in mining contracts and in other pertinent laws, and will advise the DENR on the performance of existing mining operations in consultation with local government units. Five technical review teams (TRT) will conduct the review over a three-month period starting in March 2017. The TRTs will check the compliance of affected mining companies with applicable agreements, and laws and regulations taking into account the technical, legal, social, environmental and economic aspects of their mining operations. The results of the review will be submitted to the multi-stakeholder Technical Working Group (TWG) of the MICC. The TWG will verify the results before the final presentation to the MICC. The MICC will then present the findings and submit its recommendations to the Office of the President, which shall make the final decision on the DENR's closure and suspension orders.

As of March 21, 2018, MICC already conducted an initial review of the mine audit results of mining companies. MICC announced that it aims to finish the review and release the recommendation within six months' time.

Recovery of Deferred Exploration Costs
The Company's ability to realize its deferred exploration costs with carrying value amounting to ₱547,389 and ₱542,097 as at December 31, 2017 and 2016, respectively (see Note 11), depends on the success of exploration and development work in proving the viability of its mining properties to produce minerals in commercial quantities, and the success of converting the Company's exploration permits to new mineral agreements, which cannot be determined at this time. The financial statements do not include any adjustment that might result from these uncertainties.

Authorization for the Issuance of the Parent Company Financial Statements
The accompanying parent company financial statements as at and for the years ended December 31, 2017 and 2016 were authorized for issuance by the BOD on March 21, 2018.

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

Basis of Preparation and Statement of Compliance
The parent company financial statements have been prepared in accordance with the Philippine Financial Reporting Standard (PFRSs) as issued by the Financial Reporting Standards Council.

The parent company financial statements have been prepared on a historical cost basis, except for land which is measured at revalued amount, and investment properties and AFS financial assets, which are measured at fair value. The parent company financial statements are presented in

Philippine peso, which is the Company's functional currency. All amounts are rounded to the nearest thousands, except as otherwise indicated.

Changes in Accounting Policies
The Company applied for the first time certain pronouncements, which are effective for annual periods beginning January 1, 2017. Adoption of these pronouncements did not have a significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities - Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

  Adoption of these amendments did not have any impact on the parent company financial statements.

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative*

  The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

  The Company has provided the required information in Note 33 to the parent company financial statements. As allowed under the transition provisions of the standard, the Company did not present comparative information for the year ended December 31, 2016.

- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses*

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  The Company applied the amendments retrospectively. However, their application has no effect on the Company's financial position and performance as the Company has no deductible temporary differences or assets that are in the scope of the amendments.

Standards issued but not yet effective
Pronouncements issued but not yet effective are listed below. The Company does not expect the future adoption of the said pronouncements to have a significant impact on its parent company financial statements, unless otherwise indicated. The Company intends to adopt the following pronouncements when these become effective.

Effective January 1, 2018

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  The Company is currently assessing the potential effect of the amendments on its parent company financial statements.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The Company plans to adopt the new standard on the mandatory effective date and will not restate comparative information.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

The Company is still assessing the potential impact of adopting this standard in 2018.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight. The Company is currently assessing the impact of adopting this standard

- Philippine Interpretation based on International Financial Reporting Interpretations Committee (IFRIC) 22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Company is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:
- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Company is currently assessing the impact of adopting this interpretation.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Summary of Significant Accounting Policies

Presentation of Financial Statements
The Company has elected to present all items of recognized income and expense in two statements: a parent company statement of income and a parent company statement of comprehensive income.

Current versus Noncurrent Classification
The Company presents assets and liabilities in the parent company statement of financial position based on current or noncurrent classification. An asset as current when it is:
- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purposes of trading
- Expected to be realized within 12 months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Cash and Cash Equivalents
Cash consists of cash on hand and cash in banks. Cash in banks earns interest at the respective bank deposit rates.

Cash equivalents are short-term cash investments made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term cash investment rates.

Financial instruments - initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

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

Loans and Receivables
This category is the most relevant to the Company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, receivables are measured at amortized cost using the effective interest rate (EIR) method, less impairment. 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 EIR amortization, if any, is included in the other income (expense) - net caption in the parent company statement of income. The losses arising from impairment of receivables, if any, are recognized as provision for impairment loss under selling and general expenses in the parent company statement of income.

This accounting policy applies to trade and nontrade receivables, receivables from lessees of bunkhouses, amount owed by related parties under 'trade and other receivables' and refundable deposits under 'other noncurrent assets'.

AFS Financial Assets
AFS financial assets include equity investments. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses arising from the fair valuation of AFS financial assets being reported as unrealized gain (loss) on AFS financial assets under other components of equity of the parent company statement of financial position until the investment is derecognized. These are also reported as Other Comprehensive Income (OCI) in the statement of comprehensive income. Interest earned while holding AFS financial assets is reported as interest income using the EIR method. Any dividend earned on holding AFS financial assets is recognized in the statement of income when the right of payment has been established.

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for a foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the parent company statement of income.

Included in this category are equity investments in publicly listed and private companies other than subsidiaries. These are shown as a separate line item in the parent company statement of financial position.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the parent company statement of financial position) when:
- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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 Company could be required to repay.

Impairment of financial assets
The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors 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 observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost
For financial assets carried at amortized cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines 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 assets 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.

Evidence of impairment may include indications that the borrower is experiencing significant difficulty, default or delinquency in 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. In relation to trade, nontrade, receivables from lessees of bunkhouses under 'Trade and other receivables' and refundable deposits under 'Other noncurrent assets', a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as customer type, past dues status and term.

AFS Financial Assets
For AFS financial assets, the Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

In case of equity investments classified as AFS, this would include a significant or prolonged decline in the fair value of the investments below its cost. Significant is evaluated against the original cost of the investment and prolonged against the period in which the fair value has been below its original cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost. The Company treats significant generally as 20% or more of the original cost of investment, and prolonged as greater than 12 months.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the parent company statement of income.

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in parent company statement of income, is transferred from equity to the parent company statement of income as part of the provision for impairment losses account under selling and general expenses. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the parent company statement of income, the impairment loss is reversed through the parent company statement of income.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables net of directly attributable transaction costs.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Payables
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations (e.g., accounts payable, accrued liabilities). Payables are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

This accounting policy applies to the Company's trade and nontrade payables, accrued expenses, payables to officers and employees, amounts owed to related parties, and equity of claim owners on contract operations under other noncurrent liabilities.

Loans and borrowings
After initial measurement, loans and borrowings are 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 integral part of the EIR. Effects of restatement of foreign currency-denominated liabilities, if any, are recognized in the foreign currency exchange gains (losses) under other income - net in the parent company statement of income.

This category generally applies to the Company's loans payable and obligations under finance lease.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle the liability simultaneously, or to realize the asset and the liability simultaneously.

The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Fair Value Measurement
An analysis of the fair values of financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed and further details as to how they are measured are provided in the following notes:

- Disclosures on significant judgments and estimates — Note 3
- AFS financial assets — Note 9
- Land — Note 10

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property are recognized in the statement of income in the year in which they arise.

Investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with PAS 16 up to the date of change in use.

As at December 31, 2017 and 2016, investment properties pertain to parcels of land at Itogon, Benguet which are held for capital appreciation.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Inventories

Inventories are valued at the lower of cost or net realizable value (NRV).

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Materials and supplies	-	at purchase price less purchase discount, returns and rebates on a first-in, first-out method
Gold bullions or buttons	-	at cost on a moving average production method

NRV for materials and supplies represents the current replacement cost. NRV of gold bullions or buttons is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Deferred Mine Exploration Costs
Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:
- Researching and analyzing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

License costs paid in connection with a right to explore in an existing exploration area are capitalized and amortized over the term of the permit.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless the Company concludes that a future economic benefit is more likely than not to be realized. These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

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

Expenditure on exploration and evaluation is accounted for in accordance with the area of interest method. Exploration and evaluation expenditure is capitalized provided the rights to tenure of the area of interest is current and either: the exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, then, any fulfillment exploration and evaluation expenditure is reclassified as mine properties and mine development costs included as part of property, plant and equipment. Prior to reclassification, exploration and evaluation expenditure is assessed for impairment.

When a project is abandoned, the related deferred mine exploration costs are written off. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

Other Current Assets
Other current assets include various prepayments, input value-added tax (VAT), excess creditable withholding taxes (CWTs) and deferred input VAT.

Prepaid Expenses
Prepaid expenses pertain to advance payments for insurance, rent, and other services. These are stated at the estimated NRV.

VAT
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable. When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the parent company statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the parent company statement of financial position to the extent of the recoverable amount.

CWT
CWTs are amounts withheld from income of the Company subject to expanded withholding taxes. CWTs can be utilized as payments for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules of Philippine income taxation. CWTs are stated at the estimated NRV.

Advances to contractors
These pertain to amounts advanced to contractors to support their operations and are deductible to the contractors' final share.

Property, Plant and Equipment
Property, plant and equipment, except land, are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, depletion and amortization and accumulated impairment in value. Such cost includes the cost of replacing part of such property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of income as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Construction in progress (CIP) is recorded at cost. This includes costs of construction and other direct costs. CIP is not depreciated until such time that the relevant asset is completed, transferred to the appropriate account and put into operational use.

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

The increment from valuation of land, net of deferred tax liability, resulting from the revaluation of land is credited to revaluation increment on land under the other components of equity caption included in the equity section in the statement of financial position. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in the statement of income, the increase is recognized in profit or loss. A revaluation deficit is recognized in the statement of income, except to the extent that it offsets an existing surplus on the same asset recognized in the revaluation increment. Upon derecognition of the revalued property, the relevant portion of the revaluation increment realized in respect of previous valuations is released from the revaluation increment directly to retained earnings.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

Category	Number of years
Land improvements	10-25
Buildings	10-20
Machinery, tools and equipment	2-15

Depreciation of an item of property, plant and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the matter intended by management. Depreciation, depletion and amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5 and the date the asset is derecognized.

The estimated useful lives, residual values and depreciation method are reviewed periodically to ensure these are consistent with the expected pattern of economic benefits from items of property, plant and equipment. The useful lives and residual values are reviewed at the end of each reporting period and adjusted prospectively, if appropriate.

Fully depreciated assets are retained in the accounts until these are no longer in use. No further depreciation is charged to current operation for these items.

The carrying values of property, plant, and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognized.

Mine and Mining Properties

Capitalized expenditure is assessed for impairment and is transferred from deferred exploration costs to mine development costs when it has been established that a mineral deposit is commercially mineable, development sanctioned, and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit).

After transfer of the deferred exploration costs, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized in mine development costs. Development expenditure is net of proceeds from the sale of ore extracted during the development phase to the extent that it is considered integral to the development of the mine. Any costs incurred in testing the assets to determine if they are functioning as intended, are capitalized, net of any proceeds received from selling any product produced while testing. If these proceeds exceed the cost of testing, any excess is recognized in the statement of income.

No depletion is charged during the mine exploration or development phases.

When the Company has already achieved commercial levels of production, mine development costs are moved to mine and mining properties. Commercial production is deemed to have commenced when management determines that the completion of operational commissioning of major mine and plant components is completed, operating results are being achieved consistently for a period of time and that there are indicators that these operating results will be continued.

The carrying value of mine and mining properties represents total expenditures incurred to date on the area of interest, less accumulated depletion and any impairment.

When a mine construction project moves into the production phase, the capitalization of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.

Mine and mining properties are subject to depletion, which is computed using the units-of production method based on the economically recoverable reserves. Mine and mining properties include the initial estimate of provision for mine rehabilitation and decommissioning, for which the Company is constructively liable.

Investments in Subsidiaries
A subsidiary is an entity that is controlled by another entity (which is the parent). The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiaries are accounted for under the cost method less any impairment losses. Cost method is a method of accounting for an investment whereby the investment is recognized at cost. The investor recognizes income from the investment only to the extent that the investor receives distributions from accumulated profits of the investee arising after the date of acquisition.

Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Other Noncurrent Assets
Other noncurrent assets include prepayments, advances and various restricted bank deposits for the settlement of environmental obligations. These are initially recognized at cost and are carried at NRV.

Impairment of Nonfinancial Assets
Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Disclosures on significant judgments and estimates — Note 3
- Nonfinancial receivables — Note 5
- Inventories — Note 6
- Other current assets — Note 7
- Investment in subsidiaries — Note 8
- Property, plant and equipment — Note 10
- Deferred mine exploration costs — Note 11
- Nonfinancial other noncurrent assets — Note 12

The Company assesses, at the end of each reporting period, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable value is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation.

For assets (except goodwill), an assessment is made at each end of the reporting period to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, depletion or amortization, had no impairment loss been recognized for that asset in prior years. Such reversal is recognized in the parent company statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase.

Deferred Mine Exploration Costs
The Company assesses whether facts and circumstances suggest that the carrying amount of deferred mine exploration costs may exceed its recoverable amount. Below are some of the facts and circumstances, which the Company considers in determining whether there is impairment on deferred mine exploration costs:
- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area, and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the deferred mine exploration costs is unlikely to be recovered in full from successful development or by sale

Full provision is made for the impairment unless it is probable that such costs are expected to be recouped through successful exploration and development of the area of interest, or alternatively, by its sale. If the project does not prove to be viable or is abandoned, all revocable cost associated with the project and the related impairment provisions are written off.

Recovery of impairment losses recognized in prior years is recorded if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The recovery is recorded in the parent company statement of income.

Provisions

General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of the provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the parent company statement of income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as interest expense in the parent company statement of income.

Liability for Mine Rehabilitation

Mine rehabilitation costs will be incurred by the Company either while operating, or at the end of the operating life of, the Company's facilities and mine properties. The Company assesses its mine rehabilitation provision at each reporting date. The Company recognizes a rehabilitation provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The nature of these restoration activities includes: dismantling and removing structures; rehabilitating mines and tailings dams; dismantling operating facilities; closing plant and waste sites; and restoring, reclaiming and re-vegetating affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the mining operation's location. When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred as a result of the development or construction of the mine. Any rehabilitation obligations that arise through the production of inventory are recognized as part of the related inventory item. Additional disturbances that arise due to further development or construction at the mine are recognized as additions or charges to the corresponding assets and rehabilitation liability when these occur. Costs related to restoration of site damage (subsequent to start of commercial production) that is created on an ongoing basis during production are provided for at their net present values and recognized in profit or loss as extraction progresses.

Changes in the estimated timing of rehabilitation or changes to the estimated future costs are dealt with prospectively by recognizing an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates, if the initial estimate was originally recognized as part of an asset measured in accordance with PAS 16.

Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the parent company statement of income.

If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Company considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If, for mature mines, the estimate for the revised mine assets net of rehabilitation provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the parent company statement of income as part of interest expense.

For closed sites, changes to estimated costs are recognized immediately in the parent company statement of income.

Rehabilitation trust funds committed for use in satisfying environmental obligations are included in other noncurrent assets in the parent company statement of financial position.

Capital Stock and Capital Surplus
Common and preferred shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds. The excess of proceeds from issuance of shares over the par value of shares less any incremental costs directly attributable to the issuance, net of tax, is credited to capital surplus.

Other Components of Equity
The 'Other components of equity' caption in the parent company statement of financial position consists of:

- Revaluation increment on land
- Cost of share-based payment
- Remeasurement gain on pension liability
- Unrealized gain on AFS financial assets
- Unrealized gain on transfer of mining rights

Otherwise, these are recognized as noncurrent liabilities.

Foreign Subsidiaries
On consolidation, the assets and liabilities of foreign operations are translated into Philippine peso at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the average exchange rates for the year. The exchange differences arising on the translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in the consolidated statement of income.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policies and other capital adjustments. When the retained earnings account has a debit balance, it is called 'Deficit'. A deficit is not an asset but a deduction from equity.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders. Appropriated retained earnings represent that portion, which has been restricted and, therefore, not available for dividend declaration.

Appropriation of retained earnings is the allocation of a portion of the Company's retained earnings for a specific purpose. Costs and losses cannot be charged for such appropriations. The reasons for appropriations may include legal or contractual restrictions, existence of possible or expected loss, expansion projects, and protection of working capital position.

Treasury Shares
Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in capital surplus under the equity section of the parent company statement of financial position.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

Sale of Mine Products
Revenue is recognized when the significant risks and rewards of ownership have transferred to the buyer, which is normally at the time of shipment, and the selling prices are known or can be reasonably estimated.

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods and the amount of revenue can be measured reliably. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Interest Income
For all financial instruments measured at amortized cost and interest-bearing financial assets classified as AFS, interest income is recorded using the EIR. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in other income - net in the parent company statement of income.

Other income not directly related to the Company's normal operations is recognized when the earnings process is virtually complete. These are classified under other income net in the parent company statement of income.

Cost and Expense Recognition
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are generally recognized when these arise following the accrual basis of accounting.

Cost of Mine Products Sold
Cost of mine products sold is incurred in the normal course of business and is recognized when incurred. It comprises mainly of outside services, materials and supplies, depreciation, depletion and amortization, personnel expenses, power and utilities and others, which are recognized as expenses in the period when the mine products are delivered.
Selling, General and Administrative

Selling and general expenses pertain to costs associated in the marketing and general administration of the day-to-day operations of the Company. These are generally recognized when incurred.

Excise Taxes
Excise taxes pertain to the taxes paid or accrued by the Company arising from the production of gold and nickel ore. These taxes and royalties are recognized once revenue from the sale of the related mine product is recognized.

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 at inception date of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of the specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A reassessment is made after the inception on 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 the 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) and (d) and at the date of renewal or extension period for scenario (b).

Company as a Lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the parent company statement of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as operating expenses in the parent company statement of income on a straight-line basis over the lease term.

Pension and other post-employment benefits
The Company has separate, noncontributory, defined benefit pension plans, covering all permanent, regular and full-time employees.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains or losses, the effect of the ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in the net interest on the net defined benefit liability), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which these occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past services costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation under costs of mine products sold, costs of services and selling and general expenses in the statement of income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Share-based Payment Transactions

Employees (including senior executives) of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, in employee benefits expense.

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The profit and loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits.

No expense is recognized for awards that do not ultimately vest, except for equity settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense computed based on the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the Company or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

When the terms of an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Where an equity-settled award expires or is cancelled, its cost is transferred to additional paid-in capital.

Forfeitures revise the expense to reflect the best available estimate of the number of equity instruments expected to vest.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Foreign Currencies

The Company's financial statements are presented in Philippine peso, which is also the parent company's functional currency. For each entity, the Company determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and Balances

Transactions in foreign currencies are initially recorded by the Company's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Company's net investment of foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss on translation of non-monetary items measured at fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

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 authorities. The income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted as of the end of the reporting period in the country where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the parent company statement of income.

Deferred Tax

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or 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 (tax loss)
- 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 by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future

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

- Where the deferred 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
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred 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 tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year 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 end of the reporting period.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

Earnings Per Share (EPS)
Basic EPS amount is calculated by dividing net income for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year.

Diluted EPS amount is calculated by dividing the net profit attributable to ordinary equity holders of the Company (after deducting interest on the convertible cumulative preference shares) by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalization, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively. If these changes occur after the reporting period but before the financial statements are authorized for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares. The fact that per share calculations reflect such changes in the number of shares shall be disclosed. In addition, basic and diluted earnings per share of all periods presented shall be adjusted for the effects of errors and adjustments resulting from changes in accounting policies accounted for retrospectively.

OCI
OCI comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in the parent company statement of income.

Operating Segments
The Company's operating businesses are recognized and managed according to the nature of the products or services offered, with each segment representing a strategic business unit that serves different markets.

Segment assets include operating assets used by a segment and consist principally of operating cash, trade and other receivables, inventories and property, plant and equipment, net of allowances and provisions.

Segment liabilities include all operating liabilities and consist principally of trade and other payables, accrued expenses and bank loans. Segment assets and liabilities do not include deferred taxes.

Segment revenue, expenses and profit include transfers between business segments. The transfers are accounted for at competitive market prices charged to unaffiliated customers for similar products. Such transfers are eliminated in the consolidation.

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

not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period
Post year-end events that provide additional information about the Company's position at the end of the reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed when material.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the parent company financial statements in accordance with PFRSs requires the Company to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the accompanying disclosures, and the disclosure of contingent liabilities. 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. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Company's exposure to risks and uncertainties include financial risk management and policies, and sensitivity analyses disclosures, and are described in Note 29.

Judgments
In the process of applying the Company's accounting policies, management has made following judgments, which have the most significant effect on the amounts recognized in the parent company financial statements.

Determining Functional Currency
The Company, based on the relevant economic substance of the underlying circumstances, has determined that its functional currency and of its subsidiaries, except a foreign subsidiary, to be the Philippine peso. It is the currency of the primary economic environment in which the Company primarily operates.

Assessing Provisions and Contingencies
The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Company's defense in these matters and is based upon an analysis of potential results. The Company currently assessed that these proceedings will not have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 33).

Distinction between Investment Property and Owner-Occupied Property
The Company determines whether a property qualifies as investment property. In making its judgment, the Company considers whether the property is not occupied substantially for use by, or in operations of the Company, not for sale in the ordinary course of business, but is held primarily to earn rental income or capital appreciation. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the production or supply process. Management concluded that some of its parcels of land at Itogon, Benguet are investment properties.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year, are discussed below. The Company based its assumptions and estimates on parameters available when the parent company financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may changes due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when these occur.

Estimating Ore Reserves

Ore reserves estimates are, to a large extent, based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies. The Company estimates its ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The Company also makes estimates and assumptions regarding a number of economic and technical factors affecting ore reserves estimates, such as production rates, grades, foreign exchange rates, production and transport costs, and commodity prices.

These geological, economic and technical estimates and assumptions may change in the future in ways, which can affect the quality and quantity of the ore reserves. The Company reviews and updates estimates as required, but at least annually, to reflect actual production, new exploration data or developments and changes in other assumptions or parameters. These estimates will change from time to time to reflect mining activities, analyses of new engineering and geological data, changes in ore reserve and mineral resource holdings, modifications of mining plans or methods, changes gold prices or production costs, and other factors.

Changes in the ore reserves estimates may impact the carrying values of property, plant and equipment, provision for mine rehabilitation and decommissioning, recognition of deferred tax assets and depreciation and depletion charges.

Assessing Recoverability of Deferred Mine Exploration Costs

The Company reviews the recoverability of deferred mine exploration costs when events or changes in circumstances indicate that the carrying amount of deferred mine exploration costs may exceed its estimated recoverable amount. The Company considers the following factors, among others, in its assessment:

- Status of each mine exploration project and plans on exploration and evaluation activities
- Validity of the licenses, permits and correspondences related to each mine exploration project
- Plans to abandon existing mine areas and plans to discontinue exploration activities
- Availability of information suggesting that the recovery of expenditure is unlikely

Deferred mine exploration costs, net of allowance for impairment loss, amounted to ₱547,389 and ₱542,097 as at December 31, 2017 and 2016, respectively (see Note 11).

Estimating Recoverability of Property, Plant and Equipment

The Company assesses impairment on property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of the property, plant and equipment may not be recoverable.

The factors that the Company 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 property, plant and equipment, the Company is required to make estimates and assumptions such as commodity prices, discount rates and foreign currency exchange rates, which can materially affect the financial statements. Commodity prices and foreign exchange rates are based on forecasts of various financial institutions while the discount rate is based on industry weighted average cost of capital.

An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, property, plant and equipment are grouped at the lowest levels for which there are separately identifiable cash flows. An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. 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 Company did not recognize any impairment loss in 2017 and 2016 on property, plant and equipment.

As at December 31, 2017 and 2016, property, plant and equipment (at revalued amount and at cost) amounted to ₱1,660,976 and ₱3,270,224, respectively (see Note 10).

Determining the Appraised Value of Investment Properties
The appraised value of investment properties is based on a valuation by an independent appraiser firm, which holds a recognized and relevant professional qualification and has recent experience in the location of the investment property being valued. The appraisers used the sales comparison approach in determining the appraised value of the investment properties. The investment properties pertain to parcels of land that were reclassified by the Company in 2017 from property, plant and equipment to investment property due to the change in use.

As at December 31, 2017, the fair value of the Company's investment properties amounted to ₱1,574,664 (see Note 32).

Assessing Impairment of Other Current Assets and Other Noncurrent Assets
The Company provides allowance for impairment losses on other current assets and other noncurrent assets when these can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for probable loss would increase recorded expenses and decrease other current and noncurrent assets. No provision for impairment loss on other current assets and other noncurrent assets was recognized in 2017 and 2016. As at December 31, 2017 and 2016, allowance for impairment loss on other current assets and other noncurrent assets totaled to ₱41,947 (see Notes 7 and 12).

The total carrying value of other current assets and other noncurrent assets amounted to ₱321,804 and ₱344,416 as at December 31, 2017 and 2016, respectively (see Notes 7 and 12).

Estimating Allowance for Impairment Loss on Trade and Other Receivables
The Company evaluates specific accounts where the Company has information that certain customers are unable to meet their financial obligations. Factors, such as the Company's length of relationship with the customers and the customer's current credit status, are considered to ascertain the amount of reserves that will be recorded in the receivables account. In addition to specific allowances against individually significant accounts, the Company 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 takes into consideration factors such as any past collection experiences, the current economic conditions and average age of the group of receivables. These reserves are re-evaluated and adjusted as additional information is received. Allowance for impairment loss as at December 31, 2017 and 2016 amounted to ₱95,503 and ₱95,168, respectively (see Note 5). Trade and other receivables, net of valuation allowance, amounted to ₱1,029,726 and ₱866,093 as at December 31, 2017 and 2016 (see Note 5). Provision for impairment loss in 2017 and 2016 amounted to ₱377 and 9,295, respectively (see Notes 5 and 23).

Estimating Allowance for Inventory Obsolescence
The Company maintains allowance for inventory losses at a level considered adequate to reflect the cost of inventories over its NRV. NRV of inventories are assessed regularly based on prevailing estimated selling prices of inventories and the corresponding cost of disposal. Increase in the NRV of inventories will increase cost of inventories but only to the extent of their original acquisition costs. The carrying amounts of inventories, net of allowance for inventory loss of ₱290,959 and ₱291,055 as at December 31, 2017 and 2016, amounted to ₱19,891 and ₱26,052 as at December 31, 2017 and 2016, respectively (see Note 6).

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. Land at revalued amount amounted to ₱990,460 and ₱2,565,124 as at December 31, 2017 and 2016, respectively (see Note 10).

Estimating Liability for Mine Rehabilitation
The Company estimates the costs of mine rehabilitation based on previous experience in rehabilitating fully mined areas in sections of the mine site. These costs are adjusted for inflation factor based on the average annual inflation rate as of adoption date or re-evaluation of the asset dismantlement, removal or restoration costs. Such adjusted costs are then measured at present value using the market interest rate for a comparable instrument adjusted for the Company's credit standing. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Company's liability for mine rehabilitation. Liability for mine rehabilitation amounted to ₱77,963 and ₱72,268 as at December 31, 2017 and 2016, respectively (see Note 16).

Estimating Cost of Share-Based Payment
The Company's Nonqualified Stock Option Plan grants qualified participants the right to purchase common shares of the parent company at a grant price. The ESOIP recognizes the services received from the eligible employees and an equivalent adjustment to the equity account over the vesting period. The parent company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and

models used for estimating fair value for share-based payment transactions are disclosed in Note 18. While management believes that the estimates and assumptions used are reasonable and appropriate, significant differences in actual experience or significant changes in the estimates and assumptions may materially affect the stock compensation costs charged to operations. Cost of share-based payment amounted to ₱26,327 and ₱32,995 as at December 31, 2017 and 2016, respectively (see Notes 17 and 18).

Estimating Impairment of Investments in Subsidiaries
PFRSs require that an impairment review be performed when certain impairment indicators are present. Determining the fair value of investment in a subsidiary, which involves the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such asset, requires the Company to make estimates and assumptions that can materially affect its parent company financial statements. Future events could cause the Company to conclude that the investment is impaired. Any resulting impairment loss could have a material adverse impact on the parent company statement of financial position and parent company statement of income. Management has determined that there are no events or circumstances that may indicate that the carrying amount of the investment is not recoverable as at December 31, 2017 and 2016: thus, no impairment loss was recognized for the years then ended. The Company's investments in subsidiaries amounted to ₱2,068,204 and ₱2,024,454 as at December 31, 2017 and 2016 (see Note 8).

Estimating Pension Benefits
The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Net pension liability amounted to ₱42,657 and ₱74,922 as at December 31, 2017 and 2016, respectively (see Note 26).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 26.

Assessing Realizability of Deferred Tax Assets
The Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized. The Company has temporary differences amounting to ₱108,921 and ₱121,384 as at December 31, 2017 and 2016, respectively, for which no deferred tax assets were recognized (see Note 27). The Company recognized deferred tax assets amounting to ₱154,098 and ₱154,952 as at December 31, 2017 and 2016, respectively (see Note 27).

4. Cash and Cash Equivalents

	2017	2016
Cash on hand	**₱225**	₱165
Cash in banks	**27,392**	24,704
Short-term deposits	**29,183**	5,637
	₱56,800	₱30,506

Cash in banks earns interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Company, and earn interest at the prevailing short-term investment rates. Interest income pertaining to cash in banks and short-term deposits totaled to ₱83 and ₱85 in 2017 and 2016, respectively (see Note 23).

Cash in banks denominated in United States Dollar (US$) as at December 31, 2017 and 2016, amounted to ₱206 and ₱12,625, respectively.

5. Trade and Other Receivables

	2017	2016
Trade	**₱57,074**	₱70,101
Nontrade	**452,523**	421,929
Amounts owed by related parties (Note 24)	**479,686**	320,239
Advances to officers and employees	**24,983**	33,904
Employee stock ownership incentive plan (ESOIP; Note 25)	**58,416**	58,416
Receivables from lessees of bunkhouses	**39,215**	35,704
Dividends receivable	**–**	8,550
Others	**13,332**	12,418
Total	**1,125,229**	961,261
Less allowance for impairment loss	**95,503**	95,168
	₱1,029,726	₱866,093

Trade, nontrade, and receivables from lessees of bunkhouses are non-interest bearing and are generally collectible within a period of one year. Advances to officers and employees pertain to cash advances used in the operations which are generally subject to liquidation.

On March 16, 2016, the BOD of Keystone Port Logistics and Management Services (KPLMSC), a wholly-owned subsidiary of the Company, declared cash dividends amounting to ₱17,100 or equivalent to ₱6.84 per share. In 2017, the Company received the remaining dividends receivable amounting to ₱8,550.

Other receivables comprise mainly of receivables that are considered to be individually insignificant.

Most of the receivables of the Company consist of individually significant accounts and are therefore subject to specific impairment assessment. Based on the impairment assessment performed, the Company recognized allowance for impairment loss amounting to ₱95,503 and ₱95,168 as at December 31, 2017 and 2016, respectively, covering the said receivables, which are considered as individually impaired.

Receivables that were not individually significant and for which no specific impairment assessment was made, were subjected to collective assessment. The Company recognized provision for impairment loss on trade and other receivables amounting to ₱377 and ₱9,295 in 2017 and 2016, respectively (see Note 23).

Movements of allowance for impairment loss on trade and other receivables are as follows:

	2017			
	Trade receivables	**Receivables from lessees of bunkhouses**	**ESOIP**	**Total**
Balances at the beginning of year	**₱1,673**	**₱35,079**	**₱58,416**	**₱95,168**
Provision for impairment loss (Note 23)	**–**	**377**	**–**	**377**
Write-off of receivables	**–**	**–**	**–**	**–**
Recoveries	**(42)**	**–**	**–**	**(42)**
Balances at the end of year	**₱1,631**	**₱35,456**	**₱58,416**	**₱95,503**

	2016			
	Trade receivables	Receivables from lessees of bunkhouses	ESOIP	Total
Balances at the beginning of year	₱133	₱27,328	₱58,416	₱85,877
Provision for impairment loss (Note 23)	1,544	7,751	–	9,295
Write-off of receivables	(4)	–	–	(4)
Recoveries	–	–	–	–
Balances at the end of year	₱1,673	₱35,079	₱58,416	₱95,168

Except for those impaired accounts, the Company assessed trade and other receivables as collectible and in good standing.

6. Inventories

The carrying amount of inventories, which include materials and supplies, amounted to ₱19,891 and ₱26,052 as at December 31, 2017 and 2016, respectively. The said amounts are net of allowance for impairment loss on inventories amounting to ₱290,959 and ₱291,055 as at December 31, 2017 and 2016, respectively.

Movements of allowance for impairment loss on inventories are as follows:

	2017	2016
Balance at beginning of the year	**₱291,055**	₱294,154
Reversal	**96**	3,099
Balance at end of the year	**₱290,959**	₱291,055

Materials and supplies charged to current operations amounted to ₱126,337 and ₱101,640 as at December 31, 2017 and 2016, respectively (see Notes 20 and 21).

The Company has no inventories pledged as security for liabilities nor any purchase commitments related to inventories as at December 31, 2017 and 2016.

7. Other Current Assets

	2017	2016
Input VAT - net	**₱131,567**	₱123,535
CWTs	**73,605**	93,547
Advances to contractors	**41,947**	41,947
Prepaid expenses	**1,021**	1,282
Others	**7,181**	4,874
	255,321	265,185
Less allowance for impairment loss	**41,947**	41,947
	₱213,374	₱223,238

Prepaid expenses pertain to prepayments for insurance, rent and other services.

In 2016, the Company wrote off input VAT amounting to ₱24,966 as the Company believes that it can no longer realize the said amount (see Note 23).

8. Investments in Subsidiaries

The details of investments in subsidiaries as at December 31, 2017 and 2016 follow:

Acquisition cost of investments:	2017	2016
BNMI	**₱1,250,000**	₱1,250,000
BMC	**600,000**	600,000
Benguetcorp International Ltd. (BIL)	**115,565**	115,565
Berec Land Resources, Inc. (BLRI)	**39,463**	39,463
SARC	**7,046**	7,046
BBMRC	**2,500**	2,500
Ifaratoc Mineral Resources Corporation (IMRC)	**2,500**	2,500
KPLMSC	**2,500**	2,500
Acupan Gold Mines, Inc. (AGMI)	**2,500**	2,500
Benguetcorp Laboratories, Inc. (BLI)	**45,000**	1,250
Pillars of Exemplary Consultant Inc. (PECI)	**1,130**	1,130
	₱2,068,204	₱2,024,454

BMC was organized primarily to invest in projects and enterprises that diversify, stabilize and strengthen the investment portfolio of the Benguet Group of Companies. As at December 31, 2017, BIL, BBMRC, IMRC and AGMI, which were established to operate mining prospects, are still pre-operating.

BNMI commenced its mining operations in 2010. In the last quarter of 2012, KPLMSC started its commercial operations by providing logistics services to BNMI while BLI started its operations by offering health care services. The other subsidiaries were incorporated to provide support services to the Company.

9. AFS Financial Assets

AFS financial assets as at December 31, 2017 and 2016 follow:

	2017	2016
Quoted shares	**₱604**	₱471
Unquoted shares	**401**	401
	₱1,005	₱872

Movements in the fair values of AFS financial assets are as follows:

	2017	2016
Balance at beginning of year	**₱872**	₱1,010
Change in fair value of AFS financial assets	**133**	(138)
Balance at end of year	**₱1,005**	₱872

Movement in the unrealized gain on AFS assets are as follows:

	2017	2016
Balance at beginning of year	**₱38**	₱135
Unrealized gain (loss) for the year	**133**	(138)
Less tax effect	**40**	(41)
	93	(97)
Balance at end of year	**₱131**	₱38

The unrealized gain recognized on AFS financial assets, net of deferred tax liability, amounting to ₱131 and ₱38 as at December 31, 2017 and 2016, respectively, is shown as part of other components of equity in the parent company statement of financial position.

Unquoted shares of stock are carried at cost, less any impairment in value, since these investments do not have quoted market prices in an active market and the fair values cannot be reliably measured.

As at December 31, 2017, the Company has no intention to dispose its AFS financial assets.

10. Property, Plant and Equipment

a. Land - at revalued amount

Revalued amount of land as at December 31, 2017 and 2016 amounted to ₱990,460 and ₱2,565,124, respectively. The valuation was performed by an independent firm of appraisers, Cuervo Appraisers, Inc. The appraisers determined the fair value of the Company's land based on its market value as at February 23, 2013. The revaluation increment amounting to ₱2,565,124 as at December 31, 2017 and 2016 is not available for distribution to stockholders until the related assets are sold.

In 2017, the Company reclassified parcels of land located at Itogon Benguet with an area of 3,705,517 square meters from property, plant and equipment to investment properties due to the change in their use (see Note 32).

Movements in the revaluation increment on land shown as part of other components of equity follow:

Balance before the quasi-reorganization	₱1,561,048
Effect of the quasi-reorganization in 2011 (Note 1)	(1,010,848)
Balance after the quasi-reorganization	550,200
Revaluation increment in:	
2011	148,638
2013	85,900
Ending balance as at December 31, 2017	₱784,738

b. Property, Plant and Equipment - at cost

	2017					
	Land improvements	**Buildings**	**Machinery, tools and equipment**	**Mine and mining properties**	**CIP**	**Total**
Cost:						
Balances at beginning of year	**₱77,028**	**₱266,488**	**₱1,378,051**	**₱1,119,860**	**₱90,096**	**₱2,931,523**
Additions	**285**	**3,018**	**17,760**	**25,682**	**–**	**46,745**
Disposals	**–**	**–**	**(706,155)**	**–**	**–**	**(706,155)**
Reclassifications	**–**	**3,659**	**1,574**	**–**	**(5,233)**	**–**
Retirement	**–**	**–**	**(32)**	**–**	**–**	**(32)**
Change in estimate of the liability for mine rehabilitation (Note 16)	**–**	**–**	**–**	**8,350**	**–**	**8,350**
Balances at end of year	**77,313**	**273,165**	**691,198**	**1,153,892**	**84,863**	**2,280,431**
Accumulated depreciation and depletion:						
Balances at beginning of year	**62,416**	**255,978**	**1,249,049**	**658,980**	**–**	**2,226,423**
Depreciation and depletion (Notes 20 and 21)	**1,724**	**3,828**	**63,730**	**19,926**	**–**	**89,208**
Disposals	**–**	**–**	**(705,684)**	**–**	**–**	**(705,684)**
Retirement	**–**	**–**	**(32)**	**–**	**–**	**(32)**
Balances at end of year	**64,140**	**259,806**	**607,063**	**678,906**	**–**	**1,609,915**
Net book values	**₱13,173**	**₱13,359**	**₱84,135**	**₱474,986**	**₱84,863**	**₱670,516**

	2016					
	Land improvements	Buildings	Machinery, tools and equipment	Mine and mining properties	CIP	Total
Cost:						
Balances at beginning of year	₱108,733	₱272,656	₱1,361,303	₱1,088,051	₱90,096	₱2,920,839
Additions	210	1,014	9,566	11,086	–	21,876
Reclassifications	–	(7,182)	7,182	–	–	–
Change in estimate of the liability for mine rehabilitation (Note 16)	–	–	–	20,723	–	20,723
Transfer	(31,915)	–	–	–	–	(31,915)
Balances at end of year	77,028	266,488	1,378,051	1,119,860	90,096	2,931,523
Accumulated depreciation and depletion:					–	
Balances at beginning of year	60,702	253,818	1,173,668	652,310	–	2,140,498
Depreciation and depletion (Notes 20 and 21)	1,714	2,160	75,381	6,670	–	85,925
Balances at end of year	62,416	255,978	1,249,049	658,980	–	2,226,423
Net book values	₱14,612	₱10,510	₱129,002	₱460,880	₱90,096	₱705,100

Depreciation expense amounting to nil and ₱949 was charged to related parties in 2017 and 2016, respectively.

In 2016, the Company transferred a parcel of land to IMRC, one of its subsidiaries, which is to be carried as an investment property held for long term capital appreciation.

In 2017, the Company sold equipment with a total cost of ₱706,155 and related accumulated depreciation amounting to ₱705,684. Proceeds from the sale amounted to ₱48,564 on which the Company recognized a gain on ₱48,093 (Note 23).

The cost of fully depreciated property and equipment still being used in the Company's operations amounted to ₱566,075 and ₱1,116,988 as at December 31, 2017 and 2016, respectively.

Components of mine and mining properties are as follows:

	2017			
	Mine and mining properties	**Mine development cost**	**Mine rehabilitation asset**	**Total**
Cost:				
Balances at beginning of year	**₱1,024,348**	**₱–**	**₱95,512**	**₱1,119,860**
Additions	**–**	**25,682**	**–**	**25,682**
Change in estimate (Note 16)	**–**	**–**	**8,350**	**8,350**
Reclassification	**25,682**	**(25,682)**	**–**	**–**
Balances at end of year	**1,050,030**	**–**	**103,862**	**1,153,892**
Accumulated depletion:				
Balances at beginning of year	**639,804**	**–**	**19,176**	**658,980**
Depletion	**16,330**	**–**	**3,596**	**19,926**
Balances at end of year	**656,134**	**–**	**22,772**	**678,906**
Net book values	**₱393,896**	**₱–**	**₱81,090**	**₱474,986**

	2016			
	Mine and mining properties	Mine development cost	Mine rehabilitation asset	Total
Cost:				
Balances at beginning of year	₱770,769	₱242,493	₱74,789	₱1,088,051
Additions	–	11,086	–	11,086
Change in estimate (Note 16)	–	–	20,723	20,723
Reclassification	253,579	(253,579)	–	–
Balances at end of year	1,024,348	–	95,512	1,119,860
Accumulated depletion:				
Balances at beginning of year	634,238	–	18,072	652,310
Depletion	5,566	–	1,104	6,670
Balances at end of year	639,804	–	19,176	658,980
Net book values	₱384,544	₱–	₱76,336	₱460,880

11. **Deferred Mine Exploration Costs**

Movements in deferred mine exploration costs are as follows:

	2017	2016
Balances at beginning of year	**₱542,097**	₱294,301
Additions	**5,292**	66,660
Reconveyance	–	181,136
Balances at end of year	**₱547,389**	₱542,097

Additions pertain to drilling, hauling and other ongoing exploration activities of the Company.

The Company is currently working on exploration and drilling programs to increase AGP's capacity.

On March 16, 2016, BGRC transferred, through a Deed of Reconveyance, to the Company all of its rights and interest, including liabilities to third parties, in the BTP so that the reprocessing of tailings can be made part of the Company's Acupan operations once more. The reconveyance was approved by the DENR-MGB on May 31, 2016.

12. **Other Noncurrent Assets**

	2017	2016
Advances for exploration and other projects	**₱98,628**	₱107,410
Mine rehabilitation funds (MRFs)	**2,778**	7,183
Refundable deposits	**5,545**	4,432
Prepaid rent	**1,479**	2,153
	₱108,430	₱121,178

Advances for exploration and other projects pertain to prepayments of the Company to its contractors and suppliers for exploration and other related activities and projects.

MRFs pertain to accounts opened with a local bank in compliance with the requirements of DAO No. 2010-21, otherwise known as 'The Revised Implementing Rules and Regulations of the Philippine Mining Act of 1995'. The MRFs shall be used for physical and social rehabilitation of areas and communities affected by the mine operations, and for research in the social, technical and preventive aspects of the mine's rehabilitation. Interest income pertaining to MRF amounted to ₱25 and ₱17 in 2017 and 2016, respectively (see Note 23)

Refundable deposits pertain to amount deposited with the Company's power providers and are refundable upon termination of the related service agreements.

Prepaid rent represents the noncurrent portion of advance rentals made by the Company for the lease of its office space.

Other deposits include security deposits, which pertain to non-refundable deposits to satisfy lease obligations up to the end of lease term.

13. **Loans Payable**

	2017	2016
Accrued interest and penalties	**₱237,831**	₱237,819
Unsecured bank loans	**85,063**	123,705
Secured bank loans	**70,000**	52,890
Others	**100,736**	105,707
	₱493,630	₱520,121

a. Unsecured loans

The Company has various loans, which are being renegotiated and are undergoing restructuring. Nominal interest rates vary from floating rate of 91-day Philippine PhP T-bill rate for peso loans and 3-month London Interbank Offered Rate (LIBOR) foreign loans, plus a margin of 3.5% for secured loans.

In 2017, the Company wrote off its loan payable to a creditor amounting to ₱38.6 million and recognized a gain of the same amount since the creditor can no longer be located.

b. Secured loans

The Company has a revolving secured promissory note from Malayan Bank loan to finance its working capital requirements. Certain parcels of land amounting to ₱237.1 million served as collateral to secure the loan.

c. Others

Nickel Off-take Agreement
On August 24, 2011, BNMI and the Company signed a tri-partite off-take agreement for the sale of nickel ore with a Chinese trading company. In accordance with the agreement, the Chinese trading company shall extend a loan of US$6,000,000 to the Company and that BNMI will deliver and sell 1,800,000 tons of 1.8% grade nickel ore over a period of 36 months at 600,000 tons per 12 months, to start six months after signing of the agreement. The Chinese trading company will deduct US$3.33 per ton from the selling price of the nickel ore to be treated as partial repayment of the loan to the Company.

From the proceeds of the said loan, the Company invested ₱247,500,000 as additional equity in BNMI in 2011.

As at December 31, 2017 and 2016, the remaining advances amounted to $2,018 (₱100,736) and $2,126 (₱105,707), respectively.

Accrued interest and penalties represent cumulative interest and default charges as at December 31, 2017 and 2016.

Interest expense from these loans amounted to ₱3,030 and ₱10,436 in December 31, 2017 and 2016, respectively. Interest payment amounted to ₱3,046 and ₱12,814 in December 31, 2017 and 2016, respectively.

Total principal payments for these loans amounted to ₱58,339 and ₱67,233 in 2017 and 2016, respectively.

14. Trade and Other Payables

	2017	2016
Trade	**₱130,181**	₱122,132
Amounts owed to related parties (Note 24)	**841,868**	734,099
Nontrade	**96,546**	116,186
Accrued expenses	**25,560**	16,864
Payables to officers and employees	**4,080**	1,201
Others	**7,719**	9,247
	₱1,105,954	₱999,729

Trade, nontrade, accrued expenses, and other payables are non-interest bearing and are normally settled in 60 to 90 days terms. These pertain mainly to operating expenses, which are payable to various suppliers and contractors, accrual of professional fees, amounts accruing to various government agencies and other expenses of the Company.

Payables to officers and employees include unclaimed wages, accrued vacation and sick leave credits and accrued payroll, which are payable within 30 days.

15. Other Noncurrent Liability

Other noncurrent liability pertains to the Company's outstanding liability to CMI, for which discussions are still on-going. The said liability amounted to ₱49,136 as at December 31, 2017 and 2016 (see Note 1).

16. Liability for Mine Rehabilitation

	2017	2016
Balances at beginning of year	**₱72,268**	₱19,057
Effect of change in estimate:		
Recognized as adjustment to the mine rehabilitation asset (Note 10)	**8,350**	20,723
Recognized in profit or loss (Note 23)	**(5,771)**	32,174
Accretion (Note 23)	**3,116**	314
Balances at end of year	**₱77,963**	₱72,268

This provision is based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability.

The final rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, changes in inflation rates of 3.14% in 2017 and 3.35% in 2016 and changes in discount rates of 4.92% for 2017 and 4.45% for 2016. These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for mine rehabilitation. As a result, there could be significant adjustments to the provision established that could affect future financial results.

The provision at the end of each reporting period represents management's best estimate of the present value of the rehabilitation cost required. These estimates are reviewed regularly to take into account any material changes in the assumptions. This, in turn, will depend upon future ore prices, which are inherently uncertain.

17. Capital Stock

Capital stock as at December 31, 2017 and 2016

	2017		2016	
	No. of shares	**Amount**	No. of shares	Amount
Authorized				
Convertible Preferred				
Class A	**19,652,912**	**₱67,500**	19,652,912	₱67,500
Common Class A	**430,380,000**	**430,874**	430,380,000	430,380
Common Class B	**286,920,000**	**287,135**	286,920,000	286,920
	736,952,912	**785,509**	736,952,912	784,800
Issued				
Convertible Preferred Class "A"	**217,061**	**745**	217,061	745
Common Class "A"	**371,050,755**	**371,050**	370,557,255	370,557
Common Class "B"	**245,068,497**	**245,068**	244,853,697	244,853
Total shares issued and subscribed	**616,336,313**	**616,863**	615,628,013	616,155
Treasury Shares				
Convertible Preferred Class "A"	**–**	**–**	–	–
Common Class "A"	**310,794**	**7,158**	310,794	7,158
Common Class "B"	**37,275**	**858**	37,275	858
Total treasury shares	**348,069**	**8,016**	348,069	8,016
Outstanding				
Convertible Preferred Class "A"	**217,061**	**745**	217,061	745
Common Class "A"	**370,739,961**	**363,892**	370,246,461	363,399
Common Class "B"	**245,031,222**	**244,210**	244,816,422	243,995
Total outstanding shares	**615,988,244**	**₱608,847**	615,279,944	₱608,139

The two classes of common shares of the Company are identical in all respects, except that ownership of Common Class A shares is restricted to Philippine nationals.

The convertible preferred shares are limited to Philippine nationals and convertible into Common Class A shares at a conversion premium of ₱6.02 a share. Each preferred share is convertible into 9.4875 Common Class A shares. A convertible preferred share is also entitled to have one vote for each full share of Common Class A stock into which such convertible preferred share is, at any stockholders' meeting, then convertible. It does not enjoy the same dividend right as the two classes of common stock but is entitled to a fixed cumulative dividend of 8% a year, if there is surplus profit and when declared by the BOD.

On May 4, 2012, the Company entered into a Stock Subscription Agreement with RYM Business Management Corporation (RBMC) for the subscription of 7,941,240 Class A common shares and 5,294,070 Class B common shares of the Company pursuant to the Memorandum of Agreement (MOA) dated April 7, 2010 and the Addendum to the MOA dated September 17, 2010. The total subscription price for the aforementioned Class A and Class B shares amounting to ₱180,000 was received on March 31, 2012.

On August 23, 2013, the Company's BOD approved the private placement of RBMC, in which the latter is willing to infuse additional capital up to ₱250,000 in exchange for equivalent number of shares based on average market price plus premium of ₱9.00 per share for Class A and B shares (average price of last five trading days from August 5 to 15, 2013). The first part of the placement calls for subscription by RBMC to 18,000,000 common shares, which are the remaining available unissued shares of the Company, in the amount of ₱162,000. Additional subscription will follow after the Company has increased its authorized capital stock.

On March 20, 2014, the Company issued a total of 7,169,003 Class A and 10,830,997 Class B common shares pursuant to the terms and conditions of the MOA on the private placement dated August 23, 2013 and Stock Subscription Agreement dated September 23, 2013 between the Company and RBMC.

On March 28, 2014, the BOD approved the increase in the Company's authorized capital stock from ₱600,000 (consisting of 120,000,000 Common Class A shares and 80,000,000 Common Class B shares, both having par value of ₱3.00 each) to ₱717,300 (consisting of 143,460,000 Common Class A shares and 95,640,000 Common Class B shares, both having par value of ₱3.00 each). After the amendment, the total authorized capital stock of the Company have increased from ₱667,500 to ₱784,800. The application for the increase was approved by the stockholders during the annual meeting held last May 28, 2014.

On February 9, 2015, RBMC paid the full subscription price of ₱88.0 million related to the MOA on Private Placement dated August 23, 2013, representing the second tranche of the private placement in the Company. The private placement covers 9,777,777 shares representing 5,866,697 Common Class A shares and 3,911,080 Class B shares. On April 28, 2016, listing of the said shares has been approved by PSE.

On March 27, 2015, the BOD approved amendments on the Articles of Incorporation of the Company, which include the change in the par value of both Common Class A and Class B shares of the Company from ₱3.00 to ₱1.00 per share, and the creation of a new class of redeemable non-retirable Common Class B shares, with par value of ₱1 per share. During the annual stockholders' meeting on May 28, 2015, the said amendments were approved by a majority vote of the Company's stockholders.

On September 28, 2015, the Philippine SEC approved the application of the increase in the Company's authorized capital stock from ₱600,000 to ₱717,300.

On July 29, 2016, the Philippine SEC approved the amendments to Article Seventh of the Amended Articles of Incorporation and Article 1, Section 1 of the Amended By-Laws of the Company, which changed the par value of its Common Class A and Common Class B Shares from ₱3.00 to ₱1.00 per share and increased the number of common shares by threefold. The reduction in par value essentially resulted in a stock split.

The following are the movements in the number of issued shares:

2017

	Convertible Preferred Class A	**Common Class A**	**Common Class B**
Issued shares at beginning of year	**217,061**	**370,557,255**	**244,853,697**
Exercise of stock options	**–**	**493,500**	**214,800**
Issued shares at end of year	**217,061**	**371,050,755**	**245,068,497**

2016

	Convertible Preferred Class A	Common Class A	Common Class B
Issued shares at beginning of year	217,061	123,399,085	81,537,899
Effect of reduction in par value	–	246,798,170	163,075,798
Exercise of stock options	–	360,000	240,000
Issued shares at end of year	217,061	370,557,255	244,853,697

All issuances of capital stock made in 2017 and 2016 were exempted from the registration requirements of Securities Regulation Code (SRC) Rule 10.1 and 10.2. Total proceeds on the issuance of shares due to the exercise of stock options amounted to ₱1,244 and ₱1,067 in 2017 and 2016, respectively.

Below is the Company's track record of registration of securities under the Philippine SEC:

Date of Registration (SEC Approval)	Description	Number of shares	Par value per share	Total amount (in 000's)
June 18, 1956	Capital upon registration:			
	Common shares	18,000,000	₱1.00	₱18,000
November 25, 1960	Increase in number and par value of common shares:			
	Common shares	20,000,000	2.00	40,000
November 9, 1964	Increase in par value of common shares:			
	Common shares	20,000,000	3.00	60,000
October 22, 1968	Increase in number of common shares and introduction of preferred shares:			
	Common shares	50,000,000	3.00	150,000
	Preferred shares	6,000,000	5.00	30,000
March 12, 1974	Split of common share into two classes and change in number and par value and addition of conversion feature to the preferred shares:			
	Common class A	30,000,000	3.00	90,000
	Common class B	20,000,000	3.00	60,000
	Convertible preferred shares	19,652,912	3.43	67,500
July 27, 1989	Increase in number of common shares			
	Common class A	120,000,000	3.00	360,000
	Common class B	80,000,000	3.00	240,000
	Convertible preferred shares	19,652,912	3.43	67,500
July 29, 2016	Increase in number of common shares and reduction in par value			
	Common class A	430,380,000	1.00	430,380
	Common class B	286,920,000	1.00	286,920
	Convertible preferred shares	19,652,912	3.43	67,500
As at December 31, 2017:				
	Common class A	**430,380,000**	**₱1.00**	**₱430,380**
	Common class B	**286,920,000**	**₱1.00**	**₱286,920**
	Convertible preferred shares	**19,652,912**	**₱3.43**	**₱67,500**

As at December 31, 2017 and 2016, the Company has 16,931 stockholders.

For the purpose of dividend declaration, the retained earnings of the Company shall be restricted to the extent of the deficit wiped out by the revaluation increment amounting to ₱1,010,848 on December 5, 2011.

Movements in cost of share-based payment are as follows:

	2017	2016
Balances at beginning of year	**₱32,995**	₱54,441
Expired	**(2,741)**	(14,328)
Exercised	**(4,587)**	(3,717)
Vested	**660**	1,843
Forfeited	**–**	(5,244)
Balances at end of year (Note 18)	**₱26,327**	₱32,995

Movements in capital surplus are as follows:

	2017	2016
Balances at beginning of year	**₱367,862**	₱344,106
Employees' exercise of stock options	**5,123**	4,184
Expiration of stock options	**2,741**	14,328
Forfeiture of stock options	**–**	5,244
Balances at end of year	**₱375,726**	₱367,862

18. Stock Option Plan

Under the 1975 Nonqualified Stock Option Plan (Plan), as amended, 9.9 million shares of the unissued common shares of the Company have been reserved for stock options to selected managers, directors and consultants of the Company. The option price is payable on the exercise date and should not be less than the fair market value of the shares quoted on the date of the grant. The Plan, valid up to May 31, 1998, allows a maximum of 632,500 shares to be available to any one optionee. On May 26, 1998, the BOD and the stockholders approved the extension of the Plan until May 31, 2003, which was extended further on December 18, 2002 with the BOD and the stockholders' approval until May 31, 2008. On December 18, 2007, the BOD and the stockholders approved a further extension of the Plan until May 31, 2013.

On March 23, 2012, the BOD and the stockholders approved the proposed amendments to the existing Amended Stock Option Plan and to extend the termination date of the existing Plan for five years or until May 31, 2018.

The amendments include an increase in the maximum award per employee from 200,000 shares over the life of the plan to 500,000 shares per grant and an increase in the shares reserved for issuance under the Plan from the total of 9,906,661 to 22,000,000.

Options granted to Filipino optionees are exercisable in the form of 60% Common Class A and 40% Common Class B shares. Options for Common Class B shares may be exercised only if Common Class A shares had been previously or simultaneously exercised so as to maintain a minimum 60:40 ratio of Common Class A to Common Class B shares.

The options under the Plan are non-transferable and are exercisable to the extent of 30% after one year from the date of the grant, 60% after two years from the date of the grant, and 100% after three years from the date of grant. No option is exercisable after 10 years from the date of grant.

Unexercised share options per grant are as follows:

	Unexercised share options as at January 1, 2017	Exercised in 2017	Expiration in 2017	Unexercised share options as at December 31, 2017
Class A				
May 2011 Grant	2,483,997	(313,500)	(169,200)	2,001,297
September 2012 Grant	666,000	(180,000)	(90,000)	396,000
May 2014 Grant	1,080,000	–	–	1,080,000
Class B				
May 2011 Grant	1,656,345	(94,800)	(112,800)	1,448,745
September 2012 Grant	444,000	(120,000)	(60,000)	264,000
May 2014 Grant	720,000	–	–	720,000
Total	**7,050,342**	**(708,300)**	**(432,000)**	**5,910,042**

On April 6, 2016, all of the share options awarded on April 6, 2006 have expired.

In a regular meeting on August 31, 2016, the Company’s BOD approved the following changes in the stock option grants due to the effect of the share split on July 29, 2016:

- change in the exercise price of outstanding options
- change in the maximum number of shares per grant from 500,000 to 1,500,000
- repricing of the unexercised share options brought about by the low turn-out in the availment of the grant due to high exercise price compared to market price. The repricing was based on the closing price on August 18, 2016 of Class A and Class B common shares amounting to ₱2.25 and ₱2.55, respectively, less 25% discount pursuant to the provisions of the amended stock option plan of the Company.

The exercise prices of outstanding options in 2017, which considered the effect of the stock split and the change in exercise prices in 2016, are as follows:

	At grant date	After effect of stock split	At modification date
Class A – May 2011 Grant	₱16.50	₱5.50	₱1.69
– September 2012 Grant	17.96	5.99	1.69
– May 2014 Grant	7.13	2.38	1.69
Class B – May 2011 Grant	17.50	5.83	1.91
– September 2012 Grant	17.63	5.88	1.91
– May 2014 Grant	7.13	2.38	1.91

	2017	2016
Average exercise price per share	**₱1.76**	₱1.78
Shares available for future option grants	**32,929,698**	31,633,698

The change in exercise price of outstanding options is treated as a modification of the Plan terms, which resulted in an additional expense, measured as at the date of modification, for the increase in the total fair value of the outstanding share options.

The table below shows the increase in fair value due to the change in the exercise price of each grant:

	Fair value after change in exercise price	Fair value before change in exercise price	Increase in fair value
Class A – May 2011 Grant	₱2,718	₱2,462	₱256
– September 2012 Grant	792	763	29
– May 2014 Grant	781	775	6
Class B – May 2011 Grant	2,075	1,920	155
– September 2012 Grant	604	587	17
– May 2014 Grant	593	591	2
Total	**₱7,563**	**₱7,098**	**₱465**

Stock option expense relating to the Plan recognized in 2017 and 2016 amounted to ₱660 and ₱1,843, respectively (see Note 22).

A summary of the number of shares under the Plan is shown below:

	2017	2016
Outstanding at beginning of year	**7,050,342**	4,719,394
Exercised during the year	**(708,300)**	(600,000)
Expiration	**(432,000)**	(1,847,280)
Change in the maximum number of shares per grant	**–**	5,744,228
Forfeiture	**–**	(966,000)
Outstanding at end of year	**5,910,042**	7,050,342
Exercisable at end of year	**5,910,042**	6,330,342

The Company used the binomial options pricing model to determine the fair value of the stock options at grant date.

The following assumptions were used to determine the fair value of the stock options at grant date:

	Share price	Exercise price	Expected volatility	Option life	Expected dividends	Risk-free Interest rate
May 3, 2011 Grant	16.5	16.5	91.20%	10 years	0.00%	6.46%
	17.5	17.5	155.57%	10 years	0.00%	6.46%
Sep 9, 2012 Grant	23.95	17.96	57.35%	10 years	0.00%	4.80%
	23.5	17.63	65.53%	10 years	0.00%	4.80%
May 26, 2014 Grant	9.5	7.13	77.28%	10 years	0.00%	3.90%
	9.5	7.13	84.29%	10 years	0.00%	3.90%

The expected volatility measured at the standard deviation of expected share price returns was based on the analysis of share prices for the past 365 days. The cost of share-based payment amounted to ₱26,327 and ₱32,995 as at December 31, 2017 and 2016, respectively (see Note 17).

19. Revenues

Sale of mine products pertains to sale of gold to the Bangko Sentral ng Pilipinas (BSP), which is subject to 2% excise tax based on gross revenue, and sale of silver and lime to outside customers as at December 31, 2017.

Mine products sold in 2017 and 2016 follow:

	2017	2016
Gold	**₱688,896**	₱540,791
Lime	**84,789**	72,024
Silver	**2,285**	1,462
	₱775,970	₱614,277

In 2017 and 2016, the Company recognized excise taxes on sale of mine products amounting to ₱14,268 and ₱10,992, respectively.

20. Cost of Mine Products Sold

	2017	2016
Outside services	**₱309,103**	₱239,899
Materials and supplies (Note 6)	**119,071**	91,480
Depreciation and depletion (Note 10)	**63,852**	47,832
Power and utilities	**41,766**	32,442
Personnel expenses (Note 22)	**40,642**	40,312
Repairs and maintenance	**22,754**	21,451
Smelting, refining and marketing	**7,062**	6,160
Freight and handling	**286**	190
Taxes and licenses	**22**	35
Others	**15,557**	10,877
	₱620,115	₱490,678

Outside services pertain to amounts paid to contractors and consultants involved in the mining operations of the Company.

Other expenses include postage, insurance and maintenance expenses, which are individually insignificant.

21. Selling, General and Administrative Expenses

	2017	2016
Personnel expenses (Note 22)	**₱80,649**	₱104,391
Depreciation (Note 10)	**25,356**	37,144
Outside services	**24,492**	57,912
Security expenses	**15,316**	2,869
Repairs and maintenance	**8,767**	9,327
Environmental protection and enhancement program expense	**8,257**	6,497
Materials and supplies (Note 6)	**7,266**	10,160
Power consumption	**6,730**	5,515
Rent and utilities	**5,790**	4,550
Travel and transportation	**4,569**	12,237
Taxes and licenses	**4,502**	5,885

(Forward)

	2017	2016
Legal and audit expenses	**₱3,839**	₱4,135
Subscription and membership fees	**2,476**	4,341
Freight and handling	**2,192**	2,641
Insurance expense	**1,880**	2,409
Others	**14,114**	8,094
	₱216,195	₱278,107

Others consist mainly of various incidental expenses which are individually immaterial.

22. **Personnel Expenses**

	2017	2016
Salaries and wages	**₱97,192**	₱120,255
Net pension expense (Note 26)	**13,368**	13,916
Benefits and allowances	**10,071**	8,689
Stock option expense (Note 18)	**660**	1,843
	₱121,291	₱144,703

The above amounts were distributed as follows:

	2017	2016
Cost of mine products sold (Note 20)	**₱40,642**	₱40,312
Selling, general and administrative expenses (Note 21)	**80,649**	104,391
	₱121,291	₱144,703

23. **Other Income** - net

	2017	2016
Marketing income (Note 24)	**₱121,482**	₱162,958
Gain on sale of equipment (Note 10)	**48,093**	–
Gain on write-off of loans	**39,495**	–
Change in estimate of liability for mine rehabilitation (Note 16)	**5,771**	(32,174)
Accretion expense (Note 16)	**(3,116)**	(314)
Foreign currency exchange losses - net	**(1,281)**	(7,210)
Provision for impairment loss on receivables (Note 5)	**(377)**	(9,295)
Interest income (Notes 4 and 12)	**108**	102
Penalties	–	(13,185)
Write-off of input VAT (Note 7)	–	(24,966)
Dividend income	–	17,100
Retrenchment	–	(10,530)
Others - net	**12,905**	(10,879)
	₱223,080	₱71,607

On March 16, 2016, the BOD of KPLMSC, a wholly-owned subsidiary of the Company through BMC, declared cash dividends amounting to ₱17,100, which is equivalent to ₱6.84 per share.

Penalties include charges for late payment of amounts owing to various government agencies.

Others include miscellaneous income and various incidental expenses that are individually insignificant.

24. Related Party Disclosures

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

In the normal course of business, the Company has dealings with its related parties as follows:

a. On August 8, 2011, the Company was appointed as the exclusive marketing agent of BNMI for a marketing fee of $5 per ton of nickel ore shipped, inclusive of VAT. Marketing income recognized in 2017 and 2016 amounted to ₱121,482 and ₱162,958, respectively (see Note 23).

b. In 2011, Arrow Freight Corporation (AFC), a wholly-owned subsidiary of BMC, started providing trucking services to the Company for the delivery of equipment to various sites. Total amount charged to the Company in 2017 and 2016 amounted to ₱1,861 and ₱4,234, respectively.

c. The Company provides and receives unsecured non-interest bearing cash advances to and from its subsidiaries for working capital requirements, which are settled in cash.

Outstanding receivables from these transactions in the normal course of business are as follows:

Category	Year	Amount/ Volume	Outstanding balance	Terms	Conditions
Amounts owed by related parties (Note 5)					
BNMI	**2017**	**₱207,536**	**₱207,536**	Payable on demand;	Unsecured;
	2016	₱–	₱–	non-interest bearing	no guarantees;
					no impairment

Outstanding payables from these transactions in the normal course of business are as follows:

Category	Year	Amount/ Volume	Outstanding balance	Terms	Conditions
Amounts owed to related parties (Note 14)					
BTI	**2017**	**₱49,192**	**₱49,192**	Payable on demand;	Unsecured;
	2016	₱–	₱–	non-interest bearing	no guarantees;
					no impairment
AFC	**2017**	**22,150**	**22,150**	Payable on demand;	Unsecured;
	2016	–	–	non-interest bearing	no guarantees;
					no impairment

(Forward)

Category	Year	Amount/ Volume	Outstanding balance	Terms	Conditions
BLRI	**2017**	**₱8,444**	**₱8,444**	Payable on demand;	Unsecured;
	2016	–	–	non-interest bearing	no guarantees;
					no impairment
Total	**2017**	**₱79,786**	**₱79,786**		
Total	2016	₱–	₱–		

The parent company statements of financial position include the following amounts resulting from transactions with related parties, aside from those arising from the Company's normal course of business:

Category	Year	Amount/ Volume	Outstanding balance	Terms	Conditions
Amounts owed by related parties (Note 5)					
Balatoc Gold Resources Corporation	**2017**	**₱151**	**₱93,879**	Payable on demand;	Unsecured
	2016	₱–	₱93,728	non-interest bearing	no guarantees; no impairment
BLI	**2017**	**–**	**39,727**	Payable on demand;	Unsecured
	2016	–	79,037	non-interest bearing	no guarantees; no impairment
BCPMI	**2017**	**146**	**29,973**	Payable on demand;	Unsecured
	2016	149	29,827	non-interest bearing	no guarantees; no impairment
IMRC	**2017**	**61**	**29,801**	Payable on demand;	Unsecured
	2016	29,740	29,740	non-interest bearing	no guarantees; no impairment
BPGC	**2017**	**43**	**29,500**	Payable on demand;	Unsecured
	2016	40	29,457	non-interest bearing	no guarantees; no impairment
Media Management Corporation	**2017**	**–**	**22,184**	Payable on demand;	Unsecured
	2016	–	22,184	non-interest bearing	no guarantees; no impairment
Agua De Oro Ventures Corporation	**2017**	**286**	**11,294**	Payable on demand;	Unsecured
	2016	162	11,008	non-interest bearing	no guarantees; no impairment
KPLMSC	**2017**	**–**	**5,985**	Payable on demand;	Unsecured
	2016	12,114	18,387	non-interest bearing	no guarantees; no impairment
BIL	**2017**	**486**	**3,216**	Payable on demand;	Unsecured
	2016	366	2,730	non-interest bearing	no guarantees; no impairment
BBMRC	**2017**	**26**	**2,379**	Payable on demand;	Unsecured
	2016	50	2,353	non-interest bearing	no guarantees; no impairment
BTI	**2017**	**2,287**	**2,287**	Payable on demand;	Unsecured
	2016	–	–	non-interest bearing	no guarantees; no impairment
AFC	**2017**	**615**	**1,306**	Payable on demand;	Unsecured
	2016	–	691	non-interest bearing	no guarantees; no impairment
PECI	**2017**	**42**	**619**	Payable on demand;	Unsecured
	2016	41	577	non-interest bearing	no guarantees; no impairment

(Forward)

Category	Year	Amount/ Volume	Outstanding balance	Terms	Conditions
Calhorr 1 Marine Services Corporation	**2017**	**₱–**	**₱–**	Payable on demand;	Unsecured
	2016	70	520	non-interest bearing	no guarantees; no impairment
Total	**2017**	**₱4,143**	**₱272,150**		
Total	2016	₱42,732	₱320,239		

Category	Year	Amount/ Volume	Outstanding balance		
Amounts owed to related parties (Note 14)					
BNMI	**2017**	**₱86,344**	**₱686,679**	Payable on demand;	Unsecured
	2016	₱269	₱600,335	non-interest bearing	no guarantees; no impairment
BLRI	**2017**	**–**	**28,107**	Payable on demand;	Unsecured
	2016	–	36,872	non-interest bearing	no guarantees; no impairment
BMC Forestry Corporation (BFC)	**2017**	**289**	**22,928**	Payable on demand;	Unsecured
	2016	6,360	22,639	non-interest bearing	no guarantees; no impairment
BMC	**2017**	**–**	**19,029**	Payable on demand;	Unsecured
	2016	20,218	20,218	non-interest bearing	no guarantees; no impairment
SARC	**2017**	**95**	**3,149**	Payable on demand;	Unsecured
	2016	2	3,054	non-interest bearing	no guarantees; no impairment
AGMI	**2017**	**–**	**2,190**	Payable on demand;	Unsecured
	2016	–	2,231	non-interest bearing	no guarantees; no impairment
BTI	**2017**	**–**	**–**		
	2016	–	46,826		
Calhorr 2 Marine Services, Inc.	**2017**	**–**	**–**	Payable on demand;	Unsecured
	2016	–	1,924	non-interest bearing	no guarantees; no impairment
Total	**2017**	**₱86,728**	**₱762,082**		
Total	2016	₱26,849	₱734,099		

Compensation of Key Management Personnel

The Company considered all senior officers as key management personnel. Below are the details of the compensation of the Company's key management personnel.

	2017	2016
Salaries	**₱61,444**	₱73,226
Employee benefits	**6,940**	7,588
	₱68,384	₱80,814

25. ESOIP

The ESOIP, as approved by the stockholders in 1986, allows employees of the Company to buy up to 6,000,000 shares of the Common Class A shares of the Company at either of two prices. If the shares are acquired by the Company from a seller or are treasury shares, these can be bought at acquisition cost. If the shares are sourced from the authorized but unissued shares of the Company, these can be bought at the average closing price quoted in the PSE on the last day that such shares were traded prior to the start of the purchase period. Payment for the shares purchased shall be advanced by the Company on behalf of the employees and repaid through salary deduction without interest. The shares acquired by employees under the ESOIP may be subjected to a holding period from the date of purchase.

In January 1990, the BOD approved the Employees Stock Purchase Plan, which allows the employees of the Company (but excluding directors of the Company) to buy, basically under similar terms and conditions as that of the ESOIP, 2,000,000 shares of the Common Class A shares of the Company.

The balance of the employees' stock ownership pursuant to the said plans shown as part of the trade and other receivables in the parent company statements of financial position amounted to ₱58,416 as at December 31, 2017 and 2016 and was provided an allowance for the same amount (see Note 5).

26. **Pension Benefits Plan**

The Company maintains a qualified, noncontributory pension plan covering substantially all of its regular employees.

The following tables summarize the components of net pension expense in the parent company statements of income and fund status, and the amounts recognized in the parent company statements of financial position.

Net pension expense

	2017	2016
Current service cost	**₱9,517**	₱10,381
Net interest cost	**3,851**	3,535
Net pension expense (Note 22)	**₱13,368**	₱13,916

Pension liability as at December 31, 2017 and 2016

	2017	2016
Present value of obligation	**₱47,673**	₱79,891
Fair value of plan assets	**(5,016)**	(4,969)
Pension liability	**₱42,657**	₱74,922

Reconciliation of other comprehensive income

	2017	2016
Balances at beginning of year	**₱9,389**	₱5,948
Gain on remeasurement of retirement obligation	**29,179**	4,916
Tax effect	**(8,754)**	(1,475)
	20,425	3,441
Balances at end of year	**₱29,814**	₱9,389

Changes in the present value of defined benefit obligation

	2017	2016
Balances at beginning of year	**₱79,891**	₱75,795
Interest cost	**4,106**	3,782
Current service cost	**9,517**	10,381
Remeasurement gains	**(29,387)**	(5,137)
Benefits paid	**(16,454)**	(4,930)
Balances at end of year	**₱47,673**	₱79,891

Breakdown of remeasurement gain on defined benefit obligation

	2017	2016
Change in financial assumptions	**₱2,404**	₱898
Experience adjustments	**26,983**	4,239
Remeasurement gain	**₱29,387**	₱5,137

Changes in the fair value of plan assets

	2017	2016
Balances at beginning of year	**₱4,969**	₱4,943
Asset return in net interest cost	**255**	247
Remeasurement loss	**(208)**	(221)
Balances at end of year	**₱5,016**	₱4,969

The major categories of the Company's plan assets as a percentage of the fair value of total plan assets are as follows:

	2017	2016
Cash	**96.19%**	96.25%
Investment in shares	**1.92%**	1.95%
Fixed income securities	**1.89%**	1.80%
	100.00%	100.00%

The Company has no transactions with its retirement fund. The retirement fund has no investments in shares of stocks of the Company.

In 2017, there were benefits paid directly by the Company to the beneficiaries of the pension benefits plan amounting to ₱16,454, resulting in a net movement in pension liability of ₱3,086.

The Company expects to contribute ₱21,247 to the defined benefits retirement plan in 2018.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2017:

Plan year	Expected benefit payments
Less than 1 year	₱22,113
More than 1 year to 5 years	25,264
More than 5 years to 10 years	36,335
More than 10 years to 15 years	26,933
More than 15 years to 20 years	57,432
More than 20 years	502,256

The principal assumptions used in determining the pension benefits obligation of the Company's plan is shown below.

	2017	2016
Discount rate	**5.64%**	5.14%
Salary increase rate	**5.00%**	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the pension liability as at the end of the reporting period, assuming if all other assumptions were held constant:

		Present value of the defined benefit obligation as at December 31	
	Increase (decrease)	2017	2016
Discount rates	6.64% (+1.00%)	**₱38,089**	₱69,443
	5.64% actual	**42,657**	74,922
	4.64% (-1.00%)	**48,173**	81,342
Salary increase rate	6.00% (+1.00%)	**47,881**	80,936
	5.00% actual	**42,657**	74,922
	4.00% (-1.00%)	**38,248**	69,686

The Company's weighted average duration of the defined benefit obligation is 20 years as at December 31, 2017. The Company's computation is based on per employee considering other contingencies to normal retirement and weighted by the benefit due.

27. Income Taxes

The provision for (benefit from) current and deferred tax in 2017 and 2016 are as follows:

	2017	2016
RCIT	**₱51,620**	₱8,840
Benefit from deferred income taxes	**(10,832)**	(19,609)
	₱40,788	(₱10,769)

The Company did not recognize deferred tax assets relating to the following temporary differences because management believes that it is more likely than not that the carry-forward benefits will not be realized in the near future:

	2017	2016
Provision for mine rehabilitation	**₱26,403**	₱32,174
Share-based payment	**26,327**	32,995
Accumulated accretion on liability for mine rehabilitation	**24,895**	21,780
Accumulated depletion on asset retirement obligation	**21,964**	18,368
Accrued expenses	**8,002**	8,001
Unrealized foreign exchange losses	**925**	7,723
Straight-line amortization of accrued rent	**405**	343
	₱108,921	₱121,384

The components of the Company's net deferred tax liabilities are as follows:

	2017	2016
Deferred tax liabilities:		
Revaluation increment on land in OCI	**₱769,537**	₱769,537
Remeasurement gain on pension liability in OCI	**12,778**	4,024
Unrealized gain on AFS financial assets in OCI	**56**	16
Capitalized interest	**–**	11,593
Unrealized foreign exchange gain	**–**	94
	782,371	785,264
Deferred tax assets:		
Allowance for impairment loss on:		
Inventories	**87,288**	87,316
Trade and other receivables	**28,651**	28,551
Other current assets	**12,584**	12,584
Pension liability	**25,575**	26,501
	154,098	154,952
Net deferred tax liabilities	**₱628,273**	₱630,312

The deferred taxes presented above are from the following temporary differences:

	2017	2016
Deferred tax liabilities:		
Revaluation increment on land in OCI	**₱2,565,124**	₱2,565,124
Remeasurement gain on pension liability in OCI	**42,592**	13,414
Unrealized gain on AFS financial assets in OCI	**188**	54
Unrealized foreign exchange gain	**1**	314
Capitalized interest	**–**	38,643
	2,607,905	**2,617,549**
Deferred tax assets:		
Allowance for impairment loss on:		
Inventories	**₱290,959**	₱291,055
Trade and other receivables	**95,503**	95,168
Other current assets	**41,947**	41,947
Pension liability	**85,249**	88,336
	513,658	516,506
Net deferred tax liabilities	**₱2,094,247**	₱2,101,043

The reconciliation of income tax computed at the statutory tax rates to provision for (benefit from) income tax as shown in the parent company statements of income is summarized as follows:

	2017	2016
Income (benefit from) tax computed at statutory rate	**₱43,624**	(₱31,565)
Add (deduct) tax effects of:		
Changes in unrecognized deferred tax assets	**(3,739)**	3,493
Expiration of stock options	**822**	6,987
Nondeductible expenses	**113**	15,477
Interest income subject to final tax	**(32)**	(31)
Nontaxable income	**–**	(5,130)
Provision for (benefit from) income tax	**₱40,788**	(₱10,769)

The Company did not avail of the optional standard deduction in 2017 and 2016.

28. EPS

Basic EPS is calculated by dividing the net profit by the weighted average number of common shares on issue during the year, excluding any ordinary shares purchased by the Company and held as treasury shares.

In computing for the 2017 diluted EPS, the Company did not consider the effect of stock options outstanding and convertible preferred shares since these are anti-dilutive.

	2017	2016
Net income (loss)	**₱104,625**	(₱94,448)

Number of shares for computation of EPS as a result of stock split:

	2017	2016
Basic EPS		
Weighted average common shares issued	**615,647,052**	615,010,952
Less: treasury shares	**348,069**	348,069
Weighted average common shares outstanding	**615,298,983**	614,662,883
Diluted EPS		
Weighted average common shares issued	**615,647,052**	₱615,010,952
Less: treasury shares	**348,069**	348,069
	615,298,983	614,662,883
Stock options	**–**	–
Convertible preferred shares	**–**	–
Weighted average common shares outstanding	**615,298,983**	614,662,883
Basic EPS	**₱0.17**	(₱0.15)
Diluted EPS	**₱0.17**	(₱0.15)

On July 29, 2016, the Philippine SEC approved the decrease in the par value of the Company's Common Class A and Common Class B shares from ₱3.00 to ₱1.00 per share, which increased the number of common shares by threefold (see Note 17).

The reconciliation of the number of weighted average common shares outstanding in 2016 after the effect of the stock split on July 29, 2016 is as follows:

	2016
Basic EPS	
Weighted average common shares issued	205,003,651
Less: treasury shares	116,023
Weighted average common shares outstanding before the stock split	204,887,628
Effect of the stock split	409,775,255
Weighted average common shares outstanding after the stock split	614,662,883
Diluted EPS	
Weighted average common shares issued	205,003,651
Less: treasury shares	116,023
	204,887,628
Stock options	–
Convertible preferred shares	–
Weighted average common shares outstanding before the stock split	204,887,628
Effect of the stock split	409,775,255
Weighted average common shares outstanding after the stock split	614,662,883

29. **Financial Risk Management Objectives and Policies**

The Company's principal financial instruments pertain to unsecured and secured bank loans. The main purpose of these financial instruments is to raise funds for the Company's operations.

The Company has various financial instruments such as cash, AFS financial assets, trade and other receivables, trade and other payables, other noncurrent liability in contract operations and obligations under finance lease.

The risks arising from the Company's financial instruments are liquidity risk, credit risk, foreign currency risk, interest rate risk and equity price risk. The BOD reviews and agrees policies for managing each of these risks and these are summarized below.

Liquidity Risk
Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments. The Company's objective is to maintain a balance between continuity of funding in order to continuously operate and support its exploration activities.

The Company considers its available funds and its liquidity in managing its immediate financial requirements.

As at December 31, 2017 and 2016, cash may be withdrawn anytime while quoted AFS financial assets may be converted to cash by selling them during the normal trading hours in any business day.

The table below summarizes the aging analysis and maturity profile of the Company's financial assets and financial liabilities, respectively, as at December 31, 2017 and 2016:

	2017			
	On demand	**Within 90 days**	**Over 90 days**	**Total**
Cash in banks	**₱27,392**	**₱–**	**₱–**	**₱27,392**
Short-term deposits	**29,183**	**–**	**–**	**29,183**
Trade and other receivables:				
Trade receivables	**47,650**	**–**	**9,424**	**57,074**
Nontrade	**452,523**	**–**	**–**	**452,523**
Amounts owed by related parties	**479,686**	**–**	**–**	**479,686**
Receivables from lessees of bunkhouses	**39,215**	**–**	**–**	**39,215**
AFS financial assets:				
Quoted	**–**	**–**	**604**	**604**
Unquoted	**–**	**–**	**401**	**401**
Refundable deposits	**–**	**–**	**5,545**	**5,545**
Total	**₱1,075,649**	**₱–**	**₱15,974**	**₱1,091,623**
Loans payable	**₱493,630**	**₱–**	**₱–**	**₱493,630**
Trade and other payables:				
Amounts owed to related parties	**841,868**	**–**	**–**	**841,868**
Trade	**130,181**	**–**	**–**	**130,181**
Nontrade	**–**	**44,051**	**–**	**44,051**
Accrued expenses	**–**	**25,560**	**–**	**25,560**
Payables to officers and employees	**–**	**4,080**	**–**	**4,080**
Other payables	**–**	**7,717**	**–**	**7,717**
Other noncurrent liability	**–**	**–**	**49,136**	**49,136**
Total	**₱1,465,679**	**₱81,408**	**₱49,136**	**₱1,596,223**

	2016			
	On demand	Within 90 days	Over 90 days	Total
Cash in banks	₱24,704	₱–	₱–	₱24,704
Short-term deposits	5,637			5,637
Trade and other receivables:				
Trade receivables	70,101	–	–	70,101
Amounts owed by related parties	320,239	–	–	320,239
Nontrade	421,929	–	–	421,929
Receivables from lessees of bunkhouses	35,704	–	–	35,704
AFS financial assets:				
Quoted	–	–	471	471
Unquoted	–	–	401	401
Refundable deposits	–	–	4,432	4,432
Total	₱878,314	₱–	₱5,304	₱883,618
Loans payable	₱520,121	₱–	₱–	₱520,121
Trade and other payables:				
Trade	122,132	–	–	122,132
Amounts owed to related parties	734,099	–	–	734,099
Nontrade	–	77,710	–	77,710
Accrued expenses	–	16,864	–	16,864
Payables to officers and employees	–	1,201	–	1,201
Others	–	9,247	–	9,247
Obligations under finance lease	–	2,427	–	2,427
Other noncurrent liability	–	–	49,136	49,136
Total	₱1,376,352	₱107,449	₱49,136	₱1,532,937

Credit Risk

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when these 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.

The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

With respect to credit risk arising from cash, trade and other receivables and AFS assets, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Company trades only with recognized third parties, there is no requirement for collateral.

The table below shows the maximum exposure to credit risk of the components of the parent company statements of financial position. The maximum exposure is shown at gross amount, before the effect of mitigation through the use of master netting and collateral agreements.

	2017	2016
Cash in banks	**₱27,392**	₱24,704
Short-term deposits	**29,183**	5,637
Trade and other receivables		
Trade	**57,074**	70,101
Nontrade	**452,523**	421,929
Amounts owed by related parties	**479,686**	320,239
Receivables from lessees of bunkhouses	**39,215**	35,704
AFS financial assets		
Quoted shares	**604**	471
Unquoted shares	**401**	401
Refundable deposits	**5,545**	4,432
	₱1,091,623	₱883,618

The table below shows the credit quality by class of financial assets based on the Company's rating:

	2017				
	Neither past due nor impaired		**Past due but**		
	High-grade	**Standard-grade**	**not impaired**	**Impaired**	**Total**
Cash in banks	**₱27,392**	**₱–**	**₱–**	**₱–**	**₱27,392**
Short-term deposits	**29,183**	**–**	**–**	**–**	**29,183**
Trade and other receivables:					
Trade	**–**	**47,650**	**–**	**9,424**	**57,074**
Nontrade	**–**	**452,523**	**–**	**–**	**452,523**
Amounts owed by related parties	**–**	**–**	**479,686**	**–**	**479,686**
Receivables from lessees of bunkhouses	**–**	**–**	**8,420**	**30,795**	**39,215**
AFS financial assets:					
Quoted ordinary shares	**604**	**–**	**–**	**–**	**604**
Unquoted ordinary shares	**–**	**401**	**–**	**–**	**401**
Refundable deposits	**–**	**5,545**	**–**	**–**	**5,545**
Total credit risk exposure	**₱57,179**	**₱506,119**	**₱488,106**	**₱40,219**	**₱1,091,623**

	2016				
	Neither past due nor impaired		Past due but		
	High-grade	Standard-grade	not impaired	Impaired	Total
Cash in banks	₱24,704	₱–	₱–	₱–	₱24,704
Short-term deposits	5,637	–	–	–	5,637
Trade and other receivables:					
Trade	–	60,677	–	9,424	70,101
Nontrade	–	421,929	–	–	421,929
Amounts owed by related parties	–	–	320,239	–	320,239
Receivables from lessees of bunkhouses	–	–	8,376	27,328	35,704
AFS financial assets:					
Quoted ordinary shares	471	–	–	–	471
Unquoted ordinary shares	–	401	–	–	401
Refundable deposits	–	4,432	–	–	4,432
Total credit risk exposure	₱30,812	₱487,439	₱328,615	₱36,752	₱883,618

The Company has assessed the credit quality of the above financial assets as follows:

a. Cash in banks are assessed as high-grade since these are deposited in reputable banks, which have a low probability of insolvency.

b. Trade receivables, which pertain mainly to receivables from sale of lime, nontrade and other receivables, were assessed as standard-grade. These were assessed based on past collection experience and the debtors' ability to pay the receivables. Other than receivables which were fully provided with allowance, there were no history of default on the outstanding receivables as at December 31, 2017 and 2016.

c. Quoted equity instruments were assessed as high-grade since these are instruments from companies with good financial capacity and with good financial conditions and operates in an industry, which has potential growth. Management assesses the quality of its unquoted equity instruments as standard-grade.

d. Other financial assets such as amounts owed by related parties and receivables from lessees of bunkhouses were assessed as standard grade, based on past collection experience and debtors' ability to pay.

e. Refundable deposits amounts were assessed as standard grade based on the discounted expected cash flows using effective interest rate.

Market Risks

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk relates primarily to the Company's long-term debt obligations with floating interest rates.

As at December 31, 2017 and 2016, the Company's exposure to the risk for changes in market interest rate relates primarily to its secured bank loans with floating interest rates. The Company regularly monitors its interest due to exposure from interest rates movements.

The Company's secured bank loans are payable on demand. Nominal interest rates vary from floating rate of 91-day Philippine Treasury Bill (PhP T-bill) rate for peso loans and 3-month LIBOR foreign loans, plus a margin of 3.5%.

The following tables set forth, for the year indicated, the impact in changes on interest rate on the parent company statements of income:

2017	**Change in interest rates (in basis points)**	**Sensitivity of pretax income**
PHP	**+100**	**(₱3,929)**
PHP	**-100**	**3,929**
USD	**+100**	**(1,007)**
USD	**-100**	**1,007**

2016	Change in interest rates (in basis points)	Sensitivity of pretax income
PHP	+100	(₱3,435)
PHP	-100	3,435
USD	+100	(3,615)
USD	-100	3,615

There is no other impact on the Company's equity other than those already affecting the profit or loss. Based on the historical movement of the interest rates, management believes that the reasonably possible change for the next quarter would result in an increase (decrease) of 100 basis points for USD LIBOR and 100 basis points for PhP T-bill.

Foreign Currency Risk
Foreign currency risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Company takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial performance and cash flows. The Company has transactional currency exposures. Such exposure arises from the sale of gold.

All sales of gold are denominated in US$. Dollar conversion of metal sales to Philippine peso is based on the prevailing exchange rate at the time of sale.

The Company's policy is to maintain foreign currency exposure within acceptable limits. The Company 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 Company is involved.

The Company did not seek to hedge the exposure on the change in foreign exchange rates between the US$ and the Philippine peso. The Company does not generally believe that active currency hedging would provide long-term benefits to stockholders.

The Company's foreign currency-denominated monetary assets and liabilities as at December 31, 2017 and 2016 follow:

	2017		2016	
	US$	**Peso equivalent**	US$	Peso equivalent
Asset				
Cash in banks	**US$4**	**₱206**	US$254	₱12,625
Liabilities				
Secured bank loans	**–**	**–**	777	38,644
Other loans	**2,018**	**100,736**	2,126	105,707
	2,018	**100,736**	2,903	144,351
Net liability position	**US$2,014**	**₱100,530**	US$2,649	(₱131,726)

As at December 31, 2017 and 2016, the exchange rates of the Philippine peso to the US$ based on Philippine Dealing System exchange rates at closing date are ₱49.93 and ₱49.72, respectively.

The sensitivity to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Company's income before income tax as at December 31, 2017 and 2016 is as follows:

	Peso	Sensitivity of pretax income
2017	**Strengthens by 1.62**	**₱3,263**
	Weakens by 1.88	**(3,786)**
2016	Strengthens by 0.98	₱2,596
	Weakens by 0.74	(1,960)

Equity Price Risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of the listed shares. The non-trading equity price risk exposure arises from the Company's investment in quoted AFS financial assets.

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

Since the amount of financial assets subject to equity price risk is immaterial relative to the parent company financial statements taken as a whole, management opted not to disclose equity price risk sensitivity analysis for 2017 and 2016.

30. Capital Management

The Company maintains a capital base to cover risks inherent in the business. The primary objective of the Company's capital management is to ensure that the Company has available funds in order to continuously operate and support its exploration activities.

The Company manages its capital structure and makes adjustments, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may obtain additional advances from stockholders or issue new shares.

No changes were made in the objectives, policies or processes in 2017 and 2016.

The following table summarizes the total capital considered by the Company:

	2017	2016
Capital stock	**₱616,863**	₱616,155
Capital surplus	**375,726**	367,862
Other components of equity	**1,841,010**	1,827,160
Retained earnings	**2,057,263**	1,952,638
Treasury shares	**(8,016)**	(8,016)
	₱4,882,846	₱4,755,799

Further, the Company monitors capital using debt to equity ratio, which is the total liabilities divided by total equity. Debt to equity ratio of the Company as at December 31, 2017 and 2016 are as follows:

	2017	2016
Total liabilities (a)	**₱2,397,613**	₱2,348,915
Total equity (b)	**4,882,846**	4,755,799
Debt-to-equity ratio (a/b)	**0.49:1**	0.49:1

31. **Fair Value Measurement**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

Set out below is a comparison by category and class of carrying amounts and estimated fair values of the Company's significant financial assets and liabilities as at December 31, 2017 and 2016:

	Carrying amounts		Fair values	
	2017	2016	**2017**	2016
Financial Assets:				
Cash in banks and short-term deposits	**₱56,575**	₱30,341	**₱56,575**	₱30,341
Trade receivables	**57,074**	70,101	**57,073**	70,101
Amounts owed by related parties	**479,686**	320,239	**479,686**	320,239
Receivables from lessees of bunkhouses	**39,215**	35,704	**39,215**	35,704
Nontrade receivables	**452,523**	421,929	**452,523**	421,929
AFS financial assets:				
Quoted	**604**	471	**604**	471
Unquoted	**401**	401	**401**	401
Refundable deposits	**5,545**	4,432	**5,545**	4,432

(Forward)

	Carrying amounts		Fair values	
	2017	2016	**2017**	2016
Financial Liabilities:				
Trade payables	**₱130,181**	₱122,132	**₱130,181**	₱122,132
Accrued expenses	**25,560**	16,864	**25,560**	16,864
Nontrade payables	**44,051**	77,710	**44,051**	77,710
Loans payable	**493,630**	520,121	**493,630**	520,121
Obligation under finance lease	**–**	2,427	**–**	2,427
Amounts owed to related parties	**841,868**	734,099	**841,868**	734,099
Payables to officers and employees	**4,080**	1,201	**4,080**	1,201
Other noncurrent liability	**49,136**	49,136	**49,136**	49,136

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, trade and nontrade receivables, receivables from lessees of bunkhouses, and amounts owed by/to related parties, trade and nontrade payables, accrued expenses, payables to officers and employees, and other noncurrent liability

The fair values of these instruments approximate their carrying amounts as of the reporting date due to their short-term nature.

AFS Financial Assets
The fair value of investments that are actively traded in organized markets is determined by reference to quoted market bid prices at the close of business on the reporting date. The fair value of unquoted AFS investments cannot be reliably measured and accordingly measured at cost, net of impairment, if any. As at December 31, 2017 and 2016, the Company has quoted AFS financial assets amounting to ₱604 and ₱471, respectively, carried at fair value in the parent company statement of financial position. The quoted AFS financial assets are classified under level 1 of the fair value hierarchy since these are based on quoted market prices or binding dealer price quotations.

Land
The fair value of land is calculated using the sales comparative approach, which results in measurements being classified as level 2 in the fair value hierarchy.

Refundable deposits
The fair value the refundable deposits included under 'other noncurrent assets' was determined by discounting the expected cash flows using effective interest rate.

Loans Payable
Where the repricing of the variable-rate interest-bearing loan is frequent (i.e., three-month repricing), the carrying value approximates the fair value. Otherwise, the fair value is determined by discounting the principal plus the known interest payment using current market rates. Due to quarterly repricing, the carrying values of the variable-rate borrowings approximate their fair values.

The Company has no financial instruments measured at fair value under level 2 of fair value hierarchy. There were no transfers between levels in 2017 and 2016.

32. Leases, Agreements and Other Matters

Lease Agreements

Operating Leases

The Company leases its office space until June 30, 2020 and the land on which the mine site office is located, until December 31, 2028, renewable upon mutual agreement with the respective lessors. Total rental expense on the said leases amounted to ₱1,273 in 2017 and 2016. Future minimum lease payments for the operating leases are as follows:

	2017	2016
Lease payments due in:		
Less than one year	**₱1,326**	₱1,211
Between one and five years	**3,821**	4,507
More than five years	**4,259**	4,898
Future minimum lease payments	**₱9,406**	₱10,616

Finance Lease

In 2012, the Company entered into a lease agreement to finance the purchase of an item of property and equipment. Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:

	2017	2016
Lease payments due in:		
Less than one year	**₱–**	₱2,456
Between one and five years	**–**	–
Future minimum lease payments	**–**	2,456
Less interest	**–**	29
Present value of future minimum lease payments	**–**	2,427
Less current portion	**–**	2,427
Noncurrent portion	**₱–**	₱–

Principal payments made on the finance lease obligation amounted to ₱2,427 and ₱13,783 in 2017 and 2016, respectively.

Interest expense recognized on the above finance lease obligations amounted to ₱29 and ₱888 in 2017 and 2016, respectively.

Investment Properties

On May 9, 2017, the PAB held a technical conference on the discovered tailings spill at Antamok, Itogon, Benguet during 2016. On the same date, the Company, in response to the said conference, carried out a change in use of its Antamok property and other nearby properties, and therefore reclassified their revalued amount totaling ₱1,574,664, from property, plant and equipment to investment properties. The change in use takes into account the fact that the Company no longer undertakes any operational activity in the said properties other than to hold these for capital appreciation.

As at December 31, 2017, the fair value of the Company's investment properties still amounted to ₱1,574,664. An independent firm of appraisers, Cuervo Appraisers, Inc, performed the appraisal of the land and determined its fair value based on its market value as at February 23, 2013. The market value of the investment properties was estimated using the sales comparative approach, which considers the sales of similar or substitute properties and related market values and establishes value estimates by processes involving comparisons. In general, a property being valued is compared with sales of similar properties that have been transacted in the open market. Listings and offerings may also be considered.

Certain parcels of land totaling to ₱237,082 served as collateral for the Malayan Bank loan (see Note 13).

33. Agreements and Contingencies

a. The Company is contingently liable on lawsuits or claims filed by third parties, which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the parent company financial statements.

b. In 2011, the Company signed a 20-year power supply agreement with Therma Luzon, Inc., a wholly-owned subsidiary of Aboitiz Power Corporation, to supply reliable power to its current and future mining operations in Itogon, Benguet.

c. In 2013, the Company changed the terms of its agreement with mine contractors in AGP from ore-sharing to metal sharing. Based on the new agreement, ore mined by contractors will all be milled and sold by the Company to the BSP, the proceeds of which are shared between the Company and its contractors.

34. Changes in liabilities arising from financing activities

	January 1, 2017	Cash flows	Gain on write-off	Foreign exchange movement	Others	December 31, 2017
Loans payable	₱520,121	₱11,661	(₱38,644)	₱479	₱13	₱493,630
Obligations under finance lease	2,427	(2,427)	–	–	–	–
	₱522,548	₱9,234	(₱38,644)	₱479	₱13	₱493,630

Others pertain to the interest payable related to the loan.

35. Operating Segments

In accordance with PFRS 8, *Operating Segments*, management opted to present segment information as part of its disclosures in the consolidated financial statements.

36. Events After the Reporting Period

Tax Reform for Acceleration and Inclusion Act (TRAIN)

Republic Act (RA) No. 10963 or the TRAIN was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balances as of the reporting date.

Starting January 1, 2018, the TRAIN will have an impact on the Company for the sale of gold and purchase of lime stones that will be subjected to excise tax of four percent (4%). Sales of gold to BSP will be treated as VAT-exempt transactions instead of zero-rated sales.

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Benguet Corporation
7th Floor, Universal-Re Building
106 Paseo de Roxas, Makati City

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of Benguet Corporation as at and for the years ended December 31, 2017 and 2016, and have issued our report thereon dated March 21, 2018. Our audit was made for the purpose of forming an opinion on the parent company financial statements taken as a whole. The accompanying schedules of all effective standards and interpretations, and reconciliation of retained earnings available for dividend declaration are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the parent company financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Alexis Benjamin C. Zaragoza

Alexis Benjamin C. Zaragoza III
Partner
CPA Certificate No. 109217
SEC Accreditation No. 1627-A (Group A),
April 4, 2017, valid until April 3, 2020
Tax Identification No. 246-663-780
BIR Accreditation No. 08-001998-129-2017
February 9, 2017, valid until February 8, 2020
PTR No. 6621351, January 9, 2018, Makati City

March 21, 2018

SCHEDULE I
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
As at December 31, 2017
(Amounts in thousands)

BENGUET CORPORATION
7th Floor, Universal-Re Building, 106 Paseo de Roxas, Makati City

Items	Amount
Unappropriated Retained Earnings, beginning	**₱1,952,638**
Effect of quasi-reorganization on revaluation increment	(1,010,848)
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	**941,790**
Net Income during the period closed to Retained Earnings	104,625
Less: Non-actual/unrealized income net of tax	–
• Equity in net income of associate/joint venture	–
• Unrealized foreign exchange gain - net (except those	–
attributable to cash and cash equivalents)	–
• Unrealized actuarial gain	–
• Fair value adjustment (mark-to-market gains)	–
• Fair value adjustment of investment property resulting to gain	–
• Adjustment due to deviation from PFRS/GAAP - gain	–
• Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRSs	–
Add: Non-actual losses	
• Depreciation on revaluation increment (after tax)	–
• Adjustment due to deviation from PFRS/GAAP - loss	–
• Loss on fair value adjustment of investment property (after tax)	–
Net income actually earned during the period	**104,625**
Add(Less):	
• Dividend declarations during the period	–
• Appropriations of Retained Earnings during the period	–
• Reversals of appropriations	–
• Effects of prior period adjustments	–
• Treasury shares	–
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND	**₱1,046,415**

SCHEDULE II
BENGUET CORPORATION
TABULAR SCHEDULE OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER THE PFRSs PURSUANT TO SRC RULE 68, AS AMENDED (2011)
DECEMBER 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
PFRS 2	Share-based Payment	✓		
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2017		Adopted	Not Adopted	Not Applicable
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	*Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
SIC 7	Introduction of the Euro			✓
SIC 10	Government Assistance – No Specific Relation to Operating Activities			✓
SIC 15	Operating Leases – Incentives			✓
SIC 25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders			✓
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC 29	Service Concession Arrangements: Disclosures			✓
SIC 31	Revenue – Barter Transactions Involving			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2017		Adopted	Not Adopted	Not Applicable
	Advertising Services			
SIC 32	Intangible Assets – Web Site Costs			✓

The Company did not early adopt any accounting pronouncement effective after December 31, 2017