COVER SHEET

1 1 3 4 1

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)

7th Floor, UniversAl Re BuildiNg,
106 Paseo de RoxaS, Makati CiTy

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

Mr. Reynaldo P. Mendoza

(Contact Person)

812-1380 / 751-9137

(Group Telephone Number)

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

17-A
(Form Type)

Month *Day*
(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

17,232

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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, 2009**.................................

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**................................ 6. [ ] (SEC Use Only)
Province, Country or other jurisdiction of incorporation or organization — 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.

10. 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, 2009)
Convertible Preferred Class A,	₱3.44 par value	217,061 shares
Common Class A Stock,	₱3.00 par value	93,918,465 shares
Common Class B Stock,	₱3.00 par value	57,061,697 shares

Total amount of outstanding loan as of December 31, 2009 – P1.6 Billion

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 Issuer’s Convertible Preferred Class A, Common Class A and Common Class B shares 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 [ ]

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. (See definition of "affiliate" in "Annex B").

Below is the aggregate market value of the voting stock held by non-affiliates of the registrant as of March 26, 2009 (last trading day) for Convertible Preferred Class A share, as of April 15, 2010 for common class A share and April 8, 2010 for Common Class B share. The total market value is computed based on the market price of the Company's shares at the Philippine Stock Exchange (PSE).

	Total Shares	Market Price	Total Market Price
Convertible Preferred Class A share	217,061	₱76.00/share	₱ 16,496,636.00
Common Class A share	93,918,465	₱12.00/share	1,127,021,580.00
Common Class B share	57,061,697	₱16.00/share	912,987,152.00
Total -------	151,197,223		₱2,056,505,368.00

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. BUSINESS DEVELOPMENT

Benguet Corporation ("BC" or the "Company") is a 106-year old company established on August 12, 1903. The Company was initially organized as a sociedad anonima known as "Benguet Consolidated Mining Company". It was incorporated on June 18, 1956 under the name "Benguet Consolidated Inc." In 1980, the Company changed its name from "Benguet Consolidated Inc." to its present corporate name "Benguet Corporation". The Securities and Exchange Commission (SEC) approved on June 19, 2006 the extension of the Company's corporate life for another 50 years or until June 18, 2056.

The issued and outstanding shares of the Company are registered with the Securities and Exchange Commission (SEC) and listed in the Philippine Stock Exchange (PSE).

The Company is engaged in mineral exploration and development and is currently produces and markets gold, nickel laterite ore and limestone. It continues to stake claims on various mineral properties which are now in various stages of business development. These include the Sta. Cruz Nickel, Surigao Coal, Acupan and Ampucao Gold Copper, Kingking Porphyry Copper Gold, Pantingan Gold, Ilocos and Kalinga-Apayao mineral prospects, all projected to be major long-term revenue earners for the Company.

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 or sale of significant amount of assets not in the ordinary course of business.

In 2009, the Company continues to move forward its various projects in copper, gold, nickel, iron and coal which are in the pipeline since the previous years. The Company remained focus, particularly in its gold and nickel property development as the gold remains stable as a commodity while nickel has rebounded considerably from the slump it experienced starting in the last quarter of 2008.

ON MINING OPERATIONS

(The mine resource/reserve statements in this report are supported by a Certification of Competent Person prepared by Mr. Tomas D. Malihan, who is the current Vice President for Exploration, Research and Development and Chief Geologist of Benguet Corporation, specifically on the following projects: Balatoc Tailings Project (Annex "B"), Boringot Epithermal Gold Prospect (Annex "C"), Zamboanga Gold Prospect (Annex "D"), Surigao Coal Project (Annex "E"), Benguet Antamok Gold Operation (Annex "F"), Sta. Cruz Nickel Project (Annex "G") and Kingking Copper-Gold Prospect (Annex "H"). Mr. Malihan is an accredited Competent Person (CP) of the Philippine Mineral Reporting Code (PMRC) and who has sufficient experience in the evaluations of these types of deposits and the methods of mining applicable to them.)

Acupan Contract Mining Project (ACMP) in Benguet Gold Operation (BGO) in Itogon, Benguet Province: ACMP's gold production in 2009 totaled 2,129 ounces, higher as compared to 1,820 ounces in 2008 and 1,897 ounces in 2007. The average grade of ore milled was 6.79 grams gold per ton in 2009, 8.10 grams gold per ton in 2008 and 10 grams gold per ton in 2007. ACMP now at 70 tons per day is on its expansion program. Additional studies are being made for the possibility of development the rest of the regular and bulk mineable reserves.

Antamok Contract Mining Project (AnCMP) in Benguet Antamok Gold Operation (BAGO) in Itogon, Benguet Province: AnCMP remain suspended since June 2008 due to DENR/MGB moratorium ease and desist order. A risk assessment report has been completed by the MGB and BenguetCorp.

Irisan Lime Project (ILP) in Baguio City: ILP produced 7,444 metric tonnes of quicklime in 2009, higher as compared to 9,219 metric tonnes in 2008 and 7,825 metric tonnes produced in 2007.

EXPLORATION, RESEARCH AND DEVELOPMENT

Kingking Copper-Gold Prospect in Pantukan, Compostela Valley Province: Last January 2009, the Company temporarily suspended its activities in Kingking until the issues arising from the dispute with NADECOR are satisfactorily resolved. The suspension gave the Company relief from the effect of the ongoing dispute which frustrates its plans to fulfill its obligations under the terms of the MPSA.

Sta. Cruz Nickel Project (SCNP) in Sta. Cruz, Zambales Province: The steep decline in nickel prices that started in the last quarter of 2008 coupled with the delay in the permitting process set back the operation of the Sta. Cruz Nickel Project (SCNP) in the first half of 2009. The LME price of nickel went down from a high of US$52,700 per ton in 2007 to a low of US$8,900 in December 2008. To address the long-term market price/demand fluctuations, a study was made on the feasibility of producing nickel pellets with reduced moisture content and upgraded nickel content. Laboratory grade metallurgical testing have been completed in China. The Company is preparing shipment of some 8,000 to 10,000 tons of ore for large scale pilot testing in commercial furnaces and NPI plant in China.

Additionally, preliminary research is being done to determine the applicability of tank leaching technology to process lower grade. A favorable result on this process will free some 60% of ore resource currently categorized as waste. Sulfuric acid, which is needed in the tank leaching process, can be supplied inexpensively by the Balatoc Tailings Project which will produce the acid as a by-product in its process to recover gold from impounded tailings.

The price of nickel has shown substantial recovery in the past months which has more than doubled since that lowest price recorded in December 2008. Encourage by this price recovery, on October 7, 2009, the Company signed an off-take/contractor agreement with DMCI Mining Corporation for a portion of its Sta. Cruz nickel property. The agreement calls for the mining and sale of high grade nickel ore with 2.0% nickel cut-off grade of up to 200,000 tons per year for the next three (3) years. A similar agreement was also signed on October 28, 2009 by the Company's wholly owned subsidiary Benguetcorp Nickel Mines Inc. (BNMI) with Sino Phil (Surigao) Group Limited and Ryanyx CGS Corporation covering another portion of SCNP. This agreement calls for the mining and sale of low grade nickel and high grade iron ores of up to 700,000 tons per year for the next three (3) years. The agreements assure BNMI of a market for high and low grade nickel and high grade iron ores.

In line with the Company's plan to create and spin off business units to implement various mining projects, the Company entered into an agreement with its wholly owned subsidiary, BNMI to undertake the operation of the Sta. Cruz nickel mine. Aside from mining and direct ore shipment, BNMI is tasked to undertake further exploration of the property as well as to complete the research and feasibility studies on pelletizing and tank leaching technologies to add value to the mine products. BNMI will raise funds for these additional activities and the Company engaged First Metro Investment Corporation (FMIC) as the financial advisor, lead manager and underwriter.

Balatoc Tailings Project in Itogon, Benguet Province: The Company obtained BTP's Environmental Compliance Certificate (ECC) in June 2009. The project involves the reprocessing of mine tailings to recover residual gold. The Company completed the bankable feasibility study of BTP and engaged external Competent Persons (CPs) to review and prepare the reports as required under the Philippine Mineral Reporting Code, modeled after the Joint Ore Reserve Committee (JORC Code) of Australia. The mining/extraction method is through dredging using hydraulic dredge- pumps. The milling process is a combination of flotation, roasting and Carbon-In-Pulp/Carbon-In-Leach (CIL/CIP) for a combined gold recovery of 70%. The development and construction of a 3000MTPD mining and milling operation is estimated to take 12 months. In October 2009, the Company appointed ATR Kim Eng Capital Partners, Inc. as financial advisor to raise additional development capital for the project. It entered into a processing agreement with Balatoc Gold Resources Corporation (BGRC), a wholly owned subsidiary, to implement BTP.

As a brief background, since 1969 and until it ceased underground mining operation in 1992, the Company's Benguet Gold Operation (BGO) produced and impounded some 16 million tons of mill tailing into 3 tailings ponds. The impounded tailings were drilled starting in the late '80s and again in 2008 confirming some 16.7 million metric tons of tailings with an average grade of 0.69 g/t Au and containing some 371,000 ounces of gold. Metallurgical test indicates that a recovery about 70% of the gold can be recovered.

Batong Buhay Mines in Pasil, Kalinga Province: In December 2009, the Company entered into simultaneous agreements with Hunter Dickinson Acquisitions, Inc. ("HD") of Canada and Balatok Sub-Tribe of Kalinga ("Tribe") as duly certified by the National Commission on Indigenous Peoples ("NCIP") to be represented by the Balatok-Kalinga Tribe, Inc. ("BKTI") and its mining arm, the Balatoc Tribe Exploration & Mining Corporation ("BTEMC"). The Philippine Mineral Development Corporation ("PDMC"), a government corporation under the Department of Environment and Natural Resources ("DENR") has executed a Joint Operating Agreement with the Tribe providing for the exploration and development of the Batong Buhay Mines.

Ampucao Copper Gold Porphyry Prospect in Itogon, Benguet Province: The prospect was discovered accidentally in the late '60s while drilling for the so-called 500 gold vein series at the southern edge of Acupan Gold Mines in the vicinity of Acupan's Fog Shaft. No follow up exploration work was conducted after its discovery and its potential was never ascertained up to the present. A drilling program using the still existing and accessible underground openings from Acupan Mine's Level 2000, has been designed to determine its real potential. The proposed additional drilling is aimed to determine the size, shape and tenor of a possible gold-rich porphyry copper deposit indicated by the encouraging intersections of the earlier drilled holes. The designed drilling program will be implemented as soon as all permits are obtained.

Boringot Epithermal Gold Prospect in Pantukan, Compostela Valley (formerly Davao del Norte): The Boringot Epithermal Gold Prospect is located east–northeast of the Nationwide Development Corporation (NADECOR) tenement and is part of the Pantukan Mineral Corporation (PMC) tenement under Royalty Agreement contract with the Company. It is one of the known epithermal gold prospects that are found within the PMC tenement that bounds the NADECOR tenement to the north and east. Most of these epithermal gold prospects are found on the eastern side of the NADECOR claims. The Boringot gold-bearing structures generally trend E-W to W-NW and steeply dipping either to the north or south.

There were at least 15 known mineralized structures defined so far in Boringot. Assay returns from these mineralized vein materials taken both from surface exposures as well as from accessible underground SSM's workings, yielded values ranging from 0.4gm to 16.98 g/t Au. Total estimated resource was 14,880 metric tonnes @ 8.73 g/t Au of Indicated Resource category and 38,459 metric tonnes @ 5.84 g/t of Inferred Resource for a total resource (Indicated and Inferred) of 53,340 metric tonnes with an average grade of 6.65 g/tAu (weighted) using 5.0 g/t Au cut off.

Pantingan Gold Prospect in Bagac, Bataan Province*:* The prospect is located in Bataan peninsula and is nestled within the Mt. Mariveles caldera, an extinct volcano whose last eruption was dated more than a million years ago. The prospect was signed up with Benguet in 1996 by the Balanga-Bataan Mineral Resources Corporation under a Royalty Agreement. It is covered by an MPSA Contract with the Philippine government (MPSA No. 154-2000-III) granted on March 31, 2000.

The prospect has several mineralized structures trending in more or less parallel directions which were interpreted as part of an epithermal veinsystem The prospect needs exploratory drilling to probe the behavior of the veins and tenor of the postulated gold mineralization at depth but needs clearance from DENR because of a watershed application inside the claim.

Zamboanga Gold Prospect (BOLCO) in R.T. Lim Zamboanga del Sur: Based on available exploration data, the BOLCO prospect has an estimated resource of some 408,000 metric tons averaging 7.56 g/t Au mainly from the so-called San Fernandino Vein, one of the two major veins that the Company was targeting when it acquired the property in the late ‘80s**.** Problem with the well entrenched small-scale miners (SSMs) at that time prevented the Company from accessing the San Fernandino area which forced it to resort to high grade tails buying and tails milling operations (CIL) to recover gold from the high grade tails produced by the SSMs. Dwindling sources of tailings for its 30tpd plant experienced after a few years of fairly profitable operation forced the Company to stop operations and mothball the plant. The Company is still maintaining the CIL plant while the mineral claims has an FPIC application pending with the NCIP office in Gov. Camins Avenue, Zamboanga City**.** In recent years, the SSMs population in BOLCO has gone down considerably due to their inability to mine below the water table. The Company’s technical personnel sent to BOLCO during the year found that the SSMs are now willing to cooperate and even give way to the Company to do exploratory drilling in San Fernandino Vein area. It is believed that the vein still holds substantial gold resource below the water table which the SSMs could not access. At least one foreign company had shown interest in the property.

Surigao Coal Project in Lianga, Surigao del Sur: The Company’s Coal Operating Contract (COC) for 12 coal blocks covering 12,000 hectares was extended by the Department of Energy (DOE) up to May 22, 2011. The Company obtained the Environmental Compliance Certificate (ECC) and completed the mining conceptual plans showing locations of the initial open pit operation and other mine infrastrucure sites. The Company is targeting an initial open-pittable reserve of 1 million tons at a production rate of 60,000 tons per year. This is in line with its ECC and work program approved by the Department of Energy. With the projected increase in the demand for local coal, the Company plans to expand its work program to other areas within the concession and increase its production capacity to about 300,000 tons per year within the next five (5) years. The Company had met with representatives of an Australian-Malaysian investor interested in operating the property and for an off-take agreement and a site inspection was subsequently organized for five (5) mining contractor candidates in October 2009. It also pursued the assessment of access road and bridge conditions leading to the project site and possible pier loading areas. A draft of the Memorandum of Understanding (MOA) with the SAMMILIA Cooperative which holds a CBFMA concession in the area was made for securing Road Right of Way and Tree-Cutting Permit. A “No Objection to BC‘s Operation” resolution duly approved by SAMMILIA’s Board members and attested by the Board Secretary had been obtained. SAMMILIA had agreed verbally to revise its resource utilization permit to include your Company’s coal mine area. The MOU with SAMMILIA will be finalized once the tree-cutting permit was obtained. The NCIP personnel had conducted a field-based Investigation on the area in November 2009.

Foreign Technical Assistance Agreement (FTAA): For the FTAA prospect in Ilocos Norte, the Company is scheduled to proceed with the required scoping work/survey in the covered municipalities to obtain Free, Prior and Informed Consent (FPIC) to do exploration in the area. For the Apayao FTAA application, an area clearance certificate for 52,263 hectares was released by the Mines and Geosciences Bureau–Cordillera Administrative Region (MGB-CAR) in September 2009. Like the adjoining Ilocos Norte, Apayao province which flanks its eastern side, is also considered a geologically prospective area within the structurally favorable Philippine Fault Zone and is believed to have the same potential for copper and gold mineralization as the other known mineral districts.

The Company’s **Benguet Laboratories (BL) in SM Baguio City,** a healthcare provider for 84 years, continues to maintain its laboratory extension at the Baguio Centermall to decongest the volume of work being processed at the SM main laboratory from the continued influx of HMO clients and walk-in customers.

Aside from its core business of mining and mineral exploration, the Company established **Benguet Management Corporation (BMC)** in 1980, a wholly owned subsidiary, primarily to manage and conduct the non-mining activities of the Company. BMC continues to maintain the mango plantation in Iba, Zambales and manages the following subsidiaries: Arrow Freight Corporation (AFC), Benguetrade, Inc. (BTI), BMC Forestry Corporation (BFC), BC Property Management (BCPM). ***AFC*** is the logistics company which currently handles the trucking requirements of major clients, such as Alaska, Ajinomoto, Unioil and Royal Tern. ***BTI*** is BMC’s trading arm primarily dealing with industrial and environmental equipment and supplies to power, cement and mining companies. ***BFC*** manages the Irisan Lime Plant and is in-charge of developing the Woodspark Rosario residential subdivision in Rosario, La Union. ***BCPM*** is tasked to manage and operate the New Balatoc area, including the rehabilitation and enhancement of structures for lease to private entities for commercial and residential purposes.

In 1988, the Company acquired **BenguetCorp International Limited (BIL),** a Hongkong-based and 100% owned subsidiary for international operations, remains largely inactive. BIL's wholly-owned subsidiaries, BenguetCorp Canada Limited (BCL) in Vancouver, B.C. and BenguetCorp USA Limited (BUSA) in Nevada, U.S.A. continue to hold interest in mining properties in Royston Hills, Nevada, which are currently being offered for sale to interested parties.

Landfill Project in Itogon, Benguet: The Company has offered to Baguio City the long-term use of its several mining areas including its Antamok mined-out open pit as site for engineered sanitary landfill. The Company made the proposal after it learned of the City's need to find a permanent solution to the worsening garbage problem resulting from the mandatory closure of its open dumpsite. The Province of Benguet and the town of Itogon have likewise expressed joint interest to use the Open Pit as a landfill site. The property can accommodate the combined residual wastes of Baguio City, La Trinidad, Itogon and other towns in the BLIST area for the next 30 years or more.

Should the project push through the Company will amend its pit rehabilitation plan from conversion to a water reservoir to an engineered sanitary landfill. Both rehabilitation options meet the standard of the DENR for a feasible and beneficial land use consistent with the department's policy of sustainable management of resource.

In 1996, the Company proposed to convert the open pit into a water reservoir for purposes of bidding in the Bulk Water Supply Project of Baguio City. The Company participated in the bidding in 2003 and in 2005, it was awarded the project. The project is targeted to supply 50,000 cubic meters per day of potable water to Baguio City and at the same time be a model of mine rehabilitation and alternative land use in the country. However, delay in the implementation increased the project cost, necessitating adjustment in the water tariff. The Baguio Water District (BWD) instead decided to cancel the project in late 2007 and the Company filed a case early 2008 against the BWD. The case is currently pending in court.

2. BUSINESS OF ISSUER

Products or Services/Sales - The Company explores for mines, currently produces and markets gold, nickel laterite ore, and limestone; and through its subsidiaries, provides eco-tourism, engineering and construction, reforestation, trucking and warehousing services; sells industrial equipment and supplies; develops water resources and real estate projects.

The Company's used to sell its gold to the Banko Sentral ng Pilipinas. Its quicklime products are mainly sold to major customers Lepanto and Philex mines, which sales are covered by quicklime supply agreement renewable on yearly basis. The Company's remaining chromite inventory are mainly sold to Shyne Trading and Construction Supply.

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:

	2009 (% to total revenue)			2008 (% to total revenue)			2007 (% to total revenue)		
	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total
Gold	42%	-	42%	21%	-	21%	21%	-	21%
Lime	24%		24%	21%		21%			-
Chromite	2%	-	2%	31%	-	31%	1%	9%	10%
Trucking & Ware-housing & others	32%	-	32%	27%	-	27%	69%	-	69%

The Company has no new products or service introduced in 2009 whether prototypes exist or in planning stage.

In gold and copper, there is no competition among mining companies. One can produce as much and products can be sold without any problem. The Company principally competes in selling it nickel outside the Philippines. The method of competition is basically in price. However, the Company believes it can effectively compete in price with other companies due to its proximity to major buyers/users in Asia and China. Prices of the company's products are dictated by the world market.

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 material extracted, comes from the Company's mineral properties and no existing major supply contracts. The purchase of supplies, equipment and spare parts are obtained on competitive basis from sources both locally and abroad and are generally available.

Transactions with and/or Dependence on Related Parties - 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, and (d) Other transactions comprising of non-interest bearing cash advances for working capital requirements.

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 royalty contracts with claimowners for mining operation of the Company's controlled claims. Duration is up to end of mine life.

Government Regulations and Approval - The Company's application on: a) Mineral Production Sharing Agreement (MPSA) denominated as APSA No. 9, APSA No. XI-89 and APSA No. IX-015; and b) FTAA Application denominated as AFTA-000003-1 in Ilocos Norte, are all pending review and approval by the Department of Environment and Natural Resources (DENR)-Mines and Geosciences Bureau (MGB). Exploration and development activities were held in abeyance pending approval by DENR and MGB of the Company's applications for MPSA and FTAA of the prospects.

The effect of existing governmental regulations is mainly on their corresponding costs of compliance to the Company. The effect on the Company of any probable government regulation could not be determined until its specific provisions are known.

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
2009	₱69	29%
2008	283	97%
2007	49	16%

Costs and Effects of Compliance with Environmental Laws - The Company's mining operations are in compliant with environmental and mining laws and regulations. Environmental protection is a priority of the Company. To meet its environmental obligation, in 2009, the Benguet Gold Operations (BGO) of the Company spent ₱7.132 million for the maintenance and structural rehabilitation of its tailings disposal system, drainage tunnels, mines waste dump, and other mining infrastructures and ₱312 thousand for reforestation activities covering about 13 hectares.

The effects of compliance with environmental laws are numerous. It is good business to have an environmentally compliant operation as it enhances the image of the Company as good corporate citizen, promotes goodwill with community where it operates and set good track record with regulators for future projects.

Employees – As of December 31, 2009, the Company has 508 employees, of whom 109 are administrative, 22 clerical, 211 involved in exploration and operation and 166 are outsourced staff e.g. security guards, janitors & retainers/consultants. The employees 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 Personnel Policy Manual. There is no anticipated changes in the number of employees of the Company within the ensuing twelve months.

Major Business Risks – The Company's mining operations are subject to environmental laws and regulations which should be adhered to. Non-compliance or failure to comply may delay mining operations or could result in substantial fines and penalties. In ensuring compliance, the Company is obliged to allot a considerable amount from its operational funds for reforestation and other environmental protection projects in the areas of operations. 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 impact its operation and/or impose added costs to the Company. The suspension or revocation of its licenses could materially and adversely affect operations.

The Company's businesses are in the Philippines which is generally influenced by the Philippine political and economic climate. Events and conditions that may negatively impact the Philippine economy as a whole may also adversely affect the operation and financial condition of the Company.

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. The ultimate outcome of these matters cannot presently be determined and related effects will be reported as they become known and estimated.

The Company faces 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 on the Company's business, operating results and financial condition.

ITEM 2. PROPERTIES

The Company owns mining, milling and support facilities in its Benguet Gold Operation (BGO), in Itogon, Benguet Province and Irisan Lime Project in Baguio City, which properties are currently used in its operations. It likewise owns mining, milling and support facilities at Benguet Antamok Gold Operation in Itogon, Benguet Province and Zamboanga Gold Prospect in R.T. Lim Zamboanga del Sur, which are currently on care and maintenance basis.

The Company owns 259 hectares of mineral property for gold/silver at Royston Hills, Nevada, U.S.A., which is currently being offered for sale to interested parties. Other subsisting and valid mining properties, claims, projects of the Company are as follows:

MINING OPERATION/PROJECT	AREA (Has.)	STATUS AS TO MINING CONTRACT/AGREEMENT
Benguet Gold Operation,	2,103.95	MPSA Application denominated as APSA No. 09. BC's application is under evaluation by the Mines and Geosciences Bureau (MGB) Cordillera Administrative

Antamok Gold Operation, Ampucao Copper-Gold Project		Region, No. 80 Diego Silang St. Baguio City. BC filed a Mineral Processing Permit application within the MPSA applied area of BGO which is under evaluation by MGB Central Office
Sta. Cruz Nickel Project	1,406.74	MPSA No. 226-2005-III. BC is the contractor. The project is in development and operating period. Declaration of mining project feasibility was approved by MGB central office on November 20, 2009.
Batong Buhay Mines	492	In December 2008, BC won the bidding and was selected as the Partner of the Balatoc Sub-Tribe of Kalinga represented by Balatoc Kalinga Tribe, Inc. and Balatoc Tribe Exploration and Mining Corporation in the reopening and development of the Batong Buhay mines. A memorandum of agreement was executed on December 23, 2008 to this effect.
Pantingan Copper Gold Project	1,410.25	MPSA No. 154-2000-III. BC holds an operating agreement with the MPSA contractor, Balanga Bataan Minerals Corporation.
Kingking Copper Gold Project	1,656	MPSA No. 009-92-XI, as amended. BC is co-contractor of Nationwide Development Corporation. Last January 2009, the BC temporarily suspended its activities in Kingking until the issues arising from the dispute with NADECOR are satisfactorily resolved.
Zamboanga Gold Prospect	335.36	MPSA application denominated as APSA No. IX-015. BC holds an operating agreement with the MPSA applicant, Oreline Mining Corporation. The application is undergoing evaluation by MGB Regional Office No. IX, Veterans Ave., Zamboanga City
Boringot Gold Prospect	4,234.24	MPSA application denominated as APSA No. XI-89. BC holds an operating agreement with the MPSA applicant, Pantukan Mineral Corporation.
Surigao Coal Project	12,169	BC holds a coal operating agreement with Department of Energy.
Ilocos Norte Prospect	21,513.37	Financial or Technical Assistance Agreement application denominated as AFTA-000003-1. BC is applicant. The application is under evaluation by MGB Regional Office No. 1 3F Lee Bldg., Lingsat, San Fernando City, La Uniion

The conditions of the mining operations/projects of the Company are discussed in Item 1 under title Business Development of this report.

Certain mining properties and assets of the Company are covered by Mortgage Trust Indentures (MTI) to secure loans from creditor banks. Information regarding MTI encumbrances is shown in Note 14 of the Notes to Consolidated Financial Statements under Secured Bank Loans.

The Company has no intention at present to acquire or lease any significant property in the next 12 months but it continues to lease a unit at the Universal ReBuilding, 106 Paseo de Roxas, Makati City where its Corporate Head Office is situated. The leased is ₱100,000.00 per month for a period of one (1) year and renewable yearly.

ITEM 3. LEGAL PROCEEDINGS

As of December 31, 2009, the Company and its subsidiaries have no pending legal proceedings where claims exceed ten percent (10%) of total assets on a consolidated basis. The Company and its subsidiaries are involved in litigation on a number of cases and are subject to certain claims which arise in the normal course of business, none of which, in the opinion of management, is expected to have a material adverse effect on each of the Company's operations.

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 December 16, 2009, there are no other matter 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's Common Class A, Common Class B and Convertible Preferred Class A shares are traded in the Philippine Stock Exchange (PSE). On April 15, 2010, the closing price of Common Class A is ₱12.00 per share and ₱16.00 per shares for Common Class B on April 8, 2010. For Convertible Preferred Class A, the closing price as of last trading day (March 26, 2009) is ₱76.00 per share.

a) The high and low closing prices of Company's shares for each quarter of 2009 and 2008 are as follows:

	1ST QUARTER		2ND QUARTER		3RD QUARTER		4TH QUARTER	
	2009	2008	2009	2008	2009	2008	2009	2008
CONVERTIBLE PREFERRED CLASS A*								
Highest Price Per Share	76.00	102.00	-	-	-	-	-	-
Lowest Price Per Share	76.00	14.00	-	-	-	-	-	-
COMMON CLASS A								
Highest Price Per Share	7.80	32.50	10.00	20.50	11.50	17.50	18.25	8.00
Lowest Price Per Share	6.10	19.25	6.20	13.00	7.90	11.50	8.90	4.85
COMMON CLASS B								
Highest Price Per Share	12.00	42.00	14.50	35.00	13.00	24.00	26.00	17.00
Lowest Price Per Share	7.00	22.75	7.00	29.00	8.00	15.00	10.00	9.50

(*) Last trading day is March 26, 2009 and there are no trading transactions during the 2nd, 3rd, 4th Qtr. of 2009.

b) The high and low closing prices of Company's shares during the 1st quarter 2010 as follows:

	Price Per Share	
	High	Low
Common Class A	₱14.50	₱10.75
Common Class B	₱19.50	₱11.00
Convertible Preferred Class A	- No trading since March 27, 2009	

Holders - As of March 31, 2010, the Company's number of shareholder of record is 17,232 and the list of consolidated top 20 stockholders are as follows:

Name	Title of Class	Number of Shares Held	% to Total Shares Outstanding
1. PCD Nominee Corporation (Filipino)	A	25,047,033	16.552%
2. Palm Ave. Holding Company, Inc.	A	21,874,909	14.455%
3. Palm Ave. Holding Co. and/or Palm Avenue Realty Corp.	A	21,306,830	14.080%
4. Palm Avenue Realty & Development Co	B	14,560,000	9.621%

5. Palm Ave. Holding Co. and/or Palm Avenue Realty Corp.	A	10,278,125	
6. House of Investment, Inc.	A	2,848,637	6.792%
7. Great Pacific Life Assurance Corporation	A	1,820,276	1.882%
8. FEBTC TA 4113-000204-5 (ESPP)	A	1,700,000	1.202%
9. Ernesto Chua Chiaco	A	1,118,200	1.123%
10. FEBTC TA 4113-00204-5	A	908,533	0.738%
11. PCD Nominee (Filipino)	B	752,352	0.600%
12. Henry Sy	A	373,535	0.497%
13. RP Land Development Corporation	A	320,000	0.246%
14. Henry Sy, Sr.	A	307,346	0.211%
15. Sysmart Corporation	A	289,652	0.203%
16. PCD Nominee (Non-Filipino)	B	262,606	0.191%
17. Fairmount Real Estate, Inc.	B	237,850	0.173%
18. Independent Realty Corporation	B	235,667	0.157%
19. SM Development Corporation	A	208,519	0.155%
20. Lim Seng Ka	A	175,000	0.137%
			0.115%

Dividends - Because of operating deficits and debt service requirements, and pursuant to the restrictions provided for in the Company's loan agreements with creditor banks, no cash dividends were declared for the years 2009 and 2008.

Recent Sales of Unregistered or Exempt Securities – In 2007, the Company sold 21,874,909 shares of common class A and 14,560 shares of common class B in connection with a private placement and a total of 291,360 shares of common class A and 19,200 shares of common class B were exercised by optionees as of December 31, 2009 pursuant to the implementation of the Stock Option Plan of the Company. The sales are exempted from the registration requirements of the Securities Regulation Code (SRC).

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 DISCUSSION AND ANALYSIS OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS SHOULD BE READ IN CONJUNCTION WITH THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AS OF AND FOR THE PERIOD ENDED DECEMBER 31, 2009, INCLUDED ELSEWHERE IN THIS ANNUAL REPORT AND INCORPORATED HERETO BY REFERENCE. ALL NECESSARY ADJUSTMENTS TO PRESENT FAIRLY THE CONSOLIDATED FINANCIAL POSITION, RESULTS OF OPERATIONS, AND CASH FLOWS OF THE COMPANY AS OF DECEMBER 31, 2009, AND FOR ALL THE OTHER PERIODS PRESENTED, HAVE BEEN MADE.

2009 Versus 2008

In 2009, the Company took major steps in the development of various mineral assets and projects in the pipeline. It completed the Definitive Feasibility Study to reprocess mill tailings to recover gold under the Balatoc Tailings Project (BTP). It signed two (2) off-take/contractor agreements to undertake mining activities in the Santa Cruz Nickel Project (SCNP) and assure ready markets for the project's high and low grade nickel and high grade iron ores. In line with its objective to spin off mining projects into independent business units, the Company created wholly owned subsidiaries Balatoc Gold Resources Corporation (BGRC) and BenguetCorp Nickel Mines, Inc. (BNMI) to undertake the activities for BTP and SCNP, respectively. An exclusive financial advisor has been engaged for each project.

The Company's consolidated net loss for 2009 was ₱185 million, substantially lower than the net loss of ₱483 million in 2008. The positive variance was attributed to the gain on sale of Catitipan property in Davao and the foreign exchange gain of ₱56 million this year compared to the foreign exchange loss of ₱241 million last year.

The consolidated loss in 2009 include non-cash accrued interest expense of ₱179million, depreciation and amortization of ₱26million, provision for impairment losses of P27 million and foreign exchange gain of ₱56million.

The operating revenues of the Company was decreased to ₱241 million in 2009 from ₱345 million in 2008. The decrease in 2009 versus 2008 was due to lower sales volume of chromite fines and lower sales from trucking services.

Operating costs and expenses went down to ₱338 million in 2009 from ₱372 million in 2008 mainly due to lower cost of Irisan lime kiln operation and other mine products sold. Interest expense decreased to ₱179 million in 2009 from ₱207 million in 2008 mainly due to lower interest on the dollar denominated loans due to appreciation of peso against US Dollar. Other net income in 2009 amounted to ₱71 million compared with other charges of ₱291 million in 2008. The ₱47 million gain on sale of Catitipan property in Davao and the accrued foreign exchange gain of ₱56 million contributed to the other income in 2009 while in 2008, the other charges was mainly due to foreign exchange loss of ₱241 million. Benefit from income tax in 2009 amounted to ₱19million compared with ₱42 million in 2008.

As of December 31, consolidated total assets amounted to ₱3,580 million in 2009 as compared to ₱3,628 million in 2008. Cash and cash equivalents decreased to ₱30 million in 2009 from ₱128 million in 2008 mainly from cash used by operating activities and mine exploration and development of the Company's Nickel Project in Sta. Cruz, Zambales, Batong-buhay Copper-Gold Prospect in Kalinga, Balatoc Tailings Project in Itogon and Kingking Project in Compostella Valley in Davao Del Norte.

Other current assets declined to ₱29 million in 2009 from ₱45 million in 2008 mainly due to application of input tax versus output tax payable this year.

Mining exploration and project development costs increased to ₱579 million in 2009 from ₱510 million in 2008 primarily due to the exploration and pre-development work in Sta. Cruz Nickel Project, Batong-buhay Copper-Gold Prospect in Kalinga, Balatoc Tailings Project in Itogon and Kingking Copper Gold Project in Compostella Valley in Davao del Norte.

As of December 31, bank loans inclusive of accrued interest amounted to ₱3.7 billion in 2009 compare to ₱3.6 billion in 2008. The increased pertains to accrued interest booked this year. Trade and other payables increased to ₱ 596 million in 2009 from ₱575 million 2008 mainly from the advances by Hunter Dickinson Acquisitions, Inc. used in the pre-development work of Batong-Buhay Copper-Gold Project in Kalinga still outstanding in 2009 but subsequently be paid in 2010.

Capital deficiency increased to ₱1.8 billion from ₱1.6 billion in 2008 mainly due to net loss of ₱185 million this year. The Company's current liability exceeded its current assets by ₱4.1billion in 2009 and ₱3.8 billion in 2008.

<u>Known Trends, Events or Uncertainties</u>

The Company does not foresee any cash flow problem over the next twelve months due to anticipate improve gold production of ACMP, higher quicklime sales from ILP and assure market for nickel ores of Sta. Cruz Nickel Project due to the signing of off-take agreement with DMCI Mining Corporation and Sino Phil (Surigao) Group Limited and Ryanyx CGS Corporation. The agreements assure the Company of a market for high and low grade nickel and high grade iron ores for the next three (3) years.

Except for the Company's outstanding bank loans, there are no material events that will trigger direct or contingent financial obligations to the Company. With the passage of Republic Act No. 9182 or the Special Purpose Vehicle (SPV) Act of 2002, most of the Company's creditors have sold their debt holdings to SPV Companies. As of December 31, 2009, the Parent Company's principal loans subject to the repayment plan amounted to ₱1.5 billion. On October 30, 2009, the Company made specific and firm proposals for the settlement of its debt through the PNB Trust Banking Group, as Trustee bank under the Restructuring Agreement (RA)/Mortgage Trust Indenture (MTI). The Company offered to settle its obligations under current market conditions and especially as they relate to the Special Purpose Vehicle (SPV) Law and existing jurisprudence. Moreover, Benguet received a certification from PNB on October 21, 2009 that it has not been declared in default, contrary to certain reports in media. The Company feels confident that the debt settlement proposal will lead to an early resolution of its outstanding obligation.

There were 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.

As of December 31, 2009, except for what has been noted in the preceding, there were 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, 2008 to December 31, 2009.

Other information on the results and plan of operations of the Company is discussed in the CHAIRMAN'S AND PRESIDENT'S REPORT marked as Annex "A" on pages 31 to 35 and incorporated hereto by reference.

2008 Versus 2007

The operating income of Acupan Contract Mining Project (ACMP) and Irisan Lime Project (ILP) as well as the sale of chromite fines inventory, contributed to the revenues of the Company, but were offset by the non-cash foreign exchange loss and accrued interest, resulting the Company to incur a loss for 2008. Consolidated net loss for 2008 was ₱483 million, compared with the net earnings of ₱271 million in 2007. The consolidated loss in 2008 include non-cash accrued interest expense of ₱207 million and foreign exchange loss of ₱279 million. Before these accrued financing and other charges, operations generated a modest income of ₱3 million. In 2007, the Company's income from operations before accrued interest of ₱218 million and foreign exchange gain of ₱441 million amounted to ₱48 million.

The Company's operating revenues increased to ₱345 million in 2008 from ₱299 million in 2007. The increase in 2008 versus 2007 was due to higher sales volume of chromite fines and lime. MCO shipment volume increased to 231,227 DMT in 2008 from 5,790 in 2007 while Irisan lime sales volume improved to 9,440 metric tonnes in 2008 from 9,042 metric tonnes in 2007. Operating costs and expenses went down to ₱372 million in 2008 from ₱435 million in 2007 mainly due to lower cost of merchandise sold and services. Interest expense slightly decreased to ₱207 million in 2008 from ₱218 million in 2007. Other charges in 2008 amounted to ₱291 million compared with other income of ₱548 million in 2007. The other charges in 2008 was attributed to the accrued foreign exchange loss of ₱279 million due to depreciation of Peso against US Dollar while in 2007, the other income was mainly due to foreign exchange gain of ₱441 million. Benefit from income tax in 2008 amounted to ₱42 million compared with benefit from income tax of ₱76 million in 2007.

The Company's consolidated total assets as of December 31, 2008 increased to ₱3,628 million from ₱3,437 million in 2007. The increased was mainly from the full payment of Palm Avenue Holding Company, Inc. and Palm Avenue Realty and Development Company unpaid subscription of ₱120 million. Cash and cash equivalents decreased to ₱128 million in 2008 from ₱251 million in 2007 mainly from cash used by operating activities and mine exploration and development of the Company's Nickel Project in

Sta. Cruz, Zambales, Kingking Project in Compostella Valley in Davao Del Norte. Receivables increased to ₱132 million in 2008 from ₱68 million in 2007 mainly due to increased in sales volume of Irisan lime and chromite fines which found market in China. The sale of Value Added Tax Certificate amounting to ₱50 million to GMA Network, Inc. reduced the other current assets to ₱45 million in 2008 from ₱88 million in 2007.

Mining exploration and project development costs substantially increased to ₱510 million in 2008 from ₱227 million in 2007 primarily due to the exploration and pre-development work in Sta. Cruz Nickel Project and Kingking Copper Gold Project in Compostella Valley in Davao del Norte. Trade and other payables increased to ₱575 million in 2008 from ₱445 million 2007 mainly from the equipment rental used in the pre-development work of Sta. Cruz Ni Project still outstanding in 2008 but subsequently be paid in 2009.

Subscription receivable of ₱120 million was paid in full by Palm Avenue Holding Company, Inc. and Palm Avenue Realty and Development Company in 2008.

Capital deficiency increased to ₱1.6 billion from ₱1.2 billion in 2007 mainly due to net loss of ₱483 million this year. The Company's current liability exceeded its current assets by ₱3.8 billion in 2008 and ₱3.1 billion in 2007.

The Company does not foresee any cash flow problem over the next twelve months due to anticipate shipments of nickel ore from its Sta. Cruz Nickel Project, improve gold production of ACMP, higher quicklime sales from ILP and shipment of remaining inventory of chromite products of MCO. It likewise anticipates that the current upward movement of gold price would continue if not remain at its present levels at least for this year as no indication of weakening is seen at the moment.

Except for the Company's outstanding bank loans, there are no material events that will trigger direct or contingent financial obligations to the Company. The Company's consolidated bank loans including accrued interest and penalties increased to ₱3.6 billion in 2008 from ₱3.1 billion in 2007. The increased pertains mostly to the accrued interest on bank loans. With the passage of Republic Act No. 9182 or the Special Purpose Vehicle (SPV) Act of 2002, most of the Company's creditors have sold their debt holdings to SPV companies. The Company continues to discuss with its creditors and is confident that a mutually acceptable resolution of the old debt will be reached in due time. As of the end of 2008, the Parent Company's principal loans subject to the repayment plan amounted to ₱1.5 billion (US$31.6 million). In the meantime, the Company will undertake a corporate restructuring in order to facilitate the raising of equity and project finance. The funds will be used to finance and bring the various exploration projects to commercial operation. Revenues from these projects will be used to bring to development stages other properties and settle the previous outstanding debt of the Company.

There were 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.

As of December 31, 2008, except for what has been noted in the preceding, there were 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, 2007 to December 31, 2008.

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, 2009 and December 31, 2008, the Company's current liabilities exceeded its current assets by ₱4.1 billion and ₱3.8 billion, respectively. The management plans in regard to these matters are discussed in Note 2 to the Consolidated Financial Statements.

Metal Price- The market price of gold in the Banko 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$1,023 per ounce in 2009 and US$840 per ounce in 2008.

Tonnes Mill and Ore Grade- Tonnes milled and ore grade determine gold production and sales volume. The higher the tonnage and ore grade, the more gold are produced and sold. Tonnes milled in 2009 were 19,094 at the average grade of 6.79 grams per tonne gold. Gold sold in 2009 were 2,129 ounces. In 2008, tonnes milled were 7,730 at the average grade of 8 grams per tonne gold. Gold sold in 2008 were 1,820 ounces.

Foreign Exchange Rate- As 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, 2009, the peso to dollar exchange rate was at ₱46.356 higher as compared to ₱47.485 in 2008.

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 a constant outstanding number of shares, as a Company's earnings increase, the earnings per share correspondingly increase. The Company losses per share in 2009 is ₱1.23 compared to losses per share of ₱3.20 in 2008. With the anticipated shipment of nickel ores in the Sta. Cruz Nickel Project and projected improvement in gold production of ACMP compounded with the prevailing favorable metal price, the Company anticipates an improvement in its earnings per share in 2010.

ITEM 7. FINANCIAL STATEMENTS

The audited consolidated financial statements of the Company for the period ended December 31, 2009, schedules listed in the accompanying index to exhibits and index to supplementary schedules are incorporated herein by reference and as part of this report (SEC Form 17-A).

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

On December 16, 2009, Sycip, Gorres, Velayo and Company (SGV) was re-appointed by the Board as the Company's independent public accountant. There has not been any disagreement between the Company and said accounting firm with regard to any matter relating to accounting principles or practices, financial statement disclosure, or auditing scope or procedure. The SGV has assigned Mr. John Villa as SGV's engagement partner for the Company for 2008-2009 to replace Mr. Jaime F. del Rosario whose five-year assignment has ended after the 2007-2008 audit engagement. Such change of partner is in compliance with SRC Rule 68 (3)(b)(iv).

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.

For the last two fiscal years, the aggregate audit fees inclusive of VAT and out-of-pocket expenses billed by SGV & Company are ₱3.5 million in 2009 and ₱3.0 million in 2008. The audit fees excluded fees for assistance in the review of documents/report for filing with the US SEC which review is still in progress. For each of the last 2 fiscal years, SGV did not render any tax service or any other professional services for which it billed the Company the corresponding professional fees other than the usual audit services mentioned herein.

Prior to the commencement of audit work, the external auditors presented their program and schedule to the Company which included discussion of issues and concerns regarding the audit work to be done. The Audit Committee reviewed and approved the Company's audited financial statements prior to release/issuance by its external auditor.

The Audit Committee of the Company is composed of three directors namely: Mr. Cesar V. Purisima, an independent director as the Chairman, Mr. Andres G. Gatmaitan as the Vice Chairman and Mr. Dennis R. Belmonte as member.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

A. Directors – In the December 16, 2009 Annual Stockholders' Meeting, no election was held because the Temporary Restraining Order (TRO) enjoining the holding of election of directors remained in force. 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.

The Company's independent directors are Messrs. Bernardo M. Villegas and Cesar V. Purisima. They possess all the qualifications and none of the disqualifications provided for in the Company's Manual on Corporate Governance/By-Laws and Securities Regulation Code (SRC) and its Implementing Rules & Regulations.

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:

DENNIS R. BELMONTE, 72 years old, Filipino, has served as Director of the Company since May 13, 1986. He is a retired President and Chief Executive Officer of the Company effective February 28, 1998 but remained President and Chief Executive Officer on hold over capacity until May 31, 1998. He is also Chairman of Balatoc Gold Resources Corp. and Director of Benguet Management Corporation. Formerly, he is President of Natural Resources Development Corporation and Natural Resources Mining Development Corporation; Vice Chairman, Jaime V. Ongpin Foundation Inc.; President and Chairman, Benguet Management Corporation; Chairman, Petrofields Corporation; and Director of BenguetCorp International Limited (Hongkong).

LUIS JUAN L. VIRATA, 56 years old, Filipino, has served as Director of the Company since August 8, 1995. Mr. Virata is also Chairman and Chief Executive Officer of CLSA Exchange Capital Incorporated; Chairman and President, Exchange Properties Resources Corporation (owner of Caylabne Bay Resort); President and Chief Executive Officer, Coastal Road Corporation; Director, Huntsman Foundation (Wharton School of the University of Pennsylvania, USA), Group 4 Securitas; Founder/Trustee, Asia Society. Board of Trustees, De la Salle University of Dasmariñas, Cavite; Formerly, he was the President & Acting CEO of Philippine Airlines; Chairman/CEO, Jardine Fleming Exchange Capital Group, Inc.; President & Director, NSC Properties, Inc.; Director, National Steel Corporation; Deputy Country Manager, Crocker National Bank; Member, Philippine Stock Exchange and Makati Stock Exchange; Founder-Trustee, Metropolitan Museum of the Philippines.

DANIEL ANDREW G. ROMUALDEZ, 50 years old, Filipino, has served as Director of the Company since October 22, 2002. He was elected Vice Chairman during the BOD organizational meeting of January 9, 2009. Mr. Romualdez is a Registered Architect and the Principal of Daniel Romualdez Architects, P.C. since August 1993. Formerly, he worked with The Office of Thierry Despont (September 1986-December 1986), Dimitri Dalamotis Associates (January 1987-March 1988) and Robert Stern Architects in New York, New York (March 1988-May 1993).

MARIA REMEDIOS R. POMPIDOU, 43 years old, Filipino, has served as Director of Benguet Corporation since October 25, 2000. She is also President and Chief Executive Officer of MRP New York Inc. and Management and Consulting Firm; Publisher of Visionaire Publishing LLC; Managing Director, Sumitomo Consulting Group; Senior Vice President, Katsoba Management Consulting; and Associate of Dream Studio.

CESAR V. PURISIMA, 49 years old, Filipino, has served as Independent Director of the Company since November 14, 2008. He is also a member of the Board of Trustees of Makati Business Club since 2008 and Chairman of the Executive Committee of CibaCapital Inc. since 2006 to the present. Formerly, he was Secretary, Department of Finance, Republic of the Philippines (February-July 2005); Secretary, Department of Trade & Industry, Republic of the Philippines (2004-2005) and Chairman & Managing Partner, SGV & Company-Member Practice of Ernst & Young Global (1999-2004).

Directors representing holders of Common Class B Stock

BENJAMIN PHILIP G. ROMUALDEZ, 48 years old, Filipino, has been elected Chairman of the Company during the BOD organizational meeting of January 9, 2009. He first became a Director of the Company on May 26, 1992 and has served as Chairman from August 8, 1995 to October 22, 2002. He was elected President and Chief Executive Officer during the BOD organizational meeting on June 25, 1998 and remained as President and Chief Executive Officer to the present. Currently, he is President of Chamber of Mines of the Philippines (CMP), Asean Federation of Mining Associations (AFMA) and Oxford University and Cambridge University Club of the Philippines; Chairman of Benguet Management Corp., and BenguetCorp International Limited (Hongkong); Co-Chairman, Philippines-Saudi Arabia Business Council of PCCI; Director, Philippine Mine Safety and Environment Association and Kingking Copper-Gold Corporation; Trustee, Doña Remedios Trinidad Romualdez Medical Foundation, Inc. and Philippine-Australia Business Council (PABC); Trustee/Chairman, Dr. Vicente Orestes Romualdez (DVOR) Educational Foundation, Inc. He was formerly a Director of Asian Bank Corporation, AB Capital and Investment Corporation, Advisory Board Members of Equitable PCI Bank, Inc. (August 2005 to May 2006).

ANDRES G. GATMAITAN, 69 years old, Filipino, has served as Director of the Company since February 10, 1987. He is also Senior Counsel of SyCip Salazar Hernandez & Gatmaitan Law Office which is the outside counsel of Benguet Corporation; Chairman, Convergy Services Philippines Corporation; President, United Holdings and Development, Inc., Trilex Development Corporation, and St. Agen Holding, Inc.; Director, SM Development Corporation, Colgate Palmolive Philippines, Inc., Triumph International (Philippines) Inc., Maybank Philippines, Inc., F.E. Zuellig (M), Inc., Star Performance Philippines, Inc., Unicharm Philippines, Inc., AMI Philippines, Inc.; Phelps Dodge Philippines, Inc., and Holcim Cement Corporation.

BERNARDO M. VILLEGAS, 71 years old, Filipino, has served as Director of the Company since June 25, 1998. He was designated Independent Director of Benguet Corporation since 2002, although he has been a Director prior to the issuance of SEC Circular No. 16 dated November 29, 2002. He is also Director and Consultant of Insular Life, Transnational Diversified, Inc.; Member of the Boards of Makati Business Club, Dualtech Foundation, Phinma Foundation, Pilipinas Shell Foundation,.and Columnist, Manila Bulletin. He was Senior Vice President, University of Asia and the Pacific (2004-2006); Chairman, Center for Research and Communication (1995); Director and Consultant of Alaska (1999); Formerly, President, Philippine Economic Society (1972-1974); Chairman, Department of Economics-De La Salle University Manila (1964-1069), 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).

ISIDRO C. ALCANTARA, Jr., 55 years old, Filipino, has served as Director of the Company since November 14, 2008. He is also President of Financial Risk Resolution Advisory, Inc. since 2006 to the present and Director, Balatoc Gold Resources Corp. He was Sr. Vice President & Head of Corporate & Institutional Banking of Hongkong and Shanghai Corporation (HSBC), Manila, Philippines (2005); President & Chief Executive Officer of Philippine Bank of Communications (PBCom), Manila, Philippines (2000-2004); Executive Vice President, Corporate Banking Group of Equitable PCI Bank (EPCIB), Manila, Philippines (1981-2000); Director, Bankers Association of the Philippines (2000-2003). He worked with Bancom Finance Corporation, PCI Bank & Insular Bank of Asia & America (a Bank of America Affiliate from 1975 to 1981.

B. Executive Officers - The following persons are the executive officers for 2009-2010 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.

BENJAMIN PHILIP G. ROMUALDEZ, 48 years old, is the President and Chief Executive Officer of the Company since June 25, 1998.

DANIEL ANDREW G. ROMUALDEZ is the Vice Chairman of the Board of Directors of the Company since January 9, 2009.

SALVADOR P. PABALAN, 74 years old, Filipino, is the Senior Vice President for Finance and Treasurer of the Company since June 16, 1997. Mr. Pabalan is also Director and Treasurer of Benguet Management Corporation, Pillar of Exemplary Consultants Inc., Berec Land Inc., Kingking Copper-Gold Corp., Benguetcorp Nickel Mines, Inc., Ifaratoc Mineral Resources Corp., Sagittarius Alpha Realty Corp; Vice President/Treasurer, Balatoc Gold Resources Corp.; Trustee and Treasurer, Jaime V. Ongpin Foundation, Inc.; Vice President and Treasurer, Sagittarius Alpha Realty Corporation. Formerly, he was a Director of Philippine Cocoa Estates Corporation and Petrofields Corporation; Before joining Benguet Corporation, he was with SyCip, Gorres, Velayo & Company in the Management Services Division; Finance Manager of Engineering Equipment, Inc.; and Instructor of Graduate School of Business of the Pamantasan Ng Lungsod Ng Maynila, University of the East and Philippine Christian University.

MARCELO A. BOLAÑO, 61 years old, Filipino, is the Senior Vice President for Mining and Technical Services of the Company since June 25, 1998. Mr. Bolaño is also Chairman, President & COO of Pillar of Exemplary Consultants Inc.; Chairman/President, Benguetcorp Nickel Mines Inc. and Sagittarius Alpha Realty Corp; President of Benguet Management Corporation and Director of BMC Forestry Corporation, Ifaratoc Mineral Resources Corp.,Balatoc Gold Resources Corp. and Kingking Copper-Gold Corp; Prior to his present position: He was a Vice President for Operations and General Manager of Dizon Copper-Gold and Masinloc Chromite Operations and at the same time Technical Assistant to the President; Assistant General Manager of Dizon Copper-Gold and Masinloc Chromite Operations and Kingking Copper-Gold Project; Acting General Manager of Baguio Gold Operation. Before joining Benguet Corporation, he was a Planning and Development Engineer of Ledesco Development Corporation & Alta Tiera Resources, Inc.; Office Engineer, E.R. Bacon Philippines; Senior Office Engineer, Honiron Philippines, Inc.

REYNALDO P. MENDOZA, 53 years old, Filipino, is the Senior Vice President for Legal of the Company since August 25, 2006. Mr. Mendoza is also Assistant Corporate Secretary of the Company and Corporate Secretary of Arrow Freight Corporation, BMC Forestry Corporation, Benguetrade Inc., Sagittarius Alpha Realty Corporation, Pillars of Exemplary Consultants Inc., Benguetcorp Nickel

Mines, Inc., Balatoc Gold Resources Corp., Ifaratoc Mineral Resources Corp, Jaime V. Ongpin Foundation, Benguet Pantukan Gold Corporation and Berec Land Inc. Before joining Benguet Corporation, he was Staff Lawyer of PDCP and Malayan Insurance Company; Associate Lawyer, Castro, Villamor & Associate; Legal Assistant/Apprentice Lawyer, Gono Law Office. Prior to his present position, he was Vice President for Legal/Assistant Corporate Secretary.

ALBERTO M. LEAÑO, 58 years old, Filipino, is the Senior Vice President for Corporate Planning and Development of the Company since February 1, 2009. Prior to his present position, he is a Consultant of BenguetCorp and held the following positions in concurrent capacity: President, Ebara Benguet Inc.; Chairman/President, Benguet Ebara Real Estate Corporation; Executive Vice President & Director, Benguet Management Corporation; and Director, BEREC Land Inc. Formerly, he is a Group Manager (1986) of BenguetCorp where he was initially hired as Section Manager, Audit & Methods (1977). His previous work experiences include: Treasurer & Assistant Vice President for Finance, BMC (1992); Director, AB Capital & Investment Corp of Asian Bank Group (1990-91), Philippine Cocoa Estate Corp. & Mariano Arroyo Development Corp. (1989-1993), BMC Forestry Corp., Lawin Manufacturing Industries Corp., Woodstown Condominium Corp. (1989-1992), and Audit Staff, SGV & Company (1973-1977). Mr. Leaño is a Certified Public Accountant.

RENATO A. CLARAVAL, 58 years old, Filipino, is the Senior Vice President-Chief Finance Officer of the Company since March 16, 2010. Mr. Claraval is a Senior Executive with a multi-faceted 36-year work experience primarily in financial services: Banking (commercial and investment) and Insurance. His previous employments include: Chief Financial Officer-Creative Hotel Concepts Group (2009 to present), President-MRC Allied Industries, Inc. (2008), General Manager-Value Gen Financial Insurance Company, Inc./BancLife Insurance Company, Inc. (2002-2008), Senior Vice President/Consultant – Export and Industry Bank (2001-2002), Officer-in-Charge – Urbancorp Investments, Inc. (2000-2002), Treasurer and Senior Vice President – Urban Bank, Inc. (1997-2000),Deputy General Manager – Bank of Boston, Manila Offshore Branch (1984-1997), Senior Manager – Union Bank of the Philippines (1979-1984).

BIENVENIDO M. ARAW, 63 years old, Filipino, is the Senior Vice President-Project & Organization Development Officer of the Company since March 17, 2010. His previous employments include: Chief Executive Officer-Davies Energy System Inc. (2007-2008), President and CEO-JP Latex Technology, Inc. (2004-2007), Rehabilitation Receiver-Our Lady of Pilar Montessori Center 2003-present) and Philippine Appliance Corporation (2002-present), Project Director-Medical Center Parañaque, Inc. (2002-present), Management Consultant-Seachamp Int’l Export Corp Sedgewich Trader’s Corp (2002-2004) and Sankyo Selki (Phils) Manufacturing Corporation (2002-2004), Executive member-Uniwide Holdings Inc. Interim Rehabilitation Committee (1999-2002), President-Uniwide Sales Realty and Resources Corporation (1997-2002), Director-Asian Amalgamated Corporation (1998-2002), Director-Filipinas Synthetic Fiber Corporation (Filsyn)/Lakeview Industrial Corporation (1991-2000), President-Lakeview Industrial Corporation (1991-1997), Director-Capital Garment Corporation (1985-1997), Senior Vice President-Filsyn (1984-1997), Vice President for Marketing-Filsyn (1977-1984), Vice President for Operations-Filsyn (1976), Sales Engineer-Usiphil, Inc. (1969-1971).

ROLAND P. DE JESUS, 62 years old, Filipino, is the Vice President for HR and Administration of the Company since October 22, 2002. Mr. De Jesus is also Chairman and President of Berec Land Inc., General Manager of Philippine Journalists Inc. and Director of Ebara Benguet Inc. (EBI), Arrow Freight Corporation (AFC) and BEREC Land Inc. Formerly, Chairman of Benguet Ebara Real Estate Corporation and BEREC Land Inc.; Director, Personnel Evaluation Research & Testing, Assistant to the Vice President-Administration, Delta Motors Corporation, Seconded as Vice President-Administration, Air Manila International and Senior Consultant of ABKJ Training Consultants, Inc. Prior to his present position, he was Assistant Vice President for HR & Administration.

LEOPOLDO S. SISON III, 51 years old, Filipino, is the Vice President for Business Development of the Company since October 22, 2002. Mr. Sison is also Chairman and President of Ifaratoc Mineral Resources Corp. and Chairman of Arrow Freight Corporation and Benguetrade Inc.; Director of BMC Forestry Corporation, Benguetcorp Nickel Mines Inc., Berec Land Inc., Kingking Copper-Gold Corp.

and Pillars of Exemplary Consultants Inc. Formerly, he was President/General Manager of BMC Forestry Corporation and Arrow Freight Corporation, President, Capitol Security and Allied Services, Inc.; Production Supervisor, CDCP-Systemas. Prior to his present position, he was Assistant Vice President for Business Development.

MA. MIGNON D. DE LEON, 53 years old, Filipino, is the Vice President for Benguet District Administration and Property Management of the Company since October 22, 2002. Ms. De Leon is also the Immediate Past Board Member (Management Representative), Regional Tripartite Wages & Productivity Board-Cordillera Administrative Region; Board Member representing the Women's Sector to the Peoples Law Enforcement Board of the Municipality of Itogon; Board Member to the Itogon Municipality Council of Women; Committee Chairperson on Leadership of the International Soroptomist of Hope Baguio; Currently Adviser to the Mining Industry Training Board of the Cordillera Administrative Region; Concurrently Adviser and Past President, Personnel Management Association of the Philippines, Baguio-Benguet Chapter; Board Member, Benguet Province Visitors Bureau and Past President of the Benguet Province Tourism Council. Prior to her present position, she was Assistant Vice President of the Benguet District Administration.

LINA G. FERNANDEZ, 45 years old, Filipino, is the Vice President for Corporate Planning of the Company since August 25, 2006. Ms. Fernandez is also Treasurer of the following subsidiaries and/or affiliates of BenguetCorp namely: Benguetrade Inc., Arrow Freight Corporation and BMC Forestry Corporation, Director of Benguetcorp Nickel Mines Inc., Berec Land Inc., Kingking Copper-Gold Corp, and Director and Asst. Treasurer of Sagittarius Alpha Realty Corp. She is currently Assistant Treasurer and Comptroller of Benguet Management Corporation. Prior to her present position, she was Assistant Vice President for Corporate Planning.

TOMAS D. MALIHAN, 62 years old, Filipino, is the Vice President for Exploration, Research & Development and Chief Geologist of the Company since August 1, 2008. He is also designated Project Manager of the Company's Kingking Copper-Gold Project during its Bankable Feasibility Study period. He is a Director of Benguetcorp Nickel Mines Inc., Ifaratoc Mineral Resources Corp. and Pillars of Exemplary Consultants Inc. He is a member of Geological Society of the Philippines. He was hired in 1973 as Geological Trainee and was assigned in the Exploration, Research & Development Division based in Balatoc Mines, Benguet. He was first assigned in ERD's Tawi-Tawi Porphyry Copper Project in Bobok, Bokod, Benguet and later in the Taysan Porphyry Copper Project in Taysan, Batangas Province in Sourthern Luzon before he was recalled, about a year after to work in the Acupan Gold Mines. In 1975, he was pulled out from Acupan Mines to join the Exploration Team that evaluated the Dizon Porphyry Copper Gold Project. He worked in Dizon Mine as Resident Geologist continuously until 1991when the Kingking Copper Gold property was signed up by BenguetCorp with NADECOR and was assigned in this new project in concurrent capacity as Resident Geologist for Dizon Mine until 1997.

HERMOGENE H. REAL, 54 years old, Filipino, is the Corporate Secretary of the Company since October 25, 2000. She is also Chairman of the Board and President of Philippine Collectivemedia Corporation; Corporate Secretary of Universal Re Condominium Corporation; Assistant Secretary of Doña Remedios Trinidad Romualdez Medical Foundation; and Practicing Lawyer, D.S. Tantuico and Associates.

Retirement of Officer – Mr. Isabelo R. Velez, Jr., Vice President for Benguet District Operation and Masinloc Chromite Operation retired on January 1, 2009. His retirement was approved by the Board of Directors of the Company on December 16, 2019. His retirement is not due to any disagreement on any matter relating to Company's operations, policies or practices.

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 Benjamin Philip G. Romualdez, Daniel Andrew G. Romualdez and Maria Remedios R. Pompidou, who are brothers and sister, 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.

There is a pending injunction case filed by the Company on February 23, 2010 against Nationwide Development Corporation (NADECOR) affecting the Kingking Project. The Company seeks to enjoin the arbitration proceeding initiated by NADECOR on the ground that it is premature because there is a pending issue in the DENR and the subject matter of the cancellation of the operating agreement is a judicial question that should be brought to the regular court. The case is docketed as Civil Case No. 10-195 and currently pending with the Regional Trial Court (RTC), Branch 138 of Makati City.

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	-	Chairman, President & Chief Executive Officer
2.	Salvador P. Pabalan	-	Sr. Vice President, Finance & Treasurer
3.	Marcelo A. Bolaño	-	Sr. Vice President, Mining & Technical Services
4.	Reynaldo P. Mendoza	-	Sr. Vice President, Legal/Assistant Corporate Secretary
5.	Tomas D. Malihan	-	Vice President, Exploration, Research & Development and Chief Geologist

	Year	Salary (In-Million)	Bonus (In-Million)	Other Annual Compensation
All above-named officers as a group	2010*	₱14.5	₱1.7	₱0.4
	2009**	13.9	1.5	0.4
	2008**	12.0	1.4	0.5
All other directors and officers as a group unnamed	2010*	17.1	2.0	0.3
	2009**	10.2	1.2	0.4
	2008**	11.7	0.3	0.4

(*) - 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, retirement or termination of employment of any officer or from a change-in-control in the Company and no amount involved which exceed ₱2,500,000, 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 ₱6,000.00 (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 except in the case of Messrs. Isidro C. Alcantara, Jr. and Dennis R. Belmonte who were given consultancy contracts for special projects by the Company in their personal capacity and whose specialized qualifications are needed by the Company for specific purpose.

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 2009, there were no amount was 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 (SOP) 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 SOP had been amended several times. The latest amendment was approved by the Board of Directors on October 19, 2007 and by the stockholders of the Company on December 18, 2007, extending the termination date of granting stock options for another five (5) years or until May 31, 2013.

In April 2006, the Company granted a stock option of 7,004,000 common shares to qualified participants. The options are non-transferable and are exercisable to the extent of 20% after one year from the date of the grant, 40% after two years from the date of the grant, 60% after three years from the date of the grant, and 100% after four years from the date of the grant. No option is exercisable after ten years from the date of the grant. Of the 7,926,454 shares reserved for issuance under the SOP, options for 7,004,000 shares were granted on April 6, 2006 consisting of 4,202,400 class “A” common shares and 2,801,600 class “B” common shares, leaving a balance of 922,454 shares available for grant of options in the future. Of the total shares granted in the current implementation of the SOP, 2,000,320 shares were cancelled due to retirement/resignation/retrenchment of some optionees during the holding period, leaving a balance of 2,922,774 shares as of December 31, 2009 available for grant of options in the future. As of April 6, 2009, 60% of the stock option becomes exercisable by the optionees.

OUTSTANDING OPTION & OPTION TRANSACTION AS OF DECEMBER 31, 2009						
Category	Exercised		Cancelled*		Options Currently Outstanding	
	Class “A”	Class “B”	Class “A”	Class “B”	Class “A”	Class “B”
CEO and four (4) highly compensated Executive Officers	0	0	0	0	372,000	248,000
All other executive officers and directors as a group	90,720	19,200	129,600	96,000	727,700	484,800

All other managers and consultants as a group	200,640	0	1,057,920	716,800	1,623,820	1,236,800
Total	291,360	19,200	1,187,520	812,800	2,723,520	1,969,600
Option Price Per Share	₱8.50	₱29.07			₱8.50	₱29.07

* Due to resignation/retirement/retrenchment of optionee.

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 March 31, 2010.

Title of Class	Name, Address of Record Owner And Relationship with Issuer	Name of Benefi-cial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent to Total Shares Outstanding
Class A Common	PCD Nominee Corporation (Filipino), G/F MSE Bldg., Ayala Avenue, MakatiCity. (Stockholder)	(see note 1/)	Filipino	25,047,033	16.552%
	Palm Ave. Holding Company, Inc. 3F Universal Re-Building, 106 Paseo de Roxas, Makati City (Stockholder)	(see note 2/)	Filipino	21,874,909	14.455%
	Palm Avenue Holdings Company and/or Palm Avenue Realty Corporation, Metro Manila, Phil. Sequestered by the Republic of the Philippines, Presidential Commission on Good Govern-ment under Executive Order Nos. 1 & 2 c/o PCGG, IRC Bldg., #82 EDSA, Mandaluyong City. (Stockholder)	(see note 2/)	Filipino	21,306,830	14.080%
	Palm Avenue Holdings Company and/or Palm Avenue Realty Corporation, Metro Manila, Philippines. Sequestered by the Republic of the Philippines thru Presidential Commission on Good Government under Executive Order 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 Deve-lopment Corp. and Palm Avenue Holdings Company c/o PCGG, IRC Bldg., #82 EDSA Mandaluyong City. (Stockholder)	(see note 2/)	Filipino	10,278,125	6.792%
	Alfonso T. Yuchengco and Associates, RCBC, 333 Sen. Gil Puyat Ave.Mkt City (Stockholder)	(see note 3/)	Filipino	8,707,967	5.754%
Class A Convertible Preferred	None				
Class B Common	Palm Ave. Realty & Devt. Co. 3F Universal Re-Building, 106 Paseo de Roxas, Makati City (Stockholder)	(see note 2/)		14,560,000	9.621%

There are no PCD's participants who own more than five percent (5%) of the Company's outstanding capital stock as of March 31, 2010.

Notes to Security Ownership of Certain Record and Beneficial Owners:

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 BenguetCorp 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 Co. (the "Palm Companies).The nominee of Palm Companies in the Board of Director is Mr. Benjamin Philip G. Romualdez, Chairman of the Board and President/CEO. In December 16, 2009 Annual Stockholders' Meeting of the Company, the Palm Companies issued a proxy in favor of its legal counsels, Attys. Otilia Dimayuga-Molo/Andres 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 Alfonso T. Yuchengco & Associates. The nominee of Alfonso T. Yuchengco & Associates in the Board of Directors is Mr. Luis Juan L. Virata who is currently a Director.*

Security Ownership of Management - The following table sets forth certain information as of March 31, 2010, as to each class of the Company's securities owned by the Company's directors and officers (It is to be noted that all the shares below are record ownership): The Company is not aware of any indirect beneficial ownership of Directors and Executive Officers of the Company.

A. Individual

Title of Class	Name of Beneficial Owner	Citizenship	Amount and nature of beneficial ownership	Percent to total per Class of stocks
A	Benjamin Philip G. Romualdez	Filipino	23	0.000%
B			551	0.0001
A	Dennis R. Belmonte	Filipino	1	0.000%
B			1	0.000%
A	Andres G. Gatmaitan	Filipino	152	0.000%
B			1	0.000%
B	Isidro C. Alcantara, Jr.	Filipino	1	0.000%
A	Cesar V. Purisima	Filipino	1	0.000%
A	Luis Juan L. Virata	Filipino	28,801	0.030%
B			19,200	0.033%
A	Daniel Andrew G. Romualdez	Filipino	7	0.000%
A	Maria Remedios R. Pompidou	Filipino	5	0.000%
B	Bernardo M. Villegas	Filipino	1	0.000%
A	Salvador P. Pabalan	Filipino	2,481	0.002%
A	Marcelo A. Bolaño	Filipino	19,163	0.020%
A	Roland P. de Jesus	Filipino	7,263	0.007%
A	Reynaldo P. Mendoza	Filipino	1,622	0.001%
A	Alberto M. Leaño	Filipino	1,596	0.001%
A	Leopoldo S. Sison III	Filipino	31,122	0.033%
A	Ma. Mignon D. De Leon	Filipino	833	0.000%
A	Lina G. Fernandez	Filipino	522	0.000%
A	Tomas D. Malihan	Filipino	95	0.000%

B. As a Group

Class A Common	Filipino	62,261,518 shares[1]	66.205%
Class B Common	Filipino	15,068,022 shares[2]	26.406%

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

[1] *Includes 10,278,125 and 21,306,830 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 the 8,707,967 shares beneficially owned by a group of associates of A.T. Yuchengco and 21,874,909 shares, the record owner of which is Palm Avenue Holding Company, Inc.*

[2] *Includes 237,850 and 235,667 sequestered shares, the record owner of which are Fairmont Real Estate, Inc. and Independent Realty Corporation which is presently in trust by PCGG. Also included is the 14,560,000 shares, the record owner of which is Palm Avenue Realty and Development Company and 14,750 shares beneficially owned by RCBC Trust Accounts, a group associate of AT Yuchengco.*

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.

PART IV – CORPORATE GOVERNANCE

ITEM 13. CORPORATE GOVERNANCE

The Company has been in substantial compliance with the Manual on Corporate Governance. It continues to exert best effort to comply with guidelines and rules issued by the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE). The Company have complied with the SEC mandated Corporate Governance Survey using the Corporate Governance Scorecard for Publicly-listed Companies, which the Company adopted as a tool to evaluate the level of compliance to its Manual.

In compliance with PSE Memo 2008-0182, the Company posted in its website all corporate disclosures and reports submitted to the SEC and PSE for easy access and reference by the investing public. In January 2009, the Company submitted to the SEC and PSE its annual certification confirming substantial compliance on corporate governance covering the year 2008.There is no significant deviation from the Company's Manual of Corporate Governance noted during the period. The Company continues to improve systems and processes to enhance adherence to principles and practices of good corporate governance. It continuously monitors all relevant PSE and SEC Circulars on Corporate Governance that maybe adopted to improve its Manual on Corporate Governance.

The Company's Corporate Governance Committee composed of three directors and compliance officer, two of whom are independent directors.

PART V – EXHIBITS AND SCHEDULES

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

A) Exhibits and Schedules - See accompanying index to exhibits.
   - Statement of Management's Responsibility for Financial Statements
   - Report of Independent Auditors
   - Audited Consolidated Financial Statements and Notes for the year ended December 31, 2009.
   - Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates).

   The other exhibits, as indicated in the index to exhibits are either not applicable to the Company or require no answer.

B) There are forty (40) reports filed by the Company under SEC Form 17-C during the last six months period in 2009 and up to the date of filing this annual report, as follows:

Date	Items Reported
08.25.09	Press release on "BC reacted to news report about its outstanding debt".
09.25.09	Meeting with BC's creditors to address the old debt.

10.02.09	Notice of December 16, 2009 annual stockholders' meeting with October 23, 2009 as the record date.
10.07.09	Clarification letter to PSE on letter received from Altus Transactional Services regarding loan obligation of BC under MTI/RA.
10.07.09	Signing of off-take agreement with DMCI Mining Corporation re: Sta. Cruz Nickel Project.
10.15.09	Appointment of First Metro Investment Corporation as financial advisor for Sta. Cruz Nickel Project.
10.21.09	Appointment of ATR Kim Eng Capital Partners, Inc. as financial advisor for Balatoc Tailing Project.
10.21.09	Receipt of a letter from PNB stating that BC has not been declared in default.
10.22.09	Debt settlement proposal to BC's creditors of record through the PNB as the Trustee.
10.23.09	Signing of agreement between BC and its fully owned subsidiary Benguetcorp Nickel Mines, Inc. re: Sta. Cruz Nickel Project.
10.28.09	BC's fully owned subsidiary, Benguetcorp Nickel Mines Inc. entered into off-take agreement with Sino Phil (Surigao) Group Limited and Ryanyx CGS Corporation for its Sta. Cruz Nickel Project.
11.16.09	Press release on "Benguet not to contest PSE order"
11.17.09	Payment of penalty imposed by PSE.
11.25.09	Signing of JVA with Balatoc Kalinga Tribe, Inc. and Balatoc Tribe Exploration and Mining Corporation re: Batong Buhay mine.
11.25.09	Explanation on receipt of a letter from PNB relative to BC's outstanding obligation with its creditor, SSS.
11.27.09	Press Release on "Benguet Offers Creditors Debt Settlement".
12.03.09	Signing of MOA with MinMetals International (H.K.) Ltd., relative to Kingking project.
12.04.09	Press release on "BenguetCorp enter into MOA with MinMetals for Kingking project".
12.09.09	Reply on NADECOR's letter to PSE.
12.09.09	Press release on "Benguet Pushes Forward on its Kingking Project".
12.17.09	Results of annual stockholders' meeting held on December 16, 2009.
12.17.09	Results of organizational meeting of the BOD held on December 16, 2009.
12.18.09	Signing of agreements with Hunter Dickinson Acquisitions, Inc. of Canada and Balatok Sub-Tribe of Kalinga.re Batong Buhay Mine
12.18.09	Correction on previous disclosure that MinMetals International (H.K.) Ltd., is not an affiliated company of China MinMetals Corporation.
01.11.10	Explanation on receipt of a letter from PNB relative to BC's secured obligation covered by MTI.
01.13.10	Certificate of qualification of independent directors.
01.13.10	Competent Person's certification on mineral resource/reserve of Batong Buhay mine.
01.18.10	DENR's letter relative to BC's Kingking project.
01.19.10	Reply to SEC regarding news article entitled "PNB demands Benguet settles P1.2 billion" published in The Daily Tribune on January 14, 2010.
01.20.10	Compliance to Manual on Corporate Governance and attendance in Board meetings of each Director.
02.02.10	MGB's certification that BC's mining/exploration projects are valid and subsisting.
02.05.10	NADECOR's request for arbitration on the issue arising from a mining dispute on BC-NADECOR Operating Agreement re: Kingking project.
02.23.10	Filing of injunction case against NADECOR.
03.12.10	Hiring of new officer, Mr. Renato A. Claraval, SVP-Chief Finance Officer.
03.16.10	Hiring of new officer, Mr. Bienvenido M. Araw, SVP-Project & Organization Development Officer.
03.16.10	Beneficial ownership of securities of Mr. Renato A. Claraval.
03.23.10	BC reply to PSE's letter re: News article on Mt. Diwalwal published in Business World.
03.30.10	Letter of PNB on notice of default of BNP Paribas.
04.07.10	BC disengagement agreement with Batong Buhay Mine.
04.07.10	Board approval of the private placement of BC shares to RYM Business Management Corporation.

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 MANDALUYONG CITY Makati on April 21, 2010.

BENGUET CORPORATION
(Issuer)

By:

BENJAMIN PHILIP G. ROMUALDEZ
Chairman, President & Chief Executive Officer
Principal Executive Officer

MARCELO A. BOLAÑO
Sr. Vice President, Mining & Technical Services
Principal Operating Officer

SALVADOR P. PABALAN
Senior Vice President, Finance & Treasurer
Principal Financial/Comptroller/Acctng Officer

HERMOGENE H. REAL
Corporate Secretary

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

SUBSCRIBED AND SWORN to before me this 21 day of April, 2010 at Makati City MANDALUYONG CITY, Affiants exhibited to me their identifications to wit: Mr. Benjamin Philip G. Romualdez with Passport No. RR 034594 issued on 11/09/05-DFA Manila, and Mr. Marcelo A. Bolaño with Social Security No. 03-2316878-4 issued in the Philippines, Mr. Salvador P. Pabalan with Senior Citizen ID No. 773907 issued on 04/19/01-Parañaque City, and Atty. Hermogene H. Real with Social Security System No. 03-3865936-9 issued in the Philippines.

LINA G. FERNANDEZ
NOTARY PUBLIC
COMMISSION EXPIRES ON DEC. 31, 2010
ROLL OF ATTORNEYS NO. 52122
IBP NO. 804197/JAN.4,2010/RSM
PTR NO. 0666616/JAN. 4, 2010/MANDALUYONG

Doc. No. 376
Page No. 77
Book No. I
Series of 2010.

2009
PRESIDENT'S REPORT

In 2009, your Company aggressively pursued and took major steps in the development of various mineral assets and projects in the pipeline. It completed the Definitive Feasibility Study to reprocess mill tailings to recover gold under the Balatoc Tailings Project (BTP). It signed two (2) off-take/contractor agreements to undertake mining activities in the Santa Cruz Nickel Project (SCNP) and assure ready markets for the project's high and low grade nickel and high grade iron ores. In line with its objective to spin off mining projects into independent business units, your Company created wholly owned subsidiaries Balatoc Gold Resources Corporation (BGRC) and Benguetcorp Nickel Mines, Inc. (BNMI) to undertake the activities for BTP and SCNP, respectively. An exclusive financial advisor has been engaged for each project. Your Company also obtained an Environmental Compliance Certificate (ECC) for the Surigao Coal Project. On December 3, 2009, your Company signed a MOA with MinMetals International (Hk.Ltd.) as funding source to bring the Kingking project to development and eventually into full operation.

CONSOLIDATED RESULTS

Consolidated net loss for the year amounted to ₱185 million or ₱1.23 per share (US$4.0 million or US$0.026 per share), substantially lower than the net loss of ₱483 million or ₱3.20 per share (US$10.2 million or US$0.067 per share) in 2008. The positive variance was attributed to the ₱47 million gain on sale of Catitipan property in Davao and foreign exchange gain of ₱56 million this year compared to foreign exchange loss of ₱241 million last year.

The consolidated loss this year includes non-cash accrued interest expense of ₱179 million, depreciation and amortization of ₱26 million, provision for impairment losses of ₱27 million and foreign exchange gain of ₱56 million.

Operating revenue decreased to ₱241 million (US$5.2 million) in 2009 from ₱345 million (US$7.3 million) in 2008 mainly from the lower sales of chromite sand and lower trucking services.

MINING

Earnings from the **Acupan Contract Mining Project (ACMP)** significantly improved to ₱33.1 million (US$0.7 million) in 2009 from ₱8.7 million (US$0.183 million) in 2008. The improvement was mainly due to higher gold production this year of 2,129 ounces versus 1,820 ounces last year and higher average gold price of US$981/oz in 2009 against US$840/oz in 2008. ACMP, now at 70 tonnes per day, is on its expansion program. Your Company has invested to bring production to 150 tonnes per day and by 2011, to achieve its target of 300 tonnes per day.

Earnings from the **Irisan Lime Project (ILP)** improved more than twice to ₱16.5 million (US$0.341 million) in 2009 from ₱7.0 million (US$0.148 million) in the previous year. Despite the drop in sales volume to 7,857 tonnes from 9,440 tonnes last year, earnings improved mainly due to significant reduction in cost of kiln operation and higher selling price of quick lime.

EXPLORATION, RESEARCH AND DEVELOPMENT

Your Company continued to move forward on its various projects, particularly in gold and nickel, as gold remained a stable yet promising commodity for the future while nickel rebounded considerably from its slump in late-2008 to early-2009. These developments have sustained positive expectations in the mining industry.

Your Company completed its Definitive Feasibility Study for the **Balatoc Tailings Project (BTP)**. It engaged external Competent Persons (CPs) to review and prepare reports required under the Philippine Mineral Reporting Code which is modeled after the Joint Ore Reserve Committee (Code) of Australia.

Your Company obtained BTP's Environmental Compliance Certificate (ECC) last June 11, 2009. BTP involves the re-processing of mine tailings produced during the operation of Acupan Mines to recover residual gold. The project includes a second phase of roasting of pyrite concentrate to improve gold recovery. The development and construction of a 3,000-MTPD mining and milling operation to put BTP into commercial operation is estimated to take 12 months. Your Company entered into a processing agreement with Balatoc Gold Resources Corporation (BGRC), a wholly owned subsidiary, to implement BTP. It likewise appointed ATR Kim Eng Capital Partners, Inc. as financial advisor to raise additional development capital. Even while an Information Memorandum is still being prepared for the possible public listing of BGRC, the project has already garnered serious interest from investors willing to provide both equity and debt financing.

In line with your Company's strategic plan to create and spin off business units to implement various mining projects, your Company entered into an agreement with its wholly owned subsidiary, Benguetcorp Nickel Mines, Inc. (BNMI) to undertake the operation of the **Santa Cruz Nickel Project (SCNP)**. The mine is covered by an approved Mineral Production Sharing Agreement (MPSA) and has a completed exploration and pre-development investment of P323 million. An Environmental Compliance Certificate (ECC) on the entire MPSA-covered area was obtained in June 2009. A Declaration of Mining Project Feasibility was issued by the DENR in November 2009, which allows your Company to do mining operation in the area.

In October 2009, your Company signed two (2) off-take/contractor agreements for delineated areas of the SCNP property. The first agreement was with DMCI Mining Corporation, which calls for the mining and sale of high grade nickel ore with 2.0% nickel cut-off grade of up to 200,000 tons per year for the next three (3) years. A similar agreement was signed in the latter part of the month by BNMI with Sino Phil (Surigao) Group Limited on another portion of the Zambales property. This agreement calls for the mining and sale of low grade nickel and high grade iron ores of up to 700,000 tons per year for the next three (3) years. These agreements assure BNMI of markets for high and low grade nickel and high grade iron ores. The price of nickel has improved significantly from the early part of 2009 and is expected to improve further with anticipated renewed demand from the European and Asia Pacific manufacturers as the world economy slowly recovers from the recent economic recession.

In addition to mining and direct ore shipment, BNMI is tasked to undertake further exploration of the property as well as to complete the research and feasibility studies on pelletizing and tank leaching technologies to add value to the mine products. BNMI will raise funds for these additional activities and your Company has engaged First Metro Investment Corporation (FMIC) as the financial advisor, lead manager and underwriter.

Your Company obtained the Environmental Compliance Certificate (ECC) for its **Surigao Coal Project** in October 2009 and is targeting to mine an initial 'open-pittable' reserve of 1 million tons at a production rate of 60,000 tons per year in line with its DOE-approved work program. It is currently undergoing pre-development activities and preparing to sink 5 confirmatory drill holes in the Kabadyangan area. At the same time, your Company has decided to engage a consultant to study the feasibility of putting up a mine mouth power plant in the property. If found feasible, the plant would be the primary market for the mine's coal product at minimal hauling cost. It would likewise be an opportunity for your Company to participate in the energy sector and help alleviate the growing power supply deficiency in Mindanao.

Your Company won the bidding as the designated Operator / Contractor of the Balatoc Sub-Tribe of Kalinga (Tribe) in the reopening and development of the **Batong Buhay Mines** located in Kalinga Province. A Memorandum of Agreement (MOA) was executed on December 23, 2008 to this effect. The property is held by the Philippine Mining Development Corporation (PMDC), the corporate mining arm of the DENR, after it was turned over to it by the Asset Privatization Trust (APT). In December 2009, a Joint Venture Agreement was reached among the Tribe, your Company and its financial partner. However, due to unresolved issues with regard to tribal conflicts, land problem and engineering constraints which have eroded the Company's confidence in the project, a decision to withdraw was reached by management after carefully studying the project's future prospects and the risk involved. On March 31, 2010, your Company signed a disengagement agreement with the Tribe for the mutual termination of the Joint Venture Agreement. In the disengagement agreement, the Company's various investments and advances in the project will be reimbursed by the Tribe through the entry of a new investor. To be negotiated also with the Tribe is the Company's retaining interest in the project in recognition of its contribution to bring the project to its present state.

For the **Kingking Porphyry Copper Gold Prospect**, your Company remains committed, able and prepared to move the project forward. Along this line, your Company signed in December 2009, a Memorandum of Agreement (MOA) with MinMetals International (H.K.) Ltd (MinMetals). The MOA provides for MinMetals to be the funding source through its banking facility to finance the full cost required to bring the Kingking project to development and full operation. The MOA coincided with the DENR resolution dated November 23, 2009, which your Company received on December 8, 2009, which directs both your Company and NADECOR to work together to bring the project to the declaration of the mining feasibility stage. On January 15, 2010, however, the DENR modified its position by ordering NADECOR to implement the work program of the extended exploration period. The DENR order is the subject of a pending request for reconsideration by your Company. The Kingking project through BC's initiative has enjoyed over the years more than ₱1.2 Billion investment and has one of the most extensive drilling records among local mining projects at 89,599 meters of drilling depth, making it one of the most explored mining properties in the Philippines.

LAND DEVELOPMENT

For the **Woodspark Rosario Subdivision**, cash collection in 2009 amounted to ₱5.138 million which brought up the total cash collection to-date to ₱32.131 million derived from cash sales and payments of reservation deposits, down payment and monthly amortizations. Lot sales, reservations and dacion in 2009 totaled 22 lots with an aggregate area of 2,843 square meters and valued at ₱5.492 million, bringing total lot sales, reservations and dacion to-date to 154 lots with an aggregate area of 24,046 square meters and valued at ₱40.684 million. Woodspark attained 90% completion of its horizontal development for Phase I, 77% for Phase 2 and 20% for Phase 3, which is the Socialized Housing component. Meanwhile, your Company continues to look for other properties for Land Development.

HEALTH CARE SERVICES

Earnings from the **Benguet Laboratories (BL)** slightly improved to ₱3.2 million (US$0.66 million) in 2009, from ₱2.4 million (US$0.05 million) in 2008. BL is now equipped with about 50 medical practitioners of various disciplines and expertise. It also serves various Health Management Organizations catering to private and government organizations located in Northern Luzon, and is looking forward to expanding its services in the Clark Export Processing Zone.

SUBSIDIARIES AND AFFILIATES

Benguet Management Corporation (BMC), a wholly owned subsidiary of your Company, and its subsidiaries reported a consolidated net loss of ₱9.9 million (US$0.20 million) lower than the loss of ₱11.77 million (US$0.25 million) in 2008. BMC manages the non-mining businesses of your Company including Arrow Freight Corporation (AFC), BMC Forestry Corporation (BFC), and Benguetrade Inc. (BTI). AFC is the logistics company which currently handles the trucking requirements of clients in the manufacturing and fuel oil sectors. BFC manages the Irisan Lime Plant and develops your Company's real estate assets in Northern Luzon, such as the Woodspark Subdivision. BTI is your Company's trading arm primarily dealing with industrial and environmental equipment and supplies to power, cement and mining companies.

BenguetCorp International Limited (BIL), your Company's Hongkong-based and 100% owned subsidiary for international operations, still remains largely inactive. BIL's wholly-owned subsidiaries, BenguetCorp Canada Limited (BCL) in Vancouver, B.C. and BenguetCorp USA Limited (BUSA) in Nevada, U.S.A. continue to hold interests in mining properties for gold/silver in Royston Hills, Nevada, which are currently being offered for sale to interested parties.

ENVIRONMENTAL PROTECTION AND COMMUNITY SERVICES

As part of your Company's commitment for the protection and enhancement of the environment, your Company fully complied with the requirements set by the Department of Environment and Natural Resources – Mines and Geosciences Bureau (DENR-MGB) and other government agencies. Your Company's Benguet Gold Operations (BGO) spent ₱7,131,760.00 for the maintenance and structural rehabilitation of its tailings disposal system, drainage tunnels, mine waste dump, and other mining infrastructure. Likewise, your Company conducted reforestation activities covering about 13 hectares. The activities are based on the approved Annual Environmental Protection and Management Programs and are closely coordinated with and monitored by the Mine Monitoring Teams, the Mine Rehabilitation Fund Committees, the MGB-Cordillera Administrative Region, the Local Government Units and the Environment Management Bureau.

The ACMP implemented various Social Development and Management Programs (SDMP) for Barangays Virac and Poblacion. Activities under its community services include programs for health, medical, peace and order, safety, livelihood, education, social services and waste management. All programs were implemented in coordination with the Local Government Units, various government agencies and organizations, and the host communities.

In the aftermath of Typhoon Pepeng, your Company responded with rescue, medical and relief operations in Sitio Luneta and Barangay Loacan in the Antamok area. Your Company has likewise provided two relocation sites for new dwellings for the affected families. Your Company extended rescue and retrieval assistance in landslide-affected areas in La Trinidad and Baguio City.

GOOD CORPORATE GOVERNANCE

Your Company adheres to abide by the principles of its code of corporate governance and consistently complied with the guidelines and rules promulgated by the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE), including the Corporate Governance Survey using the Corporate Governance Scorecard for Publicly-listed Companies. It continually posted corporate disclosures and reports in its website that were submitted to the SEC and PSE for easy access, reference and transparency of the investing public.

DEBT STATUS

With the passage of Republic Act No. 9182 or the Special Purpose Vehicle (SPV) Act of 2002, most of your Company's creditors have sold their debt holdings to SPV Companies. As of the end of 2009, the Parent Company's principal loans subject to the repayment plan amounted to approximately ₱1.5 billion or US$32.4 million. On October 30, 2009, your Company made specific and firm proposals for the settlement of its debt through the PNB Trust Banking Group, as Trustee bank under the Restructuring Agreement (RA) / Mortgage Trust Indenture (MTI). Your Company offered to settle its obligations under current market conditions and especially as they relate to the Special Purpose Vehicle (SPV) Law and existing jurisprudence. Moreover, your Company received a certification from PNB on October 21, 2009 that it has not been declared in default, contrary to certain reports in the media. Your Company feels confident that the debt settlement proposal will lead to a resolution of its outstanding loan obligation.

OUTLOOK

With gold still the best earning mineral commodity at current price above the US$1,100/oz level, your Company will endeavor to achieve higher gold production at ACMP towards its target of 300 tonnes per day capacity by 2011, and move more quickly in the development of BTP.

Your Company will focus on preparing the necessary requirements for the fund-raising activities and possible public listing with the PSE in 2010 of BNMI and the development of BGRC as stand-alone business units.

Your Company is committed to finally settle the old debt issue with its creditors. It has submitted specific and firm proposals for payment. With these initiatives in place, your Company is well positioned to strengthen its financial condition and move its many projects forward to development and commercial operation as the world economy begins to recover.

ACKNOWLEDGEMENT

The year 2009 proved to be a difficult year, due to global financial crisis, pressures on the Company to settle the old debt issue with its creditors, and the effect of the ongoing dispute with NADECOR which frustrates your Company's efforts to fulfill its obligations under the terms of the MPSA on the Kingking Project. These difficulties are being addressed cautiously by management which is working under the supervision and guidance of the Board of Directors. The dedication and efforts of the officers, managers, and employees of the Company are much appreciated and valued by your Company.

Finally, to our fellow shareholders, our sincerest appreciation of your continuing trust.

Benjamin Philip G. Romualdez
Chairman, President & CEO

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ANNEX "B"

CERTIFICATION

This is a certification on the validity of the resource estimates done by various engineering and geological staff of Benguet Corporation who were involved in the economic evaluation of the impounded tailings that were produced from the company's gold mining and milling operations in Balatoc Mines in Benguet from 1969 to 1992. This is made for the benefit of the company's shareholders and as part of the requirement in the company's annual report to the Philippine Stock Exchange.

In arriving at this certification, the undersigned closely reviewed the historical data compiled by the Balatoc Tailings Project technical staff particularly those that dealt with past attempts to determine the tailings resource over the years from 1988 to 2008. Also reviewed were the Mill production data that consistently recorded the production history of the impounded tailings that is kept in the company's archive. Considering that the tailings materials have been kept more or less intact over the years, it is the undersigned's opinion that the estimates of the tonnage and grade of the tailings materials contained in the three tailings ponds (TPs 1, 2 & 3) have been reasonably accurate and may even be considered conservative. The undersigned opines that the by nature of the deposit (mill tailings) and with the supporting Mill production records, the resource estimates (tonnage and grade) is well within the true or actual figures. An independent estimate made by an external CP commissioned by the company recently in connection with the IPO application of Benguet for BTP also validated the earlier resource estimates to well within reasonable limits

The undersigned is issuing this certification in his capacity as Competent Person accredited by the Philippine Mineral Reporting Code (PMRC) and as an active member of the Geological Society of the Philippines for the resource declared by the Company for its Balatoc Tailings Project and as summarized in its 2009 Annual Report to PSE.

TOMAS D. MALIHAN
BS Geol, Porphyry Copper & Epithermal Gold Exploration
Registered Geologist, Lic. No. 0387
CP Exploration Results and Mineral Resource Exploration
CP Registration No. 07-08-06

ANNEX 'C'

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CERTIFICATION

The Boringot epithermal gold prospect of **Pantukan Mineral Corporation (PMC)** is located about 4.5 km east-northeast of the main Kingking porphyry copper-gold deposit of Nationwide Development Corporation (NADECOR). The other epithermal gold prospects of PMC are actually the eastern extensions of the Panganason and Boringot structures first identified within the NADECOR tenement located about 2.5 and 4.0 aerial km, respectively, north-northeast of the Main Kingking camp. Boringot is about 2.6 km east of both Diat and Panganason. These epithermal gold prospects are all located within Barangay Kingking, Municipality of Pantukan, Compostela Valley Province, Mindanao Island in the southern Philippines

There were 19 significant gold-bearing structures that were delimited from the more prospective Boringot area of PMC and the Panganason-Diat gold prospects which are largely within the Nadecor claims but have significant vein extensions followed into the adjoining PMC claims in the east. Assay returns from the field geochemical samples collected from these prospects within the PMC claims during past exploration works done by Benguet yielded values ranging from 0.40 to 16.90 g/t Au. Total resource estimated for these prospects, combining the Indicated and Inferred resource, was 27,803 metric tonnes averaging 12.51 g/t Au for the Diat-Panganason prospect and 63,937 metric tonnes @ 7.40 g/t Au, for Boringot. The combined resource is 91,740 metric tonnes @ 8.95 g/t Au (weighted) average grade.

The Boringot Prospect:

There were 15 major mineralized structures that had been defined so far in Boringot. Of these 15 structures, 11 indicate significant resource potential. These structures are, however, generally narrow (≤1m wide) with only locally developed quartz stockworks that were usually characterized by cymoigdal and horsetail structural patterns. They ranged in widths from 10 cm to 1.0 meter and were usually composed of quartz with localized $MnO2$ wads and clayey to gougy components.

Assay returns from mineralized vein materials taken both from surface exposures as well as from accessible underground workings of the local artisan miners yielded values ranging from 0.4gm to 16.98 g/t Au. Total estimated resource obtained from these veins was 14,880 metric tonnes @ 8.73 g/t Au of Indicated Resource category and 38,459 metric tonnes @ 5.84 g/t Au of Inferred Resource for a total resource (Indicated and Inferred) of 53,340 metric tonnes with an average grade of 6.65 gmAu/MT (weighted) using 5.0 g/t Au cut off.

The Boringot Resource estimate is summarized below:

RESOURCE SUMMARY	INDICATED			INFERRED (70% Ore Probability Factor & 20% grade discount applied)			TOTAL RESOURCE		
	MT	g/t Au	Oz. Au	MT	g/t Au	Oz. Au	Tonnes	g/t Au	Contained Oz. Au
ORINGOT	14,880	8.73	4,177	38,459	5.84	7,227	53,340	6.65	11,405

The undersigned has reviewed the historical data compiled by Benguet's Exploration team that did work in Boringot in the early '90s and again in the early 2000s and it is the undersigned's opinion that the estimates of the tonnage and grade of the vein materials and the methodology used had been well within the industry standard and may even be considered conservative. Although additional works may be required to elevate the resource into higher categories, the resource estimates (tonnage and grade) is considered most probably well within the true or actual figures.

The undersigned is issuing this certification in his capacity as Competent Person accredited by the Philippine Mineral Reporting Code (PMRC) and as an active member of the Geological Society of the Philippines for the resource declared by the Company for its Boringot Gold Project. The undersigned is fully aware that, being under the employ of Benguet Corporation, his certification may be subjected to review or scrutiny by other independent CPs whom the concerned government institution(s) or any interested party might choose to employ. This is welcome.

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ANNEX 'D'

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CERTIFICATION

The Zamboanga Gold Project is located in R.T. Lim, Zamboanga del Sur in southern Mindanao. Benguet Corporation acquired the option to explore the prospect in the late '80s from Oreline, the claim owner, hence, the project was subsequently called Benguet Oreline Contract Operation or BOLCO. The presence of numerous well entrenched artisan miners in the San Fernandino Vein area, the main target of BC, hampered the company's exploration program as the local miners were able to put up a cooperative and resisted every effort of BC to enter and do exploration and development work in the San Fernandino Vein. This forced the company to limit its drilling program in the nearby Motop Vein, the other known structure in the prospect where artisan miners were fewer. The Motop Vein drilling results, however, were not very encouragingat that time and BC decided to suspend further exploration works. It then decided to focus its attention in the evaluation of the high grade tails produced by the SSMs in their highgrading activities in the San Fernandino area. This eventually led to the decision by Benguet to put up a 30 tpd CIL plant after a feasibility study that indicated positive return on investment. The BOLCO CIL plant was commissioned in 1989. The operation proved profitable for Benguet and brought good revenues to the company. However, starting 1993, the sources of grade tails (HGT) from the artisan miners' activities in the area became increasingly hard to find as some enterprising SSMs found it also profitable to put up tails reprocessing plants and compete with BC in tails buying. This eventually forced the suspension of the company's milling operation. BC's CIL plant was eventually put on caretakership status; it remained idle to this day.

During BC's stint in BOLCO, the company's geologists were able to make arrangement with the SSM cooperative in San Fernando to allow them to do geological mapping and sampling in the SSMs underground workings. This enabled the company to make a more or less systematic assessment of the potential of the San Fernandino Vein. Based on available historical data from this exploration works, the San Fernandino vein was estimated to have in situ resource of some **408,000 tonnes averaging 7.56 g/t Au.** This resource generally falls under the Inferred category.

In recent years, the SSMs population dwindled considerably due to their inability to follow the vein below the water table. A team sent by BC recently to assess the viability of reviving the operation in the light of bullish gold prices found that the SSMs were now willing to give way or cooperate with BC in exploring the San Fernandino Vein especially the lower levels that have become inaccessible to them due to strong ground water problem. The zone above the water table had been good gold producers in the past and it is believed that the downdip extension of San Fernandino also contains significant gold resource which could best be tested initially and quickly by diamond drilling.

The undersigned closely reviewed the historical data generated or obtained by the company geologists from its underground mapping and sampling of the San Fernandino Vein using the existing openings of the artisan miners in the late '80s and early '90s and has found the methodology valid and the estimate well within the reasonable range and may be considered fairly accurate.

The undersigned is issuing this certification in his capacity as Competent Person accredited by the Philippine Mineral Reporting Code (PMRC) and as an active member of the Geological Society of the Philippines for the resource declared by the Company for its BOLCO s Project and as summarized in its 2009 Annual Report to PSE.

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ANNEX "E"

CERTIFICATION

Benguet Corporation's Surigao Coal Project is located on the eastern flank of the Diwata mountain range of northeastern Mindanao within the towns of Marihatag and San Miguel, Surigao del Sur. The tenement area is accessible by land from either Butuan or Davao City passing through the town of San Francisco, then eastward to the town of Barobo, and northward to the coastal town of Lianga. The coal property is within the former Lianga Bay Logging Company concession which is another 26km farther north.

Three (3) major coal-bearing horizons belonging to the upper, middle, and lower coal-bearing units of the Kabadyangan Formation have been identified in the course of Benguet's exploration work in the area in the early '80s. These coal-bearing horizons contain as many as ten (10) significant coal seams with thicknesses between 0.30m and 3.30m.

Based from wide - spaced diamond drilling results, the in-situ coal resource on this property was estimated at 31.7 million tonnes of sub-bituminous coal with an average heating value of about 7,300 BTU/lb. Closer spaced drilling on selected ore blocks had defined an estimated 10.334 M Mt resource summarized in the Table below:

Resource Area	Coal Block No.	Coal Resource Tonnage (Mt)								
		Measured			Indicated			Total In-situ Resource		
		Tonnage	BTU/lb	Kcal/kg	Tonnage	BTU/lb	Kcal/kg	Tonnage	BTU/lb	Kcal/kg
PATULANGAN	164	1,061,494	7,217	4,010	2,786,727	6,163	3,425	3,848,221	6,454	3,586
WALDO-DENTE	165	236,968	7,319	4,067	170,569	7,548	4,194	407,537	7,415	4,120
WALDO-DENTE	166	693,636	7,319	4,067	1,118,038	7,548	4,194	1,811,674	7,460	4,146
LAGUNTANG	204	1,761,556	7,520	4,179	1,644,528	7,135	3,965	3,406,084	7,334	4,075
GEORGIA-LIBAS/ KABADYANGAN	205 / 206	631,867	7,314	4,064	228,806	7,591	4,218	860,673	7,388	4,105
Total		4,385,521	7,374	4,098	5,948,668	6,787	3,771	10,334,189	7,036	3,910

Of the delimited resource, 1, 071,000 Mt has been determined to be mineable by Open Pit Method with the rest (9,263,000), mineable by underground mining technique. This is summarized as follows:

OP -	1,070,910
UG -	9,263,279
TOTAL Resource -	10,334,189

The undersigned has reviewed the data compiled by the Exploration Division from the two years exploration activities of the company in the early '80s. It is the undersigned's opinion that the estimates of the tonnage and grade of the coal resource were done in accordance with the accepted industry methodologies practiced at that time and hence, reasonably accurate and even conservative.

The undersigned is issuing this certification in his capacity as Competent Person accredited by the Philippine Mineral Reporting Code (PMRC) and as an active member of the Geological Society of the Philippines for the coal resource declared by the Company for its Surigao Coal Project. The undersigned is fully aware that, being under the employ of Benguet Corporation, his certification may be subjected to review or scrutiny by other independent CPs whom the concerned government institution(s) or any interested party might choose to employ. This is welcome.

TOMAS D. MALIHAN
BS Geol, Porphyry Copper & Epithermal Gold Exploration
Registered Geologist, Lic. No. 0387
CP Exploration Results and Mineral Resource Exploration
CP Registration No. 07-08-06

Tomas D. Malihan
410 Lower Pias, Camp 7, Kennon Road,
Baguio City 2600 Philippines,
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ANNEX 'F'

CERTIFICATION

The Benguet Antamok Gold Operation (BAGO) feasibility study was submitted in May 1989. At that time, the BAGO deposit had an estimated minable reserve of 13.51 M tonnes of ore averaging 2.63 g/t Au distributed in the following major gold-bearing structures and veins:

Area	MT (000)	g/t Au
440/275 Vn	10,614	2.70
426 Breccia	1,228	2.03
Camote Vn	928	2.87
Keystone Vn	740	2.29
	TOTAL- 13,510	**2.63 (average)**

From the Company's SOR's from 1992, when the BAGO Open Pit was officially declared operational, up to 1998, when the pit operation was suspended, a total of 7.55 M Mt of ore was extracted (including the 0.21 M Mt of ore used for mill plant debugging. The open- pittable resource left in the BAGO Pit after operation was suspended, was estimated at 5.97M Mt.

An inter-departmental report made in October 1999 by the Mine Engineering Department estimated the remaining resource at the BAGO pit as follows:

Area	Measured		Indicated		Inferred		GP		Total	
440/275	59	2.60	1699	2.30	478	2.34	1277	1.91	3513	2.17
426 Breccia	15	3.70	298	1.99	77	2.06	366	1.98	726	2.03
Camote Vn	42	2.50	304	2.98	57	3.24	21	3.03	424	2.97
KSV	123	2.82	-	-	-	-	871	5.00	999	4.72
Subtotal	**244**	**2.76**	**2301**	**2.35**	**621**	**2.39**	**2505**	**3.00**	**5662**	**2.66**

The remaining resource potential at BAGO pit is estimated at 5.66 M Mt averaging 2.66 g/t Au. Of these, 3.12 M Mt are of the inferred and geologic potential categories which will require additional validation works for them to be included in the minable reserve.

The historical data on the validity of the resource estimates done by the BAGO engineering and geological staff using the various methods acceptable at the time of the feasibility studies and until the suspension of the operation was reviewed by the undersigned and was found to be valid. For the benefit of the company's shareholders and as part of the requirement in the company's annual report to the Philippine Stock Exchange, the undersigned is certifying the validity of the resource figures as summarized in the 2009 Annual Report.

The undersigned is issuing this certification in his capacity as Competent Person accredited by the Philippine Mineral Reporting Code (PMRC) and as an active member of the Geological Society of the Philippines for the resource declared by the Company for its Benguet Antamok Gold Operation(BAGO) as summarized in its 2009 Annual Report to PSE.

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ANNEX "G"

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CERTIFICATION

The Sta Cruz Nickel Project of Benguet Corporation is located in Brgy. Guisguis, Municipality of Sta. Cruz, in northern Zambales province in Luzon, Philippines. Sta. Cruz is roughly 268 km by road northwest from Manila passing through the North Expressway, Gapan-Olongapo road, and Zambales National Highway. The property could be reached via a 20 km feeder road that forks east from the Zambales National Highway about 2.2 kilometers south of Sta. Cruz.

The Sta. Cruz property consists of two claim groups, the Insular Chromite Reservation #3 (ZMCR-3) and Guisguis Claim Group (ZR-3) with a total area of 1,407.5 hectares. The property was explored from 1964 to 1983 mainly by test pitting. The estimated nickel laterite resource based on all available exploration data (@1%Ni cut-off grades of 1.0%Ni stands at **15.618** million tonnes with an average grade of **1.37%** nickel and **0.047%** cobalt **(Table 8)**. This is summarized in the following table:

Summary of Santa Cruz Nickel Project Resource Estimate

Grade Group	Tonnes (M)	%	% Ni
1.0 – 1.3 Ni	7.487	47.9	1.14
>1.3 - 1.5% Ni	2.227	20.7	1.40
>1.5 - 1.8% Ni	4.000	25.6	1.62
> 1.8% Ni	0.904	5.8	1.96
TOTAL	**15. 618**	**100**	**1.37**

The undersigned has reviewed the Sta Cruz Nickel Project test pitting and other exploration data compiled from past exploration activities and has found them to have more or less conformed in terms of methodologies with the industry standard. It is the undersigned's opinion that the estimates of the tonnage and grade of the Sta Cruz laterite resource have been reasonably accurate and valid. Additional works however is required to upgrade certain resources to higher categories for mine planning and other purposes.

The undersigned is issuing this certification in his capacity as Competent Person accredited by the Philippine Mineral Reporting Code (PMRC) and as an active member of the Geological Society of the Philippines for the resource declared by the Company for its Sta Cruz Nickel Project. The undersigned is fully aware that, being under the employ of Benguet Corporation, his certification may be subjected to review or scrutiny by other independent CPs whom the concerned government institution(s) or financing bodies might choose to employ. This is welcome.

TOMAS D. MALIHAN
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CP Registration No. 07-08-06

ANNEX "H"

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CERTIFICATION

The Kingking Porphyry Copper Gold Prospect is located in the town of Pantukan, province of Compostela Valley on eastern Mindanao Island. Since its discovery in the late '60s, it was subjected to several exploration campaigns to evaluate its economic potential. Based from its historical records, Kingking had logged close to 90,000 meters of drilling advance between the periods 1969 to 1996. This is summarized in the table below:

SUMMARY OF DRILL HOLES

	No. Of Holes	Meterage
MITSUBISHI	54 DD	13,272
BENGUET CORP	71 DD	20,017
	25 RCD	4,212
KMI (ECHO BAY)	126 DD	52,098
TOTAL	276 Holes	89,599

The drilling data documented from these various exploration programs became the basis for the resource estimates of the property, the latest of which was the mid-1997 estimate made by Kingking Mines, Inc (KMI) of Canada (KMI Optimized Study). KMI was the last major mining company to evaluate the property which included an extensive diamond drilling program. KMI came out with the following resource estimate:

Ore Type	Million tonnes	% Total Cu	g/t Au
Oxide Ore	87	0.470	0.675
Sulfide Ore	316	0.294	0.437
Total Mineable Reserves	403	0.332	0.488
Total resource	1,040	0.306	0.410

KMI's blocked resource totals 1.04 B Mt with a grade of 0.306% Cu and 0.410 g/t Au. Of this resource, 403 M Mt averaging 0.332% Cu and 0.448 g/t Au was determined to be mineable by Open Pit Mining Method.

The undersigned has reviewed the drilling data compiled for Kingking Project from the previous drilling campaigns and has found them to be within the industry's standard. It is the undersigned's opinion that the estimates of the tonnage and grade of the Kingking resource have been reasonably accurate. Although additional works may be required to upgrade the resources to higher categories, the undersigned opines that the by nature of the porphyry mineralization, the resource estimates (tonnage and grade) could be verified very close to the true or actual figures.

The undersigned is issuing this certification in his capacity as Competent Person accredited by the Philippine Mineral Reporting Code (PMRC) and as an active member of the Geological Society of the Philippines for the resource declared for the Kingking deposit. The undersigned is fully aware that, being under the employ of Benguet Corporation, his certification may be subjected to review or scrutiny by other independent CPs whom the concerned government institution(s) or financing bodies might choose to employ. This is welcome.

TOMAS D. MALIHAN
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BENGUET CORPORATION AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

SEC FORM 17-A, Item 7

* These schedules, which are required by RSA Rule 68.1, have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company's consolidated financial statements or the notes to consolidated financial statements.

Schedule B

BENGUET CORPORATION
SCHEDULE B- ACCOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES
AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)
FOR THE YEAR ENDED DECEMBER 31, 2009

Name	Designation of Debtor	Beginning Balance	Net Additions Collections	Ending Balance	
Lazaro, CO	Senior Manager	308,018.28	75,837.45	383,855.73	*
Calimlim, DB	Senior Manager	272,215.04	(39,840.00)	232,375.04	*
Dalit, JC	Senior Manager	125,263.02	62,494.62	187,757.64	*
Balitao, LA	Senior Manager	-	143,096.00	143,096.00	*
Arceño, MD	Senior Manager	200,000.00	(70,000.00)	130,000.00	*
Barcelona, EM	Senior Manager	120,460.81	(24,882.76)	95,578.05	*
Calub, MLO	Senior Manager	62,734.85	21,416.00	84,150.85	*
Hizon, Amado	Rank and File	15,000.00	35,500.00	50,500.00	*
Pasion, Delio	Senior Manager	-	50,000.00	50,000.00	*
Ostrea, LN	Senior Manager	28,400.00	21,049.16	49,449.16	*
Diaz, EG	Senior Manager	49,013.17	-	49,013.17	*
Marigundon, HM	Senior Manager	35,726.79	5,000.00	40,726.79	*
Tangalin, RH	Senior Manager	43,700.00	(8,513.00)	35,187.00	*
Aquino, EB	Asst. Unit Manager	95,464.34	(61,396.71)	34,067.63	*
Mata, JR	Senior Manager	48,575.00	(20,500.00)	28,075.00	*
Osorio, AA	Senior Manager	56,634.25	(30,565.24)	26,069.01	*
Tumapang, Benedicto	Senior Manager	30,750.00	(8,988.18)	21,761.82	*
Villanueva, FO	Asst. Unit Manager	18,500.00	3175.00	21,675.00	*
Santos, RM	Senior Manager	20,893.10	-	20,893.10	*
Borje, DR	Senior Manager	18,930.13	-	18,930.13	*
Fernandez, Victoria	Senior Manager	31,500.00	(13,500.00)	18,000.00	*
Aquino, Renato	Senior Manager	16,592.00	965.00	17,557.00	*
Godio, Josie	Senior Manager	15,388.70	-	15,388.70	*
Villegas, LC	Asst. Unit Manager	7,693.66	7,654.47	15,348.13	*
Malawis, Ezra	Senior Manager	15,106.54	-	15,106.54	*
Bernaldo, CT	Asst. Unit Manager	100,000.00	(85,000.00)	15,000.00	*
Lachica, William Jorge	Senior Manager	10,000.00	2,679.34	12,679.34	*
Cancino, Petronilo	Senior Manager	12,236.04	-	12,236.04	*
Castro, Damasco	Senior Manager	11,635.60	-	11,635.60	*
Camerino, AS	Asst. Unit Manager	9,104.78	-	9,104.78	*
Dedel, Ernesto	Senior Manager	20,000.00	(11,046.64)	8,963.36	*
Soriano, Rufino	Senior Manager	7,487.56	-	7,487.56	*
Ordines, Robinson	Rank and File	7,000.00	-	7,000.00	*
Monsalud, Michael	Rank and File	-	6,878.84	678.84	*
Rosimo, Adrian	Rank and File	2,500.00	3,729.20	6,229.20	*

* Subsequently collected in part/full

BenguetCorp

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of Benguet Corporation is responsible for all information and representation contained in the consolidated financial statements of Benguet Corporation and subsidiaries for the years ended December 31, 2009 and 2008. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintain a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Company's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the consolidated financial statement before such statements are approved and submitted to the stockholders of the Company.

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

BENJAMIN PHILIP G. ROMUALDEZ
Chairman, President & CEO

SALVADOR P. PABALAN
SVP – Finance & Treasurer

SUBSCRIBED AND SWORN to before me this 21 th day of April, 2010 at Makati City, affiants MANDALUYONG CITY exhibited to me their identifications, to wit: Mr. Benjamin Philip G. Romualdez with Passport No. RR 034594 issued on 11/09/05-DFA Manila, and Mr. Salvador P. Pabalan with Senior Citizen ID No. 773907 issued on 04/19/01-Parañaque City.

LINA G. FERNANDEZ
NOTARY PUBLIC
COMMISSION EXPIRES ON DEC. 31, 2010
ROLL OF ATTORNEYS NO. 52122
IBP NO. 804197/JAN.4, 2010/ RSM
PTR NO. 0666616/JAN. 4, 2010/ MANDALUYONG

Doc. No. 375
Page No. 76
Book No. I
Series of 2010.

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Benguet Corporation and Subsidiaries

Consolidated Financial Statements
As of December 31, 2009 and 2008
and for Each of the Three Years in the Period Ended
December 31, 2009

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.

SyCip Gorres Velayo & Co.
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1226 Makati City
Philippines

Phone: (632) 891 0307
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BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-2

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Benguet Corporation

We have audited the accompanying financial statements of Benguet Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2009 and 2008, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in capital deficiency and consolidated statements of cash flows for each of the three years in the period ended December 31, 2009 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2009 and 2008, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2009 in accordance with Philippine Financial Reporting Standards.

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements, which indicates that the Group has incurred cumulative net losses. In addition, as discussed in Note 14 to the consolidated financial statements, the Group was unable to pay its maturing bank loans and related interest, which are subject to negotiations with creditor banks. These conditions, along with other matters as set forth in Note 2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast doubt about the Group's ability to continue as a going concern.

SYCIP GORRES VELAYO & CO.

John T. Villa

John T. Villa
Partner
CPA Certificate No. 94065
SEC Accreditation No. 0783-A
Tax Identification No. 901-617-005
PTR No. 1566479, January 5, 2009, Makati City

March 29, 2010

BENGUET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, Except Number of Shares)

	December 31	
	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱29,883**	₱127,983
Trade and other receivables - net (Note 6)	**131,345**	131,672
Inventories - net (Note 7)	**26,581**	20,115
Other current assets (Note 8)	**29,136**	45,499
Total Current Assets	**216,945**	325,269
Noncurrent Assets		
Property, plant and equipment (Notes 3, 10 and 16):		
At revalued amounts - land	**2,315,022**	2,321,096
At cost - net	**174,608**	188,038
Available-for-sale (AFS) investments (Note 9)	**16,860**	6,464
Deferred exploration cost (Notes 2 and 12)	**579,444**	510,447
Investment property (Note 11)	**166,693**	166,693
Other noncurrent assets (Note 13)	**110,389**	110,089
Total Noncurrent Assets	**3,363,016**	3,302,827
TOTAL ASSETS	**₱3,579,961**	₱3,628,096
LIABILITIES AND CAPITAL DEFICIENCY		
Current Liabilities		
Current portion of bank loans (Note 14)	**₱3,694,175**	₱3,577,738
Trade and other payables (Note 15)	**595,695**	575,092
Total Current Liabilities	**4,289,870**	4,152,830
Noncurrent Liabilities		
Bank loans - net of current portion (Note 14)	**380**	–
Deferred income tax liabilities - net (Note 29)	**1,008,083**	1,030,365
Liability for mine rehabilitation (Note 16)	**12,318**	10,638
Accrued pension liability (Note 28)	**15,413**	9,939
Equity of claimowner in contract operations	**49,696**	35,934
Total Noncurrent Liabilities	**1,085,890**	1,086,876
Total Liabilities	**5,375,760**	5,239,706
Capital Deficiency (Notes 17, 18 and 26)		
Capital stock (Note 17)	**453,345**	453,345
Capital surplus	**1,032,817**	1,032,817
Other components of equity:		
Revaluation increment in land - net of deferred income tax liability (Note 10)	**1,612,988**	1,612,988
Cumulative translation adjustment of foreign subsidiaries	**42,022**	42,958
Cost of share-based payment (Notes 18 and 26)	**43,148**	43,148
Unrealized gain on AFS investments (Note 9)	**2,085**	42
Deficit (Note 2)	**(4,974,188)**	(4,788,892)
	(1,787,783)	(1,603,594)
Cost of 116,023 shares held in treasury (Note 30)	**(8,016)**	(8,016)
Total Capital Deficiency	**(1,795,799)**	(1,611,610)
TOTAL LIABILITIES AND CAPITAL DEFICIENCY	**₱3,579,961**	₱3,628,096

See accompanying Notes to Consolidated Financial Statements.

BENGUET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings (Loss) Per Share)

	Years Ended December 31		
	2009	2008	2007
REVENUES (Note 31)			
Sale of mine products	**₱163,872**	₱248,425	₱201,806
Sale of merchandise and services	**45,968**	53,580	51,631
Trucking and warehousing services	**18,646**	31,517	41,055
Real estate sales	**12,063**	11,334	4,602
	240,549	344,856	299,094
OPERATING COSTS AND EXPENSES			
Cost of mine products sold (Note 19)	**97,160**	139,223	151,794
Cost of merchandise sold and services (Note 20)	**53,677**	55,090	115,854
Cost of real estate sold	**8,465**	8,665	2,538
Selling and general (Note 21)	**175,819**	165,171	162,723
Taxes on revenue	**2,528**	3,586	1,849
	337,649	371,735	434,758
INTEREST EXPENSE (Note 14)	**(178,909)**	(207,437)	(217,999)
OTHER INCOME (CHARGES) - Net (Note 24)	**71,440**	(291,242)	548,426
INCOME (LOSS) BEFORE INCOME TAX	**(204,569)**	(525,558)	194,763
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 29)			
Current	**2,607**	155	179
Deferred	**(21,880)**	(42,214)	(76,570)
	(19,273)	(42,059)	(76,391)
NET INCOME (LOSS) (Note 30)	**(₱185,296)**	(₱483,499)	₱271,154
BASIC EARNINGS (LOSS) PER SHARE (Note 30)	**(₱1.23)**	(₱3.20)	₱2.31
DILUTED EARNINGS (LOSS) PER SHARE (Note 30)	**(₱1.23)**	(₱3.20)	₱2.20

See accompanying Notes to Consolidated Financial Statements.

BENGUET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2009	2008	2007
NET INCOME (LOSS)	**(₱185,296)**	(₱483,499)	₱271,154
OTHER COMPREHENSIVE INCOME (LOSS)			
Cumulative translation adjustments of foreign subsidiaries	**(936)**	3,847	(6,173)
Unrealized gain (loss) on AFS investments - net	**2,043**	(49)	91
Revaluation increment (decrease) in land	–	(3,139)	346,646
Cost of share-based payment	–	9,212	14,669
	1,107	9,871	355,233
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱184,189)**	(₱473,628)	₱626,387

See accompanying Notes to Consolidated Financial Statements.

BENGUET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Amounts in Thousands)

	Capital Stock	Capital Surplus	Subscription Receivable	Revaluation Increment	Cumulative Translation Adjustment	Cost of Share-Based Payment (Note 18)	Unrealized Gain (Loss) on AFS Investments	Deficit	Treasury Stock	Total
Balances at January 1, 2007	**₱343,437**	**₱704,552**	**₱–**	**₱1,269,481**	**₱45,284**	**₱19,267**	**₱–**	**(₱4,576,547)**	**(₱8,016)**	**(₱2,202,542)**
Stock subscription (Note 17)	109,305	325,695	(120,000)	–	–	–	–	–	–	315,000
Net income for the year	–	–	–	–	–	–	–	271,154	–	271,154
Other comprehensive income (loss)	–	–	–	346,646	(6,173)	14,669	91	–	–	355,233
Total comprehensive income (loss) for the year	–	–	–	346,646	(6,173)	14,669	91	271,154	–	626,387
Balances at December 31, 2007	**452,742**	**1,030,247**	**(120,000)**	**1,616,127**	**39,111**	**33,936**	**91**	**(4,305,393)**	**(8,016)**	**(1,261,155)**
Stock subscription (Note 17)	603	2,570	120,000	–	–	–	–	–	–	123,173
Net loss for the year	–	–	–	–	–	–	–	(483,499)	–	(483,499)
Other comprehensive income (loss)	–	–	–	(3,139)	3,847	9,212	(49)	–	–	9,871
Total comprehensive income (loss) for the year	–	–	–	(3,139)	3,847	9,212	(49)	(483,499)	–	(473,628)
Balances at December 31, 2008	**453,345**	**1,032,817**	**–**	**1,612,988**	**42,958**	**43,148**	**42**	**(4,788,892)**	**(8,016)**	**(1,611,610)**
Net loss for the year	–	–	–	–	–	–	–	(185,296)	–	(185,296)
Other comprehensive income (loss)	–	–	–	–	(936)	–	2,043	–	–	1,107
Total comprehensive income (loss) for the year	–	–	–	–	(936)	–	2,043	(185,296)	–	(184,189)
Balances at December 31, 2009	**₱453,345**	**₱1,032,817**	**₱–**	**₱1,612,988**	**₱42,022**	**₱43,148**	**₱2,085**	**(₱4,974,188)**	**(₱8,016)**	**(₱1,795,799)**

See accompanying Notes to Consolidated Financial Statements.

BENGUET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**(₱204,569)**	(₱525,558)	₱194,763
Adjustments for:			
Interest expense	**178,909**	207,437	217,999
Depreciation, depletion and amortization (Note 23)	**26,368**	26,443	28,246
Provision for impairment losses on:			
Trade and other receivables	**21,022**	2,980	462
PPE, inventory losses and other assets	**6,430**	17,890	40,752
Accretion expense (Note 16)	**1,680**	1,452	1,253
Unrealized foreign exchange losses (gains)	**(56,350)**	241,124	(441,148)
Gain on sale of property and equipment	**(47,596)**	(718)	–
Interest income (Note 24)	**(2,864)**	(1,426)	(8,624)
Cost of share-based payment (Note 18)	**–**	9,212	14,669
Operating income (loss) before working capital changes	**(76,970)**	(21,164)	48,372
Decrease (increase) in:			
Trade and other receivables	**(22,033)**	(81,737)	(35,441)
Inventories	**(6,466)**	239	6,638
Other current assets	**11,608**	(42,734)	(9,061)
Increase (decrease) in:			
Trade and other payables	**20,603**	219,105	(87,722)
Accrued pension liability	**5,474**	–	–
Cash generated from (used in) operations	**(67,784)**	73,709	(77,214)
Interest received	**2,864**	1,426	7,974
Net cash from (used in) operating activities	**(64,920)**	75,135	(69,240)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property and equipment	**53,765**	2,276	6,329
Additions to deferred exploration costs (Note 12)	**(68,997)**	(283,332)	(48,618)
Additions to property, plant and equipment (Note 10)	**(14,540)**	(38,987)	–
Acquisition of AFS investments (Note 9)	**(8,381)**	–	–
Decrease (increase) in other noncurrent assets	**(3,047)**	(2,473)	20,994
Net cash used in investing activities	**(41,200)**	(322,516)	(21,295)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in equity of claimowners and others	**13,762**	1,376	–
Payment of loan	**(5,742)**	–	(667)
Proceeds from issuance of capital stock/stock subscription	**–**	123,119	315,000
Proceeds from availment of loan	**–**	–	5,573
Net cash from financing activities	**8,020**	124,495	319,906
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(98,100)**	(122,886)	229,371
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**127,983**	250,869	21,498
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱29,883**	₱127,983	₱250,869

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Number of Shares, Per Share Data and As Indicated)

1. Corporate Information

Benguet Corporation (BC; the Company) was incorporated in the Philippines on August 12, 1903.

On June 18, 1956 and June 19, 2006, the Securities and Exchange Commission (SEC) approved the extension of its corporate life for another 50 years. BC is engaged in chromite, gold, and other metallic and nonmetallic mining and production, exploration, research and development and water projects. The respective nature of business of the Company's subsidiaries is summarized in Note 2 to the consolidated financial statements.

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

The consolidated financial statements of the Group as of December 31, 2009 and 2008 and for each of the three years in the period ended December 31, 2009 were authorized for issue by the Board of Directors (BOD) on March 29, 2010.

2. Status of Operations and Management Plans

The Group

As shown in the consolidated financial statements, the Group has incurred cumulative losses of ₱5.0 billion and ₱4.8 billion which resulted to a capital deficiency of ₱1.8 billion and ₱1.6 billion as of December 31, 2009 and 2008, respectively. The Group's current liabilities exceeded its current assets by ₱4.1 billion and ₱3.8 billion as of December 31, 2009 and 2008, respectively. In addition, the Group was unable to pay its maturing bank loans and related interests of ₱3.7 billion and ₱3.6 billion as of December 31, 2009 and 2008, respectively. These conditions, among others, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The consolidated financial statements do not include any adjustment relating to the recoverability and classification of asset carrying amounts or the amounts and classification of liabilities that might result should the Group be unable to continue as a going concern.

Management Plans

In order to address the capital deficiency of the Company and to comply with the continued listing requirements of the Philippine Stock Exchange (PSE), the BOD approved on August 1, 2007 a Private Placement Agreement between the Company and its principal stockholders, Palm Avenue Holding Company, Inc. and Palm Avenue Realty and Development Company (the "Palm Group").

As further discussed in Note 17 to the consolidated financial statements, on November 15, 2007, the Company received payment of ₱435.0 million from the Palm Group. The funds received are to be utilized for various mining projects. Part of the funds served as starting capital to bring into operation the Sta. Cruz Nickel Project (SCNP) and Balatoc Tailings Project (BTP).

In 2009, the Company has chosen to prioritize the SCNP with the vision that the success of the project would serve as a catalyst for the development of other mining projects down the line. The Company expects to select the best option for the development of the Kingking copper-gold project. The Company will work to achieve higher gold production in its Acupan Contract Mining Project (ACMP) and pursue its due diligence study for the BTP. The Company will reassess its direction on the Baguio City Bulk Water Supply Project.

Debt Repayment Plan
On June 11, 1999, the Company reached an agreement with its creditor-banks on the repayment of its outstanding loans. A Term Sheet was signed extending the maturity of the Company's loans up to June 30, 2000, with automatic renewal every anniversary up to the year 2002, upon payment of annual interest. The Company was able to settle major portions of the interest due on June 30, 2000 through a combination of cash and tax credit certificates (TCCs). The Company wrote the banks and offered to settle the annual interest due on June 30, 2001 and 2002 via TCCs. A majority of the banks indicated their acceptance, but the Company deferred its payment of maturing principal due on June 30, 2002. In its letter to the banks dated October 3, 2002, the Company requested for additional time to settle its obligations pending its formal entry into the Baguio City Bulk Water Supply Project. On October 22 and 30, 2009, the Company offered to settle its outstanding loans, without prejudice to the validation process. As of December 31, 2009 and 2008, the Company's loans subject of the repayment plan amounted to ₱3.5 billion and ₱2.9 billion, respectively, inclusive of interest. If management is unsuccessful in this respect, consideration will be given to the sale of the assets included in the Company's Mortgage Trust Indenture (MTI) (see Note 14).

Project Developments
Significant developments of the Group's projects follow:

a. Mining Projects

Masinloc Chromite Operation (MCO)
From 1934 to 2007, the Company managed the MCO under an operating agreement with claimowner, Consolidated Mines, Inc. (CMI). With the expiration of the operating contract last July 8, 2007, the Company and CMI are in discussion for the transfer to the latter of the Mineral Production Sharing Agreement (MPSA) and liquidation of assets.

Benguet Gold Operation (BGO)
The Company's BGO in Itogon, Benguet Province, consisting of the Acupan and Kelly underground mines, has been suspended since 1992. In 2002, BGO resumed operations of its ACMP. The BGO property also included three tailings ponds with an estimated tailings resource of 16.7 million metric tonnes with an average of 0.69 gram gold per tonne and estimated to contain some 371 ounces of gold.

ACMP
The Company continued to generate earnings since the reopening of the BGO through ACMP in December 2001, through a partnership with the small-scale miners to mine certain mine levels in a low-capital, low cost-venture operation. ACMP is on the second phase of its expansion which aims to increase production from 70 to 300 tonnes per day. Phase 2 will reopen up the access to the previously operating Acupan mine which had blocked 840 thousand ounces reserve from 8.2 million ounces resource.

Benguet Antamok Gold Operation (BAGO)
The Company's BAGO in Itogon, Benguet Province has been suspended since August 1998. BAGO has an estimated resource of about 12.4 million tonnes averaging 3.45 grams gold per tonne as of year-end 1999.

Paracale Gold Operation (PGO)
In January 2006, the Company signed a Memorandum of Agreement (MOA) with Bulawan Mineral Resources Corporation (BMRC) for the assessment and transfer of its mining rights in Paracale, Camarines Norte. On July 19, 2006, a Deed of Assignment and Transfer of Mining Rights was executed between the Company and BMRC transferring the mining rights in Paracale. On February 12, 2007, the Department of Environment and Natural Resources - Mines and Geosciences Bureau (DENR-MGB) Regional Office No. V approved the Deed of Assignment and Transfer of Mining Rights.

Irisan Lime Project (ILP)
The Company plans to expand its lime operations and relocate one of its Irisan kilns to Alaminos, Pangasinan. The Company's quarrying permit for the ILP is valid until 2010 which can be renewed for another five years upon expiration.

b. Exploration, Research and Development Projects

Sta. Cruz Nickel Laterite Prospect
The Company's MPSA application for its nickel laterite resource in Sta. Cruz, Zambales Province was approved by the DENR-MGB on February 1, 2006. The project is covered by MPSA No. 225-2005-III. Based on results of previous exploration campaigns since the 1970s, the nickel laterite resource in the Company's Sta. Cruz property is estimated to be roughly 16 million tonnes averaging 1.59% nickel and 0.04% cobalt.

The Company started exploration and pre-development work. This included the construction of access roads to be able to undertake environment clean-up of the mined-out areas abandoned by illegal miners. In the course of clean-up, the Company recovered incidental ores which have been stockpiled for metallurgical testing. Simultaneously with the geophysical survey conducted by the Chinese Metallurgical Corporation, is the in-house geochemical survey. The result of these surveys will greatly reduce the cost to drill, as well as allow the Company to shorten the time in establishing an ore reserve that can be used for a processing plant feasibility study. An investment of some US$800,000 to US$1,000,000 is needed to put up a nickel processing plant at the site that can produce between 30,000 to 50,000 tonnes of nickel ore per annum.

The substantial drop in the price of nickel has prompted the Company to accelerate the plan to proceed with the feasibility of a nickel and/or iron pelletizing plant.

The nickel properties have also drawn interest from the Japanese group of Sojitz Corporation and Sumitomo Metal Mining Corporation, Ivanhoe Nickel and Platinum Limited of Canada, and Rusina Mining N.L. of Australia.

On October 2, 2009, the Company incorporated Benguetcorp Nickel Mines, Inc. (BNMI), a wholly owned subsidiary. On October 7, 2009, the Company signed an off-take/contractor agreement with DMCI Mining Corporation (DMCI) for a portion of its Sta. Cruz nickel property in Zambales. The agreement calls for the mining and sale of high grade nickel ore with 2.0% nickel cut-off grade of up to 200,000 tons per year for the next three (3) years. On February 10, 2010, BNMI signed a Supplementary Agreement with DMCI calling for the marketing of lower grade nickel ores/high grade nickel ores with high iron content.

On October 15, 2009, the Company appointed First Metro Investment Corporation as financial advisor, issue manager and lead underwriter for the planned initial public offering of BNMI.

In line with the Company's plan to create and spin off business units to implement various mining projects, the Company entered into an agreement with BNMI on October 22, 2009 wherein BNMI will undertake the operation of the Sta. Cruz nickel mine.

On October 28, 2009, BNMI signed a similar agreement with Sino Phil (Surigao) Group Limited and Ryanyx CGS Corporation covering another portion of the nickel area in the Zambales property. This agreement calls for the mining and sale of low grade nickel and high grade iron ores of up to 700,000 tons per year for the next three (3) years.

The agreements assure BNMI of a market for high and low grade nickel and high grade iron ores.

The mine is covered by an approved Mineral Production Sharing Agreement (MPSA). In addition to mining and direct ore shipment, BNMI is tasked to undertake further exploration of the property as well as complete the research and feasibility studies on pelletizing and tank leaching technologies to add value to the mine products.

Balatoc Tailings Project (BTP)
The Company's BOD has approved an initial ₱10 million research and development fund for the BTP to study the feasibility of reprocessing 16.7 million tonnes of tailings resource with an average of 0.69 gold per tonne and estimated 371,000 ounces of gold. A core research and development team, together with the Beijing Geological Research Institute of Mining and Metallurgy, will do 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. The project involves the reprocessing of mine tailings to recover residual gold. BTP involves a second phase of roasting of pyrite concentrate to improve gold recovery.

Also on that same date, the Company entered into a processing agreement with Balatoc Gold Resources Corporation (BGRC) to implement BTP. The Company has completed the bankable feasibility study of BTP and engaged external competent persons to prepare and review reports as required under the Philippine Mineral Reporting Code as modeled after the Joint Ore Reserve Committee of Australia. The confirmed tailings resource of 16.7 million tons with an average grade of 0.69 gram of gold per ton, are deposited in three (3) ponds. The Company obtained BTP's Environmental Compliance Certificate on June 11, 2009.

Kingking Copper-Gold Prospect (Kingking)
The Kingking Prospect ore body in Pantukan, Compostela Valley Province, is a porphyry-type copper deposit containing significant gold values. The 1,656-hectare property is covered by an approved MPSA (No. 009-92-XI) in favor of the Company as operator and Nationwide Development Corporation (NADECOR) as claimowner. On December 11, 2002, the amendment to the Kingking MPSA was approved by the DENR-MGB. The amendment is necessary for the MPSA to conform to the Philippine Mining Act of 1995 and the Revised Implementing Rules and Regulations of Republic Act No. (RA) 7942. On March 19, 2003, a MOA was signed by the Company and NADECOR to facilitate the possible entry of joint venture partners to develop Kingking.

Latest studies of Kingking have estimated a 1.040 billion tonnes resource containing 0.306% total copper and 0.410 grams gold per tonne. Further engineering studies delineated an open pit mineable reserve of 353.51 million tonnes containing 0.388% total copper and 0.439 grams gold per tonne. The reserve includes a 50.38 million tonnes oxide cap averaging 0.641% total copper and 0.662 grams gold per tonne, and a 303.13 million tonnes sulfide portion averaging 0.342% total copper and 0.402 grams gold per tonne.

The preliminary geological evaluation of the epithermal gold prospect located in the North-northeastern sector of the Kingking property may justify considering this area distinct and separate from the Southern which is porphyry. A gold resource of at least 68,800 tonnes with an average grade of 8.02 grams gold per tonne has been estimated based on small-scale mining workings.

The Company engaged an engineering consultant, SRK Consulting of Australia to do a Bankable Feasibility Study (BFS). The Company is still awaiting for the progress report on the BFS. The access road preparation from Pantukan Town to the site has been prepared in anticipation of additional drilling activity.

On August 26, 2008, due to disagreement, NADECOR asked the DENR to remove from the Company the operatorship of the project. On August 29, 2008, NADECOR notified the Company that it had unilaterally cancelled the Operating Agreement of 1981.

In September 2008, the DENR directed the parties to explore non-legal settlement options. On October 7, 2008, the Company sent a letter to NADECOR opposing the termination of the operating agreement.

On January 9, 2009, the Company wrote to the DENR to declare the temporary suspension of the work program due to harassment by NADECOR until their dispute could be finally resolved.

Pursuant to the order of DENR, the Company and NADECOR negotiated for several months but failed to reach any settlement.

On November 23, 2009, the DENR directed both the Company and NADECOR to implement the exploration work program. The DENR also gave a two - year extension for the exploration period (from February 2010 to January 2012).

On January 15, 2010, the DENR reversed its order on November 23, 2009 whereby it directed NADECOR to implement the work programs for the extended exploration period. In January 2010, the Company filed a request for reconsideration with the DENR.

On February 5, 2010, the Company received from NADECOR a request to arbitrate on the issue of the cancelation of the Operating Agreement.

On February 23, 2010, the Company filed an injunction case against NADECOR on the ground that the request to arbitrate is premature, the issue is non-arbitrable and the matter is properly cognizable by the regular court.

As of March 29, 2010, the hearing on the preliminary injunction is on-going.

Surigao Coal Prospect
The Company's Coal Operating Contract for 12 coal blocks covering 12,000 hectares in Surigao del Sur, was extended by the Department of Energy up to May 22, 2011. The Company has sent bulk samples of coal materials in Australia to be tested for upgradability of the quality to a higher calorific value. A preliminary assessment provided by an Australian technology has shown that a sample of run-of-mine coal from the property with calorific value of 6,600 british thermal unit per pound can be upgraded using cold briquetting technology to around 10,000 british thermal unit per pound. On October 6, 2009, the Company obtained its ECC that would allow it to start development and mining the accessible resource.

The Company is in the process of finalizing an agreement with SAMMILIA logging cooperative officials to include the planned open pit area in their Resource Utilization Permit and submit the revised plan to the Community Environment and Natural Resources Officer for approval.

Pantingan Gold Prospect
The Pantingan Gold Prospect in Bagac, Bataan Province is a 1,410-hectare epithermal gold prospect acquired in 1996 through a Royalty Agreement with Balanga-Bataan Mineral Corporation as claimowner. The project is covered by MPSA (No. 154-2000-III), approved by the DENR-MGB on March 31, 2000. Based on initial exploration results, the resource base is estimated at 1.2 million gold ounces. On October 7, 2004, the DENR-MGB granted to the Company an additional two-year extension to explore the prospect.

Boringot Gold Prospect
The Boringot Gold Prospect is located in Pantukan, Compostela Valley Province. The prospect was acquired through an operating contract with Pantukan Mineral Corporation (PMC). Exploration activities remain on hold pending approval by the MGB of the Company's application for MPSA and resolution of some problems in the operating contract with PMC. Preliminary geological evaluation shows the property to contain an estimated gold resource of 91,740 metric tonnes having an average grade of 8.95 grams gold per tonne which is equivalent to about 26,400 ounces of gold.

Zamboanga Gold Prospect
Since 1993, this gold property in R.T. Lim, Zamboanga del Sur Province continues to remain under suspension and caretakership. Both the mining property and the 30 tonnes per day carbon-in-leach gold processing plant are available for sale or for any small scale mining operation that the Company may pursue in these properties.

Northern Luzon Financial and Technical Assistance Agreement Application
Six parcels of mineral claims of some 113,603 hectares staked in Abra, Apayao and in the Ilocos will soon be given geological reconnaissance surveys as soon as permits are obtained. The potential for iron deposits in the area is very high. On September 15, 2009, an area clearance certificate for 52,263 hectares was released by the Mines and Geosciences Bureau-Cordillera Administrative Region (MGB-CAR).

c. Water Projects

Baguio City Bulk Water Supply Project
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 mined-out 440 Vein Open Pit into a water reservoir with the capability to supply 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 sited as grounds 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 points to 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 Board Resolution denying the Company's Request for Reconsideration. The Company has filed a case against BWD, which case is now pending at the Regional Trial Court of Baguio City.

3. Summary of Significant Accounting Policies

Basis of Preparation
The consolidated financial statements have been prepared on a historical cost basis except for land at revalued amounts and AFS investments which have been measured at fair value. The consolidated financial statements are presented in Philippine peso, the parent company's functional and presentation currency under Philippine Financial Reporting Standards (PFRS) and as adopted by the SEC. All amounts are rounded to the nearest thousands (₱000) except when otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with PFRS.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and the following subsidiaries:

	Nature of Business	Country of Incorporation	Percentage of Ownership
BEREC Land, Inc. (BLI)	Real estate holding	Philippines	100.00
Pillars of Exemplary Consultants, Inc. (PECI)	Professional services	Philippines	100.00
Kingking Copper-Gold Corporation (KCGC)*	Exploration and development	Philippines	100.00
BNMI*	Exploration and development	Philippines	100.00
BMC	Foundry	Philippines	100.00
BMC Subsidiaries:			
Arrow Freight Corporation (AFC)	Logistics	Philippines	100.00
Benguetrade, Inc.	Trading	Philippines	100.00
BMC Forestry Corporation (BFC)	Real estate	Philippines	100.00
Agua de Oro Ventures Corporation (AOVC)	Bottled water and water delivery	Philippines	100.00
Benguet-Pantukan Gold Corporation*	Exploration and development	Philippines	100.00
BC Property Management, Inc. (BPMI)*	Management services	Philippines	100.00
Media Management Corporation**	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 (USA)	100.00
Benguet Canada Limited**	Exploration and development	Canada	100.00
Sagittarius Alpha Realty Corporation (SARC)	Real estate holding	Philippines	100.00
SARC Subsidiary:			
Balatoc Gold Resources Corporation (BGRC; formerly Benguet Parkland Development Corporation)	Real estate holding	Philippines	100.00
Batong Buhay Mineral Resources Corporation (BBMRC)*	Exploration and development	Philippines	100.00
Ifaratoc Mineral Resources Corporation (Ifaratoc) (Note 33)*	Exploration and development	Philippines	100.00

* *Preoperating*
** *Nonoperating*

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The consolidated financial statements are prepared for the same accounting year using uniform accounting policies for like transactions and other events in similar circumstances. Intra-group balances and transactions, including intra-group profits and unrealized profits and losses, are eliminated.

Changes in Accounting Policies and Disclosures

New and Amended Standards and Interpretations Adopted in 2009

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended standards and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC). Unless otherwise indicated, adoption of these changes did not have any significant effect on the Group. They did, however, give rise to additional required disclosures and use of new titles/captions and formats of presentation.

Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements (Revised)*
The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Group has elected to present in two linked statements introducing the "Consolidated Statement of Comprehensive Income". The Group also adopted the title "Consolidated Statement of Financial Position" instead of "Consolidated Balance Sheet".

PAS 23, *Borrowing Costs (Revised)*
The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the standard, the Group has adopted the standard on a prospective basis. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after January 1, 2009.

PFRS 8, *Operating Segments*
PFRS 8 replaces PAS 14, *Segment Reporting*, and adopts a full management approach to identifying, measuring and disclosing the results of an entity's operating segments. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the statement of financial position and statement of income and the Group provides explanations and reconciliations of the differences. This standard is only applicable to an entity that has debt or equity instruments that are traded in a public market or that files (or is in the process of filing) its financial statements with a securities commission or similar party. The information on segment reporting of the Group is disclosed in Note 31 to the consolidated financial statements.

Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*
This Interpretation requires loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. Consideration received in the sales transaction is allocated between the sale of the goods or services and the award credits.

Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*
This Interpretation provides guidance on the accounting for a hedge of a net investment. This Interpretation also clarifies what constitutes hedged risk in the hedge of a net investment in a foreign operation (functional to functional currency, hedgeable amount up to net assets in parent's consolidated financial statements).

Amendments to PAS 32, *Financial Instruments: Presentation* and PAS 1, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*
These amendments specify, among others, that puttable financial instruments will be classified as equity if they have all of the following specified features: (a) the instrument entitles the holder to require the entity to repurchase or redeem the instrument (either on an ongoing basis or on liquidation) for a pro rata share of the entity's net assets; (b) the instrument is in the most subordinate class of instruments, with no priority over other claims to the assets of the entity on liquidation; (c) all instruments in the subordinate class have identical features; (d) the instrument does not include any contractual obligation to pay cash or financial assets other than the holder's right to a pro rata share of the entity's net assets; and (e) the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, a change in recognized net assets, or a change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument.

Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards* and PAS 27, *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
The amendments to PFRS 1 allowed an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening PFRS financial statements in accordance with PAS 27 or using a deemed cost method. The amendment to PAS 27 required all dividends from a subsidiary, jointly controlled entity or associate to be recognized as income in the statement of income. The revision to PAS 27 was applied prospectively. The new requirement affects only the parent company financial statements and does not have an impact on the consolidated financial statements.

Amendment to PFRS 2, *Share-based Payments - Vesting Conditions and Cancellations*
The standard has been revised to clarify the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defines a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires non-vesting conditions to be treated in a similar fashion to market conditions. Failure to satisfy a non-vesting condition that is within the control of either the entity or the counterparty is accounted for as cancellation. However, failure to satisfy a non-vesting condition that is beyond the control of either party does not give rise to a cancellation.

Amendments to PFRS 7, *Financial Instruments: Disclosures*
These amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy: (1) Quoted price, (2) Observable inputs other than quoted price and (3) Unobservable inputs, by class, for all financial instruments recognized at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

Amendments to Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives* and PAS 39, *Financial Instruments: Recognition and Measurement*

These amendments to Philippine Interpretation IFRIC 9 require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss (FVPL) category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. PAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at FVPL.

Improvements to PFRS

In May 2008, the International Accounting Standards Board (IASB) issued its first omnibus of amendments to the following standards, primarily with a view to removing inconsistencies and clarifying wording. There are the separate transitional provisions for each standard.

PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*

- When a subsidiary is held for sale, all of its assets and liabilities will be classified as held for sale under PFRS 5 even when the entity retains a non-controlling interest in the subsidiary after the sale.

PAS 1, *Presentation of Financial Statements*

- Assets and liabilities classified as held for trading are not automatically classified as current in the statement of financial position.

PAS 7, *Statement of Cash Flows*

- PAS 7 amendment clarifies that cash payments to manufacture or acquire assets held for rental to others and subsequently held for sale as described in paragraph 68A of PAS 16, *Property, Plant and Equipment*, are cash flows from operating activities. The cash receipts from rents and subsequent sales of such assets are also cash flows from operating activities.

PAS 16, *Property, Plant and Equipment*

- The amendment replaces the term “net selling price” with “fair value less costs to sell”, to be consistent with PFRS 5 and PAS 36, *Impairment of Assets*.
- Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds of such sales are subsequently shown as revenue. Cash payments on initial recognition of such items, the cash receipts from rents and subsequent sales are all shown as cash flows from operating activities.

PAS 18, *Revenue*

- The amendment adds guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity: (a) has primary responsibility for providing the goods or service; (b) has inventory risk; (c) has discretion in establishing prices; and (d) bears the credit risk.

PAS 19, *Employee Benefits*

- Revises the definition of “past service cost” to include reductions in benefits related to past services (“negative past service costs”) and to exclude reductions in benefits related to future services that arise from plan amendments. Amendments to plans that result in a reduction in benefits related to future services are accounted for as a curtailment.

- Revises the definition of "return on plan assets" to exclude plan administration costs if they have already been included in the actuarial assumptions used to measure the defined benefit obligation.
- Revises the definition of "short-term" and "other long-term" employee benefits to focus on the point in time at which the liability is due to be settled.
- Deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets.*

PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*
- Loans granted with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as a government grant.

PAS 23, *Borrowing Costs*
- Revises the definition of borrowing costs to consolidate the types of items that are considered components of "borrowing costs", i.e., components of the interest expense calculated using the effective interest rate method.

PAS 27, *Consolidated and Separate Financial Statements*
- Requires an entity that prepares separate financial statements to account for investments that are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5. However, financial assets that the entity accounts for in accordance with PAS 39, *Financial Instruments: Recognition and Measurement* are excluded from PFRS 5's measurement requirements.

PAS 28, *Investments in Associates*
- If an associate is accounted for at fair value in accordance with PAS 39, only the requirement of PAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies.
- An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.

PAS 29, *Financial Reporting in Hyperinflationary Economies*
- Revises the reference to the exception that assets and liabilities should be measured at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list.

PAS 31, *Interests in Joint Ventures*
- If a joint venture is accounted for at fair value, in accordance with PAS 39, only the requirements of PAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.

PAS 36, *Impairment of Assets*
- When discounted cash flows are used to estimate "fair value less cost to sell" additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate "value in use".

PAS 38, *Intangible Assets*

- Expenditure on advertising and promotional activities is recognized as an expense when the Company either has the right to access the goods or has received the services. Advertising and promotional activities now specifically include mail order catalogues.
- Deletes references to there being rarely, if ever, persuasive evidence to support an amortization method for finite life intangible assets that results in a lower amount of accumulated amortization than under the straight-line method, thereby effectively allowing the use of the unit of production method.

PAS 39, *Financial Instruments: Recognition and Measurement*

- Changes in circumstances relating to derivatives - specifically derivatives designated or de-designated as hedging instruments after initial recognition are not reclassifications.
- When financial assets are reclassified as a result of an insurance company changing its accounting policy in accordance with paragraph 45 of PFRS 4, *Insurance Contracts*, this is a change in circumstance, not a reclassification.
- Removes the reference to a “segment” when determining whether an instrument qualifies as a hedge.
- Requires use of the revised effective interest rate (rather than the original effective interest rate) when re-measuring a debt instrument on the cessation of fair value hedge accounting.

PAS 40, *Investment Property*

- Revises the scope (and the scope of PAS 16) to include property that is being constructed or developed for future use as an investment property. Where an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete.

PAS 41, *Agriculture*

- Removes the reference to the use of a pre-tax discount rate to determine fair value, thereby allowing use of either a pre-tax or post-tax discount rate depending on the valuation methodology used.
- Removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Instead, cash flows that are expected to be generated in the “most relevant market” are taken into account.

Accounting Standards Effective Subsequent to Calendar Year 2009

The Group did not early adopt the following new standards, IFRIC Interpretations and amendments to existing standards enumerated below. Unless otherwise indicated, management believes that the adoption of these new accounting standards will not have a significant impact or effect on the consolidated financial statements. The Group is currently in the process of evaluating in more detail the impact of the adoption of these new accounting standards.

Effective in 2010:

Revised PFRS 3, *Business Combinations* and Amended PAS 27, *Consolidated and Separate Financial Statements*
The revised PFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The revised PAS 27 requires, among others, that (a) change in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss; (b) losses incurred by the subsidiary will be allocated between the controlling and non-controlling interests (previously referred to as "minority interests"), even if the losses exceed the non-controlling equity investment in the subsidiary; and (c) on loss of control of a subsidiary, any retained interest will be remeasured to fair value and this will impact the gain or loss recognized on disposal. The changes introduced by the revised PFRS 3 and PAS 27 must be applied prospectively and will affect future acquisitions and transactions with non-controlling interests.

Philippine Interpretation IFRIC 17, *Distributions of Non-Cash Assets to Owners*
This interpretation is effective for annual periods beginning on or after July 1, 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability. The Group does not expect the interpretation to have an impact on the consolidated financial statements as the Group has not made non-cash distributions to shareholders in the past.

Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers*
This interpretation is to be applied prospectively to transfers of assets from customers received on or after July 1, 2009. The interpretation provides guidance on how to account for items of property, plant and equipment received from customers or cash that is received and used to acquire or construct assets that are used to connect the customer to a network or to provide ongoing access to a supply of goods or services or both. When the transferred item meets the definition of an asset, the asset is measured at fair value on initial recognition as part of an exchange transaction. The services delivered are identified and the consideration received (the fair value of the asset) allocated to each identifiable service. Revenue is recognized as each service is delivered by the entity.

Amendments to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*
Amendment to PAS 39 will be effective for annual periods beginning on or after July 1, 2009, which addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item.

Amendments to PFRS 2, *Share-based Payments - Group Cash-settled Share-based Payment Transactions*
The amendments to PFRS 2, *Share-based Payments*, effective for annual periods beginning on or after January 1, 2010, clarify the scope and the accounting for group cash-settled share-based payment transactions.

Improvements to PFRS Effective Subsequent to 2009

- PFRS 2 clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3. The amendment is effective for financial years beginning on or after July 1, 2009.

- PFRS 5 clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRS only apply if specifically required for such non-current assets or discontinued operations.

- PFRS 8 clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

- PAS 1 clarifies that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

- PAS 7 explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.

- PAS 17, *Leases*, removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The amendment now requires that leases of land are classified as either “finance” or “operating” in accordance with the general principles of PAS 17. The amendments will be applied retrospectively.

- PAS 36 clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes.

- PAS 38 clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives. Also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

- PAS 39 clarifies the following:
  - that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.
  - that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken.
  - that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

- Philippine Interpretation IFRIC 9 clarifies that it does not apply to possible reassessment at the date of acquisition, to embedded derivatives in contracts acquired in a business combination between entities or businesses under common control or the formation of joint venture.

- Philippine Interpretation IFRIC 16 states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.

Effective in 2012:

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

<u>Cash and Cash Equivalents</u>
Cash consists of cash on hand and with banks. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and are subject to an insignificant risk of changes in value.

<u>Financial Instruments</u>
Date of Recognition
Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

All regular way purchases and sales of financial assets are recognized on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial assets at FVPL, the initial measurement of financial assets includes transaction costs. Financial assets under PAS 39 are classified as either financial assets at FVPL, loans and receivables, held to maturity investments and available for sale (AFS) investments. As of December 31, 2009, 2008 and 2007, the Group has no financial assets at FVPL and HTM investments. Also under PAS 39, financial liabilities are classified as FVPL or other financial liabilities. The Group's financial liabilities are of the nature of other financial liabilities.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefit.

Loans and Receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS investments or designated as at FVPL. This accounting policy relates to the statement of financial position captions “Cash and cash equivalents” and “Trade and other receivables”.

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

Loans and receivables are classified as current assets when they are expected to be realized within twelve months after the reporting date or within the normal operating cycle, whichever is longer.

AFS Investments
AFS investments are non-derivative assets that are either designated in this category or not classified in any of the other categories. AFS investments are those purchased and held indefinitely and may be sold as the need arises. They are included in noncurrent assets unless management intends to dispose of the investment within 12 months from the reporting date. Included in this category are equity investments in publicly listed and private companies other than subsidiaries and associates, which are shown as a separate line item in the consolidated statement of financial position.

After initial measurement, AFS investments are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS investments are reported as “Unrealized gain (loss) on AFS investments” account in the capital deficiency section of the consolidated statement of financial position. They are also reported as other comprehensive income in the consolidated statement of comprehensive income.

AFS financial assets whose fair value cannot be reliably established are carried at cost less an allowance for any possible impairment. This normally applies to equity investments that are unquoted and whose cash flows cannot be forecasted reasonably.

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

Other Financial Liabilities
Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue. Other financial liabilities are initially recorded at fair value, less directly attributable transaction cost. After initial measurement, other financial liabilities are measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities, if any, are recognized in "Foreign currency exchange gains (losses)" in the consolidated statement of income.

This accounting policy relates to the Group's "Bank loans", "Trade and other payables" and "Equity of claimowner in contract operations".

Derivative Financial Instruments
Derivative instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

(a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
(c) the hybrid or combined instrument is not recognized at FVPL.

Determination of Fair Value
The fair value of financial instruments traded in active markets at reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques and comparison to similar instruments for which market observable prices exist.

Fair Value of Financial Instruments
Financial instruments recognized in fair value are analyzed based on:
- Level 1 - Quoted prices in active markets for identical asset or liability;
- Level 2 - Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 - Those with inputs for asset or liability that are not based on observable market date (unobservable inputs).

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

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

Derecognition of Financial Instruments
Financial Assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or assumed is recognized in the consolidated statement of income.

Impairment of Financial Assets
The Group assesses at each reporting date whether an asset or group of assets is impaired.

Assets Carried at Amortized Cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The amount of the loss shall be recognized in consolidated statement of income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial 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.

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

In relation to trade receivables, 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 Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. The financial assets, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized.

AFS Investments
For AFS investments, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as AFS, this would include a significant or prolonged decline in the fair value of the investments below its cost. If an AFS investment 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 profit or loss, is transferred from equity to the consolidated statement of income as part of the "Provision for

impairment losses" account. Reversals in respect of equity instruments classified as AFS are not recognized in profit.

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.

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

<u>Offsetting Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

<u>Inventories</u>
Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and condition, are accounted for as follows:

Merchandise	-	at purchase cost using the specific identification method;
Materials and supplies	-	at purchase cost on a moving-average method; and
Subdivision lots and housing units for sale	-	at cost, which includes acquisition cost of the land and expenditures for the development and improvement of land and construction of housing units.

NRV for materials and supplies represents the current replacement cost. NRV for merchandise and subdivision lots and housing units for sale is the selling price in the ordinary course of business, less the cost of completion, marketing and distribution for subdivision lots and housing units for sale and estimated costs necessary to make the sale for merchandise.

<u>Property, Plant and Equipment</u>
Property, plant and equipment, except land, is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. Land is carried at revalued amount less any impairment in value.

The increment resulting from the revaluation of land owned by the Group is credited to "Revaluation increment in land" account, net of deferred income tax liability, which is included in the capital deficiency section in the consolidated statement of financial position.

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	10-35
Buildings	10-25
Machinery, tools and equipment	2-25

Depletion of mining properties and mine development costs is calculated using the units-of-production method based on estimated recoverable reserves.

The estimated recoverable reserves, useful lives and depreciation and depletion methods are reviewed periodically to ensure that the estimated recoverable reserves, residual values, periods and methods of depreciation and depletion are consistent with the expected pattern of economic benefits from items of property and equipment. The residual values, if any, are reviewed and adjusted, if appropriate, at each reporting date.

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 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.

When each 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.

Deferred Exploration Costs

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 which 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 fulfillment mine development included as part of property, plant and equipment. Prior to reclassification, fulfillment exploration and evaluation expenditure is assessed for impairment.

Investment Property
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 reporting date. Gains or losses arising from changes in the fair values of investment property are recognized in profit or loss 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 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.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in profit or loss. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income.

Water Rights
The amount paid for water rights has been capitalized and is being amortized using the straight-line basis over a period of twenty (20) years. The water rights is carried at cost less accumulated amortization and allowance for impairment losses.

Impairment of Nonfinancial Assets
Property, Plant and Equipment
The Group assesses at each reporting date 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 fair value less costs to sell and its value in use and 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 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.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statement of income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depletion, depreciation and amortization) had no impairment loss been recognized for that asset in prior years.

Deferred Exploration Costs
Expenditures for exploration works on mining properties (i.e., acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling,trenching, sampling, and activities in relation to evaluating the technical feasibility and commercial viability of extracting mineral resource) are deferred as incurred and included under "Deferred exploration cost" account in the consolidated statements of financial position. If and when recoverable reserves are determined to be present in commercially producible quantities, the deferred exploration expenditures and mine development costs are capitalized as part of the mine and mining properties account classified under property, plant and equipment.

A valuation allowance is provided for unrecoverable deferred exploration costs based on the Group's assessment of the future prospects of the exploration project. 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, all revocable cost associated with the project and the related impairment provisions are written off. When a project is abandoned, the related deferred exploration costs are written off.

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

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

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

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

Rehabilitation trust funds committed for use in satisfying environmental obligations are included within "Other noncurrent assets" 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 are credited to capital surplus.

Where the Group purchases its own shares (treasury shares), the consideration paid including any directly attributable incremental costs is deducted from equity attributable to the Group's equity until the shares are cancelled, reissued or disposed of. Where such share are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Group's stockholders.

Retained Earnings (Deficit)
Retained earnings (deficit) represent accumulated earnings (losses) earned (incurred) by the Group.

Retained earnings (deficit) may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

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. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Mine Products
Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably, which is normally at the time of shipment.

Trucking and Warehousing Services
Revenue is recognized when services are rendered.

Sale of Merchandise and Other Services
Revenue is recognized upon delivery of goods and transfer of ownership to customers.

Sale of Real Estate
Sales of real estate, which include sale of lots and housing units, are accounted for under the percentage of completion method when the Group has material obligations under the sales contracts to provide improvements after the property is sold, or the full accrual method when the collectibility of the sales price is reasonably assured and the earnings process is virtually complete. Under the percentage of completion method, the gain on sale is recognized as the related obligations are fulfilled.

Rental
Rental income is recognized on a straight-line basis over the lease term.

Interest
Revenue is recognized as it accrues using the effective interest rate method.

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. Expenses are generally recognized when the expense arises following the accrual basis of accounting.

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 whether the 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. 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).

Operating Leases - The Group as a Lessee
Operating leases represent those leases under which substantially all risks and rewards of ownership of the leased assets remain with the lessors. Lease payments under an operating lease are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Operating Leases - The Group as a Lessor
Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating 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.

Pension Plan
The Parent Company and AFC has separate, noncontributory, defined benefit pension plans, administered by separate trustees, covering all permanent, regular and full-time employees. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit actuarial valuation method. The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognized actuarial gains and losses reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the 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 with employees is measured by reference to the fair value at the date on which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). 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.

No expense is recognized for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, at a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

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.

The Group has taken advantage of the transitional provisions of PFRS 2 in respect of equity-settled awards and has applied PFRS 2 only to equity-settled awards granted after November 7, 2002 that had not vested on January 1, 2005.

Foreign Currency Translation
Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange at reporting date. Foreign exchange differences between the rate at transaction date and rate at settlement date or reporting date are credited to or charged against current operations.

The financial statements of the foreign consolidated subsidiaries are translated at closing exchange rates with respect to the consolidated statement of financial position and the average exchange rates for the year with respect to the consolidated statement of income. Resulting translation differences are included in equity (under cumulative translation adjustment) and consolidated statement of comprehensive income. Upon disposal of the foreign subsidiaries, accumulated exchange differences are recognized in the consolidated statement of income as a component of the gain or loss on disposal.

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 taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date.

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

(a) where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits from excess MCIT over RCIT and unused NOLCO can be utilized except:

(a) where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply on 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 reporting date.

Income tax relating to items recognized directly in equity is recognized in equity and as other comprehensive income in the consolidated statement of comprehensive income and not in the consolidated statement of income.

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

Earnings (Loss) Per Share

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

Diluted earnings (loss) per share amounts are calculated by dividing the net profit (loss) attributable to ordinary equity holders of the parent (after deducting interest on the convertible non-cumulative redeemable 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.

Segment Reporting
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, receivables, inventories and property, plant and equipment, net of allowances and provisions.

Segment liabilities include all operating liabilities and consist principally of accounts payable, accrued expenses and long-term debt. Segment assets and liabilities do not include deferred income taxes.

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

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

4. Summary of Significant Accounting Judgments, Estimates and Assumptions

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

Judgments, 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. Actual results could differ from such estimates.

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

Determining Functional Currency
The Company, based on the relevant economic substance of the underlying circumstances, has determined its functional currency to be the Philippine Peso. It is the currency of the primary economic environment in which the Company primarily operates.

Determining Operating Lease Commitments - Group as Lessee
The Group has entered into leases on its various locations. The Group has determined that it does not retain all the significant risks and rewards of ownership of these properties which are leased on operating leases.

Determining Operating Lease Commitments - Group as Lessor
The Group has entered into property leases on its mine infrastructure. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Assessing Recoverability of Deferred Exploration Costs
A valuation allowance is provided for estimated unrecoverable deferred exploration costs based on the Group's assessment of the future prospects of the mining properties, which are primarily dependent on the presence of mineral reserves in those properties, and metal prices in the market which is the primary driver of returns on the production. Accumulated deferred exploration costs amounted to ₱579,444 and ₱510,447 as of December 31, 2009 and 2008, respectively (see Note 12).

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 does not believe that these proceedings will 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).

Assessing Production Start Date
The Group assesses the stage of each mine development project to determine when a mine moves into the production stage. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase. Some of the criteria include, but are not limited to the following:

- the level of capital expenditure compared to construction cost estimates;
- completion of a reasonable period of testing of the property, plant and equipment;
- ability to produce ore in saleable form; and
- ability to sustain ongoing production of ore.

Classification of Financial Instruments
The Group exercises judgments in classifying a financial instrument on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statement of financial position.

In addition, the Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are discussed below.

Real Estate Revenue and Costs Recognition

The Group's revenue and the costs related to the sale of real estate are recognized based on the percentage of completion and are measured principally on the basis of estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project.

Estimating Allowance for Impairment Losses on 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 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. As of December 31, 2009 and 2008, the carrying value of trade and other receivables amounted to ₱131,345 and ₱131,672, respectively, while allowance for impairment losses amounted to ₱141,029 and ₱120,007, respectively (see Note 6).

Estimating Impairment Losses on Inventories

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 of December 31, 2009 and 2008, the carrying value of inventories amounted to ₱26,581 and ₱20,115, respectively (see Note 7).

Estimating Mineral Reserves and Resources

Mineral reserves and resources estimates for development projects are, to a large extent, based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of costs based upon anticipated tonnage and grades of ores to be mined and processed, the configuration of the ore body, expected recovery rates from the ore, estimated operating costs, estimated climatic conditions and other factors. Proven reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured.

All proven reserve estimates are subject to revision, either upward or downward, based on new information, such as from block grading and production activities or from changes in economic factors, including product prices, contract terms or development plans.

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

Assessing Impairment of Property, Plant and Equipment and Investment Property
PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the value of property, plant and equipment, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that the property, plant and equipment is impaired. Any resulting impairment loss could have a material adverse impact on the consolidated financial condition and results of operations. As of December 31, 2009 and 2008, the allowance for impairment losses on mining properties and mine development costs amounted to ₱1,422,690.

Estimating Impairment of AFS Investments
The determination of impairment loss for AFS investments requires an estimation of the present value of the expected future cash flows and the selection of an appropriate discount rate. An impairment issue arises when there is an objective evidence of impairment, which involves significant judgment. In applying this judgment, the Group evaluates the financial health of the issuer, among others. In the case of AFS equity instruments, objective evidence of impairment includes a significant or prolonged decline in the fair value of the investments below its cost. The Group treats 'significant' generally as 30% or more and 'prolonged' as greater than 12 months. The Group expands its analysis to consider changes in the issuer's industry and sector performance, legal and regulatory framework, changes in technology, and other factors that affect the recoverability of the Group's investments. Impairment losses recognized in 2009 amounted to ₱28. As of December 31, 2009 and 2008, the carrying value of AFS investments amounted to ₱16,860 and ₱6,464, respectively (see Note 9).

Estimating Useful Lives of Property, Plant and Equipment
The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property, plant and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. Property, plant and equipment (at revalued amount and at cost) as of December 31, 2009 and 2008 amounted to ₱2,489,630 and ₱2,509,134, respectively (see Note 10). The useful lives are disclosed in Note 3 to the consolidated financial statements.

Determining the Appraised Value of Land
The appraised value of land is based on a valuation by 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. As of December 31, 2009 and 2008, the appraised value of land amounted to ₱2,315,022 and ₱2,321,096, respectively (see Note 10).

Estimating Provision 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. Liability for mine rehabilitation amounted to ₱12,318 and ₱10,638 as of December 31, 2009 and 2008, respectively (see Note 16).

Estimating Pension Benefits
The determination of the Group's obligation and cost for pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 28 and include among others, discount rates, expected rates of return on plan assets and rates of future salary increase. In accordance with PAS 19, *Employee Benefits,* actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the Group's recognized expense and recorded obligation in such future periods. 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 pension and other pension obligations. Net pension liability of BC amounted to ₱12,179 and ₱7,809 as of December 31, 2009 and 2008, respectively (see Note 28). Net pension liability of AFC amounted to ₱3,234 and ₱2,130 as of December 31, 2009 and 2008 respectively (see Note 28).

Assessing Realizability of Deferred Income Tax Assets
The Group reviews the carrying amounts of deferred income tax assets at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group has deferred income tax assets amounting to ₱9,115 and ₱9,380 as of December 31, 2009 and 2008, respectively. The Group has deductible temporary differences excess MCIT and unused NOLCO as of December 31, 2009 and 2008 for which deferred income tax assets were not recognized as it is not probable that sufficient taxable profit will be available against which the benefit of the deferred income tax assets can be utilized (see Note 29).

5. Cash and Cash Equivalents

	2009	2008
Cash on hand and with banks	**₱19,778**	₱52,668
Short-term investments	**10,105**	75,315
	₱29,883	₱127,983

Cash with banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates. Interest income pertaining to cash and cash equivalents amounted to ₱2,864, ₱1,426 and ₱8,624 in 2009, 2008 and 2007, respectively (see Note 24).

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise the following as at January 1:

	2008	2007
Cash on hand and with banks	**₱27,844**	₱18,984
Short-term deposits	**223,025**	2,514
	₱250,869	₱21,498

6. Trade and Other Receivables

	2009	2008
Trade	**₱124,738**	₱93,469
Employee stock ownership incentive plan (see Note 26)	**58,416**	58,416
Others	**89,220**	99,794
	272,374	251,679
Less allowance for impairment losses	**141,029**	120,007
	₱131,345	₱131,672

Trade and other receivables are noninterest-bearing and are collectible within a period of one year.

Most of the receivables of the Group consist of individually significant accounts and were therefore subject to the specific impairment approach. Based on impairment assessment done, the Group recognized an allowance amounting to ₱141,029 and ₱120,007 as of December 31, 2009 and 2008, respectively, covering those receivables considered as individually impaired.

Receivables which were not individually significant and individually significant loans for which no specific impairment were assessed were subjected to collective assessment. Based on the assessment done, the Group has not recognized provision for receivables which were assessed collectively.

Movements of allowance for impairment losses are as follows:

	2009			
	Trade receivables	**Employee stock ownership incentive plan**	**Others**	**Total**
Balances at beginning of year	**₱24,662**	**₱58,416**	**₱36,929**	**₱120,007**
Provisions	**9,628**	**–**	**11,394**	**21,022**
Balances at end of year	**₱34,290**	**₱58,416**	**₱48,323**	**₱141,029**

	2008			
	Trade Receivables	Employee stock ownership incentive plan	Others	Total
Balances at beginning of year	₱25,691	₱58,416	₱56,058	₱140,165
Provisions	2,338	–	12,924	15,262
Write-off	(3,367)	–	(32,053)	(35,420)
Balances at end of year	₱24,662	₱58,416	₱36,929	₱120,007

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

7. Inventories

	2009	2008
Subdivision lots and housing units for sale - at cost	**₱18,622**	₱14,926
Materials and supplies - at NRV	**7,959**	5,189
	₱26,581	₱20,115

The cost of materials and supplies amounted to ₱401,312 and ₱615,139 in 2009 and 2008, respectively.

8. Other Current Assets

	2009	2008
Tax credits and prepaid expenses	**₱14,238**	₱26,876
Input value-added tax - net	**10,146**	17,163
Others	**4,752**	1,460
	₱29,136	₱45,499

9. AFS Investments

	2009	2008
Quoted shares - net	**₱11,741**	₱1,345
Unquoted shares	**5,119**	5,119
	₱16,860	₱6,464

Movements of AFS investments are as follows:

	2009	2008
Balances at beginning of year	**₱6,464**	₱9,493
Additions	**8,381**	–
Change in fair value of AFS investments	**2,043**	(49)
Impairment loss	**(28)**	(2,980)
Balances at end of year	**₱16,860**	₱6,464

The unrealized gain on the increase in fair value of these investments amounting to ₱2,085 and ₱42 as of December 31, 2009, and 2008, respectively, are shown as a separate component in the equity section of the consolidated statement of financial position and in the consolidated statements of changes in equity. The fluctuations in value of these investments are reported also as part of "other comprehensive income" in the consolidated statement of comprehensive income.

Unquoted shares of stock are carried at cost less impairment in value since these investments do not have quoted market price in an active market and the fair values cannot be reliably measured.

10. Property, Plant and Equipment

a. Land at Revalued Amounts

	2009		
	Cost	**Revaluation Increment**	**Total**
Mortgaged			
Balances at beginning of year	**₱11,428**	**₱74,125**	**₱85,553**
Disposals	**6,074**	**–**	**6,074**
Balances at end of year	**5,354**	**74,125**	**79,479**
Not Mortgaged			
Balances at beginning and end of year	**5,400**	**2,230,143**	**2,235,543**
Total	**₱10,754**	**₱2,304,268**	**₱2,315,022**

	2008		
	Cost	Revaluation Increment	Total
Mortgaged			
Balances at beginning and end of year	₱11,428	₱74,125	₱85,553
Not Mortgaged			
Balances at beginning and end of year	5,400	2,230,143	2,235,543
Total	₱16,828	₱2,304,268	₱2,321,096

The latest valuation performed by an independent firm of appraisers, Cuervo Appraisers, Inc., was issued as of December 31, 2007. The appraisers determined the fair value of the Group's land based on its market value as of December 31, 2007. The revaluation increment is not available for distribution to stockholders until fully realized.

b. Property, Plant and Equipment at Cost

	2009					
	Land Improvements	Buildings	Machinery, Tools and Equipment	Mining Properties and Mine Development Costs	Construction in Progress	Total
Mortgaged						
Cost:						
Balances at beginning and end of year	**₱930**	**₱23,796**	**₱92,473**	**₱1,434,593**	**₱–**	**₱1,551,792**
Accumulated depreciation, depletion and amortization and allowance for possible losses on mining properties and mine development costs:						
Balances at beginning and end of year	**930**	**17,014**	**88,897**	**1,422,690**	**–**	**1,529,531**
Allowance for impairment loss:						
Balance at beginning and end of year	**–**	**–**	**–**	**11,903**	**–**	**11,903**
Total	**–**	**6,782**	**3,576**	**–**	**–**	**10,358**
Not Mortgaged						
Cost:						
Balances at beginning of year	**103,624**	**307,013**	**1,210,169**	**21,485**	**25,038**	**1,667,329**
Additions	**–**	**665**	**13,875**	**–**	**–**	**14,540**
Disposals	**–**	**–**	**(612)**	**–**	**–**	**(612)**
Balances at end of year	**103,624**	**307,678**	**1,223,432**	**21,485**	**25,038**	**1,681,257**
Accumulated depreciation, depletion and amortization:						
Balances at beginning of year	**87,174**	**267,181**	**1,022,375**	**14,164**	**1,678**	**1,392,572**
Depreciation and amortization	**1,237**	**5,412**	**19,460**	**259**	**–**	**26,368**
Disposals	**–**	**–**	**(517)**	**–**	**–**	**(517)**
Balances at end of year	**88,411**	**272,593**	**1,041,318**	**14,423**	**1,678**	**1,418,423**
Allowance for impairment losses:						
Balances at beginning of year	**–**	**–**	**66,655**	**7,062**	**23,360**	**97,077**
Impairment losses	**–**	**597**	**910**	**–**	**–**	**1,507**
Balances at end of year	**–**	**597**	**67,565**	**7,062**	**23,360**	**98,584**
Total	**15,213**	**34,488**	**114,549**	**–**	**–**	**164,250**
Net book values	**₱15,213**	**₱41,270**	**₱118,125**	**₱–**	**₱–**	**₱174,608**

	2008					
	Land Improvements	Buildings	Machinery, Tools and Equipment	Mining Properties and Mine Development Costs	Construction in Progress	Total
Mortgaged						
Cost:						
Balances at beginning and end of year	₱930	₱23,796	₱92,473	₱1,434,593	₱–	₱1,551,792
Accumulated depreciation, depletion and amortization and allowance for possible losses on mining properties and mine development costs:						
Balances at beginning of year	930	17,014	84,891	1,422,690	–	1,525,525
Depreciation and amortization	–	–	4,006	–	–	4,006
Balances at end of year	930	17,014	88,897	1,422,690	–	1,529,531
Impairment loss	–	–	–	11,903	–	11,903
Total	–	6,782	3,576	–	–	10,358
Not Mortgaged						
Cost:						
Balances at beginning of year	103,687	304,025	1,179,954	22,032	25,038	1,634,736
Additions	–	2,988	35,999	–	–	38,987
Disposals	(63)	–	(5,784)	(547)	–	(6,394)
Balances at end of year	103,624	307,013	1,210,169	21,485	25,038	1,667,329
Accumulated depreciation, depletion and amortization:						
Balances at beginning of year	87,237	265,937	1,005,804	14,315	1,678	1,374,971
Depreciation and amortization	–	1,244	21,193	–	–	22,437
Disposals	(63)	–	(4,622)	(151)	–	(4,836)
Balances at end of year	87,174	267,181	1,022,375	14,164	1,678	1,392,572
Allowance for impairment losses:						
Balances at beginning and end of year	–	–	66,655	7,062	23,360	97,077
Total	16,450	39,832	121,139	259	–	177,680
Net book values	₱16,450	₱46,614	₱124,715	₱259	₱–	₱188,038

11. Investment Property

Investment property consists of land located in Cabuyao, Laguna with a total net land area of 47,626.705 square meters. This land is currently being held by BLI for an indefinite future use.

On December 19, 2009, BLI engaged an independent firm of appraisers to assess the fair market value of the investment property. As of December 31, 2009 and 2008, the fair market value of the investment property amounted to ₱166,693.

12. Deferred Exploration Costs

As discussed in Note 2, the Company is bound by agreements with NADECOR relating to the development of Kingking. The Company continues to engage in discussions with foreign-based companies who have signed confidentiality agreements. Moreover, the Company has ongoing explorations in SCNP during the year.

Movements of deferred exploration costs are as follows:

	2009	2008
Balances at beginning of year	**₱510,447**	₱227,115
Additions	**68,997**	283,332
Balances at end of year	**₱579,444**	₱510,447

13. Other Noncurrent Assets

	2009	2008
Advance royalties (see Note 2)	**₱87,481**	₱62,482
Others	**22,908**	47,607
	₱110,389	₱110,089

Advance royalties pertain to advances to NADECOR to be applied against future royalties.

Included in the "Others" account is the Mine Rehabilitation Fund (MRF) amounting to ₱5,288 and ₱3,030 as of December 31, 2009 and 2008, respectively, as required by the Philippine Mining Act of 1995, of the Company for which it keeps its account with local banks. The MRF shall be used for physical and social rehabilitation of areas and communities affected by mining activities and for research on the social, technical and preventive aspects of rehabilitation. The MRF earns interest at the respective bank deposit rates.

14. **Bank Loans**

	2009	2008
Accrued interest and penalties	**₱2,015,030**	₱1,960,690
Secured loans	**1,218,363**	1,246,859
Unsecured loans	**461,162**	370,189
	3,694,555	3,577,738
Less noncurrent portion	**380**	–
	₱3,694,175	₱3,577,738

a. Unsecured Bank Loans

This account represents unsecured peso-denominated short-term loans obtained from local banks, which bear annual interest based on treasury-bill (TB) rates plus 2.5% spread over the base rate.

b. Secured Bank Loans

The Company
As discussed in Note 2, on June 11, 1999, the Company and its creditor-banks agreed on the repayment plan of the Company's outstanding loans. The repayment plan was agreed to by the Company and the creditor banks after the latter declared the Company in default on February 25, 1999, which would have caused the foreclosure and enforcement of the MTI and commencement of all necessary actions to collect from the Company. The agreement is contained in a Term Sheet signed by one of the creditor banks for itself as creditor and as agent of the creditor banks represented in the MTI with the Company. The Term Sheet will be formalized in the MOA to be signed by all secured and unsecured bank creditors.

As of March 29, 2010, the MOA has not yet been finalized and signed by the parties.

The Term Sheet extends the maturity of the loans from July 1, 1999 to June 30, 2000, with automatic renewal every anniversary date up to year 2002 upon payment of annual interest (defined as regular interest and interest on accrued interest) and subject to the Company's faithful compliance with the MOA. By September 2000, the Company substantially paid the interest due in June 2000. On July 6, 2001, the Company settled the interest due on June 30, 2001 through the assignment of TCCs. The TCCs tendered were also applied against a certain portion of the outstanding loan balance.

The Term Sheet further provides that the interest rate payable is 2.5%, spread over the base rate (90-day Treasury bill rate for peso loans and 3-month London Interbank Offered Rate (LIBOR) foreign loans) with quarterly repricing. The interest of 1% spread over the base rate is payable annually or anytime within the year when excess cash is available from operations and asset sale. The remaining interest of 1.5% spread over the base rate will be accumulated on a yearly basis payable after the entire principal has been fully paid. The Company was unable to pay the interest due starting on June 30, 2002.

The outstanding penalty charges shall be waived for as long as the Company faithfully complies with the terms and conditions of the MOA. The amount will automatically be charged to the Company as soon as an event of default occurs. In the meantime that the MOA has not yet been finalized, the creditor banks have agreed not to enforce the collection of the amount.

The net proceeds from the sale of MTI assets shall be applied to secured loans. The revenue from operations and proceeds from sale of non-MTI assets exceeding payment of regular interest, interest on accrued interest and net of the Company's general operating expenses shall be distributed pro rata to all creditor banks as payment for accrued interest and principal.

The Term Sheet and MOA make reference to the 1993 Restructuring Agreement, which provides that capital expenditures and other cash operating requirements are subject to certain restrictions and requirements.

With respect to the collateral, the existing MTI will be maintained. In addition, certain properties are offered as additional collateral. It was further agreed that the other terms and conditions of the 1993 Restructuring Agreement will remain in full force and effect.

The Company's secured bank loans consist mainly of peso and US dollar-denominated loans restructured on December 20, 1993. As security for the loans, the Company executed, and is committed to maintain, the MTI in favor of a local bank as trustee for the pari passu and pro rata benefit of the creditors covering all the real properties and assets of the Company's gold and chromite operations.

The Restructuring Agreement also provides for certain restrictions and requirements with respect to, among others, payment of dividends; incurrence or assumption of liabilities; creation of lien on assets; capital or quasi-reorganization; disposal of substantial businesses or properties; investments and capital expenditures; bonuses to management; and extension of loans or advances to any person or subsidiary.

On October 3, 2002, the Company requested the creditor-banks for additional time to settle its obligations pending its formal entry into the Baguio City Bulk Water Project.

On January 19, 2005, the BWD Bids and Award Committee recommended the award of the Baguio City Bulk Water Project to the Company. On August 16, 2005, the Board of Directors of the BWD issued to the Company a Notice of Award of the Bulk Water Supply Project. The Company's proposal is to convert its mined-out 440 Vein Open Pit into a water reservoir with the capability to supply at least 50,000 cubic meters of potable water per day to Baguio City. Finalization of the 25-year water supply contract with the BWD is underway and the Company has formally engaged Deutsche Bank as financial advisor to assist in financing the US$60,000 project (see Note 2).

On October 22, 2009, the Company had submitted a debt settlement proposal to its creditors of record through the Philippine National Bank (PNB) as the trustee under the Restructuring Agreement/Mortgage Trust Indenture. The Company received a certification from PNB, that the Company has not yet been declared under default the RA/MTI. The Company reiterated that it has yet to receive a notice of default, and that the Company is continuing the process of validation with PNB as to who the creditors of record are, and the Company's total financial obligation in accordance with RA 9182, "Special Purpose

Vehicle (SPAV)" law, existing jurisprudence and the signed agreements and with the intent of fully settling its obligations under current market conditions especially as they relate to the SPAV law.

On October 30, 2009, the Company made specific and firm proposals for the settlement of debt, approximately amounting to ₱1.5 billion to the creditors of record through PNB without prejudice to the result of the validation process. On December 17, 2009, the offer was further amended to include specific timeframe for the settlement.

On January 11, 2010, PNB notified the Company that the secured obligation covered by the MTI are due and payable. On the same date, the Company responded and believed that the notice is premature and unnecessary for reasons that the validation process has not yet been completed and there is pending offer for commercial settlement, which the creditors have not responded to.

BMC

On June 21, 1999, BMC and its creditor banks agreed on a moratorium arrangement for the repayment of BMC's outstanding loans and unpaid letters of credit. The moratorium arrangement is contained in a Term Sheet signed by one of the creditor banks of BMC for itself as creditor and as lead bank of BMC. The term sheet is to be formalized in a MOA to be signed by all secured and unsecured bank creditors.

The Term Sheet extends the maturity of the loans and unpaid letters of credit from July 1, 1999 to June 30, 2000, renewable for another year upon payment of annual interest (defined as regular interest and interest on accrued interest) and subject to BMC's faithful compliance with the MOA.

The Term Sheet further provides that interest rate payable is 3.5% spread over 91-day TB rate with quarterly repricing. The interest of 2.5% spread over 91-day TB rate, with 1% back-end recapture, is payable on June 30, 2001 or upon sale of assets, whichever comes first. BMC was unable to pay the interest due in June 2001.

The Term Sheet further provides that interest rate payable is a 3.5% spread over the 91-day TB rate with quarterly repricing. The interest of 2.5% spread over the 91-day TB rate with 1% back-end recapture is payable on June 30, 2001 or upon sale of assets, whichever comes first.

The outstanding penalty charges shall be waived for as long as BMC faithfully complies with the terms and conditions of the MOA. The penalty will automatically be charged to BMC as soon as an event of default occurs, as defined in the MOA.

In the June 15, 2000 meeting with BMC's creditor banks, BMC had proposed various payment schemes to settle its outstanding loans. On August 14, 2001, BMC and its secured creditor banks agreed in principle to a dacion payment covering the mortgaged assets against the entire outstanding secured liabilities of the BMC.

The syndicated loan pertains to borrowings of BMC from local banks, the proceeds of which were used to finance the relocation, modernization and operation of its foundry plant in Alaminos, Laguna. As security for the loans, BMC executed, and is committed to maintain, the MTI in favor of a local bank which acts as trustee for the pari passu and pro rata benefit of the creditors covering the Alaminos land and project costs, machinery and equipment of the foundry plant, and leasehold right and mango property in Zambales. The loan agreements provide for certain restrictions and requirements with respect to payment of dividends, change in business operations, disposal, pledge or transfer of mortgaged properties, extending or granting of loans and/or advances to its subsidiaries or affiliates of more than ₱15,000 other than in the normal course of business, and maintenance of a certain level of current ratio, among others.

On November 12, 2004, the MOA and related documents, particularly the irrevocable special power of attorney coupled with interest and letter agreement have been signed and/or notarized, and delivered to all parties. The MOA pertains to the full settlement of BMC's entire obligation under the MTI. In February 2005, the transfer of assets to the creditor banks was completed. BMC reversed about ₱185,000 in accrued interest and recognized a net book gain on the settlement of debt of ₱86,422.

The bank loans are payable on demand due to the companies' default, thus, classified as current liabilities. Accrued interest and penalties represent cumulative interest and default charges as of December 31, 2009 and 2008. Finance charges on bank loans in 2009, 2008 and 2007 amounted to ₱178,909, ₱207,437 and ₱217,999, respectively.

15. **Trade and Other Payables**

	2009	2008
Trade	**₱197,435**	₱183,768
Accrued expenses and others (see Note 33)	**398,260**	391,324
	₱595,695	₱575,092

Trade payables are noninterest-bearing and are normally settled on 30 to 60-days' terms.

Accrued expenses and other payables are generally paid within two months from reporting date.

16. **Liability for Mine Rehabilitation**

	2009	2008
Balances at beginning of year	**₱10,638**	₱9,186
Accretion (see Note 21)	**1,680**	1,452
Balances at end of year	**₱12,318**	₱10,638

Liability for mine rehabilitation pertains to the projects of BGO, MCO and BAGO.

17. **Capital Stock**

	2009		2008	
	No. of shares	**Amount**	No. of shares	Amount
Authorized				
Convertible Preferred Class "A"	**19,652,912**	**₱67,606**	19,652,912	₱67,606
Common Class "A"	**120,000,000**	**360,000**	120,000,000	360,000
Common Class "B"	**80,000,000**	**240,000**	80,000,000	240,000
Issued				
Convertible Preferred Class "A"	**217,061**	**₱745**	217,061	₱745
Common Class "A"	**93,865,185**	**281,415**	93,865,185	281,415
Common Class "B"	**57,061,697**	**171,185**	57,061,697	171,185
Total shares issued and subscribed	**151,143,943**	**₱453,345**	151,143,943	₱453,345

The two classes of common stock of the Group are identical in all respects, except that ownership of Common Class A is restricted to Philippine nationals.

The convertible preferred stock is limited to Philippine nationals and convertible into Common Class A at a conversion premium of ₱0.14 a share in 2004. Each preferred share is convertible into 3.1625 Common Class A shares as of December 31, 2003. The convertible preferred stock is 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 August 1, 2007, the Company's BOD approved a capital infusion of ₱435 million through a Private Placement Agreement between the Company and its principal stockholders, the Palm Companies. The private placement transaction called for the purchase of 21,874,909 Class A Common shares at ₱11.00 per share and 14,560,000 Class B Common shares at ₱13.35 per share.

On November 5, 2007, the Company received a payment of ₱315 million from Palm Companies. The balance was considered as subscription receivable in the consolidated statement of financial position. As of December 31, 2008, the Company already received the balance of unpaid subscription from Palm Companies.

As of December 31, 2009, 2008 and 2007, the Company has seventeen thousand two hundred eighty (17,280), seventeen thousand four hundred eight (17,408) and seventeen thousand eight hundred eighteen (17,818) number of stockholders, respectively.

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 Company have been reserved for stock options to selected managers, directors and consultants of the 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.

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 nontransferable and are exercisable to the extent of 20% after one year from the date of the grant, 40% after two years from the date of the grant, 60% after three years from the date of the grant, and 100% after four years from the date of the grant. No option is exercisable after 10 years from the date of the grant.

A summary of the number of shares under the Plan is shown below:

	2009	2008	2007
Outstanding at beginning of year	**5,162,400**	5,640,000	6,776,000
Exercised during the year	–	(218,880)	(38,400)
Cancelled during the year	**(440,000)**	(258,720)	(1,097,600)
Outstanding at end of year	**4,722,400**	5,162,400	5,640,000

Prices of outstanding options at grant date:

Class A - April 2006 Grant	₱8.50
Class B - April 2006 Grant	₱29.07

	2009	2008	2007
Average price per share	**₱17.13**	₱17.01	₱16.73
Shares available for future option grants	**2,946,774**	2,506,774	2,248,054

As of December 31, 2009, exercisable option shares after April 6, 2010 are 2,064,960 shares

The 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 on April 6, 2006:

	Class A	Class B
Share price	₱8.5	₱29.07
Exercise price	8.5	29.07
Expected volatility	29.51%	29.51%
Option life	10 years	10 years
Expected dividends	5.38%	5.38%
Risk-free interest rate	10.30%	10.30%

The expected volatility measured at the standard deviation of expected share price returns was based on analysis of share prices for the past 365 days.

Total compensation expense relating to the Stock Option Plan in 2008 and 2007 amounted to ₱9,212, and ₱14,669 respectively.

19. **Cost of Mine Products Sold**

	2009	2008	2007
Materials and supplies	**₱49,954**	₱74,309	₱35,690
Depreciation, depletion and amortization (see Note 23)	**21,971**	21,733	23,252
Personnel expenses (see Note 22)	**16,516**	13,917	28,888
Power	**8,315**	10,506	40,414
Services and other charges	**404**	18,758	23,730
	₱97,160	₱139,223	₱151,974

20. **Cost of Merchandise Sold and Services**

	2009	2008	2007
Inventory	**₱24,617**	₱22,567	₱48,592
Personnel expenses (see Note 22)	**13,599**	13,306	39,069
Outside services	**7,021**	6,306	12,456
Depreciation, depletion and amortization (see Note 23)	**3,037**	3,710	3,779
Repairs and maintenance	**629**	680	6,125
Taxes and licenses	**318**	332	377
Rent	**88**	369	418
Others	**4,368**	7,820	5,038
	₱53,677	₱55,090	₱115,854

Others consist mainly of utilities, insurance and rental expenses, among others.

21. **Selling and General Expenses**

	2009	2008	2007
Personnel expenses (see Note 22)	**₱80,504**	₱91,313	₱80,384
Provision for impairment losses (see Notes 6 and 10)	**27,480**	20,840	39,294
Outside services	**31,315**	16,426	16,912
Communication, light and power	**12,383**	22,532	17,312
Supplies	**3,732**	5,194	1,391
Rent	**2,123**	4,078	1,546
Transportation and travel	**4,290**	929	999
Depreciation, depletion and amortization (see Note 23)	**1,360**	1,000	1,215
Insurance	**156**	102	85
Repairs and maintenance	**2,810**	316	1,117
Others	**9,666**	2,441	2,468
	₱175,819	₱165,171	₱162,723

Others consist mainly of accretion expense for the mine rehabilitation and various administrative expenses, among others.

In 2009, the Group paid Chico River Consultancy and Management Corporation, Balatoc Kalinga Tribe, Inc. and Balatoc Tribe Exploration and Mining Corporation for various expenses incurred in the finalization of the Joint Venture Agreement. Payments made amounted to ₱3,000 and is included as part of "Other expense" account in the consolidated statement of income.

22. Personnel Expenses

	2009	2008	2007
Wages and salaries	**₱79,762**	₱85,736	₱116,073
Benefits and allowances (see Note 29)	**30,857**	32,800	32,268
	₱110,619	₱118,536	₱148,341

The above amounts were distributed as follows:

	2009	2008	2007
Selling and general expenses	**₱80,504**	₱91,313	₱80,384
Cost of mine products sold	**16,516**	13,917	28,888
Cost of merchandise sold and services	**13,599**	13,306	39,069
	₱110,619	₱118,536	₱148,341

23. Depreciation, Depletion and Amortization

	2009	2008	2007
Cost of mine products sold	**₱21,971**	₱21,733	₱23,252
Cost of merchandise sold and services	**3,037**	3,710	3,779
Selling and general expenses	**1,360**	1,000	1,215
	₱26,368	₱26,443	₱28,246

24. Other Income (Charges)

	2009	2008	2007
Foreign currency exchange gains (losses) - net	**₱56,350**	(₱245,886)	₱440,680
Interest income	**2,864**	1,426	8,624
Tax credits	**–**	–	49,749
Others - net	**12,226**	(46,782)	49,373
	₱71,440	(₱291,242)	₱548,426

Others - net consists of income from nickel shipment and sale of property and equipment, among others.

25. **Incentive Bonus Plan**

The Group has an incentive bonus plan which provide for bonus awards, calculated on the basis of net income, to top operating executives, managers and members of the BOD. 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.

No incentive bonuses were paid in 2009, 2008 and 2007.

26. **Employee Stock Ownership Incentive Plan**

The Employee Stock Ownership Incentive Plan (ESOIP), as approved by the stockholders in 1986, allows employees of the Group to buy up to 6 million shares of the Common Class A stock of the Group at either of two prices. If the shares are acquired by the Group 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 Group, 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 Group on behalf of the employees and repaid through salary deduction without interest. Interest shall be shouldered by the Group or the respective subsidiary. The shares acquired by employees under the ESOIP may be subjected to a holding period from the date of purchase.

As of December 31, 2009 and 2008, about 5.4 million shares have been purchased (exclusive of stock dividends issued) under the ESOIP.

In January 1990, the BOD approved the Employees Stock Purchase Plan, which allows the employees of the Group (but excluding directors of the Group) to buy, basically under similar terms and conditions as the ESOIP, 2 million shares of the Common Class A stock of the Group.

The balance of the funds advanced by the Group to the employees pursuant to these plans is shown as part of "Trade and other receivables" account in the consolidated statements of financial position (see Note 6).

The Group has taken advantage of the transitional provisions of PFRS 2 in respect of equity-settled awards and has applied PFRS 2 only to equity-settled awards granted after November 7, 2002 that had not vested on January 1, 2005.

27. **Related Party Disclosures**

Compensation of Key Management Personnel of the Group

In addition to those mentioned in Notes 2, 3, 25 and 26, the Group's related party transactions consist of compensation of key management personnel.

	2009	2008	2007
Salaries	**₱24,143**	₱23,731	₱18,812
Employee benefits	**3,469**	3,485	3,205
	₱27,612	₱27,216	₱22,017

28. Pension Benefits Plans

BC and AFC has a funded, noncontributory trusteed pension benefit plan covering substantially all of its 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 (recognized in selling and general expenses)

	2009	2008	2007
BC			
Current service cost	**₱2,599**	₱2,269	₱1,274
Interest cost	**1,764**	1,247	571
Expected return on plan assets	**(203)**	(230)	(476)
Actuarial loss recognized in the plan year	**210**	267	149
	4,370	3,553	1,518
AFC			
Current service cost	**282**	537	334
Interest cost	**643**	675	302
Actuarial loss recognized in the plan year	**179**	–	113
	1,104	1,212	749
Net pension expense	**₱5,474**	₱4,765	₱2,267

Movements of accrued retirement recognized in the consolidated statements of financial position follow:

	2009			2008		
	BC	**AFC**	**Total**	BC	AFC	Total
Present value of obligation	**₱22,025**	**₱1,902**	**₱23,927**	₱17,377	₱6,143	₱23,520
Fair value of plan assets	**(4,289)**	**–**	**(4,289)**	(3,446)	–	(3,446)
Unfunded status	**17,736**	**1,902**	**19,638**	13,931	6,143	20,074
Unrecognized actuarial gains (losses)	**(5,557)**	**1,332**	**(4,225)**	(6,122)	(4,013)	(10,135)
	₱12,179	**₱3,234**	**₱15,413**	₱7,809	₱2,130	₱9,939

Changes in the present value of defined benefit obligation follow:

	2009			2008		
	BC	**AFC**	**Total**	BC	AFC	Total
Balance at beginning of year	**₱17,377**	**₱6,143**	**₱23,520**	₱15,469	₱6,449	₱21,918
Interest cost	**1,764**	**643**	**2,407**	1,247	675	1,922
Current service cost	**2,599**	**282**	**2,881**	2,269	537	2,806
Benefits paid	**–**	**–**	**–**	–	(1,518)	(1,518)
Actuarial losses (gains)	**285**	**(5,166)**	**(4,881)**	(1,608)	–	(1,608)
	₱22,025	**₱1,902**	**₱23,927**	₱17,377	₱6,143	₱23,520

Changes in the fair value of plan assets of BC follow:

	2009	2008
Balance at beginning of year	₱3,446	₱3,993
Expected return	203	230
Actuarial gains (losses)	640	(777)
Balance at end of year	₱4,289	₱3,446

	2009	2008	2007
Actual return on plan assets	₱236	₱546	₱173

The plan assets of BC comprised mostly of investments in shares of stock and fixed income securities as of December 31, 2009 and 2008.

BC expects to contribute ₱8,422 to the defined benefits retirement plan in 2010 while AFC does not expect to contribute in 2010.

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

The principal assumptions used in determining the "Accrued retirement benefits" for the Group's plans are shown below.

	BC		AFC	
	2009	2008	2009	2008
Discount rate	10.15%	8.06%	9.75%	10.47%
Expected rate of return	5.00%	5.00%	–	–
Salary increase rate	12.00%	12.00%	5.00%	10.00%

Amounts for the current and previous four years for BC are as follows:

	2009	2008	2007	2006	2005
Present value of defined benefit obligation	₱22,025	₱17,377	₱15,469	₱8,948	₱8,045
Fair value of plan assets	4,289	3,446	3,993	3,820	3,142
Funded (unfunded) status	(17,736)	(13,931)	(11,476)	5,128	4,903
Experience adjustments on:					
Plan assets	33	(170)	–	1,493	–
Plan liabilities	285	(1,608)	–	4,022	–
Actual return (loss) on plan assets	236	546	173	1,697	224

Amounts for the current and previous four years for AFC are as follows:

	2009	2008	2007	2006	2005
Present value of benefit obligation	₱1,902	₱6,143	₱6,449	₱12,957	₱10,687
Experience adjustments on Plan liabilities	1,332	(4,013)	(4,013)	925	–

29. **Income Taxes**

The components of the Group's deferred income tax assets and liabilities are as follows:

	2009	2008
Deferred income tax assets:		
NOLCO	**₱5,540**	₱7,251
Allowance for impairment losses	**2,366**	1,047
Accrued retirement benefits	**970**	639
MCIT	**156**	443
Difference between tax and book basis of accounting for real estate transactions	**83**	–
	9,115	9,380
Deferred income tax liabilities:		
Revaluation increment in land	**691,280**	691,280
Capitalized interest	**108,737**	123,452
Excess of accelerated deduction of mining exploration and development costs over depletion and exploration costs written-off	**108,174**	108,678
Investment property	**38,179**	38,179
Cumulative translation adjustments	**18,008**	18,410
Excess of accelerated depreciation over normal depreciation of property, plant and equipment and others	**52,820**	59,746
	1,017,198	1,039,745
	₱1,008,083	₱1,030,365

The Group has deductible temporary differences, unused NOLCO and MCIT for which no deferred income tax assets were recognized as it is not probable that sufficient taxable profit will be available against which the benefit of the deferred income tax assets can be utilized. These are as follows:

	2009	2008
Allowance for inventory losses, impairment losses and others	**₱917,604**	₱898,039
NOLCO	**821,292**	943,433
Reserve for impairment losses on mining properties and mine development costs	**888,898**	888,898
Unrealized foreign exchange losses	**952,706**	1,009,056
Liability for mine rehabilitation	**12,318**	10,638
Accrued retirement benefits	**15,413**	10,638
MCIT	**412**	180

As of December 31, 2009, the Group has NOLCO and MCIT that can be claimed against future taxable income and income tax liabilities, respectively, as follows:

Year Incurred	Year of Expiration	NOLCO	MCIT
2007	2010	₱323,762	₱112
2008	2011	288,713	208
2009	2012	227,284	248
		₱839,759	₱568

Movements of NOLCO follow:

	2009	2008
Balances at beginning of year	**₱969,603**	₱1,047,602
Additions	**227,284**	290,609
Expiration	**(357,128)**	(368,608)
Balances at end of year	**₱839,759**	₱969,603

Movements of MCIT follow:

	2009	2008
Balances at beginning of year	**₱623**	₱946
Additions	**248**	120
Expiration	**(303)**	(443)
Balances at end of year	**₱568**	₱623

The reconciliation of income tax computed at the statutory tax rates to benefit from income tax shown in the consolidated statements of income is summarized as follows:

	2009	2008	2007
Income tax computed at statutory tax rates	**(₱61,371)**	(₱183,945)	₱68,167
Changes in unrecognized deferred income tax assets and others	**42,098**	141,886	(144,558)
Benefit from income tax	**(₱19,273)**	(₱42,059)	(₱76,391)

Republic Act (RA) No. 9337
In accordance with RA No. 9337, the statutory income tax rate is reduced from 35% to 30% and unallowable interest expense rate from 42% to 33% beginning January 1, 2009.

30. Earnings (Loss) Per Share Computation

	2009	2008	2007
Net income (loss)	**(₱185,296)**	(₱483,499)	₱271,154

Number of shares for computation of:

	2009	2008	2007
Basic earnings (loss) per share			
Weighted average common shares issued	**151,143,943**	151,049,356	117,284,000
Less treasury stock	**116,023**	116,023	116,023
Weighted average common shares outstanding	**151,027,920**	150,933,333	117,167,977

	2009	2008	2007
Diluted earnings (loss) per share			
Weighted average common shares issued	**151,143,943**	151,049,356	117,284,000
Less treasury stock	**116,023**	116,023	116,023
	151,027,920	150,933,333	117,167,977
Exercise of stock option	–	–	5,640,000
Conversion of preferred stock	–	–	692,591
Weighted average common shares outstanding	**151,027,920**	150,933,333	123,500,568
Basic earnings (loss) per share	**(₱1.23)**	(₱3.20)	₱2.31
Diluted earnings (loss) per share	**(₱1.23)**	(₱3.20)	₱2.20

During 2009 and 2008, since the Group is in a net loss position, the stock option and convertible preferred stock are antidilutive and are ignored in the calculation of diluted loss per share; therefore, the basic and diluted loss per share are the same.

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of completion of these consolidated financial statements.

31. Segment Information

As discussed in Note 3 to the financial statements, the Company has adopted PFRS 8 with effect from January 1, 2009. PFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker.

For management purposes, the Group's operating segments is determined to be business segments as the risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The mining segment is engaged in exploration and chromite and gold mining operations.

The foundry segment is engaged in the production of a wide range of alloys - manganese, chrome moly, stainless steel, carbon steel and cast iron for cast parts.

The trucking and warehousing segment is engaged in logistics services to the supply-chain requirements of various industries.

The other segments are engaged in research, development 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 (loss) before income tax 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 for the years ended December 31, 2009, 2008 and 2007:

2009

	Mining	Foundry	Trucking and Warehousing	Others	Total	Eliminations	Consolidated
Revenue							
External customer	₱209,631	₱117	₱18,646	₱12,155	₱240,549	₱–	₱240,549
Interest income	1,188	2	–	1,674	2,864	–	2,864
Inter-segment	–	1,774	2,210	–	3,984	(3,984)	–
Other income	110,698	3,805	2,243	1,987	118,733	–	118,733
	321,517	5,698	23,099	15,816	366,130	(3,984)	362,146
Cost and Expenses							
Interest expense	174,642	3,752	515	–	178,909	–	178,909
Direct cost	128,187	2,488	19,191	9,436	159,302	(3,984)	155,318
Selling and general expenses	112,352	2,825	3,409	5,717	124,303	–	124,303
Accretion expense	1,680	–	–	–	1,680	–	1,680
Impairment losses	15,011	2,368	4,502	5,571	27,452		27,452
Depreciation, depletion and amortization	22,015	12	3,638	703	26,368	–	26,368
Taxes on revenue	2,528	–	–	–	2,528	–	2,528
Other expenses	50,157	–	–	–	50,157	–	50,157
	506,572	11,445	31,255	21,427	570,699	(3,984)	566,715
Benefit from income tax							
Current	1,927	45	88	547	2,607	–	2,607
Deferred	(21,079)	–	(834)	33	(21,880)	–	(21,880)
	(19,152)	45	(746)	580	(19,273)	–	(19,273)
Net loss	₱165,903	₱5,792	₱7,410	₱6,191	₱185,296	₱–	₱185,296
Operating assets	₱4,281,501	₱279,411	₱81,898	₱460,557	₱5,103,367	(₱1,512,418)	₱3,590,949
Operating liabilities	₱5,670,024	₱215,453	₱44,462	₱144,053	₱6,073,992	(₱705,251)	₱5,368,741
Other disclosure							
Capital expenditure	₱14,540	₱–	₱–	₱–	₱14,540	₱–	₱14,540

2008

	Mining	Foundry	Trucking and Warehousing	Others	Total	Eliminations	Consolidated
Revenue							
External customer	₱248,425	₱–	₱31,517	₱15,078	₱295,020	₱–	₱295,020
Interest income	–	4,476	3	–	4,479	(3,053)	1,426
Other income	43,785	5,332	719	23,196	73,032	–	73,032
	292,210	9,808	32,239	38,274	372,531	(3,053)	369,478
Cost and Expenses							
Interest expense	206,722	4,017	1,008	–	211,747	–	211,747
Direct cost	139,807	–	31,833	–	171,640	(3,053)	168,587
Selling and general expenses	125,163	4,460	8,524	24,572	162,719	–	162,719
Accretion expense	1,452	–	–	–	1,452	–	1,452
Impairment losses	11,340	6,219	–	3,281	20,840		20,840
Depreciation, depletion and amortization	22,129	9	216	4,089	26,443	–	26,443
Taxes on revenue	3,586	–	–	–	3,586	–	3,586
Other expenses	298,555	825	282	–	299,662	–	299,662
	808,754	15,530	41,863	31,942	898,089	–	895,036
Benefit from income tax							
Current	–	59	58	38	155	–	155
Deferred	(41,658)	–	(1,023)	467	(42,214)	–	(42,214)
	(41,658)	59	(965)	505	(42,059)	–	(42,059)
Net loss (income)	₱474,886	₱5,781	₱8,659	(₱5,827)	₱483,499	₱–	₱483,499
Operating assets	₱367,683	₱276,570	₱107,951	₱3,803,879	₱4,556,083	(₱927,987)	₱3,628,096
Operating liabilities	₱427,200	₱220,469	₱73,666	₱4,774,739	₱5,496,074	(₱256,368)	₱5,239,706
Other disclosure							
Capital expenditure	₱37,619	₱–	₱1,368	₱–	₱38,987	₱–	₱38,987

2007

	Mining	Foundry	Trucking and Warehousing	Others	Total	Eliminations	Consolidated
Revenue							
External customer	₱214,264	₱–	₱41,055	₱38,465	₱293,784	₱–	₱293,784
Interest income	–	3,793	9	–	3,802	–	3,802
Other income	540,972	8,556	406	411	550,345	–	550,345
	755,236	12,349	41,470	38,876	847,931	–	847,931
Cost and Expenses							
Interest expense	214,213	3,285	501	–	217,999	–	217,999
Direct cost	133,781	6	42,921	24,685	201,393	–	201,393
Selling and general expenses	133,843	14,024	8,969	3,419	160,255	–	160,255
Accretion expense	1,253	–	–	–	1,253	–	1,253
Impairment losses	33,217	5,172	1,316	–	39,705		39,705
Depreciation, depletion and amortization	23,557	8	177	4,504	28,246	–	28,246
Taxes on revenue	1,849	–	–	–	1,849	–	1,849
Other expenses	–	26	227	2,215	2,468	–	2,468
	541,713	22,521	54,111	34,823	653,168	–	653,168

(Forward)

	Mining	Foundry	Trucking and Warehousing	Others	Total	Eliminations	Consolidated
Benefit from income tax							
Current	₱–	₱–	₱12	₱167	₱179	₱–	₱179
Deferred	(73,411)	–	(3,334)	175	(76,570)	–	(76,570)
	(73,411)	–	(3,322)	342	(76,391)	–	(76,391)
Net loss (income)	(₱286,934)	₱10,172	₱9,319	(₱3,711)	(₱271,154)	₱–	(₱271,154)
Operating assets	₱343,322	₱276,889	₱114,041	₱3,675,732	₱4,409,984	(₱973,040)	₱3,436,944
Operating liabilities	₱918,322	₱202,754	₱61,083	₱3,815,544	₱4,997,703	(₱339,531)	₱4,658,172

Capital expenditures consist of additions to property, plant and equipment.

32. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise unsecured and secured bank loans. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group has financial instruments such as cash and cash equivalents, trade and other receivables and trade and other payables, which arise directly from its operations. Other financial instrument includes AFS investments.

The risks arising from the Group's financial instruments are liquidity risk, credit risk, interest rate risk, foreign currency risk and equity price risk. The BOD reviews and agrees policies for managing each of these risks and they 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 instruments. 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 its liquidity in managing its immediate financial requirements.

As of December 31, 2009 and 2008, cash and cash equivalents may be withdrawn anytime while quoted AFS investments may be converted to cash by selling them during the normal trading hours in any business day.

The tables below summarize the maturity profile of the Group's financial liabilities as of December 31, 2009 and 2008:

2009	**On demand**	**More than 90 days**	**Total**
Bank loans	**₱3,694,175**	**₱380**	**₱3,694,555**
Trade and other payables	**–**	**588,274**	**588,274**
Total	**₱3,694,175**	**₱588,654**	**₱4,282,829**

2008	On demand	More than 90 days	Total
Bank loans	₱3,577,738	₱–	₱3,577,738
Trade and other payables	–	575,092	575,092
Total	₱3,577,738	₱575,092	₱4,152,830

Credit Risk
Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its customers and counterparties to fulfill their obligations on maturity dates or due to adverse market conditions.

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. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from other financial assets of the Group, which comprise of cash and cash equivalents and AFS investments, 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 component of the consolidated financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	2009	2008
Cash and cash equivalents		
Cash with banks	**₱18,935**	₱51,983
Short-term investments	**10,105**	75,315
Trade and other receivables		
Trade	**60,150**	68,807
Others	**71,195**	62,865
AFS investments		
Quoted	**11,741**	1,345
Unquoted	**5,119**	5,119
Total credit risk exposure	**₱177,245**	₱265,434

The table below shows the credit quality by class of financial assets based on the Group's rating:

	Neither Past Due Nor Impaired				
2009	**High Grade**	**Standard Grade**	**Past Due But Not Impaired**	**Impaired**	**Total**
Cash and cash equivalents					
Cash with banks	**₱18,935**	**₱–**	**₱–**	**₱–**	**₱18,935**
Short-term investments	**10,105**	**–**	**–**	**–**	**10,105**
Trade and other receivables					
Trade	**765**	**11,352**	**78,331**	**34,290**	**124,738**
Employee stock incentive ownership plan	**–**	**–**	**–**	**58,416**	**58,416**
Others	**1,086**	**31,960**	**7,851**	**48,323**	**89,220**
Total credit risk exposure	**₱30,891**	**₱43,312**	**₱86,182**	**₱141,029**	**₱301,414**

2008	Neither Past Due Nor Impaired		Past Due But Not Impaired	Impaired	Total
	High Grade	Standard Grade			
Cash and cash equivalents					
Cash with banks	₱51,983	₱–	₱–	₱	₱51,983
Short-term investments	75,315	–	–	–	75,315
Trade and other receivables					
Trade	1,024	12,837	54,946	24,662	93,469
Employee stock incentive ownership plan	–	–	–	58,416	58,416
Others	959	28,221	33,685	36,929	99,794
Total credit risk exposure	₱129,281	₱41,058	₱88,631	₱120,007	₱378,977

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 insolvency.

b. Trade receivables, which pertain mainly to receivables from sale of chromite ore, 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 of December 31, 2009 and 2008.

The table below shows an aging analysis of trade and other receivables:

December 31, 2009

	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		Less than 30 days past due	**30 to 60 days past due**	**More than 60 days past due**		
Trade	**₱12,117**	**₱2,048**	**₱956**	**₱75,327**	**₱34,290**	**₱124,738**
Employee stock incentive ownership plan	**–**	**–**	**–**	**–**	**58,416**	**58,416**
Others	**33,046**	**2,725**	**1,439**	**3,687**	**48,323**	**89,220**
	₱45,163	**₱4,773**	**₱2,395**	**₱79,014**	**₱141,029**	**₱272,374**

December 31, 2008

	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		Less than 30 days past due	30 to 60 days past due	More than 60 days past due		
Trade	₱13,861	₱1,619	₱1,264	₱52,063	₱24,662	₱93,469
Employee stock incentive ownership plan	–	–	–	–	58,416	58,416
Others	29,180	2,730	1,463	29,492	36,929	99,794
	₱43,041	₱4,349	₱2,727	₱81,555	₱120,007	₱251,679

Market Risks

Interest Rate Risk

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. As of December 31, 2009 and 2008, the Group's bank loans are based on floating rates. The Group regularly monitors their interest due to exposure from interest rates movements.

The Group's secured and unsecured bank loans are both 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 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:

2009	**Change in interest rates (in basis points)**	**Sensitivity of pretax income**
PhP	**+100**	**(₱8,401)**
PhP	**-100**	**8,401**
USD	**+100**	**(29,976)**
USD	**-100**	**29,976**

2008	Change in interest rates (in basis points)	Sensitivity of pretax income
PhP	+100	(₱8,640)
PhP	-100	8,640
USD	+100	(29,375)
USD	-100	29,375

There is no other impact on the Group's equity other than those already affecting the consolidated statements 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 50 (100) basis points for USD LIBOR and 50 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 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 beneficiated chrome ore and the purchase of certain goods and services denominated in USD. All sales of gold are denominated in USD. 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 USD and the Philippine peso. The Group does not generally believe that active currency hedging would provide long-term benefits to stockholders.

The Group's foreign currency-denominated monetary assets and liabilities as of December 31 follow:

	2009		2008	
	USD	**Peso Equivalent**	USD	Peso Equivalent
Asset				
Cash	**$101**	**₱4,666**	$219	₱10,407
Liabilities				
Trade and other payables	**21,761**	**1,005,358**	20,321	965,854
Secured bank loans	**18,183**	**840,055**	18,183	864,065

As of December 31, 2009 and 2008, the exchange rates of the Philippine peso to the USD are ₱46.20 and ₱47.52, respectively.

The sensitivity to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's income before income tax as of December 31, 2009 and 2008 is as follows:

		Sensitivity of pretax income
2009	Strengthen by 1	**(₱39,843)**
	Weakens by 1	**39,843**
2008	Strengthen by 1	(38,285)
	Weakens by 1	38,285

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 Group's investment in quoted AFS investments.

The effects on equity as a result of a change in the fair value of AFS equity instruments as of December 31, 2009 and 2008 due to a reasonably possible change in bid market price, with all other variables held constant, are as follows:

	Change in fair market value	
	Fair value increases 5%	Fair value decreases by 5%
Increase (decrease) in other comprehensive income and in equity		
2009	**₱587**	**(₱587)**
2008	67	(67)

Fair Values of Financial Instruments
Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale.

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 of December 31, 2009 and 2008:

	Carrying Amounts		Fair Values	
	2009	2008	**2009**	2008
Financial Assets:				
Loans and receivables:				
Cash and cash equivalents				
Cash on hand and with banks	**₱19,778**	₱52,668	**₱19,778**	₱52,668
Short-term investments	**10,105**	75,315	**10,105**	75,315
Trade and other receivables				
Trade	**90,448**	68,807	**90,448**	68,807
Others	**40,897**	62,865	**40,897**	62,865
	161,228	259,655	**161,228**	259,655
AFS investments:				
Quoted	**11,741**	1,345	**11,741**	1,345
Unquoted	**5,119**	5,119	**5,119**	5,119
	16,860	6,464	**16,860**	6,464
	₱178,088	₱266,119	**₱178,088**	₱266,119
Financial Liabilities:				
Other financial liabilities:				
Trade and other payables	**₱588,274**	₱575,092	**₱588,274**	₱575,092
Bank loans	**3,694,555**	3,577,738	**3,694,555**	3,577,738
Equity of claimowner in contract operations	**49,136**	35,299	**49,136**	35,299
	₱4,331,965	₱4,188,129	**₱4,331,965**	₱4,188,129

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 and Other Receivables, and Trade and Other Payables
The fair values of these instruments approximate their carrying amounts as of reporting date due to the short-term nature of their transactions.

AFS Investments
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 investments cannot be reliably measured and accordingly measured at cost, net of impairment.

Bank Loans
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 the fair values.

Fair Value Hierarchy
The Group's quoted AFS investments amounting to ₱11,741 as of December 31, 2009 are measured under Level 1 of the fair value hierarchy. The Group has no financial instruments measured at fair value under levels 2 and 3 of fair value hierarchy. As allowed by the new disclosure requirements in 2009 by PFRS 7, the Group is exempted from disclosing comparative information with respect to fair value hierarchy.

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 ensure that the Group has available funds in order to continuously operate and support its exploration activities. The Group has no externally imposed capital requirements.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may obtain additional advances from stockholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2009, 2008 and 2007.

The following table summarizes the total capital considered by the Group:

	2009	2008
Capital stock	**₱453,345**	₱453,345
Capital surplus	**1,032,817**	1,032,817
Cost of share-based payments	**43,148**	43,148
	₱1,529,310	₱1,529,310

33. **Agreements, Contingencies and Other Matter**

Agreements/Contingencies

a. The 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 May 23, 1995, Benguet-Pantukan Gold Corporation (BPGC) entered into a Royalty Agreement with Option to Purchase (Agreement) with Pantukan Mineral Corporation (PMC). Under this Agreement, BPGC is allowed to perform exploration, development and mining activities over the mining properties of PMC, located in Pantukan Davao del Norte and Davao Oriental. BPGC shoulders all the expenses on such activities. PMC is entitled to royalty calculated on the bases as specified in the Agreement.

   BPGC also has the option to purchase the mining properties from PMC during the effectivity of the Agreement. As of December 31, 2009, the Agreement is still in effect.

c. On December 18, 2009, the Company entered into a letter agreement with Hunter Dickinson Acquisitions, Inc. (Hunter), a British Columbia company, for a potential joint venture arrangement in the exploration and if warranted, the development and commercial operation of the Batong Buhay Project subject to due diligence investigation. To earn its 50% ownership interest in the JV, Hunter will have to undertake a series of milestone payments to the Balatoc Kalinga Tribe, Inc. and Balatoc Tribe Exploration and Mining Corporation (Tribe) and the Philippine Mineral Development Council (PMDC) based on the deliverable of government permits, clearances and approvals. The first milestone payment became due on December 23, 2009 and was paid to the Tribe which amount Hunter advanced to the Company.

Other

The foreign exchange rates used in translating the USD accounts of foreign subsidiaries to Philippine peso were ₱46.20 in 2009 and ₱47.52 in 2008 for the consolidated statement of financial position accounts and ₱47.64 in 2009, ₱44.47 in 2008 and ₱46.18 in 2007 for income and expense accounts.

Benguet Corporation

Parent Company Financial Statements
As of December 31, 2009 and 2008
and for Each of the Three Years in the Period Ended
December 31, 2009

and

Independent Auditors' Report

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Benguet Corporation

We have audited the accompanying financial statements of Benguet Corporation, which comprise the parent company statements of financial position as at December 31, 2009 and 2008, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in capital deficiency and parent company statements of cash flows for each of the three years in the period ended December 31, 2009 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of Benguet Corporation as of December 31, 2009 and 2008, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2009 in accordance with Philippine Financial Reporting Standards.

Without qualifying our opinion, we draw attention to Note 2 to the parent company financial statements, which indicate that the Company incurred cumulative net losses. In addition, as discussed in Note 14 to the parent company financial statements, the Company was unable to pay its maturing bank loans and related interest, which are subject to negotiations with creditor banks. These conditions, along with other matters as set forth in Note 2 to the parent company financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

SYCIP GORRES VELAYO & CO.

John T. Villa

John T. Villa
Partner
CPA Certificate No. 94065
SEC Accreditation No. 0783-A
Tax Identification No. 901-617-005
PTR No. 2087582, January 4, 2010, Makati City

March 29, 2010

BENGUET CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands, Except Number of Shares)

	December 31	
	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱6,432**	₱65,933
Trade and other receivables (Note 6)	**243,262**	198,508
Inventories (Note 7)	**7,724**	2,728
Other current assets (Note 8)	**10,417**	9,566
Total Current Assets	**267,835**	276,735
Noncurrent Assets		
Investments (Note 9)	**607,438**	597,438
Available-for-sale (AFS) investments (Note 10)	**1,276**	1,198
Property, plant and equipment (Note 11)		
At revalued amounts - land	**2,230,069**	2,236,143
At cost	**168,209**	175,640
Deferred exploration costs (Notes 2 and 12)	**517,974**	447,758
Other noncurrent assets (Note 13)	**96,776**	100,620
Total Noncurrent Assets	**3,621,742**	3,558,797
TOTAL ASSETS	**₱3,889,577**	₱3,835,532
LIABILITIES AND CAPITAL DEFICIENCY		
Current Liabilities		
Bank loans (Note 14)	**₱3,528,505**	₱3,410,213
Trade and other payables (Note 15)	**734,867**	641,808
Total Current Liabilities	**4,263,372**	4,052,021
Noncurrent Liabilities		
Deferred income tax liabilities (Note 28)	**938,922**	960,002
Liability for mine rehabilitation (Note 16)	**12,318**	10,638
Accrued retirement (Note 27)	**12,179**	7,809
Equity of claimowner in contract operations	**49,136**	35,299
Total Noncurrent Liabilities	**1,012,555**	1,013,748
Total Liabilities	**5,275,927**	5,065,769
Capital Deficiency		
Capital stock (Notes 17, 18 and 25)	**453,525**	453,525
Capital surplus	**1,032,818**	1,032,818
Other components of equity:		
Revaluation increment in land (Note 11)	**1,561,048**	1,561,048
Cost of share-based payment (Note 18)	**43,148**	43,148
Unrealized gain (loss) on AFS investments (Note 10)	**68**	(10)
Deficit (Note 2)	**(4,468,941)**	(4,312,750)
	(1,378,334)	(1,222,221)
Less cost of 116,023 shares held in treasury	**(8,016)**	(8,016)
Total Capital Deficiency	**(1,386,350)**	(1,230,237)
TOTAL LIABILITIES AND CAPITAL DEFICIENCY	**₱3,889,577**	₱3,835,532

See accompanying Notes to Parent Company Financial Statements.

BENGUET CORPORATION

PARENT COMPANY STATEMENTS OF INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2009	2008	2007
REVENUES			
Sales of mine products	**₱165,646**	₱248,425	₱214,264
Services and others	**43,985**	43,785	37,712
	209,631	292,210	251,976
OPERATING COSTS AND EXPENSES			
Selling, general and administrative (Note 19)	**137,627**	137,955	168,313
Cost of mine products sold (Note 20)	**98,934**	139,223	141,684
Cost of services and others (Note 21)	**33,237**	19,660	15,654
Taxes on revenue	**2,528**	3,586	1,849
	272,326	300,424	327,500
FINANCING CHARGES - Net (Note 23)	**174,642**	206,722	214,213
OTHER INCOME (CHARGES) - Net (Note 23)	**61,929**	(298,555)	503,260
INCOME (LOSS) BEFORE INCOME TAX	**(175,408)**	(513,491)	213,523
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 28)			
Current	**1,863**	–	–
Deferred	**(21,080)**	(41,658)	(73,411)
	(19,217)	(41,658)	(73,411)
NET INCOME (LOSS)	**(₱156,191)**	(₱471,833)	₱286,934

See accompanying Notes to Parent Company Financial Statements.

BENGUET CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2009	2008	2007
NET INCOME (LOSS)	**(₱156,191)**	(₱471,833)	₱286,934
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealized gain (loss) on AFS investments	**78**	(101)	91
Revaluation increment in land	**–**	–	338,797
Cost of share-based payment	**–**	9,212	14,669
	78	9,111	353,557
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱156,113)**	(₱462,722)	₱640,491

See accompanying Notes to Parent Company Financial Statements.

BENGUET CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Amounts in Thousands)

	Capital Stock	Capital Surplus	Subscription Receivable	Revaluation Increment in Land	Cost of Share-Based Payment (Note 18)	Unrealized Gain (Loss) on AFS Investments	Deficit	Treasury Stock	Total
Balances at January 1, 2007	**₱343,437**	**₱704,552**	**₱–**	**₱1,222,251**	**₱19,267**	**₱–**	**(₱4,127,851)**	**(₱8,016)**	**(₱1,846,360)**
Stock subscription	109,305	325,695	(120,000)	–	–	–	–	–	315,000
Net income for the year	–	–		–	–	–	286,934	–	286,934
Other comprehensive income	–	–	–	338,797	14,669	91	–	–	353,557
Total comprehensive income	–	–	–	338,797	14,669	91	286,934	–	640,491
Balances at December 31, 2007	**452,742**	**1,030,247**	**(120,000)**	**1,561,048**	**33,936**	**91**	**(3,840,917)**	**(8,016)**	**(890,869)**
Stock subscription	783	2,571	120,000	–	–	–	–	–	123,354
Net loss for the year	–	–	–	–	–	–	(471,833)	–	(471,833)
Other comprehensive income (loss)	–	–	–	–	9,212	(101)	–	–	9,111
Total comprehensive income (loss)	–	–	–	–	9,212	(101)	(471,833)	–	(462,722)
Balances at December 31, 2008	**453,525**	**1,032,818**	**–**	**1,561,048**	**43,148**	**(10)**	**(4,312,750)**	**(8,016)**	**(1,230,237)**
Net loss for the year	–	–	–	–	–	–	(156,191)	–	(156,191)
Other comprehensive income (loss)	–	–	–	–	–	78	–	–	78
Total comprehensive income (loss)	–	–	–	–	–	78	(156,191)	–	(156,113)
Balances at December 31, 2009	**₱453,525**	**₱1,032,818**	**₱–**	**₱1,561,048**	**₱43,148**	**₱68**	**(₱4,468,941)**	**(₱8,016)**	**(₱1,386,350)**

See accompanying Notes to Parent Company Financial Statements.

BENGUET CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**(₱175,408)**	(₱513,491)	₱213,523
Adjustments for:			
Interest expense (Note 23)	**174,642**	206,722	214,213
Depreciation, depletion and amortization (Note 11)	**21,971**	22,129	23,557
Impairment loss (Note 19)	**15,011**	–	10,852
Accretion expense (Note 16)	**1,680**	1,452	1,253
Unrealized foreign exchange losses (gains) - net (Note 23)	**(56,350)**	239,495	(441,148)
Gain on sale of property (Note 11)	**(47,596)**	–	–
Interest income	**(1,172)**	(673)	(304)
Cost of share-based payment (Note 18)	**–**	9,212	14,669
Operating income (loss) before working capital changes	**(67,222)**	(35,154)	36,615
Decrease (increase) in:			
Trade and other receivables	**(59,765)**	(48,038)	4,698
Inventories	**(4,996)**	(1,414)	24,643
Other current assets	**(2,714)**	44,272	(23,783)
Increase (decrease) in:			
Trade and other payables	**93,059**	265,154	(266,168)
Accrued retirement	**4,370**	3,553	1,518
Net cash from (used in) operations	**(37,268)**	228,373	(222,477)
Interest received	**1,172**	673	304
Net cash from (used in) operating activities	**(36,096)**	229,046	(222,173)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property	**53,670**	–	–
Decrease (increase) in:			
Deferred exploration costs (Note 12)	**(70,216)**	(276,024)	(98,026)
Investments	**(10,000)**	–	–
Other noncurrent assets	**3,844**	(200)	55,611
Additions to property, plant and equipment (Note 11)	**(14,540)**	(38,165)	(14,564)
Net cash used in investing activities	**(37,242)**	(314,389)	(56,979)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in equity of claimowners in contract operations	**13,837**	1,347	(15,587)
Proceeds from issuance of shares of stock	**–**	123,354	315,000
Net cash from financing activities	**13,837**	124,701	299,413
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(59,501)**	39,358	20,261
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**65,933**	26,575	6,314
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱6,432**	₱65,933	₱26,575

See accompanying Notes to Parent Company Financial Statements.

1. Corporate Information

Benguet Corporation (BC; the Company; parent company) was incorporated in the Philippines on August 12, 1903.

On June 18, 1956 and June 19, 2006, the Securities and Exchange Commission (SEC) approved the extension of the Company's corporate life for another 50 years. The Company is engaged in chromite, gold and other metallic and nonmetallic mining and production, exploration, research and development and water projects. Its registered office address is 7th Floor, Universal Re Building, 106 Paseo de Roxas, Makati City.

The accompanying parent company financial statements were authorized for issue by the Board of Directors (BOD) on March 29, 2010.

2. Status of Operations and Management Plans

As shown in the accompanying parent company financial statements, the Company incurred cumulative losses of ₱4.5 billion and ₱4.3 billion in 2009 and 2008, respectively, which resulted to a capital deficiency of ₱1.4 billion and ₱1.2 billion as of December 31, 2009 and 2008, respectively. As of these dates, the Company's current liabilities exceeded its current assets by ₱4.0 billion and ₱3.8 billion, respectively. In addition, the Company was unable to pay its maturing bank loans and related interests of ₱3.5 billion and ₱3.4 billion as of December 31, 2009 and 2008, respectively. These conditions, among others, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The parent company financial statements do not include any adjustment relating to the recoverability and classification of asset carrying amounts or the amounts and classification of liabilities that might result should the Company be unable to continue as a going concern.

Management Plans
In order to address the capital deficiency of the Company and to comply with the continued listing requirements of the Philippine Stock Exchange (PSE), the BOD approved on August 1, 2007 a Private Placement Agreement between the Company and its principal stockholders, Palm Avenue Holding Company, Inc. and Palm Avenue Realty and Development Company (the "Palm Group").

As further discussed in Note 17 to the parent company financial statements, on November 15, 2007, the Company received payment of ₱435.0 million from the Palm Group. The funds received are to be utilized for various mining projects. Part of the funds served as starting capital to bring into operation the Sta. Cruz Nickel Project (SCNP) and Balatoc Tailings Project (BTP).

In 2009, the Company has chosen to prioritize the SCNP with the vision that the success of the project would serve as a catalyst for the development of other mining projects down the line. The Company expects to select the best option for the development of the Kingking copper-gold project. The Company will work to achieve higher gold production in its Acupan Contract Mining Project (ACMP) and pursue its due diligence study for the BTP. The Company will reassess its direction on the Baguio City Bulk Water Supply Project.

Debt Repayment Plan

On June 11, 1999, the Company reached an agreement with its creditor-banks on the repayment of its outstanding loans. A Term Sheet was signed extending the maturity of the Company's loans up to June 30, 2000, with automatic renewal every anniversary up to the year 2002, upon payment of annual interest. The Company was able to settle major portions of the interest due on June 30, 2000 through a combination of cash and tax credit certificates (TCCs). The Company wrote the banks and offered to settle the annual interest due on June 30, 2001 and 2002 via TCCs. A majority of the banks indicated their acceptance, but the Company deferred its payment of maturing principal due on June 30, 2002. In its letter to the banks dated October 3, 2002, the Company requested for additional time to settle its obligations pending its formal entry into the Baguio City Bulk Water Supply Project. On October 22 and 30, 2009, the Company offered to settle its outstanding loans, without prejudice to the validation process. As of December 31, 2009 and 2008, the Company's loans subject of the repayment plan amounted to ₱3.5 billion and ₱2.9 billion, respectively, inclusive of interest. If management is unsuccessful in this respect, consideration will be given to the sale of the assets included in the Company's Mortgage Trust Indenture (MTI) (see Note 14).

Project Developments

Significant developments of the Company's projects follow:

a. Mining Projects

Masinloc Chromite Operation (MCO)

From 1934 to 2007, the Company managed the MCO under an operating agreement with claimowner, Consolidated Mines, Inc. (CMI). With the expiration of the operating contract last July 8, 2007, the Company and CMI are in discussion for the transfer to the latter of the Mineral Production Sharing Agreement (MPSA) and liquidation of assets.

Benguet Gold Operation (BGO)

The Company's BGO in Itogon, Benguet Province, consisting of the Acupan and Kelly underground mines, has been suspended since 1992. In 2002, BGO resumed operations of its ACMP. The BGO property also included three tailings ponds with an estimated tailings resource of 16.7 million metric tonnes with an average of 0.69 gram gold per tonne and estimated to contain some 371 ounces of gold.

ACMP

The Company continued to generate earnings since the reopening of the BGO through ACMP in December 2001, through a partnership with the small-scale miners to mine certain mine levels in a low-capital, low cost-venture operation. ACMP is on the second phase of its expansion which aims to increase production from 70 to 300 tonnes per day. Phase 2 will reopen up the access to the previously operating Acupan mine which had blocked 840 thousand ounces reserve from 8.2 million ounces resource.

Benguet Antamok Gold Operation (BAGO)

The Company's BAGO in Itogon, Benguet Province has been suspended since August 1998. BAGO has an estimated resource of about 12.4 million tonnes averaging 3.45 grams gold per tonne as of year-end 1999.

Paracale Gold Operation (PGO)
In January 2006, the Company signed a Memorandum of Agreement (MOA) with Bulawan Mineral Resources Corporation (BMRC) for the assessment and transfer of its mining rights in Paracale, Camarines Norte. On July 19, 2006, a Deed of Assignment and Transfer of Mining Rights was executed between the Company and BMRC transferring the mining rights in Paracale. On February 12, 2007, the Department of Environment and Natural Resources - Mines and Geosciences Bureau (DENR-MGB) Regional Office No. V approved the Deed of Assignment and Transfer of Mining Rights.

Irisan Lime Project (ILP)
The Company plans to expand its lime operations and relocate one of its Irisan kilns to Alaminos, Pangasinan. The Company's quarrying permit for the ILP is valid until 2010 which can be renewed for another five years upon expiration.

b. Exploration, Research and Development Projects

Sta. Cruz Nickel Laterite Prospect
The Company's MPSA application for its nickel laterite resource in Sta. Cruz, Zambales Province was approved by the DENR-MGB on February 1, 2006. The project is covered by MPSA No. 225-2005-III. Based on results of previous exploration campaigns since the 1970s, the nickel laterite resource in the Company's Sta. Cruz property is estimated to be roughly 16 million tonnes averaging 1.59% nickel and 0.04% cobalt.

The Company started exploration and pre-development work. This included the construction of access roads to be able to undertake environment clean-up of the mined-out areas abandoned by illegal miners. In the course of clean-up, the Company recovered incidental ores which have been stockpiled for metallurgical testing. Simultaneously with the geophysical survey conducted by the Chinese Metallurgical Corporation, is the in-house geochemical survey. The result of these surveys will greatly reduce the cost to drill, as well as allow the Company to shorten the time in establishing an ore reserve that can be used for a processing plant feasibility study. An investment of some US$800,000 to US$1,000,000 is needed to put up a nickel processing plant at the site that can produce between 30,000 to 50,000 tonnes of nickel ore per annum.

The substantial drop in the price of nickel has prompted the Company to accelerate the plan to proceed with the feasibility of a nickel and/or iron pelletizing plant.

The nickel properties have also drawn interest from the Japanese group of Sojitz Corporation and Sumitomo Metal Mining Corporation, Ivanhoe Nickel and Platinum Limited of Canada, and Rusina Mining N.L. of Australia.

On October 2, 2009, the Company incorporated Benguetcorp Nickel Mines, Inc. (BNMI), a wholly owned subsidiary. On October 7, 2009, the Company signed an off-take/contractor agreement with DMCI Mining Corporation (DMCI) for a portion of its Sta. Cruz nickel property in Zambales. The agreement calls for the mining and sale of high grade nickel ore with 2.0% nickel cut-off grade of up to 200,000 tons per year for the next three (3) years. On February 10, 2010, BNMI signed a Supplementary Agreement with DMCI calling for the marketing of lower grade nickel ores/high grade nickel ores with high iron content.

On October 15, 2009, the Company appointed First Metro Investment Corporation as financial advisor, issue manager and lead underwriter for the planned initial public offering of BNMI.

In line with the Company's plan to create and spin off business units to implement various mining projects, the Company entered into an agreement with BNMI on October 22, 2009 wherein BNMI will undertake the operation of the Sta. Cruz nickel mine.

The mine is covered by an approved Mineral Production Sharing Agreement (MPSA). In addition to mining and direct ore shipment, BNMI is tasked to undertake further exploration of the property as well as complete the research and feasibility studies on pelletizing and tank leaching technologies to add value to the mine products.

Balatoc Tailings Project (BTP)
The Company's BOD has approved an initial ₱10 million research and development fund for the BTP to study the feasibility of reprocessing 16.7 million tonnes of tailings resource with an average of 0.69 gold per tonne and estimated 371,000 ounces of gold. A core research and development team, together with the Beijing Geological Research Institute of Mining and Metallurgy, will do 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. The project involves the reprocessing of mine tailings to recover residual gold. BTP involves a second phase of roasting of pyrite concentrate to improve gold recovery.

Also on that same date, the Company entered into a processing agreement with Balatoc Gold Resources Corporation (BGRC) to implement BTP. The Company has completed the bankable feasibility study of BTP and engaged external competent persons to prepare and review reports as required under the Philippine Mineral Reporting Code as modeled after the Joint Ore Reserve Committee of Australia. The confirmed tailings resource of 16.7 million tons with an average grade of 0.69 gram of gold per ton, are deposited in three (3) ponds. The Company obtained BTP's Environmental Compliance Certificate on June 11, 2009.

Kingking Copper-Gold Prospect (Kingking)
The Kingking Prospect ore body in Pantukan, Compostela Valley Province, is a porphyry-type copper deposit containing significant gold values. The 1,656-hectare property is covered by an approved MPSA (No. 009-92-XI) in favor of the Company as operator and Nationwide Development Corporation (NADECOR) as claimowner. On December 11, 2002, the amendment to the Kingking MPSA was approved by the DENR-MGB. The amendment is necessary for the MPSA to conform to the Philippine Mining Act of 1995 and the Revised Implementing Rules and Regulations of Republic Act No. (RA) 7942. On March 19, 2003, a MOA was signed by the Company and NADECOR to facilitate the possible entry of joint venture partners to develop Kingking.

Latest studies of Kingking have estimated a 1.040 billion tonnes resource containing 0.306% total copper and 0.410 grams gold per tonne. Further engineering studies delineated an open pit mineable reserve of 353.51 million tonnes containing 0.388% total copper and 0.439 grams gold per tonne. The reserve includes a 50.38 million tonnes oxide cap averaging 0.641% total copper and 0.662 grams gold per tonne, and a 303.13 million tonnes sulfide portion averaging 0.342% total copper and 0.402 grams gold per tonne.

The preliminary geological evaluation of the epithermal gold prospect located in the North-northeastern sector of the Kingking property may justify considering this area distinct and separate from the Southern which is porphyry. A gold resource of at least 68,800 tonnes with an average grade of 8.02 grams gold per tonne has been estimated based on small-scale mining workings.

The Company engaged an engineering consultant, SRK Consulting of Australia to do a Bankable Feasibility Study (BFS). The Company is still awaiting for the progress report on the BFS. The access road preparation from Pantukan Town to the site has been prepared in anticipation of additional drilling activity.

On August 26, 2008, due to disagreement, NADECOR asked the DENR to remove from the Company the operatorship of the project. On August 29, 2008, NADECOR notified the Company that it had unilaterally cancelled the Operating Agreement of 1981.

In September 2008, the DENR directed the parties to explore non-legal settlement options. On October 7, 2008, the Company sent a letter to NADECOR opposing the termination of the operating agreement.

On January 9, 2009, the Company wrote to the DENR to declare the temporary suspension of the work program due to harassment by NADECOR until their dispute could be finally resolved.

Pursuant to the order of DENR, the Company and NADECOR negotiated for several months but failed to reach any settlement.

On November 23, 2009, the DENR directed both the Company and NADECOR to implement the exploration work program. The DENR also gave a two-year extension for the exploration period (from February 2010 to January 2012).

On January 15, 2010, the DENR reversed its order on November 23, 2009 whereby it directed NADECOR to implement the work programs for the extended exploration period. In January 2010, the Company filed a request for reconsideration with the DENR.

On February 5, 2010, the Company received from NADECOR a request to arbitrate on the issue of the cancelation of the Operating Agreement.

On February 23, 2010, the Company filed an injunction case against NADECOR on the ground that the request to arbitrate is premature, the issue is non-arbitrable and the matter is properly cognizable by the regular court.

As of March 29, 2010, the hearing on the preliminary injunction is on-going.

Surigao Coal Prospect
The Company's Coal Operating Contract for 12 coal blocks covering 12,000 hectares in Surigao del Sur, was extended by the Department of Energy up to May 22, 2011. The Company has sent bulk samples of coal materials in Australia to be tested for upgradability of the quality to a higher calorific value. A preliminary assessment provided by an Australian technology has shown that a sample of run-of-mine coal from the property with calorific value of 6,600 british thermal unit per pound can be upgraded using cold briquetting technology to around 10,000 british thermal unit per pound. On October 6, 2009, the Company obtained its ECC that would allow it to start development and mining the accessible resource.

The Company is in the process of finalizing an agreement with SAMMILIA logging cooperative officials to include the planned open pit area in their Resource Utilization Permit and submit the revised plan to the Community Environment and Natural Resources Officer for approval.

Pantingan Gold Prospect
The Pantingan Gold Prospect in Bagac, Bataan Province is a 1,410-hectare epithermal gold prospect acquired in 1996 through a Royalty Agreement with Balanga-Bataan Mineral Corporation as claimowner. The project is covered by MPSA (No. 154-2000-III), approved by the DENR-MGB on March 31, 2000. Based on initial exploration results, the resource base is estimated at 1.2 million gold ounces. On October 7, 2004, the DENR-MGB granted to the Company an additional two-year extension to explore the prospect.

Boringot Gold Prospect
The Boringot Gold Prospect is located in Pantukan, Compostela Valley Province. The prospect was acquired through an operating contract with Pantukan Mineral Corporation (PMC). Exploration activities remain on hold pending approval by the MGB of the Company's application for MPSA and resolution of some problems in the operating contract with PMC. Preliminary geological evaluation shows the property to contain an estimated gold resource of 91,740 metric tonnes having an average grade of 8.95 grams gold per tonne which is equivalent to about 26,400 ounces of gold.

Zamboanga Gold Prospect
Since 1993, this gold property in R.T. Lim, Zamboanga del Sur Province continues to remain under suspension and caretakership. Both the mining property and the 30 tonnes per day carbon-in-leach gold processing plant are available for sale or for any small scale mining operation that the Company may pursue in these properties.

Northern Luzon Financial and Technical Assistance Agreement Application
Six parcels of mineral claims of some 113,603 hectares staked in Abra, Apayao and in the Ilocos will soon be given geological reconnaissance surveys as soon as permits are obtained. The potential for iron deposits in the area is very high. On September 15, 2009, an area clearance certificate for 52,263 hectares was released by the Mines and Geosciences Bureau-Cordillera Administrative Region (MGB-CAR).

c. Water Projects

Baguio City Bulk Water Supply Project
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 mined-out 440 Vein Open Pit into a water reservoir with the capability to supply 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 sited as grounds 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 points to 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 Board Resolution denying the Company's Request for Reconsideration. The Company has filed a case against BWD, which case is now pending at the Regional Trial Court of Baguio City.

3. Summary of Significant Accounting Policies

Basis of Preparation
The parent company financial statements have been prepared on a historical cost basis, except for land at revalued amounts and AFS investments, which have been measured at fair value. The parent company financial statements are presented in Philippine peso, the Company's functional and presentation currency under Philippine Financial Reporting Standards (PFRS) and as adopted by the SEC. All amounts are rounded to the nearest thousands (₱000) except when otherwise indicated.

The Company also prepares and issues consolidated financial statements for the same period as the parent company financial statements. These financial statements are presented in compliance with PFRS. The consolidated financial statements may be obtained at the Company's principal place of business (see Note 1).

Statement of Compliance
The accompanying parent company financial statements have been prepared in accordance with PFRS.

Changes in Accounting Policies and Disclosures

New and Amended Standards and Interpretations Adopted in 2009

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended standards and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC). Unless otherwise indicated, adoption of these changes did not have any significant effect on the Company. They did, however, give rise to additional required disclosures and use of new titles/captions and formats of presentation.

Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements (Revised)*
The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Company has elected to present in two linked statements introducing the "Parent Company Statement of Comprehensive Income". The Company also adopted the title "Parent Company Statement of Financial Position" instead of "Parent Company Balance Sheet".

PAS 23, *Borrowing Costs (Revised)*
The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the standard, the Company has adopted the standard on a prospective basis. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after January 1, 2009.

PFRS 8, *Operating Segments*
PFRS 8 replaces PAS 14, *Segment Reporting*, and adopts a full management approach to identifying, measuring and disclosing the results of an entity's operating segments. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the statement of financial position and statement of income and the Company provides explanations and reconciliations of the differences. This standard is only applicable to an entity that has debt or equity instruments that are traded in a public market or that files (or is in the process of filing) its financial statements with a securities commission or similar party. The information on the segment reporting of the Company is disclosed in Note 31 to the parent company financial statements.

Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*
This Interpretation requires loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. Consideration received in the sales transaction is allocated between the sale of the goods or services and the award credits.

Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*
This Interpretation provides guidance on the accounting for a hedge of a net investment. This Interpretation also clarifies what constitutes hedged risk in the hedge of a net investment in a foreign operation (functional to functional currency, hedgeable amount up to net assets in parent's consolidated financial statements).

Amendments to PAS 32, *Financial Instruments: Presentation* and PAS 1, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*
These amendments specify, among others, that puttable financial instruments will be classified as equity if they have all of the following specified features: (a) the instrument entitles the holder to require the entity to repurchase or redeem the instrument (either on an ongoing basis or on liquidation) for a pro rata share of the entity's net assets; (b) the instrument is in the most subordinate class of instruments, with no priority over other claims to the assets of the entity on liquidation; (c) all instruments in the subordinate class have identical features; (d) the instrument does not include any contractual obligation to pay cash or financial assets other than the holder's right to a pro rata share of the entity's net assets; and (e) the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, a change in recognized net assets, or a change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument.

Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards* and PAS 27, *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
The amendments to PFRS 1 allowed an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening PFRS financial statements in accordance with PAS 27 or using a deemed cost method. The amendment to PAS 27 required all dividends from a subsidiary, jointly controlled entity or associate to be recognized as income in the parent company statement of income. There is no longer a distinction between pre-acquisition and post-acquisition dividends. Prior to the amendment, dividends from pre-acquisition earnings were recognized as a reduction of the cost of an investment. Under the revised standard, dividends are credited to income and are available for distribution subject to there being no impairment and subject to local legal requirements. As required, the Company applied the revision to PAS 27 prospectively and amended its accounting policy.

Amendment to PFRS 2, *Share-based Payments - Vesting Conditions and Cancellations*
The standard has been revised to clarify the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defines a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires non-vesting conditions to be treated in a similar fashion to market conditions. Failure to satisfy a non-vesting condition that is within the control of either the entity or the counterparty is accounted for as cancellation. However, failure to satisfy a non-vesting condition that is beyond the control of either party does not give rise to a cancellation.

Amendments to PFRS 7, *Financial Instruments: Disclosures*
These amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy: (1) Quoted price, (2) Observable inputs other than quoted price and (3) Unobservable inputs, by class, for all financial instruments recognized at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

Amendments to Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives* and PAS 39, *Financial Instruments: Recognition and Measurement*
These amendments to Philippine Interpretation IFRIC 9 require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss (FVPL) category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. PAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at FVPL.

Improvements to PFRS
In May 2008, the International Accounting Standards Board (IASB) issued its first omnibus of amendments to the following standards, primarily with a view to removing inconsistencies and clarifying wording. There are the separate transitional provisions for each standard.

PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- When a subsidiary is held for sale, all of its assets and liabilities will be classified as held for sale under PFRS 5 even when the entity retains a non-controlling interest in the subsidiary after the sale.

PAS 1, *Presentation of Financial Statements*
- Assets and liabilities classified as held for trading are not automatically classified as current in the statement of financial position.

PAS 7, *Statement of Cash Flows*
- PAS 7 amendment clarifies that cash payments to manufacture or acquire assets held for rental to others and subsequently held for sale as described in paragraph 68A of PAS 16, *Property, Plant and Equipment*, are cash flows from operating activities. The cash receipts from rents and subsequent sales of such assets are also cash flows from operating activities.

PAS 16, *Property, Plant and Equipment*

- The amendment replaces the term "net selling price" with "fair value less costs to sell", to be consistent with PFRS 5 and PAS 36, *Impairment of Assets*.
- Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds of such sales are subsequently shown as revenue. Cash payments on initial recognition of such items, the cash receipts from rents and subsequent sales are all shown as cash flows from operating activities.

PAS 18, *Revenue*

- The amendment adds guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity: (a) has primary responsibility for providing the goods or service; (b) has inventory risk; (c) has discretion in establishing prices; and (d) bears the credit risk.

PAS 19, *Employee Benefits*

- Revises the definition of "past service cost" to include reductions in benefits related to past services ("negative past service costs") and to exclude reductions in benefits related to future services that arise from plan amendments. Amendments to plans that result in a reduction in benefits related to future services are accounted for as a curtailment.
- Revises the definition of "return on plan assets" to exclude plan administration costs if they have already been included in the actuarial assumptions used to measure the defined benefit obligation.
- Revises the definition of "short-term" and "other long-term" employee benefits to focus on the point in time at which the liability is due to be settled.
- Deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets.*

PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*

- Loans granted with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as a government grant.

PAS 23, *Borrowing Costs*

- Revises the definition of borrowing costs to consolidate the types of items that are considered components of "borrowing costs", i.e., components of the interest expense calculated using the effective interest rate method.

PAS 27, *Consolidated and Separate Financial Statements*

- Requires an entity that prepares separate financial statements to account for investments that are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5. However, financial assets that the entity accounts for in accordance with PAS 39, *Financial Instruments: Recognition and Measurement* are excluded from PFRS 5's measurement requirements.

PAS 28, *Investments in Associates*

- If an associate is accounted for at fair value in accordance with PAS 39, only the requirement of PAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies.
- An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.

PAS 29, *Financial Reporting in Hyperinflationary Economies*

- Revises the reference to the exception that assets and liabilities should be measured at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list.

PAS 31, *Interests in Joint Ventures*

- If a joint venture is accounted for at fair value, in accordance with PAS 39, only the requirements of PAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.

PAS 36, *Impairment of Assets*

- When discounted cash flows are used to estimate "fair value less cost to sell" additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate "value in use".

PAS 38, *Intangible Assets*

- Expenditure on advertising and promotional activities is recognized as an expense when the Company either has the right to access the goods or has received the services. Advertising and promotional activities now specifically include mail order catalogues.
- Deletes references to there being rarely, if ever, persuasive evidence to support an amortization method for finite life intangible assets that results in a lower amount of accumulated amortization than under the straight-line method, thereby effectively allowing the use of the unit of production method.

PAS 39, *Financial Instruments: Recognition and Measurement*

- Changes in circumstances relating to derivatives - specifically derivatives designated or de-designated as hedging instruments after initial recognition are not reclassifications.
- When financial assets are reclassified as a result of an insurance company changing its accounting policy in accordance with paragraph 45 of PFRS 4, *Insurance Contracts*, this is a change in circumstance, not a reclassification.
- Removes the reference to a "segment" when determining whether an instrument qualifies as a hedge.
- Requires use of the revised effective interest rate (rather than the original effective interest rate) when re-measuring a debt instrument on the cessation of fair value hedge accounting.

PAS 40, *Investment Property*

- Revises the scope (and the scope of PAS 16) to include property that is being constructed or developed for future use as an investment property. Where an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete.

PAS 41, *Agriculture*

- Removes the reference to the use of a pre-tax discount rate to determine fair value, thereby allowing use of either a pre-tax or post-tax discount rate depending on the valuation methodology used.
- Removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Instead, cash flows that are expected to be generated in the "most relevant market" are taken into account.

Accounting Standards Effective Subsequent to Calendar Year 2009

The Company did not early adopt the following new standards, IFRIC Interpretations and amendments to existing standards enumerated below. Unless otherwise indicated, management believes that the adoption of these new accounting standards will not have a significant impact or effect on the parent company financial statements. The Company is currently in the process of evaluating in more detail the impact of the adoption of these new accounting standards.

Effective in 2010:

Revised PFRS 3, *Business Combinations* and Amended PAS 27, *Consolidated and Separate Financial Statements*
The revised PFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The revised PAS 27 requires, among others, that (a) change in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss; (b) losses incurred by the subsidiary will be allocated between the controlling and non-controlling interests (previously referred to as “minority interests”), even if the losses exceed the non-controlling equity investment in the subsidiary; and (c) on loss of control of a subsidiary, any retained interest will be remeasured to fair value and this will impact the gain or loss recognized on disposal. The changes introduced by the revised PFRS 3 and PAS 27 must be applied prospectively and will affect future acquisitions and transactions with non-controlling interests.

Philippine Interpretation IFRIC 17, *Distributions of Non-Cash Assets to Owners*
This interpretation is effective for annual periods beginning on or after July 1, 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability. The Company does not expect the interpretation to have an impact on the parent company financial statements as the Company has not made non-cash distributions to shareholders in the past.

Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers*
This interpretation is to be applied prospectively to transfers of assets from customers received on or after July 1, 2009. The interpretation provides guidance on how to account for items of property, plant and equipment received from customers or cash that is received and used to acquire or construct assets that are used to connect the customer to a network or to provide ongoing access to a supply of goods or services or both. When the transferred item meets the definition of an asset, the asset is measured at fair value on initial recognition as part of an exchange transaction. The services delivered are identified and the consideration received (the fair value of the asset) allocated to each identifiable service. Revenue is recognized as each service is delivered by the entity.

Amendments to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*
Amendment to PAS 39 will be effective for annual periods beginning on or after July 1, 2009, which addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item.

Amendments to PFRS 2, *Share-based Payments - Group Cash-settled Share-based Payment Transactions*
The amendments to PFRS 2 effective for annual periods beginning on or after January 1, 2010, clarify the scope and the accounting for group cash-settled share-based payment transactions.

Improvements to PFRS Effective Subsequent to 2009

- PFRS 2 clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3. The amendment is effective for financial years beginning on or after July 1, 2009.

- PFRS 5 clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRS only apply if specifically required for such non-current assets or discontinued operations.

- PFRS 8 clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

- PAS 1 clarifies that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

- PAS 7 explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.

- PAS 17, *Leases*, removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The amendment now requires that leases of land are classified as either “finance” or “operating” in accordance with the general principles of PAS 17. The amendments will be applied retrospectively.

- PAS 36 clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes.

- PAS 38 clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives. Also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

- PAS 39 clarifies the following:
  - that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.
  - that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken.

  - that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

- Philippine Interpretation IFRIC 9 clarifies that it does not apply to possible reassessment at the date of acquisition, to embedded derivatives in contracts acquired in a business combination between entities or businesses under common control or the formation of joint venture.

- Philippine Interpretation IFRIC 16 states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.

Effective in 2012:

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

<u>Cash and Cash Equivalents</u>
Cash consists of cash on hand and with banks. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and are subject to an insignificant risk of changes in value.

<u>Financial Instruments</u>
Date of Recognition
Financial instruments are recognized in the parent company statement of financial position when the Company becomes a party to the contractual provisions of the instrument. The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

All regular way purchases and sales of financial assets are recognized on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial assets at FVPL, the initial measurement of financial assets includes transaction costs. Financial assets under PAS 39 are classified as either financial assets at FVPL, loans and receivables, held to maturity investments and AFS investments. The Company's financial assets are of the nature of loans and receivables and AFS investments. As of December 31, 2009 and 2008, the Company has no financial assets at FVPL and HTM investments. Also under PAS 39, financial liabilities are classified as FVPL or other financial liabilities. The Company's financial liabilities are of the nature of other financial liabilities.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefit.

Loans and Receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS investments or designated as at FVPL. This accounting policy relates to the statement of financial position captions "Cash and cash equivalents" and "Trade and other receivables".

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

Loans and receivables are classified as current assets when they are expected to be realized within twelve months after the reporting date or within the normal operating cycle, whichever is longer.

AFS Investments
AFS investments are non-derivative assets that are either designated in this category or not classified in any of the other categories. AFS investments are those purchased and held indefinitely and may be sold as the need arises. They are included in noncurrent assets unless management intends to dispose of the investment within 12 months from the reporting date. Included in this category are equity investments in publicly listed and private companies other than subsidiaries and associates, which are shown as a separate line item in the parent company statement of financial position.

After initial measurement, AFS investments are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS investments are reported as "Unrealized gain (loss) on AFS investments" account in the capital deficiency section of the parent company statement of financial position. They are also reported as other comprehensive income in the parent company statement of comprehensive income.

AFS financial assets whose fair value cannot be reliably established are carried at cost less an allowance for any possible impairment. This normally applies to equity investments that are unquoted and whose cash flows cannot be forecasted reasonably.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the parent company statement of income. Where the Company holds more than one investment in the same security, these are deemed to be disposed of on a first-in first-out basis.

Any interest earned on holding AFS investments are reported as interest income using the effective interest rate. Any dividends earned on holding AFS investments are recognized in the parent company statement of income when the right of payment has been established. Any losses arising from impairment of such investments are recognized in the parent company statement of income.

Other Financial Liabilities
Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue. Other financial liabilities are initially recorded at fair value, less directly attributable transaction cost. After initial measurement, other financial liabilities are measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities, if any, are recognized in "Foreign currency exchange gains (losses)" in the parent company statement of income.

This accounting policy relates to the Company's "Bank loans", "Trade and other payables" and "Equity of claimowner in contract operations".

Derivative Financial Instruments
Derivative instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

(a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
(c) the hybrid or combined instrument is not recognized at FVPL.

Determination of Fair Value
The fair value of financial instruments traded in active markets at reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques and comparison to similar instruments for which market observable prices exist.

Fair Value of Financial Instruments
Financial instruments recognized in fair value are analyzed based on:
- Level 1 - Quoted prices in active markets for identical asset or liability;

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

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

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

Derecognition of Financial Instruments

Financial Assets

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

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

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in parent company statement of income.

Impairment of Financial Assets

The Company assesses at each reporting date whether an asset or group of assets is impaired.

Assets Carried at Amortized Cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The amount of the loss shall be recognized in parent company statement of income.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial 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.

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

In relation to trade receivables, 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. The carrying amount of the receivable is reduced through the use of an allowance account. The financial assets, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized.

AFS Financial Assets
For AFS investments, the Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as AFS, this would include a significant or prolonged decline in the fair value of the investments below its cost. If an AFS investment 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 profit or loss, is transferred from equity to the parent company statement of income as part of the "Provision for impairment losses on AFS investments" account. Reversals in respect of equity instruments classified as AFS are not recognized in profit.

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.

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

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the parent company statement of financial position.

Inventories
Materials and supplies are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and condition, are accounted for at purchase cost on a moving average method. NRV represents the current replacement cost.

Investments in Subsidiaries
Investments in subsidiaries are accounted for under the cost method less any allowance for impairment losses.

The Company recognizes income when its right to receive the dividend is established.

A subsidiary is an entity that is controlled by another entity (which is the parent). Control is the power to govern the financial and operating policies of an entity as to obtain benefits from its activities.

The Company performs an impairment review on its investments in subsidiaries whenever an impairment indicator exists. This requires an estimation of the value in use of the subsidiary. Estimating the value in use requires the Company to make an estimate of the expected future cash flows of the subsidiary and to make use of a suitable discount rate to calculate the present value of those future cash flows.

Property, Plant and Equipment
Property, plant and equipment, except land, is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. Land is carried at revalued amount less any impairment in value.

The increment resulting from the revaluation of land owned by the Company is credited to "Revaluation increment in land" account, net of deferred income tax liability, which is included in the capital deficiency section in the parent company statement of financial position.

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

Category	Number of Years
Land improvements	10-35
Buildings	10-25
Machinery, tools and equipment	2-25

Depletion of mining properties and mine development costs is calculated using the units-of-production method based on estimated recoverable reserves.

The estimated recoverable reserves, useful lives and depreciation and depletion methods are reviewed periodically to ensure that the estimated recoverable reserves, residual values, periods and methods of depreciation and depletion are consistent with the expected pattern of economic benefits from items of property and equipment. The residual values, if any, are reviewed and adjusted, if appropriate, at each reporting date.

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 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 parent company statement of income in the year the asset is derecognized.

When each 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.

Deferred Exploration Costs

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 which 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 fulfillment mine development included as part of property, plant and equipment. Prior to reclassification, fulfillment exploration and evaluation expenditure is assessed for impairment.

Impairment of Nonfinancial Assets

Property, Plant and Equipment

The Company assesses at each reporting date 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 fair value less costs to sell and its value in use and 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 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.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the parent company statement of income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depletion, depreciation and amortization) had no impairment loss been recognized for that asset in prior years.

Deferred Exploration Costs

Expenditures for exploration works on mining properties (i.e., acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling,trenching, sampling, and activities in relation to evaluating the technical feasibility and commercial viability of extracting mineral resource) are deferred as incurred and included under "Deferred exploration cost" account in the parent company statements of financial position. If and when recoverable reserves are determined to be present in commercially producible quantities, the deferred exploration expenditures and mine development costs are capitalized as part of the mine and mining properties account classified under property, plant and equipment.

A valuation allowance is provided for unrecoverable deferred exploration costs based on the Company's assessment of the future prospects of the exploration project. 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, all revocable cost associated with the project and the related impairment provisions are written off. When a project is abandoned, the related deferred exploration costs are written off.

Provisions

General

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

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

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

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

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

<u>Capital Stock and Capital Surplus</u>
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 are credited to capital surplus.

Where the Company purchases its own shares (treasury shares), the consideration paid including any directly attributable incremental costs is deducted from equity attributable to the Company's equity until the shares are cancelled, reissued or disposed of. Where such share are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's stockholders.

<u>Retained Earnings (Deficit)</u>
Retained earnings (deficit) represent accumulated earnings (losses) earned (incurred) by the Company.

<u>Revenue Recognition</u>
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. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Mine Products
Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably, which is normally at the time of shipment.

Sale of Services and Others
Revenue is recognized upon delivery of goods and transfer of ownership to customers.

Interest
Revenue is recognized as it accrues using the effective interest rate method.

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. Expenses are generally recognized when the expense arises following the accrual basis of accounting.

Leases
Determination of Whether an Arrangement Contains a Lease
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) A renewal option is exercised or extension granted, unless 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 specific 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 gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Operating Leases - The Company as a Lessee
Operating leases represent those leases under which substantially all risks and rewards of ownership of the leased assets remain with the lessors. Lease payments under an operating lease are recognized as an expense in the parent company statement of income on a straight-line basis over the lease term.

Pension Plan
The Company has separate, noncontributory, defined benefit pension plans, administered by separate trustees, covering all permanent, regular and full-time employees. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit actuarial valuation method. The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognized actuarial gains and losses reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the 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 with employees is measured by reference to the fair value at the date on which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). 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.

No expense is recognized for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, at a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

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.

The Company has taken advantage of the transitional provisions of PFRS 2 in respect of equity-settled awards and has applied PFRS 2 only to equity-settled awards granted after November 7, 2002 that had not vested on January 1, 2005.

Foreign Currency Translation
Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange at reporting date. Foreign exchange differences between the rate at transaction date and rate at settlement date or reporting date are credited to or charged against current operations.

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 taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date.

Deferred Income Tax

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

(a) where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits from excess MCIT over RCIT and unused NOLCO can be utilized except:

(a) where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply on 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 reporting date.

Income tax relating to items recognized directly in equity is recognized in equity and as other comprehensive income in the parent company statement of comprehensive income and not in the parent company statement of income.

Segment Reporting
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, receivables, inventories and property, plant and equipment, net of allowances and provisions.

Segment liabilities include all operating liabilities and consist principally of accounts payable, accrued expenses and long-term debt. Segment assets and liabilities do not include deferred income taxes.

Segment revenue, expenses and performance 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 parent company financial statements.

Contingencies
Contingent liabilities are not recognized in the parent company 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 parent company financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Reporting Date
Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to parent company financial statements when material.

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

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

Judgments, 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. Actual results could differ from such estimates.

Judgments
In the process of applying the Company's accounting policies, management has made judgments, apart from those involving estimations, which has 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 its functional currency to be the Philippine Peso. It is the currency of the primary economic environment in which the Company primarily operates.

Determining Operating Lease Commitments - Company as Lessee
The Company has entered into mining leases on its minesite locations. The Company has determined that the lessor retains all significant risks and rewards of ownership of these properties. These lease agreements are accounted for as operating leases.

Assessing Recoverability of Deferred Exploration Costs
A valuation allowance is provided for estimated unrecoverable deferred exploration costs based on the Comapany's assessment of the future prospects of the mining properties, which are primarily dependent on the presence of mineral reserves in those properties, and metal prices in the market which is the primary driver of returns on the production. Accumulated deferred exploration costs amounted to ₱517,974 and ₱447,758 as of December 31, 2009 and 2008, respectively (see Note 12).

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 does not believe that these proceedings will 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).

Assessing Production Start Date
The Company assesses the stage of each mine development project to determine when a mine moves into the production stage. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Company considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase. Some of the criteria include, but are not limited to the following:

- the level of capital expenditure compared to construction cost estimates;
- completion of a reasonable period of testing of the property, plant and equipment;
- ability to produce ore in saleable form; and
- ability to sustain ongoing production of ore.

Classification of Financial Instruments
The Company exercises judgments in classifying a financial instrument on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the parent company statement of financial position.

In addition, the Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are discussed below.

Estimating Allowance for Impairment Losses on 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 losses as of December 31, 2009 and 2008 amounted to ₱172,061 and ₱157,050, respectively. Trade and other receivables, net of valuation allowance, amounted to ₱243,262 and ₱198,508 as of December 31, 2009 and 2008, respectively (see Note 6).

Estimating Impairment Losses on Inventories

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 inventory losses, amounted to ₱7,724 and ₱2,728 as of December 31, 2009 and 2008, respectively (see Note 7).

Estimating Mineral Reserves and Resources

Mineral reserves and resources estimates for development projects are, to a large extent, based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of costs based upon anticipated tonnage and grades of ores to be mined and processed, the configuration of the ore body, expected recovery rates from the ore, estimated operating costs, estimated climatic conditions and other factors. Proven reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured.

All proven reserve estimates are subject to revision, either upward or downward, based on new information, such as from block grading and production activities or from changes in economic factors, including product prices, contract terms or development plans.

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

Assessing Impairment of Property, Plant and Equipment
PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the value of property, plant and equipment, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Company to conclude that the property, plant and equipment is impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations. Property, plant and equipment (at revalued amount and at cost) as of December 31, 2009 and 2008 amounted to ₱2,398,278 and ₱2,411,783, respectively (see Note 11). Deferred exploration costs amounted to ₱517,974 and ₱447,758 as of December 31, 2009 and 2008, respectively (see Note 12).

Estimating Impairment of AFS Investments
The determination of impairment loss for AFS investments requires an estimation of the present value of the expected future cash flows and the selection of an appropriate discount rate. An impairment issue arises when there is an objective evidence of impairment, which involves significant judgment. In applying this judgment, the Company evaluates the financial health of the issuer, among others. In the case of AFS equity instruments, objective evidence of impairment includes a significant or prolonged decline in the fair value of the investments below its cost. The Company treats 'significant' generally as 30% or more and 'prolonged' as greater than 12 months. The Company expands its analysis to consider changes in the issuer's industry and sector performance, legal and regulatory framework, changes in technology, and other factors that affect the recoverability of the Company's investments. As of December 31, 2009 and 2008, AFS investments amounted to ₱1,276 and ₱1,198, respectively (see Note 10).

Estimating Useful Lives of Property, Plant and Equipment
The Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. Property, plant and equipment (at revalued amount and at cost) as of December 31, 2009 and 2008 amounted to ₱2,398,278 and ₱2,411,783, respectively (see Note 11). The useful lives are disclosed in Note 3 to the parent company financial statements.

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 ₱2,230,609 and ₱2,236,143 as of December 31, 2009 and 2008, respectively (see Note 11).

Estimating Provision 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 ₱12,318 and ₱10,638 as of December 31, 2009 and 2008, respectively (see Note 16).

Estimating Impairment on Investments in Subsidiaries
The Company assesses whether there are any indicators of impairment on investments in subsidiaries at each reporting date. These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the investment is written down to its recoverable amount. The Company's investment in subsidiaries amounted to ₱607,438 and ₱597,438 as of December 31, 2009 and 2008, respectively (see Note 9).

Estimating Pension Benefits
The determination of the Company's obligation and cost for pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 27 to the parent company financial statements and include among others, discount rates, expected rates of return on plan assets and rates of future salary increase. In accordance with PAS 19, *Employee Benefits*, actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the Company's recognized expense and recorded obligation in such future periods. 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 pension and other pension obligations. The Company's accrued retirement amounted to ₱12,179 and ₱7,809 as of December 31, 2009 and 2008, respectively. Net pension expense amounted to ₱4,370, ₱3,553 and ₱1,518 in 2009, 2008 and 2007, respectively (see Note 27).

Assessing Realizability of Deferred Income Tax Assets
The Company reviews the carrying amounts of deferred income tax assets at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. No deferred income tax assets were recognized for deductible temporary differences and carryforward benefits of NOLCO and MCIT in 2009 and 2008 (see Note 28).

5. Cash and Cash Equivalents

	2009	2008
Cash on hand and with banks	**₱6,432**	₱45,933
Short-term cash investments	–	20,000
	₱6,432	₱65,933

Cash with banks earn interest at the respective bank deposit rates. Short-term cash investments are 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. Interest income pertaining to cash and cash equivalents amounted to ₱912, ₱673 and ₱304 in 2009, 2008 and 2007, respectively (see Note 23).

For the purpose of the parent company statements of cash flows, cash and cash equivalents comprise the following as at January 1:

	2008	2007
Cash on hand and with banks	**₱24,275**	₱6,314
Short-term deposits	**2,300**	–
	₱26,575	₱6,314

6. Trade and Other Receivables

	2009	2008
Trade	**₱73,239**	₱68,530
Amounts owed by related parties (see Note 24)	**185,220**	142,037
Employee stock ownership incentive plan (see Note 26)	**58,416**	58,416
Others	**98,448**	86,575
	415,323	355,558
Less allowance for impairment losses	**172,061**	157,050
	₱243,262	₱198,508

Trade and other receivables are noninterest-bearing and are collectible within a period of one year.

Most of the receivables of the Company consist of individually significant accounts and were therefore subject to the specific impairment approach. Based on assessment done, the Company recognized an allowance amounting to ₱172,061 and ₱157,050, as of December 31, 2009 and 2008, respectively, covering those receivables considered as individually impaired.

Receivables which were not individually significant and individually significant loans for which no specific impairment were assessed were subjected to collective assessment. Based on the assessment done, the Company has not recognized any provision for receivables which were assessed collectively.

Movements of allowance for impairment losses are as follows:

	December 31, 2009				
	Trade receivables	**Employee stock ownership plan**	**Amounts owed by related parties**	**Others**	**Total**
Balances at beginning of year	**₱10,392**	**₱58,416**	**₱42,085**	**₱46,157**	**₱157,050**
Provision during the year (see Note 19)	**3,617**	**–**	**–**	**11,394**	**15,011**
Balances at end of year	**₱14,009**	**₱58,416**	**₱42,085**	**₱57,551**	**₱172,061**

	December 31, 2008				
	Trade receivables	Employee stock ownership plan	Amounts owed by related parties	Others	Total
Balances at beginning of year	₱10,392	₱58,416	₱31,362	₱46,434	₱146,604
Provision during the year (see Note 19)	–	–	10,723	617	11,340
Write-off	–	–	–	(894)	(894)
Balances at end of year	₱10,392	₱58,416	₱42,085	₱46,157	₱157,050

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

7. Inventories

These pertain to materials and supplies, which are carried at net realizable value. The carrying amounts of these materials and supplies in 2009 and 2008 amounted to ₱7,724 and ₱2,728, net of allowance for inventory losses of ₱569,646, respectively. Provision for inventory losses amounted to ₱14,549 in 2007 (see Note 19).

8. Other Current Assets

	2009	2008
Prepaid expenses and others	**₱8,675**	₱7,809
Input tax - net	**1,742**	1,757
	₱10,417	₱9,566

Prepaid expenses and others consist mainly of insurance and rent paid in advance, among others.

9. Investments

The details of investments in subsidiaries as of December 31, 2009 and 2008 follow:

	2009	2008
Acquisition cost of investments:		
Benguet Management Corporation (BMC)	**₱440,000**	₱440,000
Benguet Corp. International Ltd. (BIL)	**115,565**	115,565
BEREC Land, Inc. (BLI)	**39,463**	39,463
Batong Buhay Mineral Resources Corporation (BBMRC)	**2,500**	–
Ifaratoc Mineral Resources Corporation (IMRC)	**2,500**	–
Kingking Copper-Gold Corporation (KCGC)	**2,500**	–
Benguetcorp Nickel Mines, Inc. (BNMI)	**2,500**	–
Sagittarius Alpha Realty Corporation (SARC)	**1,321**	1,321
Pillars of Exemplary Consultant Inc. (PECI)	**1,076**	1,076
Benguet-Pantukan Gold Corporation (BPGC)	**13**	13
	₱607,438	₱597,438

BMC was organized primarily to invest in projects and enterprises that diversify, stabilize and strengthen the investment portfolio of the Benguet Group of Companies (the Group). As of December 31, 2009, BIL, BBMRC, IMRC, KCGC, BNMI and BPGC, which were established to operate its mining prospects, are still preoperating. BLI serve as the real estate arm of the Group. Other subsidiaries were incorporated to provide support services to the parent company.

10. AFS Investments

	2009	2008
Quoted shares	**₱810**	₱732
Unquoted shares	**466**	466
	₱1,276	₱1,198

Movements of AFS investments are as follows:

	2009	2008
Balance at beginning of year	**₱1,198**	₱1,338
Change in fair value of AFS investments	**78**	(101)
Others	**–**	(39)
Balance at end of year	**₱1,276**	₱1,198

The unrealized gain (loss) on the increase (decrease) in fair value of these investments amounting to ₱68 and (₱10) as of December 31, 2009 and 2008, respectively, are shown as a separate component in the parent company statements of changes in capital deficiency.

Unquoted shares of stock are carried at cost since these investments do not have quoted market price in an active market and the fair values cannot be reliably measured.

11. Property, Plant and Equipment

a. Land - at revalued amounts

	2009	2008
Cost	**₱–**	₱6,074
Revaluation increment	**2,230,069**	2,230,069
	₱2,230,069	₱2,236,143

The latest valuation performed by an independent firm of appraisers, Cuervo Appraisers, Inc., was issued on December 31, 2007. The appraisers determined the fair value of the Company's land based on its market value as of December 31, 2007. The revaluation increment amounting to ₱1,561,048 is reflected in the parent company statements of financial position and is not available for distribution to stockholders until fully realized.

b. Property, Plant and Equipment - at cost

	2009					
	Land Improvements	**Buildings**	**Machinery, Tools and Equipment**	**Mine Properties and Mine Development Costs**	**Construction In Progress**	**Total**
Mortgaged						
Cost:						
Balances at beginning and end of year	**₱–**	**₱–**	**₱–**	**₱1,434,593**	**₱–**	**₱1,434,593**
Accumulated depletion and allowance for possible losses:						
Balances at beginning of year	**–**	**–**	**–**	**1,434,334**	**–**	**1,434,334**
Depletion during the year (see Note 20)	**–**	**–**	**–**	**259**	**–**	**259**
Balances at end of year	**–**	**–**	**–**	**1,434,593**	**–**	**1,434,593**
	–	**–**	**–**	**–**	**–**	**–**
Not mortgaged						
Cost:						
Balances at beginning of year	**72,458**	**316,907**	**1,217,741**	**22,252**	**23,360**	**1,652,718**
Additions for the year	**–**	**665**	**13,875**	**–**	**–**	**14,540**
Balances at end of year	**72,458**	**317,572**	**1,231,616**	**22,252**	**23,360**	**1,667,258**
Accumulated depreciation, depletion and amortization:						
Balances at beginning of year	**48,653**	**252,259**	**1,064,158**	**14,139**	**–**	**1,379,209**
Depreciation, depletion and amortization for the year (see Note 20)	**1,237**	**2,768**	**17,707**	**–**	**–**	**21,712**
Balances at end of year	**49,890**	**255,027**	**1,081,865**	**14,139**	**–**	**1,400,921**
Allowance for impairment losses:						
Balances at beginning and end of year	**–**	**–**	**66,655**	**8,113**	**23,360**	**98,128**
	22,568	**62,545**	**83,096**	**–**	**–**	**168,209**
Net book values	**₱22,568**	**₱62,545**	**₱83,096**	**₱–**	**₱–**	**₱168,209**

	2008					
	Land Improvements	Buildings	Machinery, Tools and Equipment	Mine Properties and Mine Development Costs	Construction In Progress	Total
Mortgaged						
Cost:						
Balances at beginning and end of year	₱–	₱–	₱–	₱1,434,593	₱–	₱1,434,593
Accumulated depletion and allowance for possible losses:						
Balances at beginning of year	–	–	–	1,433,938	–	1,433,938
Depletion during the year (see Note 20)	–	–	–	396	–	396
Balances at end of year	–	–	–	1,434,334	–	1,434,334
	–	–	–	259	–	259
Not mortgaged						
Cost:						
Balances at beginning of year	72,458	313,919	1,182,564	22,252	23,360	1,614,553
Additions for the year	–	2,988	35,177	–	–	38,165
Balances at end of year	72,458	316,907	1,217,741	22,252	23,360	1,652,718
Accumulated depreciation, depletion and amortization:						
Balances at beginning of year	48,653	251,015	1,043,669	14,139	–	1,357,476
Depreciation, depletion and amortization for the year (see Note 20)	–	1,244	20,489	–	–	21,733
Balances at end of year	48,653	252,259	1,064,158	14,139	–	1,379,209
Allowance for impairment losses:						
Balances at beginning and end of year	–	–	66,655	8,113	23,360	98,128
	23,805	64,648	86,928	–	–	175,381
Net book values	₱23,805	₱64,648	₱86,928	₱259	₱–	₱175,640

Not mortgaged property, plant and equipment include temporarily idle properties with carrying values of ₱127,649 and ₱148,057 as of December 31, 2009 and 2008, respectively.

12. Deferred Exploration Costs

As discussed in Note 2, the Company is bound by agreements with NADECOR relating to the development of Kingking. The Company continues to engage in discussions with foreign-based companies who have signed confidentiality agreements. Moreover, the Company has ongoing explorations in SCNP during the year.

Movements of deferred exploration costs are as follows:

	2009	2008
Balances at beginning of year	**₱447,758**	₱171,734
Additions	**70,216**	276,024
Balance at end of year	**₱517,974**	₱447,758

13. Other Noncurrent Assets

	2009	2008
Advance royalties (see Note 2)	**₱82,498**	₱57,499
Others	**14,278**	43,121
	₱96,776	₱100,620

Advance royalties pertain to advances to NADECOR to be applied against future royalties.

Included in the "Others" account is the Mine Rehabilitation Fund (MRF) amounting to ₱5,288 and ₱3,030 as of December 31, 2009 and 2008, respectively, as required by the Philippine Mining Act of 1995, of the Company for which it keeps its account with local banks. The MRF shall be used for physical and social rehabilitation of areas and communities affected by mining activities and for research on the social, technical and preventive aspects of rehabilitation. The MRF earns interest at the respective bank deposit rates.

14. Bank Loans

	2009	2008
Accrued interest and penalties	**₱2,018,731**	₱1,872,799
Secured loans	**1,218,363**	1,246,859
Unsecured loans	**291,411**	290,555
	₱3,528,505	₱3,410,213

a. Unsecured Bank Loans

This account represents unsecured peso-denominated short-term loans obtained from local banks, which bear annual interest based on treasury-bill (TB) rates plus 2.5% spread over the base rate.

b. Secured Bank Loans

As discussed in Note 2, on June 11, 1999, the Company and its creditor-banks agreed on the repayment plan of the Company's outstanding loans. The repayment plan was agreed to by the Company and the creditor banks after the latter declared the Company in default on February 25, 1999, which would have caused the foreclosure and enforcement of the MTI and commencement of all necessary actions to collect from the Company. The agreement is contained in a Term Sheet signed by one of the creditor banks for itself as creditor and as agent of the creditor banks represented in the MTI with the Company. The Term Sheet will be formalized in the MOA to be signed by all secured and unsecured bank creditors.

As of March 29, 2010, the MOA has not yet been finalized and signed by the parties.

The Term Sheet extends the maturity of the loans from July 1, 1999 to June 30, 2000, with automatic renewal every anniversary date up to year 2002 upon payment of annual interest (defined as regular interest and interest on accrued interest) and subject to the Company's faithful compliance with the MOA. By September 2000, the Company substantially paid the interest due in June 2000. On July 6, 2001, the Company settled the interest due on June 30, 2001 through the assignment of TCCs. The TCCs tendered were also applied against a certain portion of the outstanding loan balance.

The outstanding penalty charges shall be waived for as long as the Company faithfully complies with the terms and conditions of the MOA. The amount will automatically be charged to the Company as soon as an event of default occurs. In the meantime that the MOA has not yet been finalized, the creditor banks have agreed not to enforce the collection of the amount.

The net proceeds from the sale of MTI assets shall be applied to secured loans. The revenue from operations and proceeds from sale of non-MTI assets exceeding payment of regular interest, interest on accrued interest and net of the Company's general operating expenses shall be distributed pro rata to all creditor banks as payment for accrued interest and principal.

The Term Sheet and MOA make reference to the 1993 Restructuring Agreement, which provides that capital expenditures and other cash operating requirements are subject to certain restrictions and requirements.

With respect to the collateral, the existing MTI will be maintained. In addition, certain properties are offered as additional collateral. It was further agreed that the other terms and conditions of the 1993 Restructuring Agreement will remain in full force and effect.

The Company's secured bank loans consist mainly of peso and US dollar-denominated loans restructured on December 20, 1993. As security for the loans, the Company executed, and is committed to maintain, the MTI in favor of a local bank as trustee for the pari passu and pro rata benefit of the creditors covering all the real properties and assets of the Company's gold and chromite operations.

The Restructuring Agreement also provides for certain restrictions and requirements with respect to, among others, payment of dividends; incurrence or assumption of liabilities; creation of lien on assets; capital or quasi-reorganization; disposal of substantial businesses or properties; investments and capital expenditures; bonuses to management; and extension of loans or advances to any person or subsidiary.

On October 3, 2002, the Company requested the creditor-banks for additional time to settle its obligations pending its formal entry into the Baguio City Bulk Water Project.

On January 19, 2005, the BWD Bids and Award Committee recommended the award of the Baguio City Bulk Water Project to the Company. On August 16, 2005, the BOD of the BWD issued to the Company a Notice of Award of the Bulk Water Supply Project. The Company's proposal is to convert its mined-out 440 Vein Open Pit into a water reservoir with the capability to supply at least 50,000 cubic meters of potable water per day to Baguio City. Finalization of the 25-year water supply contract with the BWD is underway and the Company has formally engaged Deutsche Bank as financial advisor to assist in financing the US$60,000 project (see Note 2).

On October 22, 2009, the Company had submitted a debt settlement proposal to its creditors of record through the Philippine National Bank (PNB) as the trustee under the Restructuring Agreement/Mortgage Trust Indenture. The Company received a certification from PNB, that the Company has not yet been declared under default the RA/MTI. The Company reiterated that it has yet to receive a notice of default, and that the Company is continuing the process of validation with PNB as to who the creditors of record are, and the Company's total financial obligation in accordance with RA 9182, "Special Purpose Vehicle (SPAV)" law, existing jurisprudence and the signed agreements and with the intent of fully settling its obligations under current market conditions especially as they relate to the SPAV law.

On October 30, 2009, the Company made specific and firm proposals for the settlement of debt, approximately amounting to ₱1.5 billion to the creditors of record through PNB without prejudice to the result of the validation process. On December 17, 2009, the offer was further amended to include specific timeframe for the settlement.

On January 11, 2010, PNB notified the Company that the secured obligations covered by the MTI are due and payable. On the same date, the Company responded and believed that the notice is premature and unnecessary for reasons that the validation process has not yet been completed and there is pending offer for commercial settlement, which the creditors have not responded to.

Interest expense in 2009, 2008 and 2007 amounted to ₱174,642, ₱206,722 and ₱214,213, respectively (see Note 23).

15. **Trade and Other Payables**

	2009	2008
Amounts owed to related parties (see Note 24)	**₱199,215**	₱224,240
Trade	**166,377**	158,549
Accrued expenses and others (see Note 33)	**369,275**	259,019
	₱734,867	₱641,808

Trade and other payables are noninterest-bearing and generally payable on demand.

Accrued expenses and other payables are generally paid within two months from reporting date.

16. **Liability for Mine Rehabilitation**

	2009	2008
Balances at beginning of year	**₱10,638**	₱9,186
Accretion (see Note 19)	**1,680**	1,452
Balances at end of year	**₱12,318**	₱10,638

17. **Capital Stock**

	2009		2008	
	No. of shares	**Amount**	No. of shares	Amount
Authorized				
Convertible Preferred Class "A"	**19,652,912**	**₱67,606**	19,652,912	₱67,606
Common Class "A"	**120,000,000**	**360,000**	120,000,000	360,000
Common Class "B"	**80,000,000**	**240,000**	80,000,000	240,000
Issued				
Convertible Preferred Class "A"	**217,061**	**₱745**	217,061	₱745
Common Class "A"	**93,865,185**	**281,595**	93,865,185	281,595
Common Class "B"	**57,061,697**	**171,185**	57,061,697	171,185
Total shares issued and subscribed	**151,143,943**	**₱453,525**	151,143,943	₱453,525

The two classes of common stock of the Company are identical in all respects, except that ownership of Common Class A is restricted to Philippine nationals.

The convertible preferred stock is limited to Philippine nationals and convertible into Common Class A at a conversion premium of ₱0.14 a share in 2004. Each preferred share is convertible into 3.1625 Common Class A shares as of December 31, 2003. The convertible preferred stock is 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 August 1, 2007, the Company's BOD approved a capital infusion of ₱435 million through a Private Placement Agreement between the Company and its principal stockholders, the Palm Companies. The private placement transaction called for the purchase of 21,874,909 Class A Common shares at ₱11.00 per share and 14,560,000 Class B Common shares at ₱13.35 per share.

On November 5, 2007, the Company received a payment of ₱315 million from Palm Companies. The balance was considered as subscription receivable in the parent company statement of financial position. As of December 31, 2008, the Company already received the balance of unpaid subscription from Palm Companies.

As of December 31, 2009, 2008 and 2007, the Company has seventeen thousand two hundred eighty (17,280), seventeen thousand four hundred eight (17,408) and seventeen thousand eight hundred eighteen (17,818) number of stockholders, respectively.

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 Company have been reserved for stock options to selected managers, directors and consultants of the 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.

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 nontransferable and are exercisable to the extent of 20% after one year from the date of the grant, 40% after two years from the date of the grant, 60% after three years from the date of the grant, and 100% after four years from the date of the grant. No option is exercisable after 10 years from the date of the grant.

A summary of the number of shares under the Plan is shown below:

	2009	2008	2007
Outstanding at beginning of year	**5,162,400**	5,640,000	6,776,000
Exercised during the year	–	(218,880)	(38,400)
Cancelled during the year	**(440,000)**	(258,720)	(1,097,600)
Outstanding at end of year	**4,722,400**	5,162,400	5,640,000

Prices of outstanding options at grant date:

Class A - April 2006 Grant	₱8.50
Class B - April 2006 Grant	₱29.07

	2009	2008	2007
Average price per share	**₱17.13**	₱17.01	₱16.73
Shares available for future option grants	**2,946,774**	2,506,774	2,248,054

As of December 31, 2009, exercisable option shares after April 6, 2010 are 2,064,960 shares.

The 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 on April 6, 2006:

	Class A	Class B
Share price	₱8.5	₱29.07
Exercise price	8.5	29.07
Expected volatility	29.51%	29.51%
Option life	10 years	10 years
Expected dividends	5.38%	5.38%
Risk-free interest rate	10.30%	10.30%

The expected volatility measured at the standard deviation of expected share price returns was based on analysis of share prices for the past 365 days.

Total compensation expense relating to the Stock Option Plan in 2008 and 2007 amounted to ₱9,212, and ₱14,669 respectively.

19. **Selling, General and Administrative Expenses**

	2009	2008	2007
Personnel expenses (see Notes 22 and 27)	**₱75,541**	₱83,342	₱70,921
Provision for impairment loss on receivables (see Note 6)	**15,011**	11,340	18,668
Outside services	**13,857**	10,771	10,116
Power consumption	**11,552**	21,755	40,414
Materials and supplies	**3,409**	5,064	9,466
Rent	**1,263**	3,182	701
Accretion expense (see Note 16)	**1,680**	1,452	1,253
Provision for inventory losses (see Note 7)	–	–	14,549
Others	**15,314**	1,049	2,225
	₱137,627	₱137,955	₱168,313

Others consist mainly of accretion expense for the mine rehabilitation and various administrative expenses, among others.

20. **Cost of Mine Products Sold**

	2009	2008	2007
Materials and supplies	**₱51,728**	₱75,748	₱32,796
Depreciation, depletion and amortization (see Note 11)	**21,971**	22,129	23,557
Personnel expenses (see Note 22)	**16,516**	17,268	33,514
Power consumption	**8,315**	10,506	15,951
Smelting, refining and marketing	**185**	5,236	12,230
Repairs and maintenance	**27**	2,724	5,039
Others	**192**	5,612	18,597
	₱98,934	₱139,223	₱141,684

In 2009, smelting, refining and marketing costs were charged to contractors.

21. Cost of Services and Others

	2009	2008	2007
Personnel expenses (see Note 22)	**₱8,500**	₱6,551	₱5,268
Materials and supplies	**13,097**	5,607	4,290
Others	**11,640**	7,502	6,096
	₱33,237	₱19,660	₱15,654

Others consist mainly of utilities, insurance and rental expenses, among others.

22. Personnel Expenses

	2009	2008	2007
Salaries and wages	**₱79,762**	₱74,492	₱90,500
Benefits and allowances (see Notes 25 and 26)	**16,425**	22,565	17,685
Pension benefit (see Note 27)	**4,370**	3,553	1,518
	₱100,557	₱100,610	₱109,703

The above amounts were distributed as follows:

	2009	2008	2007
General overhead expenses (see Note 19)	**₱75,541**	₱83,342	₱70,921
Cost of mine products sold (see Note 20)	**16,516**	17,268	33,514
Cost of services and others (see Note 21)	**8,500**	6,551	5,268
	₱100,557	₱107,161	₱109,703

23. Financing Charges and Other Income (Charges)

	2009	2008	2007
Financing charges:			
Interest expense (see Note 14)	**₱174,642**	₱206,722	₱214,213

	2009	2008	2007
Other income (charges):			
Foreign currency exchange gains (losses) - net	**₱56,350**	(₱246,060)	₱441,148
Gain on sale of property	**47,596**	–	–
Interest income (see Note 5)	**912**	673	304
Gain (loss) on sale of low grade ore	**–**	(53,168)	70,715
Write-off of long outstanding accounts and others	**(42,929)**	–	(8,907)
	₱61,929	(₱298,555)	₱503,260

24. **Related Party Disclosures**

In addition to those mentioned in Notes 2, 9, 25 and 26, the Company's transactions with its related parties consist mainly of noninterest-bearing cash advances for working capital requirements.

The parent company statements of financial position include the following amounts resulting from transactions with related parties:

Related Party	Relationship		Amounts Owed by Related Parties	Amounts Owed to Related Parties
BMC and subsidiaries	Subsidiary	**2009**	**₱109,326**	**₱25,264**
		2008	₱142,037	₱–
SARC and subsidiaries	Subsidiary	**2009**	**1,156**	**–**
		2008	–	–
BIL	Subsidiary	**2009**	**–**	**173,951**
		2008	–	224,240
Others	Subsidiaries	**2009**	**32,653**	**–**
		2008	–	–
Total		**2009**	**₱143,135**	**₱199,215**
Total		2008	₱142,037	₱224,240

Amounts owed by related parties amounting to ₱143,135 is net of allowance for impairment losses of ₱42,085 as of December 31, 2009.

Compensation of Key Management Personnel of the Company
The Company considered all senior officers as key management personnel.

	2009	2008	2007
Salaries	**₱24,143**	₱23,731	₱18,812
Employee benefits	**3,469**	3,485	3,205
	₱27,612	₱27,216	₱22,017

25. **Incentive Bonus Plan**

The Company has an incentive bonus plan which provides for bonus awards, calculated on the basis of net income, to top operating executives, managers and members of the BOD. 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.

No incentive bonuses were paid in 2009 and 2008.

26. Employee Stock Ownership Incentive Plan

The Employee Stock Ownership Incentive Plan (ESOIP), as approved by the stockholders in 1986, allows employees of the Company to buy up to 6 million shares of the Common Class A stock 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 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. Interest shall be shouldered by the Company or the respective subsidiary. The shares acquired by employees under the ESOIP may be subjected to a holding period from the date of purchase. As of December 31, 2009 and 2008, about 5.4 million shares have been purchased (exclusive of stock dividends issued) under the ESOIP.

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 the ESOIP, 2 million shares of the Common Class A stock of the Company.

The balance of the funds advanced by the Company to the employees pursuant to these plans is shown as part of "Trade and other receivables" account in the parent company statements of financial position (see Note 6).

The Company has taken advantage of the transitional provisions of PFRS 2 in respect of equity-settled awards and has applied PFRS 2 only to equity-settled awards granted after November 7, 2002 that had not vested on January 1, 2005.

27. Pension Benefits Plans

The Company maintains a qualified, noncontributory trusted pension plan covering substantially all of its employees.

The following tables summarize the components of net pension benefit 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 (recognized in selling and general expenses)

	2009	2008	2007
Current service cost	**₱2,599**	₱2,269	₱1,274
Interest cost	**1,764**	1,247	571
Expected return on plan assets	**(203)**	(230)	149
Actuarial loss recognized in the plan year	**210**	267	(476)
Net pension benefit	**₱4,370**	₱3,553	₱1,518

Movements of accrued retirement as of December 31, 2009 and 2008 follow:

	2009	2008
Present value of obligation	**₱22,025**	₱17,377
Fair value of plan assets	**(4,289)**	(3,446)
Unfunded status	**17,736**	13,931
Unrecognized actuarial gains	**(5,557)**	(6,122)
Balance at end of year	**₱12,179**	₱7,809

Changes in the present value of defined benefit obligation follow:

	2009	2008
Balance at beginning of year	**₱17,377**	₱15,469
Interest cost	**1,764**	1,247
Current service cost	**2,599**	2,269
Actuarial losses (gains)	**285**	(1,608)
Balance at end of year	**₱22,025**	₱17,377

Changes in the fair value of plan assets follow:

	2009	2008
Balance at beginning of year	**₱3,446**	₱3,993
Expected return	**203**	230
Actuarial gains (losses)	**640**	(777)
Balance at end of year	**₱4,289**	₱3,446
Actual return on plan assets	**₱236**	₱546

The plan assets of BC comprised mostly of investments in shares of stock and fixed income securities as of December 31, 2009 and 2008.

The Company expects to contribute ₱8,422 to its defined benefit retirement plan in 2010.

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

The principal assumptions used in determining the pension benefits obligation for the Company's plan is shown below.

	2009	2008
Discount rate	**10.15%**	8.06%
Expected rate of return	**5.00%**	5.00%
Salary increase rate	**12.00%**	12.00%

Amounts for the current and previous four years for the Company are as follows:

	2009	2008	2007	2006	2005
Present value of defined benefit obligation	**₱22,025**	₱17,377	₱15,469	₱8,948	₱8,045
Fair value of plan assets	**4,289**	3,446	3,993	3,820	3,142
Funded (unfunded) status	**(17,736)**	(13,931)	(11,476)	5,128	4,903
Experience adjustments on:					
Plan assets	**33**	(170)	–	1,493	–
Plan liabilities	**285**	(1,608)	–	4,022	–
Actual return on plan assets	**236**	546	173	1,697	224

28. **Income Taxes**

The significant components of the Company's deferred income tax liabilities are as follows:

	2009	2008
Revaluation increment in land	**₱669,022**	₱669,022
Capitalized interest	**108,737**	129,313
Excess of accelerated deduction of mining exploration and development costs over depletion and exploration costs written-off	**108,174**	108,678
Excess of accelerated depreciation over normal depreciation of property, plant and equipment and others	**52,989**	52,989
	₱938,922	₱960,002

The Company has temporary differences and unused net operating loss carryover (NOLCO) for which no deferred income tax assets were recognized as it is not probable that sufficient taxable profit will be available against which the benefit of the deferred income tax assets can be utilized. These are as follows:

	2009	2008
Unrealized foreign exchange losses - net	**₱952,706**	₱1,009,056
Reserve for possible losses on mining properties and mine development costs	**888,898**	888,898
NOLCO	**765,642**	892,917
Allowance for impairment losses on:		
Inventories	**569,646**	569,646
Trade and other receivables	**172,061**	157,050
Property, plant and equipment	**98,914**	98,128
Other noncurrent assets	**4,274**	–
Accrued retirement liability	**12,719**	7,809
Liability for mine rehabilitation	**12,318**	10,638
MCIT	**1,863**	–

As of December 31, 2009, the Company has excess MCIT that can be claimed as tax credit against normal tax until 2012.

The amounts and expiration dates of NOLCO as of December 31, 2009 that can be claimed as deduction from future taxable income are as follows:

Year Incurred	Year of Expiration	Amount
2007	2010	₱303,557
2008	2011	271,841
2009	2012	190,244
		₱765,642

Movements of NOLCO follow:

	2009	2008
Balances at beginning of year	**₱892,918**	₱981,797
Additions	**190,244**	271,841
Expirations	**(317,520)**	(360,720)
Balances at end of year	**₱765,642**	₱892,918

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:

	2009	2008	2007
Provision for income tax at statutory tax rates	**(₱52,622)**	(₱179,722)	₱74,733
Additions to (reductions in) income taxes resulting from:			
Expired NOLCO	**95,256**	126,252	90,528
Nondeductible accrued expense	**113**	124	–
Change in future tax rate	–	(48,496)	–
Interest income subject to final tax	**(274)**	(236)	(107)
Nontaxable income	**(14,279)**	–	–
Changes in unrecognized deferred tax assets and others	**(47,411)**	60,420	(91,743)
	(₱19,217)	(₱41,658)	₱73,411

Republic Act (RA) No. 9337
In accordance with RA No. 9337, the statutory income tax rate is reduced from 35% to 30% and unallowable interest expense rate from 42% to 33% beginning January 1, 2009.

29. **Financial Risk Management Objectives and Policies**

The Company's principal financial instruments comprise of 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 and cash equivalents, AFS investments, trade and other receivables and trade and other payables, which arise directly from its operations.

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 they 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 of December 31, 2009 and 2008, cash and cash equivalents may be withdrawn anytime while quoted AFS investments may be converted to cash by selling them during the normal trading hours in any business day.

The table below summarizes the maturity profile of the Company's financial liabilities as of December 31, 2009 and 2008:

	2009		
	On demand	**Within one month**	**Total**
Bank loans:			
Unsecured	**₱291,411**	**₱–**	**₱291,411**
Secured	**1,218,363**	**–**	**1,218,363**
Accrued interest and penalties	**2,018,731**	**–**	**2,018,731**
Trade and other payables:			
Amounts owed to related parties	**–**	**199,215**	**199,215**
Trade	**–**	**166,377**	**166,377**
Accrued expenses and others	**–**	**369,275**	**369,275**
	₱3,528,505	**₱734,867**	**₱4,263,372**

	2008		
	On demand	Within one month	Total
Bank loans:			
Unsecured	₱290,555	₱–	₱290,555
Secured	1,246,859	–	1,246,859
Accrued interest and penalties	1,872,799	–	1,872,799
Trade and other payables:			
Amounts owed to related parties	–	224,240	224,240
Trade	–	158,549	158,549
Accrued expenses and others	–	259,019	259,019
	₱3,410,213	₱641,808	₱4,052,021

Credit Risk
Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its customers and counterparties to fulfill their obligations on maturity dates or due to adverse market conditions.

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 other financial assets of the Company, which comprise of cash and cash equivalents and AFS investments, 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 tables below show the credit quality by class of financial assets.

	December 31, 2009			
	Neither Past Due Nor Impaired			
	High Grade	Standard Grade	Past Due But Not Impaired	Total
Cash and cash equivalents				
Cash on hand and with banks	**₱6,432**	**₱–**	**₱–**	**₱6,432**
Trade and other receivables				
Trade	**–**	**59,230**	**–**	**59,230**
Amounts owed by related parties	**–**	**–**	**143,135**	**143,135**
Others	**–**	**–**	**40,897**	**40,897**
AFS investments				
Quoted ordinary shares	**810**	**–**	**–**	**810**
Unquoted ordinary shares	**466**	**–**	**–**	**466**
Total credit risk exposure	**₱7,708**	**₱59,230**	**₱184,032**	**₱250,970**

	December 31, 2008			
	Neither Past Due Nor Impaired			
	High Grade	Standard Grade	Past Due But Not Impaired	Total
Cash and cash equivalents				
Cash with banks	₱45,933	₱–	₱–	₱45,933
Cash and equivalents	20,000	–	–	20,000
Trade and other receivables				
Trade	1,024	2,323	54,791	58,138
Amounts owed by related parties	–	769	99,183	99,952
Others	959	21,617	17,842	40,418
AFS investments				
Quoted instruments	732	–	–	732
Unquoted instruments	466	–	–	466
Total credit risk exposure	₱69,114	₱24,709	₱171,816	₱265,639

The Company has assessed the credit quality of the following financial assets:

1. Cash and cash equivalents are assessed as high grade since these are deposited in reputable banks, which have a low probability of insolvency.
2. Trade receivables, which pertain mainly to receivables from sale of chromite ore, 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 of December 31, 2009 and 2008.
3. AFS investments pertaining to quoted and unquoted instruments were assessed as high grade since these are instruments from companies with good financial capacity and with good financial conditions and operate in an industry which has potential growth.

Market Risk
Interest Rate Risk
The Company'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. As of December 31, 2009 and 2008, the Company's bank loans are based on floating rates. The Company regularly monitors their interest due to exposure from interest rates movements.

The Company's secured and unsecured bank loans are both 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 London Interbank Offered Rate (LIBOR) foreign loans, plus a margin of 2.5% for unsecured loans and 3.5% for secured loans.

The following tables set forth, for the year indicated, the impact in changes on interest rate on the parent company statements of income:

2009	**Change in interest rates (in basis points)**	**Sensitivity of pretax income**
PHP	**+100**	**(₱8,401)**
PHP	**-100**	**8,401**
USD	**+100**	**(29,976)**
USD	**-100**	**29,976**

2008	Change in interest rates (in basis points)	Sensitivity of pretax income
PHP	+100	(₱8,640)
PHP	-100	8,640
USD	+100	(29,375)
USD	-100	29,375

There is no other impact on the Company's equity other than those already affecting the parent company statements 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 50 (100) basis points for USD LIBOR and 50 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 and beneficiated chrome ore and the purchase of certain goods and services denominated in USD. All sales of gold are denominated in USD. 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 USD 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 of December 31, 2009 and 2008 follow:

	2009		2008	
	USD	**Peso Equivalent**	USD	Peso Equivalent
Asset				
Cash with banks	**$–**	**₱–**	$219	₱10,407
Liabilities				
Accrued expenses and other payables	**$21,761**	**₱1,005,358**	$20,321	₱965,654
Secured bank loans	**18,183**	**840,055**	18,183	864,056
	$39,944	**₱1,845,413**	$38,504	₱1,829,710

As of December 31, 2009 and 2008, the exchange rates of the Philippine peso to the USD are ₱46.20 and ₱47.52, respectively.

The sensitivity to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Company's income before income tax as of December 31, 2009 and 2008 is as follows:

		Sensitivity of pretax income
2009	Strengthen by 1	**₱39,944**
	Weakens by 1	**(39,944)**
2008	Strengthen by 1	38,285
	Weakens by 1	(38,285)

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 investments.

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

Since the amount of financial assets subject to equity price risk is immaterial relative to the financial statements, management opted not to disclose equity price risk sensitivity analysis for 2009 and 2008.

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 to it, 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 during the years ended December 31, 2009 and 2008.

The following table summarizes the total capital considered by the Company:

	2009	2008
Capital stock	**₱453,525**	₱453,525
Capital surplus	**1,032,818**	1,032,818
Cost of share-based payments	**43,148**	43,148
	₱1,529,491	₱1,529,491

31. **Segment Information**

As discussed in Note 3 to the parent company financial statements, the Company has adopted PFRS 8 with effect from January 1, 2009. PFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker.

For management purposes, the Company's operating segments are determined to be business segments as the risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The mining segment is engaged in exploration and chromite and gold mining operations.

The foundry segment is engaged in the production of a wide range of alloys - manganese, chrome moly, stainless steel, carbon steel and cast iron for cast parts.

The trucking and warehousing segment is engaged in logistics services to the supply-chain requirements of various industries.

The other segments are engaged in research, development 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 (loss) before income tax in the parent company financial statements.

Business Segments
The following tables present revenue and profit and certain asset and liability information regarding the Company's business segments for the years ended December 31, 2009, 2008 and 2007:

2009

	Mining	Foundry	Trucking and Warehousing	Others	Total	Eliminations	Company
Revenue							
External customer	**₱209,631**	**₱117**	**₱18,646**	**₱12,155**	**₱240,549**	**(₱30,918)**	**₱209,631**
Interest income	**1,188**	**2**	**–**	**1,674**	**2,864**	**(1,952)**	**912**
Inter-segment	**–**	**1,774**	**2,210**	**–**	**3,984**	**(3,984)**	**–**
Other income	**110,698**	**3,805**	**2,243**	**1,987**	**118,733**	**(14,787)**	**103,946**
	321,517	**5,698**	**23,099**	**15,816**	**366,130**	**(51,641)**	**314,489**

(Forward)

	Mining	Foundry	Trucking and Warehousing	Others	Total	Eliminations	Company
Cost and Expenses							
Interest expense	**₱174,642**	**₱3,752**	**₱515**	**₱–**	**₱178,909**	**(₱4,267)**	**₱174,642**
Direct cost	**128,187**	**2,488**	**19,191**	**9,436**	**159,302**	**(27,131)**	**132,171**
Selling and general expenses	**112,352**	**2,825**	**3,409**	**5,717**	**124,303**	**(25,338)**	**98,965**
Accretion expense	**1,680**	**–**	**–**	**–**	**1,680**	**–**	**1,680**
Impairment losses	**15,011**	**2,368**	**4,502**	**5,571**	**27,452**	**(12,441)**	**15,011**
Depreciation, depletion and amortization	**22,015**	**12**	**3,638**	**703**	**26,368**	**(4,397)**	**21,971**
Taxes on revenue	**2,528**	**–**	**–**	**–**	**2,528**	**–**	**2,528**
Other expenses	**50,157**	**–**	**–**	**–**	**50,157**	**(7,228)**	**42,929**
	506,572	**11,445**	**31,255**	**21,427**	**570,699**	**(80,802)**	**489,897**
Operating loss	**₱185,055**	**₱5,747**	**₱8,156**	**₱5,611**	**₱204,569**	**(₱29,161)**	**₱175,408**
Operating assets	**₱4,281,501**	**₱279,411**	**₱81,898**	**₱460,557**	**₱5,103,367**	**(₱1,213,790)**	**₱3,889,577**
Operating liabilities	**₱5,670,024**	**₱215,453**	**₱44,462**	**₱144,053**	**₱6,073,992**	**(₱798,065)**	**₱5,275,927**
Other disclosure							
Capital expenditure	**₱24,598**	**₱–**	**₱–**	**₱–**	**₱24,598**	**₱–**	**₱24,598**

2008

	Mining	Foundry	Trucking and Warehousing	Others	Total	Eliminations	Company
Revenue							
External customer	₱248,425	₱–	₱31,517	₱15,078	₱295,020	(₱46,595)	₱248,425
Interest income	–	4,476	3	–	4,479	(3,806)	673
Other income	43,785	5,332	719	23,196	73,032	(29,247)	43,785
	292,210	9,808	32,239	38,274	372,531	(79,648)	292,883
Cost and Expenses							
Interest expense	206,722	4,017	1,008	–	211,747	(5,025)	206,722
Direct cost	139,807	–	31,833	–	171,640	(12,757)	158,883
Selling and general expenses	125,163	4,460	8,524	24,572	162,719	(59,685)	103,034
Accretion expense	1,452	–	–	–	1,452	–	1,452
Impairment losses	11,340	6,219	–	3,281	20,840	(9,500)	11,340
Depreciation, depletion and amortization	22,129	9	216	4,089	26,443	(4,314)	22,129
Taxes on revenue	3,586	–	–	–	3,586	–	3,586
Other expenses	298,555	825	282	–	299,662	(434)	299,228
	808,754	15,530	41,863	31,942	898,089	(91,715)	806,374
Operating loss (income)	₱516,544	₱5,722	₱9,624	(₱6,332)	₱525,558	(₱12,067)	₱513,491
Operating assets	₱367,683	₱276,570	₱107,951	₱3,803,879	₱4,556,083	(₱720,551)	₱3,835,532
Operating liabilities	₱427,200	₱220,469	₱73,666	₱4,774,739	₱5,496,074	(₱430,305)	₱5,065,769

2007

	Mining	Foundry	Trucking and Warehousing	Others	Total	Eliminations	Company
Revenue							
External customer	₱214,264	₱–	₱41,055	₱38,465	₱293,784	(₱41,808)	₱251,976
Interest income	–	3,793	9	–	3,802	(3,498)	304
Other income	540,972	8,556	406	411	550,345	(38,482)	511,863
	755,236	12,349	41,470	38,876	847,931	(83,788)	764,143
Cost and Expenses							
Interest expense	214,213	3,285	501	–	217,999	(3,786)	214,213
Direct cost	133,781	6	42,921	24,685	201,393	(44,055)	157,338
Selling and general expenses	133,843	14,024	8,969	3,419	160,255	(49,969)	110,286
Accretion expense	1,253	–	–	–	1,253	–	1,253
Impairment losses	33,217	5,172	1,316	–	39,705	(6,488)	33,217
Depreciation, depletion and amortization	23,557	8	177	4,504	28,246	(4,689)	23,557
Taxes on revenue	1,849	–	–	–	1,849	–	1,849
Other expenses	–	26	227	2,215	2,468	6,439	8,907
	541,713	22,521	54,111	34,823	653,168	(102,548)	550,620
Operating loss (income)	(₱213,523)	₱10,172	₱12,641	(₱4,053)	(₱194,763)	(₱18,760)	(₱213,523)
Operating assets	₱343,322	₱276,889	₱114,041	₱3,675,732	₱4,409,984	(₱973,040)	₱3,436,944
Operating liabilities	₱918,322	₱202,754	₱61,083	₱3,815,544	₱4,997,703	(₱339,531)	₱4,658,172

Capital expenditures consist of additions to property and equipment.

32. Financial Instruments

Set out below is a comparison by category of carrying amounts and estimated fair values of the Company's significant financial assets and liabilities as of December 31, 2009 and 2008:

	Carrying Amounts		Fair Values	
	2009	2008	**2009**	2008
Financial Assets:				
Loans and receivables:				
Cash and cash equivalents				
Cash on hand and with banks	**₱6,432**	₱45,933	**₱6,432**	₱45,933
Cash equivalents	**–**	20,000	**–**	20,000
Trade and other receivables				
Trade	**59,230**	58,138	**59,230**	58,138
Amounts owed by related parties	**143,135**	99,952	**143,135**	99,952
Others	**40,897**	40,418	**40,897**	40,418
	249,694	264,441	**249,694**	264,441
AFS investments:				
Quoted	**810**	732	**810**	732
Unquoted	**466**	466	**466**	466
	1,276	1,198	**1,276**	1,198
	₱250,970	₱265,639	**₱250,970**	₱265,639

(Forward)

	Carrying Amounts		Fair Values	
	2009	2008	**2009**	2008
Financial Liabilities:				
Other financial liabilities:				
Bank loans:				
Unsecured	**₱291,411**	₱290,555	**₱291,411**	₱290,555
Secured	**1,218,363**	1,246,859	**1,218,363**	1,246,859
Accrued interest and penalties	**2,018,731**	1,872,799	**2,018,731**	1,872,799
Trade and other payables				
Amounts owed to related parties	**199,215**	224,240	**199,215**	224,240
Trade	**166,377**	158,549	**166,377**	158,549
Accrued expenses and others	**369,275**	259,019	**369,275**	259,019
Equity of claimowner in contract operations	**49,136**	35,299	**49,136**	35,299
	₱4,312,508	₱4,087,320	**₱4,312,508**	₱4,087,320

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

Cash and Cash Equivalents, Trade and Other Receivables, Amounts Owed by/to Related Parties and Trade and Other Payables
The fair values of these instruments approximate their carrying amounts as of reporting date due to the short-term nature of their transactions.

AFS Investments
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.

Unsecured and Secured Bank Loans
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 the fair values.

Fair Value Hierarchy
The Company's quoted AFS investments amounting to ₱810 as of December 31, 2009 are measured under Level 1 of the fair value hierarchy. The Company has no financial instruments measured at fair value under levels 2 and 3 of fair value hierarchy. As allowed by the new disclosure requirements in 2009 by PFRS 7, the Company is exempted from disclosing comparative information with respect to fair value hierarchy.

33. **Other Matters**

Contingencies
The Company is 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 parent company financial statements.

Other
On December 18, 2009, the Company entered into a letter agreement with Hunter Dickinson Acquisitions, Inc. (Hunter), a British Columbia company, for a potential joint venture arrangement in the exploration and if warranted, the development and commercial operation of the Batong Buhay Project subject to due diligence investigation. To earn its 50% ownership interest in the JV, Hunter will have to undertake a series of milestone payments to the Balatoc Kalinga Tribe, Inc. and Balatoc Tribe Exploration and Mining Corporation (Tribe) and the Philippine Mineral Development Council (PMDC) based on the deliverable of government permits, clearances and approvals. The first milestone payment became due on December 23, 2009 and was paid to the Tribe which amount Hunter advanced to the Company.