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)

7 t h F l o o r , U n i v e r s A l R e B u i l d i N G ,
1 0 6 P a s e o d e R o x a S , M a k a t i C i T y

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

Mr. Reynaldo P. Mendoza
(Contact Person)

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

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

1 7 - A
(Form Type)

Month *Day*
(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

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, 2010**.................................

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, 2010)
Convertible Preferred Class A,	₱3.44 par value	217,061 shares
Common Class A Stock,	₱3.00 par value	100,935,625 shares
Common Class B Stock,	₱3.00 par value	61,473,467 shares

Total consolidated outstanding principal debt as of December 31, 2010 – ₱554 Million

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

Yes [**X**] No [ ]

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

All the Issuer's Convertible Preferred Class A, Common Class A and Common Class B shares are listed in the Philippine Stock Exchange (PSE) except the shares subscribed by RYM Business Management Corporation composed of 6,617,640 common class "A" and 4,411,770 common class "B" shares which is subject for listing with the Philippine Stock Exchange.

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 31, 2011 for Convertible Preferred Class A share, common class A share and Common Class B share of the Company. The total market value is computed based on the closing 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	₱57.00/share	₱ 12,372,477.00
Common Class A share	100,935,625	₱18.40/share	1,857,215,500.00
Common Class B share	61,473,467	₱19.00/share	1,167,995,873.00
Total -------	162,626,153		₱3,037,583,850.00

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 (the "Company") pioneered modern mining in the Philippines. It was established on August 12, 1903, and its 107 years of existence is a testament to its adaptability and resiliency in the face of changes brought about by global events, natural calamities, economic conditions, and industry trends.

From Benguet Consolidated Mining Company in the 1900s, to Benguet Consolidated Inc. from the 1950s to 1970s, and finally to its present corporate name of Benguet Corporation, the Company has operated some of the richest mineral prospects using cutting-edge technology of the day, and contributed significantly to the country's export earnings. The Company's stature peaked in the 1980s to early 1990s when it was operating five major mines simultaneously: the Benguet Gold Operations (BGO), Benguet Antamok Gold Operation (BAGO), Dizon Copper-Gold Operation (DCO), Masinloc Chromite Operation (MCO), and Paracale Gold Operation (PGO).

In the 1990s, the Philippine mining industry went thru a difficult period. The Company suffered a decline too. The Company's operations were gravely affected by natural calamities such as the Baguio earthquake in 1990, the Mount Pinatubo eruption in 1991, countless typhoons, and other external factors such as low metal prices, rising environmentalism, and the 1997 Asian currency and economic crisis. Those events led to the suspension of operations of the Company's BGO in 1992, PGO in 1993, BAGO in 1998 and the Company decided to sell its remaining interest in DCO in 1997. The Company turned over MCO to the claimowner in July 2007 due to expiration of the operating contract.

The Company endured in the first decade of the 21st century with a leaner organization and austere operation with revenues coming from the continued operation of MCO (up to 2007), the Irisan lime kilns, the sale/development of non-performing land assets, the disposal of mothballed equipment, and non-moving materials and supplies inventories. The Company also ventured into projects in real estate and ecotourism, water resource development, reforestation, and engineering services. It reopened BGO on a limited scale in 2003 through the Acupan Contract Mining Project (ACMP), developed Sta. Cruz Nickel Project in 2007, and continued to review and package its various mineral properties for future development or sale.

In 2010, the Company resolved a long outstanding issue with the claimowner on the Kingking Project. The Company invested in the development of the Sta. Cruz Nickel, Balatoc Tailings and Surigao Coal projects, and the expansion of ACMP. It likewise settled a majority of its debt. It continues to hold interests in the Acupan Gold, Ampucao Gold Copper, Pantingan Gold, BOLCO Gold, and the Ilocos Norte and Kalinga FTAA prospects.

Aside from mining and mineral exploration, the Company is also into health care services through its Benguet Laboratories and trucking and warehousing through its subsidiary, Arrow Freight Corporation; trading industrial equipment and supplies, through Benguetrade, Inc.; and real estate development and lime kiln operation, through BMC Forestry Corporation.

Having substantially retired its debts, the Company has restored its financial strength and credit standing and is positioned to take full advantage of high metal prices as it embarks on new projects.

The Company's vision is to regain its role as the premier mining company – all in the service of its employees, shareholders, host communities, the environment and the country.

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.

ON MINING OPERATIONS

Acupan Contract Mining Project (ACMP) in Benguet Gold Operation (BGO) in Itogon, Benguet Province: ACMP was initially conceived as a community based underground mining operation which started commercial operation in January 2003. Gold production in 2010 totaled 3,079 ounces, higher as compared to 2,129 ounces in 2009 and 1,820 ounces in 2008. The average grade of ore milled was 8.55 grams gold per ton in 2010, 6.79 grams gold per ton in 2009 and 8.10 grams gold per ton in 2008. ACMP ended the year 2010 with an average milling rate of 93 tons per day. The Company is targeting to further expand capacity of the ACMP mill to 150 tons per day by early 2011 and to 300 tons per day by the third quarter of 2012.

In December 2010, the Company formalized a management agreement in favor of BEREC Land Resources Inc. (BLRI), a wholly owned subsidiary, for the management and operation of ACMP. Under the management contract, BLRI will provide the necessary technical and financial assistance to expand the production capacity of ACMP to 300 tons per day.

Sta. Cruz Nickel Project (SCNP) in Sta. Cruz, Zambales Province: The Sta. Cruz Nickel Project (SCNP) is a surface mining operation of Benguetcorp Nickel Mines, Inc. (BNMI), a wholly owned subsidiary of the Company. The mine is covered by an approved Mineral Production Sharing Agreement (MPSA) No. 226-2005-III. In 2010, SCNP exported a total of 1.3 million tons of nickel ore ranging from 1.80% to 2.05% Ni grade.

Resource definition drilling was initiated at the start 2010 as part of the plan to validate the initial estimated resource for the property in compliance to the Philippine Mineral Reporting Code (PMRC) and to upgrade the property's enterprise value. The drilling contract was awarded to JCP Geo-X Drilling and consisted of 78 geo-x holes recommended by the Company's external Competent Person (CP). After completion of the 78 holes, the management decided to pursue further drilling to cover the entire MPSA area with an additional 250 holes programmed. The combined 78 geostatistical holes and the 250 expansion holes drilled by the JCP contractor summed up to 5,541.30 meters including 59 holes completed by BNMI in-house drilling team.

BNMI in-house drilling continued in Area 4 during the 3rd quarter of 2010 before shifting to Area 2 during the middle of the 4th quarter of the year. The in-house drilling campaign was an integral part of the proposed blanket drilling in areas 2, 3, and 4 to further improve the resource in both tonnage and grade. By the end of year, BNMI in-house drilling had completed 77 holes.

Thicker saprolite zones than previously projected was a welcome development. It necessitated going deeper beyond the programmed depths thereby exceeding the programmed drilling meterage by 523.95 meters (from 780 to 1,303.95 meters). With the saprolite coming out to be much thicker that what the test pits can penetrate, there is now a likely probability that the SCNP resource could be increased substantially both in tonnage and grade. Most ot the existing test pits from where the initial laterite resources were estimated had difficulties penetrating the saprolite zones due to the presence of sizeable boulders in the saprolite that hampered test pitting advance usually forcing the premature abandonment of many test pits. Compared to test pitting, drilling had little problem penetrating the bouldery saprolite zone and most drillholes were able to be drilled down into the fresh bedrock.

Starting in 2011, BNMI will operate the remaining portions of the SCNP claims (Areas 2, 3 & 4) and will undertake a feasibility study to develop a processing capability for value added exports.

Irisan Lime Project (ILP) in Baguio City: ILP produced 7,341 metric tonnes of quicklime in 2010, lower as compared to 7,444 metric tonnes in 2009 and 9,219 metric tonnes produced in 2008.

EXPLORATION, RESEARCH AND DEVELOPMENT

Kingking Copper-Gold Prospect in Pantukan, Compostela Valley Province: On July 22, 2010, the Company signed a Heads of Terms with St. Augustine Mining Ltd (SAML), an affiliated company of the US-based Russell Mining & Minerals Inc. (RMMI), which set out the terms for the transfer of the Company's interest in, and withdrawal from the Kingking project. The signing will not affect the status of Kingking's Mineral Production Sharing Agreement (MPSA), until completion of the transaction with St. Augustine.

Aside from transferring BC's interest as co-contractor in the MPSA and its operatorship under the Operating Contract with NADECOR, other related properties included in the transaction are: the adjacent Sagittarius Alpha Realty Corporation (SARC) claims in Pantukan under APSA 00026-XI & 00136-XI, and interest in Pantukan Mineral Corporation (PMC). SARC is a wholly owned subsidiary of the Company.

Investment on Kingking over the years has totaled some ₱1.2 Billion and with almost 90 kilometers of drilling advance recorded, so far, the property is one of the most explored mineral properties in the Philippines.

Balatoc Tailings Project (BTP) in Itogon, Benguet Province: BTP involves the re-processing of mine tailings produced during the operation of Acupan Mines to recover residual gold. 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). The impounded tailings were drilled starting in the late '80s and again in 2008 confirming some 16.7 million metric tons of tailings. Metallurgical test indicates that a recovery of about 70% of the gold can be achieved. The project includes a second phase of roasting of pyrite concentrate to improve gold recovery.

In 2009, the Company entered into a processing agreement with its wholly owned subsidiary, Balatoc Gold Resources Corporation (BGRC) to implement the project. It will also conduct research & development, engineering and marketing study for the project. The Company was issued Mineral Processing Permit (MPP) No. 13-2010-CAR for its BTP by the Mines and Geosciences Bureau (MGB)-Cordillera Administrative Region (CAR) and the DENR. It signed a Deed of Assignment transferring the MPP to its wholly owned subsidiary, Balatoc Gold Resources Corporation (BGRC). The MPP allows BTP to reprocess the impounded BGO-Acupan mill tailings for recovery of residual gold. Most of the permitting requirements had been secured during the year to start this project and the Company had been working on the financial aspect to be able to start development in the soonest possible time. 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.

Antamok Tailings Project (ATP) in Itogon, Benguet Province: The ATP which targeted the Benguet Antamok Gold Operation (BAGO) mill tailings impounded in the BAGO tailings pond was conceived as a possible additional resource that could be developed similar to BTP. The BAGO tailings pond located a few hundred meters downstream from the BAGO open pit contains some 7.64 M tonnes of tailings produced from the BAGO milling operation (1992-'97). In addition, a considerable tonnage of extraneous materials estimated at about 1.95M tons washed from the BAGO pit over the years as well as from the Otek marginal grade material dump and from the numerous illegal miners workings, found their way into the pond and is now resting on top of the tailings deposit. A preliminary sampling of these extraneous materials showed it can be considered for exploitation together with the original tailings in the pond. More core drilling, however, may be required to firm up the resource estimate of these impounded materials if this project will be pursued. By and large, the concept of the ATP project was to present a viable alternative to the Bulk Water Project and the ESL that had been considered for the now closed Antamok Mine.

Ampucao Copper Gold Porphyry Prospect in Itogon, Benguet Province: The prospect was discovered accidentally underground 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. There were no follow up exploration work conducted after its discovery and its economic potential has not been 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 the size, shape and tenor of what appeared to be porphyry copper-type deposit with significant associated gold values. Ampucao is located along the same favorable mineralized belt where the Sto. Tomas orebody of Philex's Padcal and Lepanto's Far South-East deposit are situated.

Boringot Epithermal Gold Prospect in Pantukan, Compostela Valley: 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.

The adjacent Sagittarius Alpha Realty Corporation (SARC) claims in Pantukan under APSA 00026-XI & 00136-XI, and 4,000 shares of Pantukan Mineral Corporation (PMC) have been made part of the Company's Kingking transaction with St. Augustine Mining Ltd.(SAML).

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 (BBMRC) 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. This property in a caldera setting like the Acupan mine in Benguet shows a gold vein system worthy of further exploration. The prospect has several mineralized structures trending in more or less parallel directions which were interpreted as part of an epithermal vein system The prospect needs exploratory drilling to probe the behavior of the veins and tenor of the postulated gold mineralization at depth. However, to pursue this, the Company needs clearance from DENR because of a watershed application surrounding the claim area.

Zamboanga Gold Prospect (BOLCO) in R.T. Lim Zamboanga del Sur: Since 1993, the BOLCO's tails buying and processing operation remains suspended and under caretakership due to lack of tailings available for purchase from the small-scale miners operating in the area. Both the mining property and the 30 tonne per day CIL gold processing plant are available to investors. The Company conducted a re-evaluation works on BOLCO and the results had been encouraging. During the year, a number of exploration companies had shown interest in the property and sent their geologists to do preliminary evaluation works in the prospect.

Surigao Coal Project in Lianga, Surigao del Sur: In October 2009, the Company obtained the ECC for its Surigao Coal Project. Pre-development activities are ongoing. The Company engaged a consultant to study the feasibility of putting up a mine mouth power plant in the property, and the findings were presented to management last November 2010. The plant would be the primary market for the mine's coal product at minimal hauling cost. Additionally, the Company is evaluating the capability of the Hubo River in the same property to support a hydropower plant. The coal and hydro plants are envisioned to be complementary, and would provide an opportunity for the Company to participate in the energy sector and help alleviate the growing power supply deficiency in Mindanao. Also, during the year, the Company was able to secure the National Commission of Indigenous People-Field Based Investigation (NCIP-FBI) reports for the coal tenements. The next step is to undergo the Free and Prior Inform Consent (FPIC) survey process. The Company continued to entertain queries from interested parties on possible off take, outright sale, joint venture, and royalty arrangements. A project presentation had been made with giant power company, Aboitiz.

Batong Buhay Mines in Pasil, Kalinga Province: In December 2008, the Company won the bidding as the designated Operator / Contractor of the Balatoc Sub-Tribe of Kalinga (the Tribe) in the reopening and development of the Batong Buhay Mines. The property is held by the Philippine Mining Development Corporation, the corporate mining arm of the DENR. In December 2009, a Joint Venture Agreement (JVA) was reached among the Tribe, your Company and its financial partner. However, due to unresolved issues with regard to tribal conflicts, land problem, engineering constraints and with the attendant risks involved, your Company decided to withdraw from the project. A disengagement agreement with the Tribe for the mutual termination of the JVA was signed on March 31, 2010 subject to reimbursement by the Tribe of the Company's various costs and advances in the project. Also to be negotiated with the Tribe is the Company's retaining interest in the project in recognition of its contribution to bring the project to its present stage.

Foreign Technical Assistance Agreement (FTAA): Separate applications for FTAAs were filed under the name of the Company's subsidiary, Sagittarius Alpha Realty Corporation (SARC) in Ilocos Norte (AFTAA- 003) and Apayao (AFTAA-033) in 2004. The Ilocos FTAA-applied area covers a total of 32,613 hectares comprising of four (4) separate parcels while that in Apayao totals 51,892.92 hectares covering three parcels. The Company's FTAA applications in Ilocos Norte, a 2-year exploration program has been prepared starting with regional exploration (Phase 1) followed by more detailed exploration (Phase 2) as more prospective areas are identified. For the Apayao FTAA application, your Company submitted the proposed Exploration Work Program and the Environmental Work Program to MGB-CAR. The application has been publicized through broadcast and print media as required by the mining law. There are at least three mining companies (two locals and one foreign) that signified interest in looking at the Ilocos Norte FTAA area. There has been no agreement reached with them as yet.

The Company's **Benguet Laboratories (BL) in SM Baguio City,** a healthcare provider for 85 years, continues to serve various Health Management Organizations catering to corporate and institutional clients, both from the private and government sectors that are located in Northern Luzon. BL is in partnership with about 66 medical practitioners of various disciplines and expertise. Management of BL is working to be the leading healthcare provider in Baguio-Benguet areas including the Cordillera. It plans to expand its resources to areas within Regions 1, 2 and 3.

The Company established **Benguet Management Corporation (BMC)** in 1980, a wholly owned subsidiary, primarily to manage and conduct the non-mining businesses of the Company including Arrow Freight Corporation (AFC), BMC Forestry Corporation (BFC), and Benguetrade Inc. (BTI). AFC is the logistics company which 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. BMC also continues to maintain the mango plantation in Iba, Zambales.

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.

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. The Company has contractual arrangement with its operator, Benguetcorp Nickel Mines, Inc. (BNMI) with DMCI Mining Corporation to mine and sell nickel ore from Area 1 of its Sta. Cruz Nickel Project. The quicklime products are mainly sold to major customers Lepanto and Philex mines. The Company's remaining chromite inventory are sold to local and foreign buyers.

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:

	2010 (% to total revenue)			2009 (% to total revenue)			2008 (% to total revenue)		
	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total
Gold	27%	-	27%	42%	-	42%	21%	-	21%
Lime	10%		10%	24%		24%	21%	-	21%
Chromite	2%	-	2%	2%	-	2%	31%	-	31%
Nickel		12%	12%						
Trucking & Ware-housing & others	49%	-	49%	32%	-	32%	27%	-	27%

The Company has no new products or service introduced in 2010 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 its 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 covering the Acupan Contract Mining Project, Sta. Cruz Nickel Project and Irisan Lime Project.

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.

For the Company's Royalty Agreement with Itogon-Suyoc Mines, Inc. (ISMI), the Company received from the Court of Appeals that it had promulgated a decision on March 16, 2011, upholding the decision of the Board of Arbitrators to cancel the Royalty Agreement between the Company and ISM Communication Corp formerly the Itogon-Suyoc Mines, Inc. (ISMI), as the Company had failed to continue exploration and operation of the claim since the 1990 Luzon earthquake. The decision is not final, as the Company fully intends to file its Motion for Reconsideration to the said decision within the proper period. This case stems from a Royalty Agreement entered into by Itogon-Suyoc Mines, Inc. and the Company on April 29, 1986 covering the exploration, development, and mining of all areas below Level 1300 of the ISMI's claims. However, due to unfavorable development findings of the property, low metal prices, and the 1990 Luzon earthquake which flooded the ISMI claims, the

Company was forced to suspend operations over the said claims. The areas referred to in the 1986 Royalty Agreement are flooded and do not affect the current mining operations of the Company.

Government Regulations and Approval – The Company's application for Foreign Technical Assistance Agreements (FTAA) are still under evaluation by MGB, Region I. Separate applications for FTAAs were filed under the name of the Company's subsidiary, Sagittarius Alpha Realty Corporation (SARC) in Ilocos Norte (AFTAA- 003) and Apayao (AFTAA-033) in 2004. The Ilocos FTAA-applied area covers a total of 32,613 hectares comprising of four (4) separate parcels while that in Apayao totals 51,892.92 hectares covering three parcels. The Company's FTAA applications in Ilocos Norte, a 2-year exploration program has been prepared starting with regional exploration (Phase 1) followed by more detailed exploration (Phase 2) as more prospective areas are identified. For the Apayao FTAA application, the Company submitted the proposed Exploration Work Program and the Environmental Work Program to MGB-CAR. The application has been publicized through broadcast and print media as required by the mining law.

The Company's fully intends to question the implementation of the "use it or loss it" policy of the MGB which has resulted in the denial of its mining applications in Itogon, Benguet Province. Request for reconsideration based on meritorious grounds for the reinstatement of its mining applications has been filed. The denial of MGB-CAR is premised on non-compliance with the mandatory 3-year period to complete the FPIC requirement. However, there was a pending appeal by the Company with the National Commission on Indigenous People (NCIP) on the result of the Field Based Investigation (FBI) report, which effectively suspended the FPIC process. MGB has ongoing program nationwide to cleanse the mining tenements system of speculative and inactive applications. The subject properties are not presently operated by the Company pending the approval of the permits. The patented mining claims of the Company are not affected.

The effect on the Company's operation of existing governmental regulations are 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. Other than the usual business licenses or permits, there are no government approvals needed on the Company's principal products.

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

	Amount in Millions	% to Total Revenue
2010	₱ 64	10%
2009	69	29%
2008	283	97%

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 2010, the Benguet Gold Operations (BGO) of the Company spent ₱3.319 million for the maintenance and structural rehabilitation of its tailings disposal system, drainage tunnels, mines waste dump, reforestation activities and other mining infrastructures. 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-CAR, the Local Government Units and the Environment Management Bureau. The Company also continues to fulfill its obligations to its social environment through implementation of various Social Development and Management Programs (SDMP) for BGO and BNMI, in coordination with Local Government Units and government agencies. The SDMP has directly benefited residents within the Company's areas of operations as well as neighboring communities. The Company regularly undertakes other community development programs such as health and medical care, supplemental/malnutrition feeding, infrastructure and environmental protection activities, livelihood, waste management, and education/scholarship programs.

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, 2010, the Company has 676 employees, of whom 115 are administrative, 17 clerical, 414 involved in exploration and operation and 130 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. Within the ensuing twelve months, the Company anticipates changes in the number of employees due to expansion on gold production of its ACMP and will likewise operate the remaining portions, areas 2, 3 and 4 of its SCNP.

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 exploration for, development and exploitation of, mineral properties entail significant operating risks. There is no certainty that the activities of the Company, which by the character of its business involve substantial expenditures and capital investments, in the exploration and development of its resource properties will result in the discovery of mineralized materials in commercial quantities and thereafter in a viable commercial operation. The Company tries to temper its exposure to these risks by prudent management and the use of up-to-date technology.

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 patented mining claims in Itogon, Benguet Province where its Benguet Gold Operations (BGO) is operating. It also owns mining, milling and support facilities in BGO and Sta. Cruz, Nickel Project in Sta. Cruz, Zambales 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 conditions of the mining operations/projects of the Company are discussed in Item 1 under title “Business Development” of this report and under title “Status of Operations and Management Plans” in Note 2 of the Notes to Audited Consolidated Financial Statements.

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 15 of the Notes to Consolidated Financial Statements under 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, 2010, 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 August 25, 2010, there are no other matters submitted to a vote of security holders during the period covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information – The Company’s Common Class A, Common Class B and Convertible Preferred Class A shares are traded in the Philippine Stock Exchange (PSE). As of March 31, 2011, the closing price of Common Class A is ₱18.40 per share, ₱19.00 per shares for Common Class B and ₱57.00 per share for Convertible Preferred Class A.

a) The high and low prices of the Company’s shares for each quarter of 2010 and 2009 are as follows:

	1ST QUARTER		2ND QUARTER		3RD QUARTER		4TH QUARTER	
	2010	2009	2010	2009	2010	2009	2010	2009
CONVERTIBLE PREFERRED CLASS A*								
Highest Price Per Share	₱-	₱76.00	₱ -	₱ -	₱-	₱ -	₱-	₱ -
Lowest Price Per Share	-	76.00	-	-	-	-	-	-
COMMON CLASS A								
Highest Price Per Share	14.50	7.80	12.75	10.00	13.00	11.50	15.86	18.25
Lowest Price Per Share	10.75	6.10	11.00	6.20	9.30	7.90	11.04	8.90
COMMON CLASS B								
Highest Price Per Share	19.50	12.00	17.00	14.50	17.00	13.00	16.50	26.00
Lowest Price Per Share	11.00	7.00	12.50	7.00	12.00	8.00	12.50	10.00

(*) There are no trading transactions during the whole year of 2010 and 2nd, 3rd, 4th Qtr. of 2009. Last trading day was March 26, 2009.

b) Below is the high and low prices of the Company's shares during the 1st quarter of 2011.

	Price Per Share	
	High	Low
Common Class A	₱19.50	₱11.04
Common Class B	₱21.00	₱12.10
Convertible Preferred Class A	₱57.00	₱38.00

Holders - As of March 31, 2011, the Company's number of shareholders of record is 17,143 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	25,826,133	15.857%
2. Palm Ave. Holding Company, Inc.	A	21,874,909	13.431%
3. Palm Ave. Holding Co. and/or Palm Avenue Realty Corp.	A	21,306,830	13.082%
4. Palm Avenue Realty & Development Co	B	14,560,000	08.940%
5. Palm Ave. Holding Co. and/or Palm Avenue Realty Corp.	A	10,278,125	06.311%
6. RYM Business Management Corporation	A	6,617,640	04.063%
7. RYM Business Management Corporation	B	4,411,770	02.709%
8. PCD Nominee Corporation (Non Filipino)	B	3,147,845	01.933%
9. National Financial Services Corp.	B	3,122,544	01.917%
10. House of Investment, Inc.	A	2,848,637	01.749%
11. First Clearing LLC	B	1,881,632	0.0155%
12. Great Pacific Life Assurance Corporation	A	1,820,276	01.118%
13. FEBTC TA 4113-000204-5 (ESPP)	A	1,700,000	01.044%
14. Ernesto Chua Chiaco	A	1,118,200	00.686%
15. FEBTC TA 4113-00204-5	A	908,533	00.558%
16. PCD Nominee (Filipino)	B	780,315	00.479%
17. Henry Sy	A	373,535	00.229%
18. RP Land Development Corporation	A	320,000	00.196%
19. Henry Sy, Sr.	A	307,346	00.189%
20. Sysmart Corporation	A	289,652	00.178%

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 2010 and 2009.

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 to a private placement with its principal stockholders, Palm Avenue Holding Company, Inc. and Palm Avenue Realty & Development Co., respectively; and in 2010, it sold 6,617,640 shares of common class A and 4,411,770 shares of common class B pursuant to a private placement with RYM Business Management Corporation. Also, a total of 690,880 shares of common class A and 19,200 shares of common class B were exercised by optionees as of December 31, 2010 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, 2010, 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, 2010, AND FOR ALL THE OTHER PERIODS PRESENTED, HAVE BEEN MADE.

2010 Versus 2009

Consolidated net earnings for 2010 amounted to ₱2.4 billion, a turnaround from the loss of ₱185 million in 2009. The net earnings in 2010 include extraordinary earnings of ₱2.3 billion from the gain on settlement of liabilities and non-refundable deposit from the Kingking transaction. Before this extraordinary items, income from operations excluding financing and other charges of ₱24 million amounted to ₱126 million. In 2009, your Company's loss from operations before financing and other charges of ₱122 million amounted to ₱63 million.

The operating revenues of the Company significantly increased to ₱624 million in 2010 from ₱241 million in 2009. The increase came from the ₱285 million revenues generated from the Sta Cruz Nickel Project which started its operation this year and the higher gold production of 3,079 ounces this year versus 2,129 ounces in 2009 from the Acupan Contract Mining Project .

Operating costs and expenses went up to ₱468 million in 2010 from ₱336 million in 2009 mainly due to increase in cost of mine products sold.

Interest expense decreased to ₱134 million in 2010 from ₱179 million in 2009 mainly due to the settlement of liabilities in 2010 coupled with the lower interest on the remaining dollar denominated loans due to the appreciation of peso against the US Dollar.

Other net income in 2010 amounted to ₱2.4 billion substantially higher than the other income of ₱70 million in 2009. The other net income this year came from the ₱1.9 billion gain on settlement of liabilities and ₱354 million income from non-refundable deposit from the Kingking transaction while in 2009, the other income was attributed to the ₱47 million gain on sale of Catitipan property in Davao and the accrued foreign exchange gain of ₱56 million.

Provision for income tax in 2010 amounted to ₱17 million compared with the ₱19 million benefit from income tax in 2009 mainly due to the ₱42 million regular income tax liability of the Sta.Cruz Nickel Project.

The Company ended 2010 with consolidated assets of ₱4.1 billion, 14% higher than the previous year. Total cash and cash equivalents increased to ₱292 million in 2010 from ₱30 million in 2009 mainly from the non-refundable deposits from the sale of Kingking Properties.

Trade and other receivables went up to ₱270 million in 2010 from ₱131 million in 2009 mainly from the sale of nickel ore not yet collected as of December 31, 2010. Other current assets slightly increased to ₱36 million from ₱29 million in 2009 partly due to increased in input tax.

Outstanding loan receivable of ₱55 million pertains to the total loan facility of ₱135 million granted by a Subsidiary to a third party with interest rate of 9% per annum collectible on demand. Of the amount loaned. ₱81.4 million was collected. The loaned earned ₱8.2 million interest this year.

Property, plant and equipment at cost increased to ₱435 million in 2010 from ₱175 million in 2009 due to reclassification of Sta Cruz Nickel Project exploration costs to Mining Properties and Mine Development Costs under Property, Plant and Equipment. Likewise, for the same reason, deferred exploration costs decreased to ₱354 million in 2010 from ₱579 million in 2009.

The settlement of liabilities this year resulted to the significant reduction in Bank loans to ₱1.5 billion in 2010 from ₱3.7 billion in 2009.

Trade and other payables increased to ₱671 million in 2010 from ₱596 million 2009 mainly from advances made by DMCI Mining Corporation chargeable against the company's share in the nickel project and purchases on account.

The regular corporate income tax due from the Sta. Cruz Nickel Project accounted for about 56% of the income tax payable this year. Noncurrent liabilities slight decreased to ₱1,078 million from ₱1,085 million in 2009

Deficit reduced to ₱2.6 billion in 2010 from ₱5.0 billion in 2009 mainly due to net income of ₱2.4 billion this year.

The ₱2.4 billion income this year contributed to the turnaround of the Stockholders Equity to ₱755 million from the capital deficiency of ₱1.8 billion in previous year. The Company's current liability, however, still exceeded its current assets by ₱1.5 billion in 2010 and ₱4.1 billion in 2009.

Known Trends, Events or Uncertainties

On April 7, 2010, the Company entered into a Memorandum of Agreement with RYM Business Management Corporation (RBMC) for a private placement of up to ₱330 million in the Company's common shares equivalent to 14.6 million Class "A" shares and 9.7 million Class "B" shares. The subscription to authorized and unissued shares of the Company was divided into two transactions. The first transaction was completed on April 23, 2010 with full payment of ₱150 million. The second transaction shall be completed within 180 days from listing of the shares under the first tranche.

On July 22, 2010, the Company signed a Heads of Terms with St. Augustine Mining Ltd. (SAML), an affiliated company of the US-based Russell Mining & Minerals Inc. (RMMI), which sets out terms for the transfer of the Company's interest in, and withdrawal from, the Kingking Project subject to strict compliance of the enabling conditions such as full payment of the acquisition price. The first part of the transaction was completed on October 22, 2010. SAML made an initial payment of US$8 million to the Company out of the total acquisition price of US$25 million, with the balance to be paid over a period of seven years. Until there is full payment of the price, or SAML gives an acceptable security within two years after the first payment, the assignment of the Company's interest in, and its withdrawal from, the transfer does not become effective. In the meantime, the Company shall continue to remain as co-contractor with Nationwide Development Corporation (NADECOR) in the Kingking MPSA. BC and NADECOR in this regard agreed to suspend and withdraw all pending court and administrative proceedings between them.

As of December 30, 2010, the Company was able to retire 79.98% of its secured debt and repurchased 85.3% of its unsecured debt. At year end, the Company's consolidated outstanding principal debt subject to the repayment plan amounted to ₱554 million. There is continuing effort by the Company to settle or restructure the remaining obligations.

The Company does not foresee any cash flow problem over the next twelve months due to projected improvement in gold production of ACMP compounded with the prevailing favorable metal price, assure market for nickel ores of Sta. Cruz Nickel Project due to the signing of off-take agreement with DMCI Mining Corporation and favorable local market quicklime sales from ILP.

There is no known event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation that have not been booked although, the Company could be contingently liable for lawsuits and claims arising from the ordinary course of business which are not presently determinable.

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

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

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Company;
- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Seasonal aspects that had a material impact on the Company's results of operations; and
- Material changes in the financial statements of the Company from the year ended December 31, 2010 to December 31, 2009.

> *Other information on the results and plan of operations of the Company is discussed in the CHAIRMAN AND PRESIDENT'S REPORT marked as Annex "A" on pages 33 to 37 and incorporated hereto by reference.*

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.

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, 2010 and December 31, 2009, the Company's current liabilities exceeded its current assets by ₱1.5 billion and ₱4.1 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$1,262 per ounce in 2010 and US$1,023 per ounce in 2009.

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 2010 were 26,040 at the average grade of 6.55 grams per tonne gold. Gold sold in 2010 were 3,079 ounces. In 2009, tonnes milled were 19,094 at the average grade of 6.79 grams per tonne gold. Gold sold in 2009 were 2,129 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, 2010, the peso to dollar exchange rate was at ₱43.885 higher as compared to ₱46.356 in 2009.

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 earnings per share in 2010 is ₱15.14 compared to losses per share of ₱1.23 in 2009. 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 2011.

ITEM 7. FINANCIAL STATEMENTS

The audited consolidated financial statements of the Company for the period ended December 31, 2010, 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 August 25, 2010, Sycip, Gorres, Velayo and Company (SGV) was re-appointed by the Board as the Company's independent public accountant. There has been no 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. Since 2008, Mr. John Villa is the SGV's engagement partner for the Company to replace Mr. Jaime F. del Rosario whose five-year assignment was ended after the 2007-2008 audit engagement. Such change of partner is in compliance with SRC Rule 68 (3)(b)(iv).

For the last two fiscal years, the aggregate audit fees inclusive of VAT and out-of-pocket expenses billed by SGV & Company are ₱3.7 million in 2010 and ₱3.5 million in 2009. 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 Company's audited financial statements for the year are presented by the external auditors to the Audit Committee for committee approval and endorsed to the full Board for final approval prior to release/issuance by the external auditors.

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.

The present Audit Committee of the Company is composed of five directors namely: Mr. Bernardo M. Villegas, an independent director as the Chairman, Messrs. Andres G. Gatmaitan, Dennis R. Belmonte, Isidro C. Alcantara, Jr., and Rogelio C. Salazar as members.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

A. Directors – In the August 25, 2010 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 Alberto C. Agra. 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. The Company defines an independent director as a person other than an officer or employee of the Company, its parents or subsidiaries, or any other individual having a relationship with the Company, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director.

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, 73 years old, Filipino, has served as Director of the Company since May 13, 1986 to present. 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 Officer-In-Charge/Acting Chief Executive Officer of the Company (August 25, 2010 to present); Prior to his position as OIC/Acting CEO of the Company, he was in acting capacity as President from April 2010 to August 24, 2010. He is also Chairman of Balatoc Gold Resources Corp. (2009 to present); Director of Benguet Management Corporation (1988 to present); and Trustee, Jaime V. Ongpin Foundation Inc. (1980 to present). Formerly, he is President of Natural Resources Development Corporation and Natural Resources Mining Development Corporation (2005-2006); and President and Chairman, Benguet Management Corporation (1994-1998).

LUIS JUAN L. VIRATA, 57 years old, Filipino, has served as Director of the Company since August 8, 1995 to present. 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 Ia 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, 51 years old, Filipino, has served as Director of the Company since October 22, 2002 to present. 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, 44 years old, Filipino, has served as Director of Benguet Corporation since October 25, 2000 to present. 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.

ROGELIO C. SALAZAR, 75 years old, Filipino, has served as Director of Benguet Corporation since August 25, 2010 to present. Mr. Salazar is concurrently President and Chief Executive Officer of Kamahalan Publishing Corporation and of Kagitingan Printing Press, Inc. (1998 to present) His experience in operations and management in Mining extends over 21 years with Atlas Consolidated Mining and Development Corporation (ACDMC) in various capacities in the operations as Foundry Superintendent (1966-1969), Metallurgical Division Manager (1969-1974), Asst. Vice President for Metallurgy (1969-1974), Asst. Vice President for Administration and Services (1977-1979); and in top management as President & Chief Executive Officer and as Board of Director (1989 – 1997). He was also President (1990-1992) and Director (1989-1997) of the Chamber of Mines of the Philippines. His previous employments include: President & Chief Operating Officer and Director (February 1997-April 1998) of International Container Terminal Services Inc. (ICTSI); President & Chief Executive Officer and Director (1983-1989), Executive Vice President (1981-1983) and Vice President (1979-1981) of Paper Industries Corporation of the Philippines (PICOP); concurrent positions in the A. Soriano Corporation (ANSCOR) Group of Companies such as Executive Vice President and Director, A. Soriano Corporation; Chairman of the Board, Ansor International Ltd.; President and CEO, ACMDC Ventures, Inc., President, Sgma Cee Mining Corporation; Executive Vice President, Southern Cross Cement Corporation; and various directorship, during the period 1989 – 1997; General Manager-Steel Foundry Division, Engineering Equipment, Inc. (1963-1996); Production Superintendent-Porcelain Enameling Plant, and concurrent Head of Quality Control, Manufacturing Division, Inter-Island Gas Service, Inc. (April 1962-September 1963).

ALBERTO C. AGRA, 47 years old, Filipino, first became an Independent Director of the Company by appointment on August 25, 2010 to present. He is also President of Forensic Law and Policy Strategies, Inc. or Forensic Solutions (August 2010 to present); Formerly, he was Acting Secretary, Department of Justice (March 2010-June 2010); Acting Solicitor General, Office of the Solicitor General (January 2010-June 2010); Government Corporate Counsel, Office of the Government Corporate Counsel, Department of Justice (March 2007-March 2010); Professor of Laws, College of Law, Ateneo de Manila University (November 1993 to present [on leave, AY 2010-2011]); Consultant, Associates in Rural Development, a USAID funded program on local governance (1997); and Social Development Worker, Workers College, Center for Community Services (1983-1985).

DIRECTORS REPRESENTING HOLDERS OF COMMON CLASS B STOCK:

BENJAMIN PHILIP G. ROMUALDEZ, 49 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 (2004 to present); Director of Philippine Chamber of Commerce & Industry (PCCI) (Dec. 4, 2009 to present); PCCI Vice President-Industry (Jan. 2010 to present) and Oxford University and Cambridge University Club of the Philippines (Jan. 2006 to present); Chairman of Benguet Management Corp., (Feb. 2009 to present) and BenguetCorp International Limited (Hongkong) (1998 to present); Director, Philippine Mine Safety and Environment Association (2004 to present); Trustee, Doña Remedios Trinidad Romualdez Medical Foundation, Inc. (1984 to present) and Philippine-Australia Business Council (PABC) (2004 to present); Trustee/Chairman, Dr. Vicente Orestes Romualdez (DVOR) Educational Foundation, Inc. (1995 to present); and Trustee/Treasurer, RTR Foundation for Scientific Research and Development Inc. (1008 to present).

ANDRES G. GATMAITAN, 70 years old, Filipino, has served as Director of the Company since February 10, 1987 to present. 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, 72 years old, Filipino, has served as Director of the Company since June 25, 1998 to present. 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. (1998 to present), member of the Boards of Dualtech Foundation (1998 to present) and Columnist, Manila Bulletin (1964 to present). Formerly, he was Director of Makati Business Club (1981-2010); Director, Phinma Foundation (1995-2001); Director, Pilipinas Shell Foundation (1995-2001); Senior Vice President, University of Asia and the Pacific (2004-2006); Chairman, Center for Research and Communication (1995); Director and Consultant of Alaska (1999); 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., 57 years old, Filipino, has served as Director of the Company since November 14, 2008 to present. He is also President of Financial Risk Resolution Advisory, Inc. (2006 to present) and Director, Balatoc Gold Resources Corp. (2009 to present). 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 previously 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 2010-2011 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, 49 years old, is the Chairman, President & Chief Executive Officer of the Company since June 25, 1998 to present.

DANIEL ANDREW G. ROMUALDEZ, 51 years old, is the Vice Chairman of the Board of Directors of the Company since January 9, 2009 to present.

DENNIS R. BELMONTE, 73 years old, is the Officer-In-Charge/Acting Chief Executive Officer of the Company since August 25, 2010 to present. He is also Director of the Company since May 13, 1986 to present.

MARCELO A. BOLAÑO, 62 years old, Filipino, is the Senior Vice President for Mining and Technical Services of the Company since June 25, 1998 to present. Mr. Bolaño is also Chairman, President & COO of Pillar of Exemplary Consultants Inc. (1999 to present); Chairman/President, Benguetcorp Nickel Mines Inc. (2009 to present) and Sagittarius Alpha Realty Corp. (1997 to present); President of Benguet Management Corporation and Director of BMC Forestry Corporation (1998 to present), Ifaratoc Mineral Resources Corp. (2009 to present), Balatoc Gold Resources Corp. (1998 to present) and Kingking Copper-Gold Corp. (2009 to present); 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 (1993-1994); Assistant General Manager of Dizon Copper-Gold (Feb. 1993-Apr. 1993) and Masinloc Chromite Operations (Feb. 1991-June 1991) and Kingking Copper-Gold Project (May 1993-June 1993); Acting General Manager of Baguio Gold Operation (1992-1993). Before joining Benguet Corporation, he was a Planning and Development Engineer of Ledesco Development Corporation & Alta Tiera Resources, Inc. (1973-1975); Office Engineer, E.R. Bacon Philippines (1973); Senior Office Engineer, Honiron Philippines, Inc. (1971-1973).

BIENVENIDO M. ARAW, 63 years old, Filipino, is the Senior Vice President-Project & Organization Development Officer of the Company since March 17, 2010 to present. His previous employments include: Senior Consultant, ZMG Ward Hawell (2008-2010); 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).

SALVADOR P. PABALAN, 75 years old, Filipino, is the Senior Vice President for Finance and Treasurer of the Company since June 16, 1997 to present. Mr. Pabalan is also Director and Treasurer of Benguet Management Corporation (1997- to present), Pillar of Exemplary Consultants Inc. (1994 to present), Berec Land Inc. (2000 to present), Kingking Copper-Gold Corp.(2008 to present), Benguetcorp Nickel Mines, Inc. (2009 to present), Ifaratoc Mineral Resources Corp. (2009 to present), Sagittarius Alpha Realty Corp. (1988 to present); Vice President/Treasurer, Balatoc Gold Resources Corp. (1998 to present); Trustee and Treasurer, Jaime V. Ongpin Foundation, Inc.(1993 to present); Vice President and Treasurer, Sagittarius Alpha Realty Corporation (1998 to present). Formerly, he was a Director of Philippine Cocoa Estates Corporation and Petrofields Corporation

(1992-1994); Before joining Benguet Corporation, he was with SyCip, Gorres, Velayo & Company in the Management Services Division (1960-1964); Finance Manager of Engineering Equipment, Inc. (1964-1975); and Instructor of Graduate School of Business of the Pamantasan Ng Lungsod Ng Maynila (1975-1992), University of the East (1975-1992) and Philippine Christian University (1975-1992).

RENATO A. CLARAVALL, 59 years old, Filipino, is the Senior Vice President-Chief Finance Officer of the Company since March 16, 2010 to present. Mr. Claravall 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).

REYNALDO P. MENDOZA, 54 years old, Filipino, is the Senior Vice President for Legal of the Company since August 25, 2006 to present. Mr. Mendoza is also Assistant Corporate Secretary of the Company (2002 to present) and Corporate Secretary of Arrow Freight Corporation, BMC Forestry Corporation, Benguetrade Inc., Sagittarius Alpha Realty Corporation, Benguet Pantukan Gold Corp., since 1997 to present; Pillars of Exemplary Consultants Inc. (1996 to present); Benguetcorp Nickel Mines, Inc. (2009 to present); Balatoc Gold Resources Corp.(1998 to present); Ifaratoc Mineral Resources Corp. (2009 to present); and Berec Land Inc. (2000 to present). He was Director of Jaime V. Ongpin Foundation (1996-2007). Before joining Benguet Corporation, he was Staff Lawyer of PDCP (1987-1988) and Malayan Insurance Company (1986-1987); Associate Lawyer, Castro, Villamor & Associate (1985-1986); Legal Assistant/Apprentice Lawyer, Gono Law Office (1985).Prior to his present position, he was Vice President for Legal (2002-2006)/Assistant Corporate Secretary (2002 to present).

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 to present. 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.

RANDOLPH B. AFIDCHAO, SR., 59 years old, Filipino, is the Vice President for Benguet District Operations since June 16, 2010 to present. His previous employments include: Consulting Mining Engineer-J.D. Muyco & Associates, Inc. (June 2008 to June 15, 2010), Mine Superintendent-Apex Mining Company, Inc. (2006-2008), Mine Consultant-Crew Minerals (Phil.) Inc. (2005-2006), Mine Manager-Viclode Mining Corporation (2004-2005), Quarry Manager-Lazy Bay Resources Corporation (1999-2001), Senior Planning Manager-Base Metals Mineral Resources Corporation (Feb. 1997-June 1997), Mine Superintendent-Itogon-Suyoc Mines, Inc. (1979-1996), Project Supervisor-Philchrome Mining Corporation (1977-1978).

LEOPOLDO S. SISON III, 52 years old, Filipino, is the Vice President for Project Planning and Business Development of the Company since October 22, 2002 to present. Mr. Sison is also

Chairman and President of Ifaratoc Mineral Resources Corp. (2009 to present) and Chairman of Arrow Freight Corporation (1998 to present) and Benguetrade Inc. (1998 to present); Director of BMC Forestry Corporation (1995 to present), Benguetcorp Nickel Mines Inc. (2009 to present), Berec Land Resources Inc.(2005 to present), Kingking Copper-Gold Corp. (2009 to present) and Pillars of Exemplary Consultants Inc. (1999 to present). Formerly, he was President/General Manager of BMC Forestry Corporation (1995-1998) and Arrow Freight Corporation (1992-1995), President, Capitol Security and Allied Services, Inc. (1984-1985); Production Supervisor, CDCP-Systemas (1980-1983). Prior to his present position, he was Assistant Vice President for Business Development (1998-2002).

ROLAND P. DE JESUS, 63 years old, Filipino, is the Vice President for HR and Administration of the Company since October 22, 2002 to present. Mr. De Jesus is also Compliance Officer of the Company and the 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.

MA. MIGNON D. DE LEON, 54 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 Corporate Community Relations Officer of the Company (2002 to present), Director of Benguet Corporation Property Management (2004 to present) and Board Member to the Itogon Municipality Council of Women (2006 to present). She was also Board Member (Management Representative) to the Regional Tripartite Wages & Productivity Board-Cordillera Administrative Region (1995-2006); Board Member representing the Women's Sector to the Peoples Law Enforcement Board of the Municipality of Itogon, Province of Benguet (2005-2010); Past Chairman (1984-1995) and Current Adviser (1996 to present) to the Regional Mining Industry Training Board-Technical Working Group of the Cordillera Administrative Region; Past President (1989-1993) and Current Adviser (1994 to present) to the Personnel Management Association of the Philippines, Baguio-Benguet Chapter; Board Member, Benguet Province Visitor's Bureau (2008-2009); Past President of the Benguet Provincial Tourism Council (2001-2006); Past Vice Chairman of the Cordillera Tourism Council (2006-2008). Prior to her present position, she was Assistant Vice President of the Benguet District Administration (1996-2002).

LINA G. FERNANDEZ, 46 years old, Filipino, is the Vice President for Corporate Planning of the Company since August 25, 2006 to present. Ms. Fernandez is also Risk Management Officer of the Company (March 2011 to present) and Treasurer of the following subsidiaries and/or affiliates of BenguetCorp namely: Benguetrade Inc. (1997 to present), Arrow Freight Corporation (1998 to present) and BMC Forestry Corporation (1998 to present), Director of Benguetcorp Nickel Mines Inc. (2009 to present), Berec Land Inc. (2000 to present), Kingking Copper-Gold Corp. (2008 to present), and Director and Asst. Treasurer of Sagittarius Alpha Realty Corp. (2008 to present). She is currently Assistant Treasurer and Comptroller of Benguet Management Corporation (1999 to present). Prior to her present position, she was Assistant Vice President for Corporate Planning (Oct. 2002-August 2006).

HERMOGENE H. REAL, 55 years old, Filipino, is the Corporate Secretary of the Company since October 25, 2000 to present. She is also a Director of Philippine Collectivemedia Corporation (2008 to present); Assistant Corporate Secretary of Doña Remedios Trinidad Romualdez Medical Foundation, Inc. (1996 to present); Corporate Secretary of Universal Re Condominium Corporation (1997 to 2009, 2010 to present); and Practicing Lawyer, D.S. Tantuico and Associates (1998 to present). She previously held the following positions: Chairman of the Board and President, Philippine Collectivemedia Corporation (2008 to 2010); Corporate Secretary, Trans Middle East Phils. Equities, Inc. (1996-2006); and Assistant Corporate Secretary, Equitable PCI Bank, Inc. (2005-2006).

Resignation of Director and Retirement of Officer – Mr. Cesar V. Purisima resigned as Independent Director of the Company effective June 29, 2010 due to appointment to the cabinet of President-elect Benigno Simeon C. Aquino. The management approved the early retirement of Mr. Alberto M. Leaño, Sr. Vice President for Corporate Planning and Development effective February 18, 2011. Their cessation of employment with the Company 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.

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.	Marcelo A. Bolaño	-	Sr. Vice President, Mining & Technical Services
3.	Reynaldo P. Mendoza	-	Sr. Vice President, Legal/Assistant Corporate Secretary
4.	Salvador P. Pabalan	-	Sr. Vice President, Finance & Treasurer
5.	Bienvenido M. Araw	-	Sr. Vice President, Project & Organization Development Officer

	Year	Salary (In-Million)	Bonus (In-Million)	Other Annual Compensation
All above-named officers as a group	2011*	₱13.8	₱1.7	₱0.4
	2010**	13.8	1.7	0.4
	2009**	13.9	1.5	0.4
All other directors and officers as a group unnamed	2011*	15.8	1.9	0.4
	2010**	15.9	1.6	0.4
	2009**	10.2	1.2	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.

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 2010, 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, 2,567,040 shares were cancelled due to retirement/resignation/retrenchment of some optionees, leaving a balance of 3,489,494 shares as of December 31, 2010 available for grant of options in the future. As of April 6, 2010, 100% of the stock option is exercisable by the optionees.

OUTSTANDING OPTION & OPTION TRANSACTION AS OF DECEMBER 31, 2010						
Category	Exercised		Cancelled*		Outstanding Options	
	Class "A"	Class "B"	Class "A"	Class "B"	Class "A"	Class "B"
All executive officers and directors as a group	224,640	19,200	161,280	148,800	878,880	675,200
All other managers and consultants as a group	466,240	-	1,349,760	907,200	1,121,600	1,051,200
Total	690,880	19,200	1,511,040	1,056,000	2,000,480	1,726,400
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 five percent (5%) or more of any class of the Company's outstanding stocks as of March 31, 2011.

Title of Class	Name, Address of Record Owner And Relationship with Issuer	Name of Beneficial 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	25,826,133	15.857%
	Palm Ave. Holding Company, Inc. 3F Universal Re-Building, 106 Paseo de Roxas, Makati City (Stockholder)	(see note 2/)	Filipino	21,874,909	13.431%
	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	13.082%
	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	06.311%
	Alfonso T. Yuchengco and Associates, RCBC, 333 Sen. Gil Puyat Ave.Mkt City (Stockholder)	(see note 3/)	Filipino	8,707,967	5.346%
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	08.940%

There are no PCD's participants who own five percent (5%) or more of the Company's outstanding capital stock as of March 31, 2011.

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 August 25, 2010 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, 2011, 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	0.001%
A	Dennis R. Belmonte	Filipino	1	0.000%
B			1	0.000%
A	Andres G. Gatmaitan	Filipino	152	0.000%
B			1	0.000%
A	Rogelio C. Salazar	Filipino	100	0.000%
B			100	0.000%
B	Isidro C. Alcantara, Jr.	Filipino	1	0.000%
A	Alberto C. Agra	Filipino	1	0.000%
A	Luis Juan L. Virata	Filipino	28,801	0.028%
B			19,200	0.031%
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	23,881	0.024%
A	Marcelo A. Bolaño	Filipino	105,563	0.104%
A	Roland P. de Jesus	Filipino	7,263	0.007%
A	Reynaldo P. Mendoza	Filipino	1,622	0.002%
A	Leopoldo S. Sison III	Filipino	13,322	0.013%
A	Ma. Mignon D. De Leon	Filipino	833	0.001%
A	Lina G. Fernandez	Filipino	522	0.001%
A	Tomas D. Malihan	Filipino	95	0.000%

B. As a Group

Class A Common	Filipino	68,967,662 shares[1]	68.163%
Class B Common	Filipino	19,474,122 shares[2]	31.679%

[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; 21,874,909 shares, the record owner of which is Palm Avenue Holding Company, Inc;. and 6,617,640 shares, the record owner of which is RYM Business Management Corporation.*

[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; 4,411,770 shares, the record owner of which is RYM Business Management Corporation; and 8,980 shares beneficially owned by RCBC Trust Accounts, a group associate of AT Yuchengco.*

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

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

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

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

PART IV – CORPORATE GOVERNANCE

ITEM 13. CORPORATE GOVERNANCE

Compliance by the Company with its Manual on Corporate Governance for the years 2010 and 2009 was monitored and no significant deviation was noted with the Company, as well as all its directors, officers and employees substantially complying with the leading practices and principles on good corporate governance as embodied in the manual. The Company has also 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.

Since the adoption of the Company's Manual on January 1, 2003, the Manual has been revised trice in compliance with the mandate of the Securities Regulation Code (SRC) of the SEC. The latest Revised Manual is dated February 18, 2011 in line with SEC Memorandum Circular No. 6 Series of 2009. For transparency and easy access and reference of the investing public, the Company regularly posts on its website corporate disclosures and reports which were submitted to the SEC and PSE.

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.

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, 2010.
- 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 twenty seven (27) reports filed by the Company under SEC Form 17-C during the last six months period in 2010 and up to the date of filing this annual report, as follows:

Date	Items Reported
07.22.10	BC signed Heads of Terms with SAML which sets out terms for the transfer of BC's interest in and withdrawal from the Kingking Project;
08.25.10	Results of August 25, 2010 Annual Stockholders' Meeting;
08.25.10	Results of BOD Organizational Meeting;
09.07.10	BC signed a Deed of Assignment transferring the MPP No. 13-2010-CAR to its wholly owned subsidiary, Balatoc Gold Resources Corporation (BGRC);
09.21.10	Sworn certificate of qualification of independent directors of the Company, Messrs. Bernardo M. Villegas and Alberto C. Agra;
10.21.10	BC signed a Power Supply Agreement with Aboitiz Power Corporation to supply power to its mining operation in Itogon, Benguet Province;
10.22.10	BC bought back 51% of its secured debt at an approximate total discount of 70% and St. Augustine Mining Ltd (SAML) made an initial payment of US$8M to BC pursuant to the Heads of Terms executed between BC and SAML;
10.29.10	BC retired an additional 28.5% of its secured debt at 30% purchase price;
11.11.10	Reply to PSE's letter re: Additional information with respect to the Heads of Terms on the Kingking Project;
11.24.10	BC signed two (2) Memorandum of Understanding with Bong Doo Development Company, Ltd. for its Sta. Cruz Nickel Project in Zambales Province;
12.06.10	BC formalized a management agreement in favor of its fully owned subsidiary BEREC Land Resources Inc. (BLRI);
12.10.10	BC transferred, subject to DENR approval the Mineral Production Sharing Agreement (MPSA) No. 226-2005-III of its SCNP in Zambales to its wholly owned subsidiary Benguetcorp Nickel Mines, Inc. (BNMI);
01.17.11	BC compliance on Code of Corporate Governance and attendance in Board meeting of each director for the year 2010;
01.20.11	BC retired an additional 0.43% of its secured debt at 20% purchase price;
01.21.11	BC 100% owned subsidiary BEREC Land Resources Inc. signed a 5-year credit facility of up to P150 million with Philippine Export-Import Credit Agency (PhilEXIM) and Press Release on "PhilEXIM Credit Facility For Benguet Gold Project Signed";
02.09.11	Press Release on "Benguet Now On A Comeback";
02.17.11	Retirement of Mr. AM Leaño, SVP, Corporate Planning and Development;
02.21.11	Denial by MGB-CAR on the Company's mining claim applications in Itogon, Benguet Province;
02.22.11	Revised Manual on Corporate Governance of the Company;
03.08.11	Press Release on "Benguet Transfers Nickel Mine to Subsidiary for P1Billion".
03.11.11	Settlement of Unsecured bank debt and Press Release on "Benguet Debt Buy-Back On Track"
03.17.11	Receipt of Withdrawal of Notice of Default issued by PNB to BC.
03.21.11	Press Release on "Benguet Returns to Financial Health".
03.29.11	BOD Approval of Setting Annual Stockholders' Meeting, 2010 Audited CFS and creation of Risk Management Committee at the Board level.
03.29.11	MGB Annual Verification on BC's mining tenements.
03.30.11	Press Release on "Benguet Earns Php2.4 B in 2010.
04.04.11	Setting of BC's Annual Stockholders' Meeting (Amended Filing)
04.14.11	BC settlement of unsecured debt

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, MANDALUYONG CITY Makati on April 18, 2011.

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

RENATO A. CLARAVALL
Senior Vice President, Chief Finance Officer
Principal Financial/Comptroller/Acctng Officer

HERMOGENE H. REAL
Corporate Secretary

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

SUBSCRIBED AND SWORN to before me this 18th day of April, 2011 MANDALUYONG CITY affiants exhibited to me their identifications to wit: Mr. Benjamin Philip G. Romualdez with Social Security System No. 33-5830866-8, Mr. Marcelo A. Bolaño with Social Security System No. 03-2316878-4, Mr. Renato A. Claravall with Social Security System No. 03-2890762-3 and Atty. Hermogene H. Real with Social Security System No. 03-3865936-9, all are issued by the Philippines Social Security System.

LINA G. FERNANDEZ
NOTARY PUBLIC
COMMISSION NO. 0268-11
EXPIRES ON DEC. 31, 2012
ROLL OF ATTORNEY'S NO. 52172
IBP NO. 835939/NOV.11, 2010/RSM
PTR NO.0980349/JAN.5, 2011/MANDALUYONG

Doc. No. 125
Page No. 26
Book No. V
Series of 2011.

Annex "A"

2010
CHAIRMAN & PRESIDENT'S REPORT

Benguet Corporation took significant strides in 2010 and finally achieved its long-pursued goal of business turnaround with a reported ₱2.4 billion net income.

Your Company received timely support mid-year through a capital infusion (via private placement) of ₱150 million. Intended for general corporate purposes, the fund was partially utilized to increase the capacity of the Acupan Contract Mining Project (ACMP) and to accelerate the development of another potential revenue earner, the Balatoc Tailings Project (BTP). The ramped-up ACMP gold output, coupled with the start of commercial nickel ore shipments from the Santa Cruz Nickel Project (SCNP), have provided your Company with a steady, recurring income base amid sustained high metal prices. Your Company was likewise able to resolve two long-standing concerns during the year. It successfully retired a substantial portion of its old debt and at the same time, broke the Kingking impasse by negotiating a transactional arrangement with a third party that would monetize your Company's investment in the prospect. These major developments in 2010 have collectively lifted a heavy burden and provide your Company renewed hope and energy as it moves forward to sustained recovery.

CONSOLIDATED RESULTS

Consolidated net earnings for 2010 amounted to ₱2.4 billion or ₱15.14 per share (US$54.7 million or US$0.34 per share), a turnaround from the loss of ₱185 million or ₱1.23 per share (US$4.0 million or US$0.026 per share) in 2009. The net earnings in 2010 include extraordinary earnings of ₱2.3 billion (US$52.3 million) from the gain on settlement of liabilities and non-refundable deposit from the Kingking transaction. Income from operations excluding accrued financing and other charges of ₱24 million amounted to ₱126 million. In 2009, your Company's loss from operations before accrued non-cash financing and other charges of ₱122 million amounted to ₱63 million.

The operating revenues of the Company significantly increased to ₱624 million (US$14.2 million) in 2010 from ₱241 million (US$5.2 million) in 2009. The increase was attributed to ₱285 million revenues generated from your SCNP which started its operation this year and the higher gold production of 3,079 ounces this year versus 2,129 ounces in 2009 from your ACMP coupled with better metal prices in 2010.

MINING

The ACMP continued to be lucrative with 135% higher earnings than 2009. Earnings significantly increased to ₱77.8 million (US$1.8 million) in 2010 from ₱33.1 million (US$0.7 million) in 2009. The improvement was substantially due to increased gold production of 3,079 ounces in 2010 versus 2,129 ounces in 2009 and the rise in gold prices to US$1,262/oz in 2010 against US$981/oz in 2009. ACMP ended the year 2010 with an average milling rate of 93 tons per day. Your Company is targeting to further expand capacity of the ACMP mill to 150 tons per day by early 2011 and to 300 tons per day by the third quarter of 2012.

In December 2010, your Company formalized a management agreement in favor of BEREC Land Resources Inc. (BLRI), a wholly owned subsidiary, for the management and operation of ACMP. Under the management contract, BLRI will provide the necessary technical and financial assistance to expand the production capacity of ACMP to 300 tons per day. In this regard, BLRI has obtained approval from Philippine Export-Import Credit Agency (PhilEXIM) for a 5-year loan facility of up to ₱150 Million to finance the expansion project. The loan will be secured by real estate and other properties owned by BLRI and other subsidiaries of your Company. As project manager, BLRI will manage the fund, operate the project and ensure proper debt service.

Benguet Nickel Mines, Inc. (BNMI), a wholly owned subsidiary, reported net earnings of ₱101 million (US$2.3 million) in its first year of operation. The earnings is on account of the sale of 1.3 million tons of nickel ore out of its contractual arrangement with DMCI Mining Corporation (DMCI). The contract with DMCI is to mine and sell nickel ore from Area 1 of your Company's SCNP. In December 2010, your Company transferred, subject to Department of Environment and Natural Resources (DENR)'s approval, Mineral Production Sharing Agreement (MPSA) No. 226-2005-III of SCNP to BNMI. The transfer is in exchange for one billion BNMI shares out of the total capital increase of two billion shares (at par value of one peso per share) applied for by BNMI with the Securities and Exchange Commission (SEC). BNMI is completing the necessary requirements for fund-raising activities and possible public listing within 2011.

Your Company is looking to maximize utilization of the property by conducting its own exploration to enhance the resource and increase the property enterprise value and start mining activities in areas not covered by DMCI contract. Starting in 2011, BNMI will operate the remaining portions of your SCNP claims (Areas 2, 3 & 4) and will undertake a feasibility study to develop a processing capability for value added exports. A new Philippine Mineral Reporting Code (PMRC) - Competent Person (CP) report will soon be completed based on additional drillings conducted in 2010. This report is expected to upgrade the current resource base and support a proposed public offering.

Earnings from the Irisan Lime Project (ILP) amounted to ₱12.8 million in 2010 slightly lower that the ₱16.5 million (US$0.34) in the previous year, mainly due to decline in sales volume to 7,643 tons from 7,857 tons last year.

EXPLORATION, RESEARCH AND DEVELOPMENT

On the Kingking Project, your Company signed on July 22, 2010 a Heads of Terms with St. Augustine Mining Ltd. (SAML), an affiliated company of the US-based Russell Mining & Minerals Inc. (RMMI), which sets out terms for the transfer of your Company's interest in, and withdrawal from, the Kingking Project subject to strict compliance of the enabling conditions such as full payment of the acquisition price. The first part of the transaction was completed on October 22, 2010. SAML made an initial payment of US$8 million to your Company out of the total acquisition price of US$25 million, with the balance to be paid over a period of seven years. Until there is full payment of the price, or SAML gives an acceptable security within two years after the first payment, the assignment of your Company's interest in, and its withdrawal from, the transfer does not become effective. Other related properties included in the transaction are: the adjacent Sagittarius Alpha Realty Corporation (SARC) claims in Pantukan under APSA 00026-XI & 00136-XI, and interest in Pantukan Mineral Corporation (PMC). SARC is a wholly owned subsidiary of your Company. In the meantime, your Company shall continue to remain as co-contractor with Nationwide Development Corporation (NADECOR) in the Kingking MPSA. BC and NADECOR in this regard agreed to suspend and withdraw all pending court and administrative proceedings between them.

Your Company was issued Mineral Processing Permit (MPP) No. 13-2010-CAR for its BTP by the Mines and Geosciences Bureau (MGB)-Cordillera Administrative Region (CAR) and the DENR. In September 2010, your Company signed a Deed of Assignment transferring the MPP to BTP's operator, Balatoc Gold Resources Corporation (BGRC), a wholly owned subsidiary of the Company. The MPP allows BTP to reprocess the impounded BGO-Acupan mill tailings for recovery of residual gold. BGRC is currently updating cost estimates for critical mine/mill and ancillary equipment/facilities as part of CAPEX review.

For the Surigao Coal Project, pre-development activities are ongoing. Your Company engaged a consultant to study the feasibility of putting up a mine mouth power plant in the property, and the findings were presented to management last November 2010. The plant would be the primary market for the mine's coal product at minimal hauling cost. Additionally, your Company is evaluating the capability of the Hubo River in the same property to support a hydropower plant. The coal and hydro plants are envisioned to be complementary, and would provide an opportunity for your Company to participate in the energy sector and help alleviate the growing power supply deficiency in Mindanao.

For your Company's Foreign Technical Assistance Agreement (FTAA) applications in Ilocos Norte, a 2-year exploration program has been prepared starting with regional exploration (Phase 1) followed by more detailed exploration (Phase 2) as more prospective areas are identified. For the Apayao FTAA application, your Company submitted the proposed Exploration Work Program and the Environmental Work Program to MGB-CAR. There are at least three mining companies (two locals and one foreign) that signified interest in looking at the Ilocos Norte FTAA area. There has been no agreement reached with them as yet.

SUBSIDIARIES AND AFFILIATES COMPANIES

Benguet Management Corporation (BMC), a wholly owned subsidiary of your Company, and its subsidiaries, reported a consolidated net loss of ₱10.3 million (US$0.235 million) as compared to the loss of ₱9.9 million (US$0.20 million) in 2009. 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 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.

HEALTH CARE SERVICES

Earnings from the Benguet Laboratories (BL) almost doubled to ₱6.1 million (US$0.14 million) in 2010, from ₱3.2 million (US$0.07) in 2009. BL is in partnership with about 66 medical practitioners of various disciplines and expertise. It continues to serve various Health Management Organizations catering to corporate and institutional clients, both from the private and government sectors that are located in Northern Luzon. Management of BL is working to be the leading healthcare provider in Baguio-Benguet areas including the Cordillera. It focus to expand its resources to areas within Regions 1, 2 and 3.

LAND DEVELOPMENT

For the Woodspark Rosario Subdivision, cash collection in 2010 amounted to ₱4.195 million which brought up the total cash collection to-date to ₱36.326 million derived from cash sales and payments of reservation deposits, down payment and monthly amortizations. Lot sales, reservations and dacion in 2010 totaled 29 lots with an aggregate area of 3,243 square meters valued at ₱6.275 million. Total lots sold and reserved to-date is 168 lots with an aggregate area of 25,614 square meters valued at ₱44.398 million. Woodspark attained 96% completion of its development for Phase I, 93% for Phase 2 and 83% for Phase 3.

ENVIRONMENTAL PROTECTION AND COMMUNITY SERVICES

Your Company is committed to the protection and enhancement of our environment by ensuring that its mining operations are compliant with the strict regulations of the DENR-MGB and other government agencies. To meet the environmental obligations of its mining operations, your Company's BGO spent ₱3.319 million for the maintenance and structural rehabilitation of its tailings disposal system, drainage tunnels, mine waste dump, reforestation activities and other mining infrastructures. 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-CAR, the Local Government Units and the Environment Management Bureau.

Your Company continues to fulfill its social environment obligations through implementation of various Social Development and Management Programs (SDMP) for BGO and BNMI, in coordination with Local Government Units and government agencies. The SDMP has directly benefited residents within your Company's areas of operations as well as neighboring communities. Your Company also regularly undertakes other community development programs such as health and medical care, supplemental/malnutrition feeding, infrastructure and environmental protection activities, livelihood, waste management, and education/scholarship programs.

GOOD CORPORATE GOVERNANCE

Your Company adheres to the principles of good corporate governance and faithfully complies with the guidelines of the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE). Since the adoption of your Company's Manual on Corporate Governance ("the Manual") on January 1, 2003, the Manual has been revised thrice in compliance with the mandate of the Securities Regulation Code (SRC) of the SEC. The latest Revised Manual is dated February 18, 2011 in line with SEC Memorandum Circular No. 6 Series of 2009. For transparency and easy access and reference of the investing public, your Company regularly posts on its website corporate disclosures and reports which were submitted to the SEC and the PSE.

DEBT STATUS

In June 2010, your Company's Board of Directors approved the discounted buy-back from Strato International Holdings Ltd. of BC debt papers equivalent to a significant portion of the secured debt, and a proposal for a similar buy-back or debt restructuring to other creditors/holders of BC debt papers. At year end, your Company was able to retire 79.98% of its secured debt and repurchased 85.3% of its unsecured debt. In March 2011, Philippine National Bank (PNB) as the mortgage trustee of the consortium of bank creditors, wrote your Company a letter that it is withdrawing the notice of default it earlier issued since the majority creditors have already indicated their retraction of their previous instruction to PNB on the default declaration. As of the end of 2010, your Company's consolidated outstanding principal debt subject to the repayment plan amounted to ₱554 million or US$12.6 million.

PRIVATE PLACEMENT

On April 7, 2010, your Company's Board of Directors approved a Memorandum of Agreement between your Company and RYM Business Management Corporation (RBMC) for a private placement of up to ₱330 million in your Company's common shares equivalent to 14.6 million Class "A" shares and 9.7 million Class "B" shares. The subscription to authorized and unissued shares of your Company will be divided into two transactions. The first transaction was completed on April 23, 2010 with full payment of ₱150 million. The second transaction shall be completed within 180 days from listing of the shares under the first tranche.

The funds from the private placement were utilized for general corporate purposes and to fund in part the development of the various mining projects of your Company, including BTP and ACMP.

OUTLOOK

Your Company is now positioned to move forward with confidence.

The substantial resolution of the old debt issue has strengthened its financial condition and has enabled your Company to again participate in credit markets, after an absence of close to two decades. The task is not yet complete and your Company remains committed to a final and comprehensive settlement of all the old debt within 2011.

More importantly, the measures taken by your Company to develop a recurring earnings base has shown significant positive results. Revenues from gold had risen by 135% year-on-year and will continue to grow as the milling capacity increase to 300 metric tons per day is completed. Nickel delivered ₱285 million in revenues in 2010 compared to nil in the previous year and this is likewise expected to further improve in 2011. In both cases, your Company was able to benefit from the current level of commodity prices and expects that such levels will generally be constant in the coming year.

Organizationally, your Company has completed the necessary requirements to operate BNMI and BGRC as stand-alone business units.

Your Company, therefore, expects that the coming year will again show a positive net income performance which will ultimately benefit its stakeholders.

ACKNOWLEDGEMENT

We acknowledge the unwavering commitment of the officers, managers, employees and consultants of the Company who continue to respond to heavy work demands and see your Company through. We are, as always, deeply grateful to the members of our Board of Directors for their valuable inputs and continued guidance.

To our fellow stockholders, we are especially grateful for your continued trust and support.

Benjamin Philip G. Romualdez
Chairman, President & Chief Executive Officer

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, 2010					
			Net		
	Designation	Beginning	Additions	Ending	
Name	of Debtor	Balance	Collections	Balance	
LAZARO, C. O.	Senior Manager	₱383,855.73	₱129,032.00	₱512,887.73	*
BERNALDO, C.T.	Senior Manager	15,000.00	191,311.90	206,311.90	*
CALIMLIM, D.B.	Senior Manager	232,375.04	(46,240.00)	186,135.04	*
DAIT, J. C	Senior Manager	187,757.64	(30,357.75)	157,399.89	*
ARCEÑO, M.A.	Senior Manager	130,000.00	(7,640.00)	122,360.00	*
MARIGUNDON, H.M.	Senior Manager	40,726.79	54,727.29	95,454.08	*
HIZON, A.	Rank-And-File	50,500.00	36,500.00	87,000.00	*
BARCELONA, E.M.	Senior Manager	95,578.05	(18,457.07)	77,120.98	*
AW-AW, E.	Senior Manager	-	77,032.00	77,032.00	*
MATA, J.R.	Senior Manager	28,075.00	37,888.04	65,963.04	*
CALUB, L.O.	Senior Manager	84,150.85	(28,717.15)	55,433.70	*
TANGALIN, R. H.	Senior Manager	35,187.00	14,942.50	50,129.50	*
DIAZ, E.G.	Senior Manager	49,013.17	-	49,013.17	*
VILLEGAS, L.C.	Asst. Unit Manager	15,348.13	29,771.37	45,119.50	*
VILLANUEVA, F.O.	Senior Manager	21,675.00	18,711.48	40,386.48	*
ARELLANO, E.	Senior Manager	-	40,000.00	40,000.00	*
DULNUAN, R.	Senior Manager	-	35,000.00	35,000.00	*
CARBREROS, M.	Senior Manager	-	34,634.07	34,634.07	*
OSTREA, L.N.	Senior Manager	49,449.16	(15,919.21)	33,529.95	*
PUSPOS, E.	Senior Manager	-	25,000.00	25,000.00	*
SANTOS, R.M.	Senior Manager	20,893.10	-	20,893.10	*
AVILES, C.	Senior Manager	-	19,515.77	19,515.77	*
GATCHALIAN, R.	Senior Manager	-	19,000.00	19,000.00	*
BORJE, D. R.	Senior Manager	18,930.13	-	18,930.13	*
AQUINO, R.	Senior Manager	17,557.00	-	17,557.00	*
MALAWIS, E.	Senior Manager	15,106.54	(715.62)	14,390.92	*
SAN PEDRO, M.N.	Senior Manager	-	14,077.89	14,077.89	*
GODIO, J.	Senior Manager	15,388.70	(2,850.00)	12,568.70	*
SARAPAO, M.	Senior Manager	-	12,240.00	12,240.00	*
CANCINO, P.	Senior Manager	12,236.04	-	12,236.04	*
CASTRO, D.	Senior Manager	11,635.60	-	11,635.60	*
CAMERINO, A.S.	Asst. Unit Manager	9,104.78	-	9,104.78	*
MARCELO, J.	Senior Manager	-	9,000.00	9,000.00	*
TUMAPANG, B.	Senior Manager	21,761.82	(13,761.82)	8,000.00	*
SOSING, A.	Senior Manager	-	8,000.00	8,000.00	*
RODRIGUEZ, F.	Senior Manager	-	7,427.61	7,427.61	
OBLENA, A.	Senior Manager	-	7,375.25	7,375.25	
ORDINES, R.	Rank-And-File	7,000.00	-	7,000.00	
TABUDLO, A.	Rank-And-File	-	5,500.00	5,500.00	
* 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, 2010 and 2009. 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 maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Company's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material 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 & Chief Executive Officer

RENATO A. CLARAVALL
Senior Vice President, Chief Finance Officer

SUBSCRIBED AND SWORN to before me this 18 th day of April, 2011 MANDALUYONG CITY affiants exhibited to me their identifications, to wit: Mr. Benjamin Philip G. Romualdez with Social Security System No. 33-5820866-8 and Mr. Renato A. Claravall with Social Security System No. 03-2890762-3, both issued by the Philippine Social Security System.

LINA G. FERNANDEZ
NOTARY PUBLIC
COMMISSION NO. 0268-11
EXPIRES ON DEC. 31, 2012
ROLL OF ATTORNEY'S NO. 52172
IBP NO. 835939/NOV. 11, 2010/RSM
PTR NO. 0980349/JAN. 5, 2011/MANDALUYONG

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Book No. I
Series of 2011.

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

Benguet Corporation and Subsidiaries

Consolidated Financial Statements
As of December 31, 2010 and 2009
and for Each of the Three Years in the Period
Ended December 31, 2010

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.

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

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

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Benguet Corporation

We have audited the accompanying consolidated financial statements of Benguet Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2010 and 2009, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity (capital deficiency) and statements of cash flows for each of the three years in the period ended December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated 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 Benguet Corporation and its subsidiaries as at December 31, 2010 and 2009, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2010 in accordance with Philippine Financial Reporting Standards.

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
BIR Accreditatiion No. 08-001998-76-2009,
June 1, 2009, Valid until May 31, 2012
PTR No. 2641575, January 3, 2011, Makati City

March 29, 2011

BENGUET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, Except Number of Shares)

	December 31	
	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱292,457**	₱29,883
Trade and other receivables (Note 6)	**270,103**	131,345
Loans receivable (Note 7)	**54,657**	–
Inventories (Note 8)	**25,477**	26,581
Other current assets (Note 9)	**36,429**	29,136
Total Current Assets	**679,123**	216,945
Noncurrent Assets		
Property, plant and equipment (Notes 2, 11 and 17):		
At revalued amounts - land	**2,315,022**	2,315,022
At cost	**434,479**	174,608
Available-for-sale (AFS) investments (Note 10)	**15,365**	16,860
Deferred exploration costs (Notes 2 and 13)	**354,332**	579,444
Investment property (Note 12)	**166,693**	166,693
Other noncurrent assets (Note 14)	**105,030**	110,389
Total Noncurrent Assets	**3,390,921**	3,363,016
TOTAL ASSETS	**₱4,070,044**	₱3,579,961
LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)		
Current Liabilities		
Current portion of bank loans (Note 15)	**₱1,491,428**	₱3,694,175
Trade and other payables (Note 16)	**670,716**	595,695
Income tax payable	**75,274**	–
Total Current Liabilities	**2,237,418**	4,289,870
Noncurrent Liabilities		
Bank loans - net of current portion (Note 15)	–	380
Deferred income tax liabilities - net (Note 30)	**944,548**	1,008,083
Liability for mine rehabilitation (Note 17)	**23,759**	12,318
Accrued pension liability (Note 29)	**20,993**	15,413
Equity of claimowner in contract operations	**55,941**	49,696
Other noncurrent liabilities	**32,844**	–
Total Noncurrent Liabilities	**1,078,085**	1,085,890
Total Liabilities	**3,315,503**	5,375,760

(Forward)

	December 31	
	2010	2009
Equity (Capital Deficiency)		
Capital stock (Note 18)	**₱487,792**	₱453,345
Capital surplus	**1,153,578**	1,032,817
Other components of equity:		
Revaluation increment in land - net of deferred income tax liability (Note 11)	**1,612,988**	1,612,988
Cumulative translation adjustments of foreign subsidiaries	**39,286**	42,022
Cost of share-based payment (Notes 19 and 27)	**41,790**	43,148
Unrealized gain on AFS investments (Note 10)	**2,139**	2,085
Deficit (Note 2)	**(2,575,016)**	(4,974,188)
	762,557	(1,787,783)
Cost of 116,023 shares held in treasury (Note 31)	**(8,016)**	(8,016)
Total Equity (Capital Deficiency)	**754,541**	(1,795,799)
TOTAL LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)	**₱4,070,044**	₱3,579,961

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		
	2010	2009	2008
REVENUES			
Sale of mine products	**₱321,827**	₱163,872	₱248,425
Sale of merchandise and services	**264,224**	45,968	53,580
Trucking and warehousing services	**27,693**	18,646	31,517
Real estate sales	**9,914**	12,063	11,334
	623,658	240,549	344,856
OPERATING COSTS AND EXPENSES			
Costs of mine products sold (Note 20)	**138,573**	97,160	139,223
Costs of merchandise sold and services (Note 21)	**98,002**	53,677	55,090
Costs of real estate sold	**8,425**	8,465	8,665
Selling and general (Note 22)	**217,182**	174,139	163,719
Taxes on revenue	**5,633**	2,528	3,586
	467,815	335,969	370,283
INTEREST EXPENSE (Note 15)	**(133,571)**	(178,909)	(207,437)
OTHER INCOME (CHARGES) - net (Note 25)	**2,393,613**	69,760	(292,694)
INCOME (LOSS) BEFORE INCOME TAX	**2,415,885**	(204,569)	(525,558)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)			
Current	**79,078**	2,607	155
Deferred	**(62,365)**	(21,880)	(42,214)
	16,713	(19,273)	(42,059)
NET INCOME (LOSS) (Note 31)	**₱2,399,172**	(₱185,296)	(₱483,499)
BASIC EARNINGS (LOSS) PER SHARE (Note 31)	**₱15.14**	(₱1.23)	(₱3.20)
DILUTED EARNINGS (LOSS) PER SHARE (Note 31)	**₱14.95**	(₱1.23)	(₱3.20)

See accompanying Notes to Consolidated Financial Statements.

BENGUET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2010	2009	2008
NET INCOME (LOSS)	**₱2,399,172**	(₱185,296)	(₱483,499)
OTHER COMPREHENSIVE INCOME (LOSS)			
Cumulative translation adjustments of foreign subsidiaries	**(2,736)**	(936)	3,847
Realized gain on disposal of AFS investments	**(297)**	–	–
Unrealized gain (loss) on AFS investments (Note 10)	**351**	2,043	(49)
Revaluation decrease in land	**–**	–	(3,139)
Cost of share-based payment	**–**	–	9,212
	(2,682)	1,107	9,871
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱2,396,490**	(₱184,189)	(₱473,628)

See accompanying Notes to Consolidated Financial Statements.

BENGUET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CAPITAL DEFICIENCY)

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

(Amounts in Thousands)

				Other Components of Equity						
	Capital Stock	Capital Surplus	Subscription Receivable	Revaluation Increment	Cumulative Translation Adjustment of Foreign Subsidiaries	Cost of Share-Based Payment (Note 19)	Unrealized Gain (Loss) on AFS Investments	Deficit	Treasury Stock	Total
Balances at January 1, 2008	**₱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 18)	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)**
Stock subscription (Note 18)	33,089	116,911	–	–	–	–	–	–	–	150,000
Employees' exercise of stock options (Note 18)	1,358	3,850	–	–	–	(1,358)	–	–	–	3,850
Net income for the year	–	–	–	–	–	–	–	2,399,172	–	2,399,172
Other comprehensive income (loss)	–	–	–	–	(2,736)	–	54	–	–	(2,682)
Total comprehensive income (loss) for the year	–	–	–	–	(2,736)	–	54	2,399,172	–	2,396,490
Balances at December 31, 2010	**₱487,792**	**₱1,153,578**	**₱–**	**₱1,612,988**	**₱39,286**	**₱41,790**	**₱2,139**	**(₱2,575,016)**	**(₱8,016)**	**₱754,541**

See accompanying Notes to Consolidated Financial Statements.

BENGUET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱2,415,885**	(₱204,569)	(₱525,558)
Adjustments for:			
Interest expense (Note 15)	**133,571**	178,909	207,437
Depreciation, depletion and amortization (Note 24)	**59,901**	26,368	26,443
Provision for impairment losses on:			
Trade and other receivables (Note 6)	**12,659**	21,022	2,980
Property, plant and equipment, inventory losses and other assets	**–**	6,430	17,890
Accretion expense (Note 17)	**1,948**	1,680	1,452
Gain on settlement of liabilities (Notes 15, 25 and 34)	**(1,943,563)**	–	–
Income from nonrefundable deposit (Note 25)	**(353,600)**	–	–
Unrealized foreign exchange losses (gains)	**(25,479)**	(56,350)	241,124
Interest income (Note 25)	**(9,091)**	(2,864)	(1,426)
Realized gain on disposal of AFS investments	**(297)**	–	–
Gain on sale of property and equipment	**(135)**	(47,596)	(718)
Cost of share-based payment (Note 19)	**–**	–	9,212
Operating income (loss) before working capital changes	**291,799**	(76,970)	(21,164)
Decrease (increase) in:			
Trade and other receivables	**(146,853)**	(22,033)	(81,737)
Inventories	**1,104**	(6,466)	239
Other current assets	**(7,293)**	11,608	(42,734)
Increase in:			
Trade and other payables	**75,048**	20,603	219,105
Accrued pension liability	**5,580**	5,474	–
Other noncurrent liabilities	**32,844**	–	–
Cash generated from (used in) operations	**252,229**	(67,784)	73,709
Interest received	**687**	2,864	1,426
Income taxes paid	**(3,804)**	–	–
Net cash from (used in) operating activities	**249,112**	(64,920)	75,135
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of nonrefundable deposits (Note 25)	**265,200**	–	–
Decrease (increase) in other noncurrent assets	**5,359**	(3,047)	(2,473)
Proceeds from disposal of:			
AFS investments (Note 10)	**1,846**	–	–
Property, plant and equipment	**421**	53,765	2,276
Additions to:			
Deferred exploration costs (Notes 13 and 34)	**(64,110)**	(68,997)	(283,332)
Property, plant and equipment (Note 11)	**(25,240)**	(14,540)	(38,987)
AFS investments	**–**	(8,381)	–
Net cash from (used in) investing activities	**183,476**	(41,200)	(322,516)

(Forward)

	Years Ended December 31		
	2010	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of capital stock (Note 18)	**₱150,000**	₱–	₱123,119
Increase in equity of claimowners and others	**6,245**	13,762	1,376
Proceeds from employees' exercise of stock options (Note 18)	**3,850**	–	–
Settlement of bank loans	**(283,856)**	(5,742)	–
Increase in loans receivable	**(46,253)**	–	–
Net cash from (used in) financing activities	**(170,014)**	8,020	124,495
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**262,574**	(98,100)	(122,886)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**29,883**	127,983	250,869
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱292,457**	₱29,883	₱127,983

See accompanying Notes to Consolidated Financial Statements.

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 mineral production, exploration, research and development and natural resource 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 accompanying consolidated financial statements of the Company and its subsidiaries, collectively referred to as the Group, as of December 31, 2010 and 2009 and for each of the three years in the period ended December 31, 2010 were authorized for issue by the Board of Directors (BOD) on March 29, 2011.

2. Status of Operations and Management Plans

As shown in the accompanying consolidated financial statements, the Group generated a net income of ₱2.4 billion for the year ended December 31, 2010, which reduced deficit to ₱2.6 billion and resulted in an equity of ₱0.8 billion as of December 31, 2010 compared with the cumulative losses of ₱5.0 billion and capital deficiency of ₱1.8 billion as of December 31, 2009. The Group's maturing bank loans and related interest were reduced to ₱1.5 billion as of December 31, 2010 from ₱3.7 billion as of December 31, 2009. Also, as stated in Note 15, in the first quarter of 2011, the Group settled an additional ₱459.5 million of bank loans and accrued interest. Further discussions with lenders on the settlement of the remaining loans are on-going. The Group plans to settle the outstanding loans in 2011.

In 2009, there was an indication that may cast doubt as to the ability of the Group to continue as a going concern. However, with the Group's settlement of a significant portion of its loans, disposal of assets that improved working capital, improvement in the Group's operations, positive financial and operating projections in view of management's priorities and key initiatives, and on-going positive developments in negotiations with lenders for fresh financing, management's position that the Group has the ability to continue as a going concern, has been sustained.

Management Operating Priorities

In 2009, the Company chose to prioritize the Sta. Cruz Nickel Laterite Prospect (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 then also revisited its options on the Kingking copper-gold prospect which led to an agreement with a third party in 2010 (see following discussions). The Company is also working to achieve higher gold production in its Acupan Contract Mining Project (ACMP) and pursue its due diligence study for the Balatoc Tailings Project (BTP). The Company will reassess its direction on the Baguio City Bulk Water Supply Project. See following discussions on Project Developments.

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. Throughout 2003 to 2008, the Company continued to talk to the banks on the debt issue. With the passage of the Republic Act (RA) No. 9182, *Special Purpose Vehicle (SPV) Act*, in 2002, majority of the banks have transferred their debt holdings to SPV companies.

In the first half of 2009, the creditors sent individual notices of default prompting Philippine National Bank (PNB), the trustee bank, to issue a notice of default on July 29, 2009.

In October 2009, the Company made a written offer of commercial settlement to all its creditors to buy back the debt at a discount or to restructure the obligation. In October 2010, the Company sent a firm offer to all creditors for the buy back of the debt based on prevailing market conditions. A substantial number of creditors agreed to the debt purchase, and all debt holders who sold their debts to the Company notified PNB that they are withdrawing their previous notices and instructions. As of December 31, 2010 and 2009, outstanding bank loans subject to repayment plan amounted to ₱1.5 billion and ₱3.7 billion, respectively, inclusive of interest (see Note 15).

As a result of the majority creditors' retracting their prior notices and instructions, PNB wrote a letter to the Company on March 17, 2011 indicating that they are withdrawing their notice of default dated July 29, 2009.

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

a. Mining Projects

ACMP
The Company continued to generate earnings since the reopening of the Benguet Gold Operation (BGO) through ACMP in December 2004, through a partnership with the small-scale miners to mine certain levels in a low-capital, low-cost venture operation. ACMP is in the second phase of its expansion which aims to increase production to 300 tons per day. Phase 2 will reopen up the access to the previously operating Acupan mine which had blocked 840,000 ounces reserve from 8.2 million ounces resource. ACMP has a current production of 110 tons per day with average output of 330 ounces of gold per month.

On December 6, 2010, the Company formalized a management agreement in favor of its wholly owned subsidiary, BEREC Land Resources, Inc. (formerly BEREC Land, Inc.; BLRI) for the management and operation of ACMP. Under the management contract, BLRI will provide the necessary technical and financial assistance to expand the production capacity of Acupan to 300 tons per day.

In this regard, BLRI has obtained approval from Philippine Export-Import Credit Agency (PhilEXIM) for a five-year loan facility of up to ₱150.0 million to finance the expansion project. The loan will be secured by real estate assets owned by BLRI and other subsidiaries of BC and by a chattel mortgage over the project assets. As project manager, BLRI will manage the fund, operate the project and ensure proper debt service. On February 18, 2011, BLRI, through an execution of promissory note, withdrew ₱47.9 million out of the total loan facility.

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.

BGO
The Company's BGO in Itogon, Benguet Province, consisting of the Acupan and Kelly underground mines, have been suspended since 1992 following the 1991 earthquake which flooded the underground mines. In 2004, BGO resumed operations of the ACMP. The BGO property also included three tailings ponds with an estimated tailings resource of 16.7 million metric tons with an average of 0.69 grams gold per ton and estimated to contain some 371 thousand ounces of gold.

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 tons averaging 3.45 grams gold per ton as of year-end 1999.

Irisan Lime Project (ILP)
In 2010, the Company's quarrying permit for the ILP was renewed for another five years.

b. Exploration, Research and Development Projects

SCNP
The Company's MPSA application for its nickel laterite resource in Sta. Cruz, Zambales Province was approved by the Department of Environment and Natural Resources-Mines and Geosciences Bureau (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 16.2 million tons averaging 1.56% nickel and 0.05% cobalt.

The Company started exploration and 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. Simultaneous 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 $800,000 to $1,000,000 is needed to put up a nickel processing plant at the site that can produce between 30,000 to 50,000 tons of nickel pellets 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.

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 Province. 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 years.

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 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.

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.

On December 10, 2010, the Company signed a Deed of Exchange with BNMI to transfer to BNMI, subject to approval by the DENR, the MPSA -226-2005-III covering the SCNP located in Sta. Cruz, Zambales Province with an area of 1,406.74 hectares.

On February 28, 2011, the Philippine SEC approved BNMI's increase in capital stock from 10.0 million shares to 2.0 billion shares.

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 under RA No. 7942 and the Revised Implementing Rules and Regulations of RA No. 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 1.0 billion tons resource containing 0.306% total copper and 0.410 grams gold per ton. Further engineering studies delineated an open pit mineable reserve of 353.5 million tons containing 0.388% total copper and 0.439 grams gold per ton. The reserve includes a 50.38 million tons oxide cap averaging 0.641% total copper and 0.662 grams gold per ton, and a 303.1 million tons sulfide portion averaging 0.342% total copper and 0.402 grams gold per ton.

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 tons with an average grade of 8.02 grams gold per ton 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 the operatorship of the project from the Company. 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 that it is declaring a 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 grounds that the request to arbitrate is premature, the issue is non-arbitrable and the matter is properly cognizable by the regular court.

On July 22, 2010, the Company signed a Head of Terms with St. Augustine Mining Ltd. (SAML), an affiliated company of Rusell Mining & Minerals Inc. (RMMI), which set out terms for the transfer of the Company's interest in and withdrawal from Kingking, subject to due diligence, definitive transactional documents and full payment of the acquisition price.

On October 22, 2010, the first part of the transaction was completed. SAML initially paid \$8.0 million or ₱353,600 out of the total acquisition price of \$25.0 million, with the balance to be paid on various dates over seven years (see Note 25). All payments relating to the disposal of the Kingking rights are nonrefundable and non-reimbursable. Until there is full payment of the acquisition price, or until SAML provides an acceptable security within two years after the first payment, the transfer of the Company's interest in Kingking does not become effective.

Consequently, the approval by DENR for the transfer of the MPSA to SAML has not been obtained. The Company used part of the proceeds to settle more than half of its bank loans (see Note 15).

As of December 31, 2010, the Company remains to be the co-contractor with NADECOR in Kingking. The Company and NADECOR agreed to suspend all pending legal proceedings so that the mining feasibility study can proceed without delay.

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

On October 21, 2009, the Company appointed ATR Kim Eng Capital Partners, Inc. as financial advisor to raise additional development capital for the BTP. The project involves the reprocessing of mine tailings to recover residual gold. The 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 the BTP. The Company has completed the bankable feasibility study of the BTP and engaged external Competent Persons to prepare and review reports as required under the Philippine Mineral Reporting Code 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 the BTP's Environmental Compliance Certificate (ECC) on June 11, 2009 and the Mineral Processing Permit on May 31, 2010.

In September 2010, the Company signed a Deed of Assignment with BGRC to transfer to BGRC, subject to approval by the DENR, the Mineral Processing Permit (MPP) No. 13-2010-CAR of the BTP. The MPP allows the BTP to reprocess the impounded mill tailings from Acupan mines for recovery of residual gold.

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. On October 7, 2004, the DENR-MGB granted to the Company an additional two-year extension to explore the prospect.

Zamboanga Gold Prospect
Since 1993, this gold property in R.T. Lim, Zamboanga del Sur Province continues to remain under suspension and caretakership. The Company is re-evaluating the mineralogy and prospects of the property which has a 30 tons per day carbon-in-leach gold processing plant in light of the prevailing and favorable outlook in the price of gold.

Northern Luzon Financial and Technical Assistance Agreement (FTAA) Application
Six parcels of mineral claims of some 113,603 hectares staked in Abra, Apayao and in the Ilocos will undergo 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). NCIP process is now on-going on both FTAA applications.

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 and investment property, which have been measured at fair value. The consolidated 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 Philippine 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	Effective Percentage of Ownership
BLRI	Exploration and development	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 (MMC)**	Management services	Philippines	100.00
BenguetCorp International Limited (BIL)**	Holding company	Hong Kong	100.00
BIL Subsidiaries:			
Benguet USA, Inc.**	Exploration and development	United States of America	100.00
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) (see Note 33)*	Exploration and development	Philippines	100.00

* *Preoperating*
** *Nonoperating*

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

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 gains and losses, are eliminated in full.

On November 4, 2010, the Philippine SEC approved the amended articles of incorporation of BLRI. The amendment includes the change in name and the change in business purpose, from real estate holding to exploration and development.

On February 28, 2011, the Philippine SEC approved the amended articles of incorporation of BNMI covering the increase in authorized capital stock from 10.0 million to 2.0 billion at ₱1 par value, increase in number of directors from five to seven, and denying the pre-emptive right of stockholders.

Changes in Accounting Policies and Disclosures

New, Revised and Amended Standards and Interpretations and Improved PFRS Adopted in 2010

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.

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

Revised PFRS 3, *Business Combinations*, and Amendments to 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 will affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after January 1, 2010.

Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*
The amendment to PAS 39, effective for annual periods beginning on or after July 1, 2009, 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.

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 accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability.

Improvements to PFRS Effective 2010
The omnibus amendments to PFRS issued in 2009 were issued primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The following improvements are effective for annual period financial years beginning January 1, 2010 except if otherwise stated.

PFRS 2, *Share-based Payment*
- 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, *Non-current Assets Held for Sale and Discontinued Operations*
- 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, *Operating Segments*
- 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, *Presentation of Financial Statements*
- 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, *Statement of Cash Flows*
- 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, *Impairment of Assets*
- 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, *Intangible Assets*
- 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. This 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, *Financial Instruments: Recognition and Measurement*: 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, *Reassessment of Embedded Derivatives*
- 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, *Hedge of a Net Investment in a Foreign Operation*
- 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.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2010

The Group will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations from IFRIC to have significant impact on its financial statements.

Effective in 2011:

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

Amendment to PAS 32, *Financial Instruments: Presentation - Classification of Rights Issues*
The amendment to PAS 32 is effective for annual periods beginning on or after February 1, 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the

existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

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

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

Improvements to PFRS Effective 2011
The omnibus amendments to PFRSs issued in 2010 were issued primarily with a view to removing inconsistencies and clarifying wording. The amendments are effective for annual periods on or after either July 1, 2010 or January 1, 2011. The Group has not yet adopted the following amendments and anticipates that these changes will have no material effect on the financial statements.

- Revised PFRS 3, *Business Combinations*
- PFRS 7, *Financial Instruments: Disclosures*
- PAS 1, *Presentation of Financial Statements*
- PAS 27, *Consolidated and Separate Financial Statements*
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*

Effective 2012:

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

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

Philippine Interpretation IFRIC 15, *Agreements for the 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.

Effective in 2013:

PFRS 9, *Financial Instruments: Classification and Measurement*
PFRS 9, as issued in 2010, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, hedge accounting and derecognition will be addressed. The completion of this project is expected in early 2011. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

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

Financial Instruments
Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. 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 AFS financial assets. The Group's financial assets are of the nature of loans and receivables and AFS financial assets. As of December 31, 2010 and 2009, 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. As of December 31, 2010 and 2009, the Group has no financial liabilities at FVPL.

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 non-derivative 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", "Loans receivable" 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 the "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 trade and other receivables and loans receivable" 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. Otherwise, they are classified as noncurrent assets.

AFS Financial Assets
AFS financial assets are non-derivative assets that are either designated in this category or not classified in any of the other categories. AFS financial assets 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 twelve 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 financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are reported as "Unrealized gain (loss) on AFS investments" account in the equity (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 financial assets are reported as interest income using the effective interest rate. Any dividends earned on holding AFS financial assets 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 Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue. 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".

Other financial liabilities are classified as current liabilities when they are expected to be settled within twelve months from the financial position date or the Group has an unconditional right to defer settlement for at least twelve months from financial position date. Otherwise, they are classified as noncurrent liabilities.

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

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 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.

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 and other 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.

Offsetting Financial Instruments
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.

Inventories
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.

Input Value-added Tax (VAT)
Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations.

Input VAT is recognized as an asset and will be used to offset the Group's VAT liabilities. Input VAT is stated at its estimated net realizable value.

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, depletion and amortization and accumulated impairment in value. Such cost includes the cost of replacing part of such property, plant and equipment when that cost is incurred if the recognition criteria are met. 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 equity (capital deficiency) section in the consolidated statement of financial position. Any increase in the land's valuation is credited to the "Revaluation increment in land" account, unless and only to the extent it reverses a revaluation decrease of the land previously recognized as expense in which case it is recognized as income. Any decrease is first offset against an increase on earlier valuation in land and is thereafter recognized as expense. Upon derecognition of the revalued property, the relevant portion of the revaluation increment realized in respect of previous valuation is released from the revaluation increment directly to deficit.

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.

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

The estimated recoverable reserves, useful lives and depreciation, depletion and amortization 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, plant 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.

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. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

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 the consolidated statement of comprehensive income in the year in which they arise.

Investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the 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.

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

Impairment of Nonfinancial Assets
Property, Plant and Equipment and Investment Property
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 the "Deferred exploration costs" account in the consolidated statement 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 or is abandoned, all revocable cost associated with the project and the related impairment provisions are written off.

<u>Provisions</u>
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.

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

Deficit may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Treasury Shares
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.

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.

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

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

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.

Costs and Expenses
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
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 Company and AFC have 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.

Deferred 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 Company by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year.

Diluted earnings (loss) per share amounts are calculated by dividing the net profit (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, trade and other receivables, inventories and property, plant and equipment, net of allowances and provisions.

Segment liabilities include all operating liabilities and consist principally of trade and other payables, accrued expenses and bank loans. Segment assets and liabilities do not include deferred 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 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. Deferred exploration costs amounted to ₱354,332 and ₱579,444 as of December 31, 2010 and 2009, respectively (see Note 13).

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 34).

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 consolidated 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 Trade and Other Receivables and Loan 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. Provision for impairment losses on trade and other receivables and loan receivable amounting to ₱12,659, ₱21,022 and ₱2,980 were recognized in 2010, 2009 and 2008, respectively (see Notes 6). As of December 31, 2010 and 2009, the carrying value of trade and other receivables and loans receivable amounted to ₱270,103 and ₱131,345, respectively, net of allowance for impairment losses of ₱153,688 and ₱141,029 as of December 31, 2010 and 2009, respectively (see Notes 6 and 7).

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, 2010 and 2009, the carrying value of inventories amounted to ₱25,477 and ₱26,581, respectively (see Note 8).

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, Investment Property, Deferred Exploration Costs and Other Noncurrent Assets
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, 2010 and 2009, property, plant and equipment (at revalued amount and at cost), investment property, deferred exploration costs and other noncurrent assets amounted to ₱3,375,556 and ₱3,346,156, respectively (see Notes 11, 12, 13 and 14).

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 twelve 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. No impairment loss was recognized in 2010. As of December 31, 2010 and 2009, the carrying value of AFS investments amounted to ₱15,365 and ₱16,860, respectively (see Note 10).

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, 2010 and 2009 amounted to ₱2,749,501 and ₱2,489,630, respectively (see Note 11). 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, 2010 and 2009, the appraised value of land amounted to ₱2,315,022 (see Note 11).

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 ₱23,759 and ₱12,318 as of December 31, 2010 and 2009, respectively (see Note 17).

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 29 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 ₱17,523 and ₱12,179 as of December 31, 2010 and 2009, respectively (see Note 29). Net pension liability of AFC amounted to ₱3,470 and ₱3,234 as of December 31, 2010 and 2009 respectively (see Note 29).

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 ₱10,833 and ₱9,115 as of December 31, 2010 and 2009, respectively. The Group has deductible temporary differences excess MCIT and unused NOLCO as of December 31, 2010 and 2009 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 30).

5. Cash and Cash Equivalents

	2010	2009
Cash on hand and with banks	**₱272,889**	₱19,778
Short-term investments	**19,568**	10,105
	₱292,457	₱29,883

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 related to cash and cash equivalents amounted to ₱687, ₱2,864 and ₱1,426 in 2010, 2009 and 2008, respectively (see Note 25).

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

	2009	2008
Cash on hand and with banks	**₱52,668**	₱27,844
Short-term deposits	**75,315**	223,025
	₱127,983	₱250,869

6. Trade and Other Receivables

	2010	2009
Trade	**₱218,174**	₱124,738
Employee stock ownership incentive plan (see Note 27)	**58,416**	58,416
Others	**147,201**	89,220
	423,791	272,374
Less allowance for impairment losses	**153,688**	141,029
	₱270,103	₱131,345

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 ₱153,688 and ₱141,029 as of December 31, 2010 and 2009, 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.

Movements of allowance for impairment losses are as follows:

	2010			
	Trade receivables	**Employee Stock ownership incentive plan**	**Others**	**Total**
Balances at beginning of year	**₱34,290**	**₱58,416**	**₱48,323**	**₱141,029**
Provisions	**–**	**–**	**12,659**	**12,659**
Balances at end of year	**₱34,290**	**₱58,416**	**₱60,982**	**₱153,688**

	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

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

7. Loans Receivable

On March 3, 2010, a subsidiary granted to a third party a total unsecured loan facility of ₱135.0 million with interest rate of 9% per annum collectible on demand. Of the amount loaned, ₱80.3 million were collected during the year. Outstanding loan as of December 31, 2010 amounted to ₱54.7 million. Interest income earned in relation to the loan amounted to ₱8.4 million in 2010.

8. Inventories

	2010	2009
Subdivision lots and housing units for sale - at cost	**₱18,593**	₱18,622
Materials and supplies - at NRV	**6,884**	7,959
	₱25,477	₱26,581

The cost of materials and supplies amounted to ₱401,312 in 2010 and 2009.

9. Other Current Assets

	2010	2009
Creditable withholding taxes and prepaid expenses	**₱17,698**	₱14,238
Input VAT - net	**14,985**	10,146
Others	**3,746**	4,752
	₱36,429	₱29,136

Prepaid expenses comprise prepaid insurance and prepaid rent, among others.

10. AFS Investments

	2010	2009
Quoted shares	**₱10,246**	₱11,741
Unquoted shares	**5,119**	5,119
	₱15,365	₱16,860

Movements of AFS investments are as follows:

	2010	2009
Balances at beginning of year	**₱16,860**	₱6,464
Change in fair value of AFS investments	**351**	2,043
Disposals	**(1,846)**	–
Additions	–	8,381
Impairment loss	–	(28)
Balances at end of year	**₱15,365**	₱16,860

The unrealized gain on the increase in fair value of these investments amounting to ₱2,139 and ₱2,085 as of December 31, 2010, and 2009, respectively, is shown as a separate component in the equity (capital deficiency) section of the consolidated statements of financial position and in the consolidated statements of changes in equity (capital deficiency). The fluctuations in value of these investments are reported also as part of "Other comprehensive income (loss)" in the consolidated statements of comprehensive income.

Unquoted shares of stock are carried at cost less any impairment in value 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

	2010		
	Cost	**Revaluation Increment**	**Total**
Mortgaged			
Balances at beginning and 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**

	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

The latest valuation was performed by an independent firm of appraisers, Cuervo Appraisers, Inc. 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

	2010				
	Land and land Improvements	**Buildings**	**Machinery, Tools and Equipment**	**Mining Properties and Mine Development Costs**	**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	**128,662**	**307,678**	**1,223,432**	**21,485**	**1,681,257**
Additions (see Note 17)	**8,300**	**–**	**16,940**	**9,493**	**34,733**
Disposals	**–**	**–**	**(4,211)**	**–**	**(4,211)**
Reclassification (see Note 13)	**–**	**–**	**–**	**285,325**	**285,325**
Balances at end of year	**136,962**	**307,678**	**1,236,161**	**316,303**	**1,997,104**
Accumulated depreciation, depletion and amortization:					
Balances at beginning of year	**90,089**	**272,593**	**1,041,318**	**14,423**	**1,418,423**
Depreciation, depletion and amortization (see Note 24)	**1,237**	**5,412**	**30,480**	**22,772**	**59,901**
Disposals	**–**	**–**	**(3,925)**	**–**	**(3,925)**
Balances at end of year	**91,326**	**278,005**	**1,067,873**	**37,195**	**1,474,399**
Allowance for impairment losses:					
Balances at beginning and end of year	**23,360**	**597**	**67,565**	**7,062**	**98,584**
Total	**22,276**	**29,076**	**100,723**	**272,046**	**424,121**
Net book values	**₱22,276**	**₱35,858**	**₱104,299**	**₱272,046**	**₱434,479**

	2009				
	Land and Land Improvements	Buildings	Machinery, Tools and Equipment	Mining Properties and Mine Development Costs	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	128,662	307,013	1,210,169	21,485	1,667,329
Additions	–	665	13,875	–	14,540
Disposals	–	–	(612)	–	(612)
Balances at end of year	128,662	307,678	1,223,432	21,485	1,681,257
Accumulated depreciation, depletion and amortization:					
Balances at beginning of year	88,852	267,181	1,022,375	14,164	1,392,572
Depreciation and amortization (see Note 24)	1,237	5,412	19,460	259	26,368
Disposals	–	–	(517)	–	(517)
Balances at end of year	90,089	272,593	1,041,318	14,423	1,418,423
Allowance for impairment losses:					
Balances at beginning of year	23,360	–	66,655	7,062	97,077
Impairment losses	–	597	910	–	1,507
Balances at end of year	–	597	67,565	7,062	98,584
Total	15,213	34,488	114,549	–	164,250
Net book values	₱15,213	₱41,270	₱118,125	₱–	₱174,608

Property, plant and equipment, under not mortgaged, include temporarily idle properties with gross carrying value of ₱106,366 as of December 31, 2010 and 2009.

12. Investment Property

Investment property consists of land located in Cabuyao, Laguna with a total net land area of 47,626.705 square meters owned by BLRI. This land is currently mortgaged to Philexim as part of the collateral for the ACMP 300 tons per day expansion project being managed by BLRI.

On December 19, 2009, BLRI engaged an independent firm of appraisers to assess the fair market value of the investment property. As of December 31, 2010 and 2009, the fair market value of the investment property amounted to ₱166,693.

13. Deferred Exploration Costs

The Company signed the Head of Terms with SAML in relation to the Kingking Project (see Note 2).

Movements of deferred exploration costs are as follows:

	2010	2009
Balances at beginning of year	**₱579,444**	₱510,447
Additions	**60,213**	68,997
Reclassification (see Note 11)	**(285,325)**	–
Balances at end of year	**₱354,332**	₱579,444

Reclassification pertains to deferred exploration costs of BNMI as a result of the start of operation of BNMI's mining activity (see Notes 11 and 17).

14. Other Noncurrent Assets

	2010	2009
Advance royalties (see Note 2)	**₱87,481**	₱87,481
Others	**17,549**	22,908
	₱105,030	₱110,389

Others include Mine Rehabilitation Fund (MRF) amounting to ₱3,382 and ₱5,288 as of December 31, 2010 and 2009, respectively, as required by the Philippine Mining Act of 1995, of the Company which it maintains 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.

15. Bank Loans

	2010	2009
Accrued interest and penalties (see Note 2)	**₱937,692**	₱2,015,030
Unsecured loans (see Note 2)	**319,363**	461,162
Secured loans (see Note 2)	**234,373**	1,218,363
	1,491,428	3,694,555
Less noncurrent portion	**–**	380
Current portion	**₱1,491,428**	₱3,694,175

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 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.

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 Philippines 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 October 22, 2009, the Company submitted a debt settlement proposal to its creditors of record through the PNB as the trustee under the Restructuring Agreement/MTI. The Company received a certification from PNB that the Company has not yet been declared under default in accordance with the Restructuring Agreement/MTI. On this basis, 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 No. 9182, SPV law, existing jurisprudence and the signed agreements with the intent of fully settling its obligations under current market conditions especially as they relate to the SPV 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.

On October 22, 2010, the Company received a copy of "Notice of Settlement" to PNB Trust Banking Group from a secured creditor holding a significant amount of debt papers stating the full settlement of various peso- and dollar-denominated promissory notes and mortgage participation certificates comprising 49.05% (at ₱45.00 exchange rate) of the total secured debts and withdrawing all prior notices and instructions. On the same date, a "Deed of Settlement" was entered into by the Company and said creditor.

On October 28, 2010, the Company received a copy of "Notice of Settlement" to PNB from another secured creditor and a letter from the said creditor stating the full settlement of the promissory notes it held and Mortgage Participation Certificates and withdrawing its previous notices and instructions to PNB consisting of 3.89% of the total secured debt.

On October 29, 2010, the Company entered in to a "Purchase and Sale Agreement" with two secured creditors for the settlement of its long-outstanding debt. The Company settled its loans with the said creditors which comprise 26.61% of secured debt and 16.63% of unsecured debt.

As of December 31, 2010, the Company has settled a total of ₱2,227,223 in loan principal and related accrued interest and penalties. Gain on settlement of these liabilities amounted to ₱1,943,563 (see Note 25), with portion relating to principal amounting to ₱701,491.

On January 20, 2011, the Company entered into a "Compromise Agreement" with another secured creditor to settle an additional 0.43% of its secured debt. A copy of notice of settlement and withdrawal of previous instructions to PNB was received by the Company.

On March 11, 2011, the Company entered into a "Deed of Assignment" with an unsecured creditor. The agreement provides for the settlement of the Company's outstanding debt comprising 68.67% of unsecured debt.

As a result of the notices to PNB of the secured creditors holding 79.98% of the secured debt, PNB notified the Company on March 17, 2011 that it is withdrawing its previous notice of default.

Accrued interest and penalties represent cumulative interest and default charges as of December 31, 2010 and 2009. Finance charges on bank loans in 2010, 2009 and 2008 amounted to ₱133,571, ₱178,909 and ₱207,437, respectively.

16. Trade and Other Payables

	2010	2009
Trade	**₱261,313**	₱197,435
Accrued expenses and others	**409,403**	398,260
	₱670,716	₱595,695

Trade payables are noninterest-bearing and are normally settled on 60 to 90-days' terms.

Accrued expenses and other payables are generally paid within two months from reporting date. Accrued expenses consist mainly of accrual of professional fees, taxes and various operating expenses related to mining operations.

17. Liability for Mine Rehabilitation

	2010	2009
Balances at beginning of year	**₱12,318**	₱10,638
Additions	**9,493**	–
Accretion (see Note 25)	**1,948**	1,680
Balances at end of year	**₱23,759**	₱12,318

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

In 2010, BNMI recognized liability for mine rehabilitation amounting to ₱9,493 (see Note 13).

18. Capital Stock

	2010		2009	
	No. of shares	**Amount**	No. of shares	Amount
Authorized				
Convertible Preferred Class "A"	**19,652,912**	**₱67,500**	19,652,912	₱67,500
Common Class "A"	**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"	**100,935,625**	**302,627**	93,865,185	281,415
Common Class "B"	**61,473,467**	**184,420**	57,061,697	171,185
Total shares issued and subscribed		**₱487,792**		₱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 ₱8.07 a share for 2011. Each preferred share is convertible into 3.1625 Common Class A shares. 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 April 7, 2010, the Company's BOD approved the Memorandum of Agreement (MOA) between the Company and RYM Business Management Corporation (RBMC) for a private placement of ₱330.0 million in the Company's common shares divided into two (2) tranches. On April 23, 2010, the Company received the amount of ₱150.0 million pertaining to the initial subscription of RBMC.

The following are the movements in the number of issued shares of stock:

2010

	Convertible Preferred Class "A"	**Common Class "A"**	**Common Class "B"**
Issued shares at beginning of year	**217,061**	**93,865,185**	**57,061,697**
Private placement during the year	**–**	**6,617,640**	**4,411,770**
Employees' exercise of stock options	**–**	**452,800**	**–**
Issued shares at end of year	**217,061**	**100,935,625**	**61,473,467**

2009

	Convertible Preferred Class "A"	Common Class "A"	Common Class "B"
Issued shares at beginning and end of year	217,061	93,865,185	57,061,697

As of December 31, 2010, 2009 and 2008, the Company has seventeen thousand one hundred fifty six (17,156), seventeen thousand four hundred eight (17,408) and seventeen thousand eight hundred eighteen (17,818) stockholders, respectively.

19. 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:

	2010	2009	2008
Outstanding at beginning of year	**4,722,400**	5,162,400	5,640,000
Exercised during the year	**(452,800)**	–	(218,880)
Cancelled during the year	**(542,720)**	(440,000)	(258,720)
Outstanding at end of year	**3,726,880**	4,722,400	5,162,400

Prices of outstanding options at grant date:

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

	2010	2009	2008
Average price per share	**₱18.03**	₱17.13	₱17.01
Shares available for future option grants	**3,489,494**	2,946,774	2,506,774

As of December 31, 2010, all option shares are exercisable.

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.

No compensation expense relating to the stock option plan was recognized in 2010 and 2009. Compensation expense recognized in 2008 amounted to ₱9,212.

20. Cost of Mine Products Sold

	2010	2009	2008
Materials and supplies	**₱50,589**	₱49,954	₱74,309
Depreciation, depletion and amortization (see Note 24)	**22,657**	21,971	21,733
Personnel expenses (see Note 23)	**22,764**	16,516	13,917
Power and utilities	**10,115**	8,315	10,506
Services and other charges	**32,448**	404	18,758
	₱138,573	₱97,160	₱139,223

21. Cost of Merchandise Sold and Services

	2010	2009	2008
Depreciation, depletion and amortization (see Note 24)	**₱35,312**	₱3,037	₱3,710
Inventory	**30,157**	24,617	22,567
Outside services	**9,899**	7,021	6,306
Personnel expenses (see Note 23)	**9,464**	13,599	13,306
Rent	**947**	88	369
Taxes and licenses	**527**	318	332
Repairs and maintenance	**145**	629	680
Others	**11,551**	4,368	7,820
	₱98,002	₱53,677	₱55,090

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

22. Selling and General Expenses

	2010	2009	2008
Personnel expenses (see Note 23)	**₱107,234**	₱80,504	₱91,313
Outside services	**38,972**	31,315	16,426
Provision for impairment losses (see Notes 6, 8 and 11)	**12,659**	27,480	20,840
Depreciation, depletion and amortization (see Note 24)	**1,932**	1,360	1,000
Transportation and travel	**9,266**	4,290	929
Rent	**7,788**	2,123	4,078
Communication, light and power	**7,342**	12,383	22,532
Supplies	**6,076**	3,732	5,194
Others (see Note 34)	**25,913**	10,952	1,407
	₱217,182	₱174,139	₱163,719

Others consist mainly of insurance, repairs and maintenance and various administrative expenses, among others.

23. **Personnel Expenses**

	2010	2009	2008
Wages and salaries	**₱100,920**	₱79,762	₱85,736
Benefits and allowances (see Note 29)	**38,542**	30,857	32,800
	₱139,462	₱110,619	₱118,536

The above amounts were distributed as follows:

	2010	2009	2008
Selling and general expenses	**₱107,234**	₱80,504	₱91,313
Cost of mine products sold	**22,764**	16,516	13,917
Cost of merchandise sold and services	**9,464**	13,599	13,306
	₱139,462	₱110,619	₱118,536

24. **Depreciation, Depletion and Amortization**

	2010	2009	2008
Cost of merchandise sold and services	**₱35,312**	₱3,037	₱3,710
Cost of mine products sold	**22,657**	21,971	21,733
Selling and general expenses	**1,932**	1,360	1,000
	₱59,901	₱26,368	₱26,443

25. **Other Income (Charges)**

	2010	2009	2008
Gain on settlement of liabilities (see Note 15)	**₱1,943,563**	₱–	₱–
Income from nonrefundable deposit	**353,600**	–	–
Foreign currency exchange gains (losses) - net	**106,417**	56,350	(245,886)
Interest income	**9,091**	2,864	1,426
Accretion expense	**(1,948)**	(1,680)	(1,452)
Others - net	**(17,110)**	12,226	(46,782)
	₱2,393,613	₱69,760	(₱292,694)

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

On October 22, 2010, the Company received the $8.0 million first installment, or ₱353,600, from SAML in compliance with the Heads of Terms (see Note 2). This deposit is nonrefundable and non-reimbursable. The Company used part of the proceeds to settle a portion of its bank loans (see Note 15).

26. **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 2010, 2009 and 2008.

27. **Employee Stock Ownership Incentive Plan/Employee Stock Purchase 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 Philippine Stock Exchange 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, 2010 and 2009, 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 the “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.

28. **Related Party Disclosures**

Compensation of Key Management Personnel of the Group

In addition to those mentioned in Notes 2, 3, 26 and 27, the Group’s related party transactions also included the following compensation of key management personnel.

	2010	2009	2008
Salaries	**₱29,735**	₱24,143	₱23,731
Employee benefits	**4,053**	3,469	3,485
	₱33,788	₱27,612	₱27,216

29. **Pension Benefits Plans**

BC has a funded, noncontributory trusteed pension benefit plan while AFC has unfunded pension benefit plan covering substantially all of their regular employees. The benefits are based on a certain percentage of the final monthly basic salary for every year of credited service of the employees. The defined pension benefit obligation is determined using the projected unit credit method.

The following tables summarize the components of net pension benefit in the consolidated statements of income and fund status and the amounts recognized in the consolidated statements of financial position:

Net pension expense (recognized in selling and general expenses) follow:

	2010	2009	2008
BC			
Current service cost	**₱3,036**	₱2,599	₱2,269
Interest cost	**2,355**	1,764	1,247
Expected return on plan assets	**(215)**	(203)	(230)
Actuarial losses recognized in the plan year	**168**	210	267
	5,344	4,370	3,553
AFC			
Current service cost	**195**	282	537
Interest cost	**185**	643	675
Actuarial losses (gains) recognized in the plan year	**(71)**	179	–
	309	1,104	1,212
Net pension expense	**₱5,653**	₱5,474	₱4,765

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

	2010			2009		
	BC	**AFC**	**Total**	BC	AFC	Total
Present value of defined benefit obligation	**₱33,696**	**₱2,209**	**₱35,905**	₱22,025	₱1,902	₱23,927
Fair value of plan assets	**(4,727)**	**–**	**(4,727)**	(4,289)	–	(4,289)
Unfunded status	**28,969**	**2,209**	**31,178**	17,736	1,902	19,638
Unrecognized actuarial gains (losses)	**(11,446)**	**1,261**	**(10,185)**	(5,557)	1,332	(4,225)
	₱17,523	**₱3,470**	**₱20,993**	₱12,179	₱3,234	₱15,413

Changes in the present value of defined benefit obligation follow:

	2010			2009		
	BC	**AFC**	**Total**	BC	AFC	Total
Balances at beginning of year	**₱22,025**	**₱1,902**	**₱23,927**	₱17,377	₱6,143	₱23,520
Interest cost	**2,355**	**185**	**2,540**	1,764	643	2,407
Current service cost	**3,036**	**195**	**3,231**	2,599	282	2,881
Benefits paid	**–**	**(73)**	**(73)**	–	–	–
Actuarial losses (gains)	**6,280**	**–**	**6,280**	285	(5,166)	(4,881)
Balances at end of year	**₱33,696**	**₱2,209**	**₱35,905**	₱22,025	₱1,902	₱23,927

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

	2010	2009
Balances at beginning of year	**₱4,289**	₱3,446
Expected return	**215**	203
Actuarial gains	**223**	640
Balances at end of year	**₱4,727**	₱4,289

	2010	2009	2008
Actual return on plan assets	**₱438**	₱236	₱546

The major categories of BC's plan assets as a percentage of the fair value of total plan assets are as follows:

	2010	2009
Fixed income securities	**86.37%**	78.92%
Investment in shares of stock	**13.40%**	21.07%
Cash	**0.23%**	0.01%
	100.0%	100.0%

BC expects to contribute ₱12,177 to the defined benefits retirement plan in 2011 while AFC does not expect to contribute any amount in 2011.

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 pension liability" for the Group's plans are shown below.

	BC		AFC	
	2010	2009	**2010**	2009
Discount rate	**7.31%**	10.15%	**5.48%**	9.75%
Expected rate of return	**2.50%**	5.00%	**–**	–
Salary increase rate	**15.00%**	12.00%	**5.00%**	5.00%

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

	2010	2009	2008	2007	2006
Present value of defined benefit obligation	**₱33,696**	₱22,025	₱17,377	₱15,469	₱8,948
Fair value of plan assets	**4,727**	4,289	3,446	3,993	3,820
Funded (unfunded) status	**(28,969)**	(17,736)	(13,931)	(11,476)	5,128
Experience adjustments on:					
Plan assets	**223**	33	(170)	–	1,493
Plan liabilities	**(1,772)**	285	(1,608)	–	4,022
Actual return on plan assets	**438**	236	546	173	1,697

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

	2010	2009	2008	2007	2006
Present value of defined benefit obligation	**₱2,209**	₱1,902	₱6,143	₱6,449	₱12,957
Experience adjustments on plan liabilities	**1,261**	1,332	(4,013)	(4,013)	925

30. **Income Taxes**

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

	2010	2009
Deferred income tax assets on:		
NOLCO	**₱6,769**	₱5,540
Allowance for impairment losses	**1,614**	2,366
Unamortized organization costs	**1,075**	–
Accrued pension liability	**1,041**	970
MCIT	**293**	156
Difference between tax and book basis of accounting for real estate transactions	**41**	83
	10,833	9,115
Deferred income tax liabilities on:		
Revaluation increment in land	**691,280**	691,280
Capitalized interest	**99,883**	108,737
Excess of accelerated deduction of mining exploration and development costs over depletion and exploration costs written-off	**72,454**	108,174
Revaluation increment in investment property	**38,179**	38,179
Excess of accelerated depreciation over normal depreciation of property, plant and equipment and others	**35,327**	52,820
Cumulative translation adjustments	**16,837**	18,008
Unrealized foreign exchange gains	**1,421**	–
	955,381	1,017,198
	₱944,548	₱1,008,083

The Group has deductible temporary differences, unused NOLCO and unused tax credit from excess 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:

	2010	2009
Allowance for inventory losses, impairment losses and others	**₱922,860**	₱917,604
Reserve for impairment losses on mining properties and mine development costs	**591,653**	888,898
NOLCO	**266,942**	821,292
Unrealized foreign exchange losses	**141,458**	952,706
MCIT	**37,673**	412
Liability for mine rehabilitation	**23,759**	12,318
Accrued pension liability	**17,523**	15,413

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
2008	2011	₱17,832	₱155
2009	2012	260,355	137
2010	2013	11,318	37,674
		₱289,505	₱37,966

Movements of NOLCO follow:

	2010	2009
Balances at beginning of year	**₱839,759**	₱969,603
Additions	**11,318**	227,284
Application	**(521,647)**	–
Expirations	**(39,925)**	(357,128)
Balances at end of year	**₱289,505**	₱839,759

Movements of MCIT follow:

	2010	2009
Balances at beginning of year	**₱568**	₱623
Additions	**37,674**	248
Expirations	**(276)**	(303)
Balances at end of year	**₱37,966**	₱568

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

	2010	2009	2008
Income tax computed at statutory tax rates	**₱724,766**	(₱61,371)	(₱183,945)
Changes in unrecognized deferred income tax assets and others	**(708,053)**	42,098	141,886
Provision for (benefit from) income tax	**₱16,713**	(₱19,273)	(₱42,059)

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.

31. Earnings (Loss) Per Share Computation

	2010	2009	2008
Net income (loss)	**₱2,399,172**	(₱185,296)	(₱483,499)

Number of shares for computation of:

	2010	2009	2008
Basic earnings (loss) per share			
Weighted average common shares issued	**158,614,411**	151,143,943	151,049,356
Less treasury stock	**116,023**	116,023	116,023
Weighted average common shares outstanding	**158,498,388**	151,027,920	150,933,333

	2010	2009	2008
Diluted earnings (loss) per share			
Weighted average common shares issued	**158,614,411**	151,143,943	151,049,356
Less treasury stock	**116,023**	116,023	116,023
	158,498,388	151,027,920	150,933,333
Exercise of stock option	**1,257,531**	–	–
Conversion of preferred stock	**678,316**	–	–
Weighted average common shares outstanding	**160,434,235**	151,027,920	150,933,333
Basic earnings (loss) per share	**₱15.14**	(₱1.23)	(₱3.20)
Diluted earnings (loss) per share	**₱14.95**	(₱1.23)	(₱3.20)

During 2009 and 2008, since the Group was 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 issuance of these consolidated financial statements.

32. 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 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, nickel 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, real estate 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 as reported in the consolidated financial statements.

Business Segments

The following tables present revenue and profit and certain asset and liability information regarding the Group's business segments for the years ended December 31, 2010, 2009 and 2008:

2010

	Mining	Foundry	Trucking and Warehousing	Others	Total	Eliminations	Consolidated
Revenue							
External customers	**₱585,661**	**₱390**	**₱27,693**	**₱9,914**	**₱623,658**	**₱–**	**₱623,658**
Interest income	**47,453**	**2**	**1**	**8,688**	**56,144**	**(47,053)**	**9,091**
Inter-segment	**–**	**2,733**	**1,473**	**2,002**	**6,208**	**(6,208)**	**–**
Other income	**2,407,805**	**–**	**–**	**298**	**2,408,103**	**(1,365)**	**2,406,738**
	3,040,919	**3,125**	**29,167**	**20,902**	**3,094,113**	**(54,626)**	**3,039,487**
Cost and Expenses							
Interest expense	**168,901**	**3,457**	**247**	**8,212**	**180,817**	**(47,246)**	**133,571**
Direct costs	**156,935**	**2,698**	**23,300**	**10,306**	**193,239**	**(6,208)**	**187,031**
Selling and general expenses	**188,126**	**2,558**	**6,121**	**5,867**	**202,672**	**–**	**202,672**
Accretion expense	**1,948**	**–**	**–**	**–**	**1,948**	**–**	**1,948**
Impairment losses	**12,675**	**–**	**–**	**101**	**12,776**	**(117)**	**12,659**
Depreciation, depletion and amortization	**62,516**	**–**	**2,941**	**–**	**65,457**	**(5,556)**	**59,901**
Taxes on revenue	**5,633**	**–**	**–**	**–**	**5,633**	**–**	**5,633**
Other expenses	**20,185**	**2**	**–**	**–**	**20,187**	**–**	**20,187**
	616,919	**8,715**	**32,609**	**24,486**	**682,729**	**(59,127)**	**623,602**
Provision for (benefit from) income tax							
Current	**78,901**	**26**	**70**	**81**	**79,078**	**–**	**79,078**
Deferred	**(63,754)**	**–**	**1,467**	**(78)**	**(62,365)**	**–**	**(62,365)**
	15,147	**26**	**1,537**	**3**	**16,713**	**–**	**16,713**

(Forward)

	Mining	**Foundry**	**Trucking and Warehousing**	**Others**	**Total**	**Eliminations**	**Consolidated**
Net income (loss)	**₱2,408,853**	**(₱5,616)**	**(₱4,979)**	**(₱3,587)**	**₱2,394,671**	**₱4,501**	**₱2,399,172**
Operating assets	**₱6,793,027**	**₱273,623**	**₱84,666**	**₱326,656**	**₱7,477,972**	**(₱3,407,928)**	**₱4,070,044**
Operating liabilities	**₱3,478,816**	**₱214,102**	**₱49,124**	**₱113,152**	**₱3,855,194**	**(₱539,690)**	**₱3,315,504**
Other disclosure:							
Capital expenditure	**₱357,340**	**₱5**	**₱73**	**₱–**	**₱357,418**	**(₱332,178)**	**₱25,240**

2009

	Mining	Foundry	Trucking and Warehousing	Others	Total	Eliminations	Consolidated
Revenue							
External customers	₱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 costs	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
Provisions for (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	₱4,270,513	₱279,411	₱81,898	₱460,557	₱5,092,379	(₱1,512,418)	₱3,579,961
Operating liabilities	₱5,677,007	₱215,453	₱44,462	₱144,053	₱6,080,975	(₱705,215)	₱5,375,760
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

(Forward)

	Mining	Foundry	Trucking and Warehousing	Others	Total	Eliminations	Consolidated
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	(3,053)	895,036
Provision for (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

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

33. **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, 2010 and 2009, 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, 2010 and 2009:

2010	**On demand**	**More than 90 days**	**Total**
Bank loans	**₱1,491,428**	**₱–**	**₱1,491,428**
Trade and other payables	**–**	**670,716**	**670,716**
Total	**₱1,491,428**	**₱670,716**	**₱2,162,144**

2009	On demand	More than 90 days	Total
Bank loans	₱3,694,175	₱380	₱3,694,555
Trade and other payables	–	595,695	595,695
Total	₱3,694,175	₱596,075	₱4,290,250

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 at gross amount, before the effect of mitigation through the use of master netting and collateral agreements.

	2010	2009
Cash and cash equivalents		
Cash with banks	**₱272,083**	₱18,935
Short-term investments	**19,568**	10,105
Trade and other receivables		
Trade	**183,884**	60,150
Others	**86,219**	71,195
Loans receivable	**54,657**	–
AFS investments		
Quoted	**10,246**	11,741
Unquoted	**5,119**	5,119
Total credit risk exposure	**₱631,776**	₱177,245

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

2010

	Neither Past Due Nor Impaired				
	High Grade	**Standard Grade**	**Past Due But Not Impaired**	**Impaired**	**Total**
Cash and cash equivalents					
Cash with banks	**₱272,083**	**₱–**	**₱–**	**₱–**	**₱272,083**
Short-term investments	**19,568**	**–**	**–**	**–**	**19,568**
Trade and other receivables					
Trade	**1,555**	**23,070**	**159,259**	**34,290**	**218,174**
Employee stock incentive ownership plan	**–**	**–**	**–**	**58,416**	**58,416**
Others	**2,355**	**69,308**	**14,556**	**60,982**	**147,201**
Loans receivable	**–**	**54,657**	**–**	**–**	**54,657**
AFS investments	**–**	**15,365**	**–**	**–**	**15,365**
Total credit risk exposure	**₱295,561**	**₱162,400**	**₱173,815**	**₱153,688**	**₱785,464**

2009

	Neither Past Due Nor Impaired				
	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
AFS investments	–	16,860	–	–	16,860
Total credit risk exposure	₱30,891	₱60,172	₱86,182	₱141,029	₱318,274

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, and loans receivable 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, 2010 and 2009.

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

2010

	Neither past due nor impaired	Past due but not impaired Less than 30 days past due	30 to 60 days past due	More than 60 days past due	Impaired	Total
Trade	**₱24,625**	**₱4,162**	**₱1,943**	**₱153,154**	**₱34,290**	**₱218,174**
Employee stock incentive ownership plan	**–**	**–**	**–**	**–**	**58,416**	**58,416**
Others	**71,663**	**5,909**	**3,120**	**5,527**	**60,982**	**147,201**
	₱96,288	**₱10,071**	**₱5,063**	**₱158,681**	**₱153,688**	**₱423,791**

2009

	Neither past due nor Impaired	Past due but not impaired Less than 30 days past due	30 to 60 days past due	More than 60 days past due	Impaired	Total
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

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, 2010 and 2009, 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:

2010	**Change in interest rates (in basis points)**	**Sensitivity of pretax income**
PhP	**+100**	**(₱1,654)**
PhP	**-100**	**1,654**
USD	**+100**	**(11,850)**
USD	**-100**	**11,850**

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

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 100 basis points for USD LIBOR and PhP T-bill.

Foreign Currency Risk
Foreign currency risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial performance and cash flows. The Group has transactional currency exposures. Such exposure arises from the sale of gold, nickel ore and beneficiated chrome ore and the purchase of certain goods and services denominated in USD. All sales of gold and nickel ore 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:

	2010		2009	
	USD	**Peso Equivalent**	USD	Peso Equivalent
Asset				
Cash	**5,793**	**253,965**	101	4,666
Trade and other receivables	**2,624**	**115,047**	–	–
	8,417	**369,012**	101	4,666
Liabilities				
Accrued interest and penalties	**2,797**	**122,620**	21,761	1,005,358
Secured bank loans	**3,773**	**165,420**	18,183	840,055
	6,570	**288,040**	39,944	1,845,413
	1,847	**80,972**	(39,843)	(1,840,747)

As of December 31, 2010 and 2009, the exchange rates of the Philippine peso to the USD are ₱43.84 and ₱46.20, 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, 2010 and 2009 is as follows:

	Peso	Sensitivity of pretax income (loss)
2010	Strengthen by 1	**(₱1,847)**
	Weakens by 1	**1,847**
2009	Strengthen by 1	(39,843)
	Weakens by 1	39,843

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, 2010 and 2009 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 by 5%	Fair Value Decreases by 5%
Increase (decrease) in other comprehensive income (loss) and in equity:		
2010	**(₱512)**	**₱512**
2009	587	(587)

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, 2010 and 2009:

	Carrying Amounts		Fair Values	
	2010	2009	**2010**	2009
Financial Assets:				
Loans and receivables:				
Cash and cash equivalents				
Cash on hand and with banks	**₱272,889**	₱19,778	**₱272,889**	₱19,778
Short-term investments	**19,568**	10,105	**19,568**	10,105
Trade and other receivables				
Trade	**183,884**	90,448	**183,884**	90,448
Others	**86,219**	40,897	**86,219**	40,897
Loans receivable	**54,657**	–	**54,657**	–
	617,217	161,228	**617,217**	161,228

(Forward)

	Carrying Amounts		Fair Values	
	2010	2009	**2010**	2009
AFS investments:				
Quoted	**₱10,246**	₱11,741	**₱10,246**	₱11,741
Unquoted	**5,119**	5,119	**5,119**	5,119
	15,365	16,860	**15,365**	16,860
	₱632,582	₱178,088	**₱632,582**	₱178,088
Financial Liabilities:				
Other financial liabilities:				
Trade and other payables	**₱676,545**	₱588,274	**₱676,545**	₱588,274
Bank loans	**1,491,428**	3,694,555	**1,491,428**	3,694,555
Equity of claimowner in contract operations	**55,941**	49,136	**55,941**	49,136
	₱2,223,914	₱4,331,965	**₱2,223,914**	₱4,331,965

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.

Loans Receivable
The fair value of loans receivable approximate their carrying amounts as of reporting date due to the short-term nature. Loans receivable carry interest at 9% per annum and are due and demandable.

AFS 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 their fair values.

Fair Value Hierarchy
The Group's quoted AFS investments amounting to ₱10,246 and ₱11,741 as of December 31, 2010 and 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.

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 in 2010, 2009 and 2008.

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

	2010	2009
Capital stock	**₱487,792**	₱453,345
Capital surplus	**1,153,578**	1,032,817
Cost of share-based payments	**41,790**	43,148
	₱1,683,160	₱1,529,310

34. Agreements, Contingencies and Other Matter

Agreements and 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, 2010, 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.

   On March 31, 2010, the Company signed a disengagement agreement with the Tribe for mutual termination of the JV 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. Discussions with the Tribe and its new investor for the Company's demands are on-going. On the same date, Hunter sent a demand letter to the Company on the basis of the latter's withdrawal from the project.

On April 10, 2010, the Company and Hunter signed a Settlement and Termination Agreement which also provides for the return to Hunter of the amounts it advanced, with interest. The Company settled all its obligations to Hunter in 2010.

Other

The foreign exchange rates used in translating the USD accounts of foreign subsidiaries to Philippine peso were ₱43.84 and ₱46.20 in 2010 and 2009, respectively, for the consolidated statements of financial position accounts and ₱45.12 in 2010, ₱47.64 in 2009 and ₱44.47 in 2008 for income and expense accounts.

Benguet Corporation

Parent Company Financial Statements
As of December 31, 2010 and 2009
and for Each of the Three Years in the Period Ended
December 31, 2010

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.

SGV&Co
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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

Report on the Parent Company Financial Statements

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

Management's Responsibility for the Parent Company Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these parent company 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 about whether the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the parent company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the parent company 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 parent company 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 parent company 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 at December 31, 2010 and 2009, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2010 in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

The supplementary information on taxes and licenses required for purposes of filing with the Bureau of Internal Revenue is presented by the management of Benguet Corporation in a separate schedule. Revenue Regulations 15-2010 require the information to be presented in the notes to financial statements. Such information is not a required part of the basic financial statements. The information is also not required by Securities Regulation Code Rule 68. Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

SYCIP GORRES VELAYO & CO.

John T. Villa
Partner
CPA Certificate No. 94065
SEC Accreditation No. 0783-A
Tax Identification No. 901-617-005
BIR Accreditation No. 08-001998-76-2009,
June 1, 2009, Valid until May 31, 2012
PTR No. 2641575, January 3, 2011, Makati City

March 29, 2011

BENGUET CORPORATION

SUPPLEMENTARY TAX INFORMATION REQUIRED UNDER REVENUE REGULATIONS 15-2010

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

In November 2010, the Bureau of Internal Revenue (BIR) issued Revenue Regulations 15-2010 which requires all companies to disclose all taxes and license fees paid or accrued during the taxable year. The Company reported and/or paid the following types of taxes in 2010:

Value-added tax (VAT)
The Company's sales are subject to output value VAT while its purchases from other VAT-registered individuals or corporations are subject to input VAT.   The VAT rate is 12%.

The Company also has zero-rated and VAT exempt sales. Zero-rated sales relate to the Company's sale of mine products to Board of Investments-accredited customers while VAT-exempt sales relate to sale of services.

a. Net Sales/Receipts and Output VAT declared in the Company's VAT returns for 2010:

	Net Sales/Receipts	Output VAT
Taxable sales	₱57,114,345	₱6,853,721
Zero-rated/Exempt sales	367,310,967	–
Total	₱424,425,312	₱6,853,721

b. Input VAT for 2010:

Balance at beginning of year	₱18,732,042
Current year's domestic purchases/payment for:	
Goods other than for resale or manufacture	7,397,684
Services lodged under other accounts	3,634,887
Balance at end of year	₱29,764,613

c. Taxes and licenses paid in 2010, included in taxes on revenues and in selling, general and administrative expenses, follow:

Included in taxes on revenues:	
Excise taxes	₱5,881,140
Included in selling, general and administrative expenses:	
Real estate taxes	763,156
Permits and licenses	664,353
Occupation fees	485,635
Others	311,731
	2,224,875
	₱8,106,015

d. Withholding taxes remitted by the Company in 2010 follow:

Compensation and other benefits	₱12,640,207
Expanded withholding taxes	5,384,711
Final withholding taxes	57,500
Total	₱18,082,418

e. Tax Assessments

The Company has certain tax assessments which are being contested, the outcome of which is not presently determinable.

i. The Company received an assessment for unremitted withholding taxes on compensation in the amount of ₱6.2 million, excluding penalties for late payment, for specified months from 1988 to 1991.

   On November 23, 2006, the Company proposed for a compromise settlement of the 1988 to 1991 basic tax liabilities aggregating to ₱6.2 million on the ground of financial incapacity. The Company incurred cumulative losses amounting to ₱4.2 billion in 2005 and ₱4.0 billion in 2004 which resulted to a capital deficit of ₱1.9 billion as of December 31, 2005 and ₱1.6 billion as of December 31, 2004. On November 21, 2008, the Company voluntarily applied and paid ₱1.2 million representing 20% of the ₱6.2 million basic tax liabilities on the ground of financial incapacity.

ii There is a pending litigation for 1989 deficiency withholding tax assessments. This includes withholding tax on compensation and final withholding tax on interest and dividends in the amount of ₱81.1 million. The Appellate Division of the BIR prepared a recommendation cancelling the assessment except for the assessment for under remittance of withholding in the amount of ₱0.03 million, plus surcharge and interest. As of December 31, 2010, the Appellate's Division's action is with the Legal Service for review.

Except for the above, the Company has no pending tax cases outside the administration of the BIR.

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

	December 31	
	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱274,034**	₱6,432
Trade and other receivables (Note 6)	**511,726**	243,262
Inventories (Note 7)	**6,290**	7,724
Other current assets (Note 8)	**14,655**	10,417
Total Current Assets	**806,705**	267,835
Noncurrent Assets		
Investments in subsidiaries (Note 9)	**1,607,438**	607,438
Available-for-sale (AFS) investments (Note 10)	**1,276**	1,276
Property, plant and equipment (Note 11)		
At revalued amounts - land	**2,230,069**	2,230,069
At cost	**104,687**	168,209
Deferred exploration costs (Notes 2 and 12)	**295,285**	517,974
Other noncurrent assets (Note 13)	**99,145**	96,776
Total Noncurrent Assets	**4,337,900**	3,621,742
TOTAL ASSETS	**₱5,144,605**	₱3,889,577

LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)		
Current Liabilities		
Bank loans (Note 14)	**₱1,319,553**	₱3,528,505
Trade and other payables (Note 15)	**752,677**	734,867
Income tax payable	**35,945**	–
Total Current Liabilities	**2,108,175**	4,263,372
Noncurrent Liabilities		
Deferred income tax liabilities (Note 28)	**876,686**	938,922
Liability for mine rehabilitation (Note 16)	**14,266**	12,318
Accrued retirement (Note 27)	**17,523**	12,179
Equity of claimowner in contract operations	**55,941**	49,136
Total Noncurrent Liabilities	**964,416**	1,012,555
Total Liabilities	**3,072,591**	5,275,927

(Forward)

	December 31	
	2010	2009
Equity (Capital Deficiency)		
Capital stock (Notes 17, 18 and 25)	**₱487,972**	₱453,525
Capital surplus	**1,153,579**	1,032,818
Other components of equity:		
Unrealized gain on transfer of mining right (Note 2)	**1,000,000**	–
Revaluation increment in land (Note 11)	**1,561,048**	1,561,048
Cost of share-based payment (Note 18)	**41,790**	43,148
Unrealized gain on AFS investments (Note 10)	**68**	68
Deficit (Note 2)	**(2,164,427)**	(4,468,941)
	2,080,030	(1,378,334)
Less cost of 116,023 shares held in treasury	**(8,016)**	(8,016)
Total Equity (Capital Deficiency)	**2,072,014**	(1,386,350)
TOTAL LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)	**₱5,144,605**	₱3,889,577

See accompanying Notes to Parent Company Financial Statements.

BENGUET CORPORATION
PARENT COMPANY STATEMENTS OF INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2010	2009	2008
REVENUES			
Sales of mine products	**₱244,824**	₱165,646	₱248,425
Services and others	**59,047**	43,985	43,785
	303,871	209,631	292,210
OPERATING COSTS AND EXPENSES			
Selling, general and administrative (Note 19)	**158,967**	135,947	136,503
Cost of mine products sold (Note 20)	**116,601**	98,934	139,223
Cost of services and others (Note 21)	**42,853**	33,237	19,660
Taxes on revenue	**4,075**	2,528	3,586
	322,496	270,646	298,972
FINANCING CHARGES (Note 14)	**129,906**	174,642	206,722
OTHER INCOME (CHARGES) - Net (Note 23)	**2,426,754**	60,249	(300,007)
INCOME (LOSS) BEFORE INCOME TAX	**2,278,223**	(175,408)	(513,491)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 28)			
Current	**35,945**	1,863	–
Deferred	**(62,236)**	(21,080)	(41,658)
	(26,291)	(19,217)	(41,658)
NET INCOME (LOSS)	**₱2,304,514**	(₱156,191)	(₱471,833)

See accompanying Notes to Parent Company Financial Statements.

BENGUET CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2010	2009	2008
NET INCOME (LOSS)	**₱2,304,514**	(₱156,191)	(₱471,833)
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealized gain on transfer of mining right (Note 2)	**1,000,000**	–	–
Unrealized gain (loss) on AFS investments	**–**	78	(101)
Cost of share-based payment	**–**	–	9,212
	1,000,000	78	9,111
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱3,304,514**	(₱156,113)	(₱462,722)

See accompanying Notes to Parent Company Financial Statements.

BENGUET CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY (CAPITAL DEFICIENCY)

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

(Amounts in Thousands)

	Capital Stock	Capital Surplus	Subscription Receivable	Other Components of Equity: Unrealized gain from transfer of mining right (Note 2)	Other Components of Equity: Revaluation Increment in Land (Note 11)	Other Components of Equity: Cost of Share-Based Payment (Note 18)	Other Components of Equity: Unrealized Gain (Loss) on AFS Investments (Note 10)	Deficit (Note 2)	Treasury Stock	Total
Balances at January 1, 2008	**₱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 for the year	–	–	–	–	–	9,212	(101)	–	–	9,111
Total comprehensive income (loss) for the year	–	–	–	–	–	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 for the year	–	–	–	–	–	–	78	–	–	78
Total comprehensive income (loss) for the year	–	–	–	–	–	–	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)**
Stock subscription	33,089	116,911	–	–	–	–	–	–	–	150,000
Employees' exercise of stock options	1,358	3,850	–	–	–	(1,358)	–	–	–	3,850
Net income for the year	–	–	–	–	–	–	–	2,304,514	–	2,304,514
Other comprehensive income for the year	–	–	–	1,000,000	–	–	–	–	–	1,000,000
Total comprehensive income for the year	–	–	–	1,000,000	–	–	–	2,304,514	–	3,304,514
Balances at December 31, 2010	**₱487,972**	**₱1,153,579**	**₱–**	**₱1,000,000**	**₱1,561,048**	**₱41,790**	**₱68**	**(₱2,164,427)**	**(₱8,016)**	**₱2,072,014**

See accompanying Notes to Parent Company Financial Statements.

BENGUET CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱2,278,223**	(₱175,408)	(₱513,491)
Adjustments for:			
Finance charges (Note 14)	**129,906**	174,642	206,722
Depreciation, depletion and amortization (Note 11)	**26,421**	21,971	22,129
Provision for impairment loss on trade and other receivables (Note 19)	**12,557**	15,011	11,340
Accretion expense (Note 23)	**1,948**	1,680	1,452
Gain on settlement of liabilities (Notes 14 and 23)	**(1,943,563)**	–	–
Income from nonrefundable deposit (Notes 2 and 23)	**(353,600)**	–	–
Interest income (Note 23)	**(47,408)**	(912)	(673)
Unrealized foreign exchange losses (gains)	**(20,879)**	(56,350)	239,495
Gain on sale of property, plant and equipment	**(1,360)**	(47,596)	–
Cost of share-based payment (Note 18)	**–**	–	9,212
Operating income (loss) before working capital changes	**82,245**	(66,962)	(23,814)
Decrease (increase) in:			
Trade and other receivables	**(242,181)**	(59,765)	(59,378)
Inventories	**1,434**	(4,996)	(1,414)
Other current assets	**(4,238)**	(2,714)	44,272
Increase (decrease) in:			
Trade and other payables	**15,589**	93,059	265,154
Accrued retirement	**5,344**	4,370	3,553
Net cash from (used in) operations	**(141,807)**	(37,008)	228,373
Interest received	**8,568**	912	673
Net cash from (used in) operating activities	**(133,239)**	(36,096)	229,046
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of nonrefundable deposits (Note 23)	**265,200**	–	–
Decrease (increase) in:			
Deferred exploration costs	**222,689**	(70,216)	(276,024)
Other noncurrent assets	**(2,369)**	3,844	(200)
Proceeds from sale of property	**59,008**	53,670	–
Additions to property, plant and equipment (Note 11)	**(20,547)**	(14,540)	(38,165)
Acquisition of investments in subsidiaries	**–**	(10,000)	–
Net cash from (used in) investing activities	**523,981**	(37,242)	(314,389)

(Forward)

	Years Ended December 31		
	2010	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares of stock (Note 17)	**₱150,000**	₱–	₱123,354
Increase in equity of claimowner in contract operations	**6,805**	13,837	1,347
Proceeds from employees' exercise of stock options	**3,850**	–	–
Settlement of bank loans (Note 14)	**(283,660)**	–	–
Net cash from (used in) financing activities	**(123,005)**	13,837	124,701
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**(135)**	–	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**267,602**	(59,501)	39,358
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**6,432**	65,933	26,575
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱274,034**	₱6,432	₱65,933

See accompanying Notes to Parent Company Financial Statements.

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 Philippine 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 mineral production, exploration, research and development and water projects.

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

The accompanying parent company financial statements as of December 31, 2010 and 2009 and for each of the three years in the period ended December 31, 2010 were authorized for issue by the Board of Directors (BOD) on March 29, 2011.

2. Status of Operations and Management Plans

As shown in the accompanying parent company financial statements, the Company generated a net income of ₱2.3 billion for the year ended December 31, 2010, which reduced deficit to ₱2.2 billion and resulted in an equity of ₱2.1 billion as of December 31, 2010 compared with the cumulative losses of ₱4.5 billion and capital deficiency of ₱1.4 billion as of December 31, 2009. The Company's maturing bank loans and related interest were reduced to ₱1.3 billion as of December 31, 2010 from ₱3.5 billion as of December 31, 2009. Also, as stated in Note 14, in the first quarter of 2011, the Company settled an additional ₱459.5 million of bank loans and accrued interest. Further discussion with lenders on the settlement of the remaining loans is on-going. The Company plans to settle the outstanding loans in 2011.

In 2009, there was indication that may cast doubt as to the ability of the Company to continue as a going concern. However, with the Company's settlement of a significant portion of its loans, disposal of assets that improved working capital, improvement in the Company's operations, positive financial and operating projections in view of management's priorities and key initiatives, on-going positive developments in negotiations with lenders for fresh financing, management's position that the Company has the ability to continue as a going concern, has been sustained.

Management Operating Priorities
In 2009, the Company chose to prioritize the Sta. Cruz Nickel Laterite Prospect (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 then also revisited its options on the Kingking Copper-Gold Prospect (Kingking) which led to an agreement with a third party in 2010 (see following discussions). The Company is also working to achieve higher gold production in its Acupan Contract Mining Project (ACMP) and pursue its due diligence study for the Balatoc Tailings Project (BTP). The Company will reassess its direction on the Baguio City Bulk Water Supply Project. See following discussions on Project Developments.

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. Throughout 2003 to 2008, the Company continued to talk to the banks on the debt issue. With the passage of the Republic Act (RA) No. 9182, *Special Purpose Vehicle (SPV) Act*, in 2002, majority of the banks have transferred their debt holdings to SPV companies.

In the first half of 2009, the creditors sent individual notices of default prompting Philippine National Bank (PNB), the trustee bank, to issue a notice of default on July 29, 2009.

In October 2009, the Company made a written offer of commercial settlement to all its creditors to buy back the debt at a discount or to restructure the obligation. In October 2010, the Company sent a firm offer to all creditors for the buy back of the debt based on prevailing market conditions. A substantial number of creditors agreed to the debt purchase, and all debt holders who sold their debt to the Company notified PNB that they are withdrawing their previous notices and instructions. As of December 31, 2010 and 2009, outstanding bank loans subject to repayment plan amounted to ₱1.3 billion and ₱3.5 billion, respectively, inclusive of interest (see Note 14).

As a result of the majority creditors' retracting their prior notices and instructions, PNB wrote a letter to the Company on March 17, 2011 indicating that they are withdrawing their notice of default dated July 29, 2009.

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

a. Mining Projects

ACMP
The Company continued to generate earnings since the reopening of the Benguet Gold Operations (BGO) through ACMP in December 2004, through a partnership with the small-scale miners to mine certain mine levels in a low-capital, low-cost venture operation. ACMP is in the second phase of its expansion which aims to increase production to 300 tons 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. ACMP has a current production of 110 tons per day with average output of 330 ounces of gold per month.

On December 6, 2010, the Company formalized a management agreement in favor of its wholly owned subsidiary, BEREC Land Resources, Inc. (formerly BEREC Land, Inc.; BLRI) for the management and operation of ACMP. Under the management contract, BLRI will provide the necessary technical and financial assistance to expand the production capacity of Acupan to 300 tons per day.

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.

BGO
The Company's BGO in Itogon, Benguet Province, consisting of the Acupan and Kelly underground mines, has been suspended since 1992 following the 1991 earthquake which flooded the underground mines. In 2004, BGO resumed operations of the ACMP. The BGO property also included three tailings ponds with an estimated tailings resource of 16.7 million metric tons with an average of 0.69 grams gold per ton and estimated to contain some 371 thousand ounces of gold.

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 tons averaging 3.45 grams gold per ton as of year-end 1999.

Irisan Lime Project (ILP)
In 2010, the Company's quarrying permit for the ILP was renewed for another five years.

b. Exploration, Research and Development Projects

SCNP
The Company's MPSA application for its nickel laterite resource in Sta. Cruz, Zambales Province was approved by the Department of Environment and Natural Resources-Mines and Geosciences Bureau (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 16.2 million tons averaging 1.56% nickel and 0.05% cobalt.

The Company started exploration and 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 $800,000 to $1,000,000 is needed to put up a nickel processing plant at the site that can produce between 30,000 to 50,000 tons of nickel pellets 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.

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 Province. 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 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.

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.

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 December 10, 2010, the Company signed a Deed of Exchange with BNMI for the transfer of assets owned by the Company in Sta. Cruz, Zambales, consisting of environmental and other permits and technical data in exchange for one billion (1,000,000,000) ordinary shares of BNMI. As of December 31, 2010, the Company reported additional investments in subsidiary with a corresponding credit to unrealized gain on transfer of mining right amounting to ₱1.0 billion.

On February 28, 2011, the Philippine SEC approved BNMI's increase in capital stock from 10 million shares to 2 billion shares.

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 RA No. 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 1.0 billion tons resource containing 0.306% total copper and 0.410 grams gold per ton. Further engineering studies delineated an open pit mineable reserve of 353.51 million tons containing 0.388% total copper and 0.439 grams gold per ton. The reserve includes a 50.38 million tons oxide cap averaging 0.641% total copper and 0.662 grams gold per ton, and a 303.13 million tons sulfide portion averaging 0.342% total copper and 0.402 grams gold per ton.

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 tons with an average grade of 8.02 grams gold per ton 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 the operatorship of the project from the Company. 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 that it is declaring 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 grounds that the request to arbitrate is premature, the issue is non-arbitrable and the matter is properly cognizable by the regular court.

On July 22, 2010, the Company signed a Head of Terms with St. Augustine Mining Ltd. (SAML), an affiliated company of Rusell Mining & Minerals Inc. (RMMI), which set out terms for the transfer of the Company's interest in and withdrawal from Kingking, subject to due diligence, definitive transactional documents and full payment of the acquisition price.

On October 22, 2010, the first part of the transaction was completed. SAML initially paid $8.0 million or ₱353,600 (see Note 23) out of the total acquisition price of $25.0 million, with the balance to be paid on various dates over seven years. All payments relating to the disposal of the Kingking rights are nonrefundable and non-reimbursable. Until there is full payment of the acquisition price, or until SAML provides an acceptable security within two years after the first payment, the transfer of the Company's interest in Kingking does not become effective. Consequently, the approval by DENR for the transfer of the MPSA to SAML has not been obtained. The Company used part of the proceeds to settle more than half of its bank loans (see Note 14).

As of December 31, 2010, the Company remains to be the co-contractor with NADECOR in Kingking. The Company and NADECOR agreed to suspend all pending legal proceedings so that the mining feasibility study can proceed without delay.

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

On October 21, 2009, the Company appointed ATR Kim Eng Capital Partners, Inc. as financial advisor to raise additional development capital for the BTP. The project involves the reprocessing of mine tailings to recover residual gold. The 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 the BTP. The Company has completed the bankable feasibility study of the BTP and engaged external Competent Persons to prepare and review reports as required under the Philippine Mineral Reporting Code 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 grams gold per ton, are deposited in three (3) ponds. The Company obtained the BTP's Environmental Compliance Certificate (ECC) on June 11, 2009 and the Mineral Processing Permit on May 31, 2010.

In September 2010, the Company signed a Deed of Assignment with BGRC to transfer to BGRC, subject to approval by the DENR, the Mineral Processing Permit (MPP) No. 13-2010-CAR of the BTP. The MPP allows the BTP to reprocess the impounded mill tailings from Acupan mines for recovery of residual gold.

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. On October 7, 2004, the DENR-MGB granted to the Company an additional two-year extension to explore the prospect.

Zamboanga Gold Prospect
Since 1993, this gold property in R.T. Lim, Zamboanga del Sur Province continues to remain under suspension and caretakership. The Company is re-evaluating the mineralogy and prospects of the property which has a prevailing and favorable outlook in the price of gold. Both the mining property and the 30 tons 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 undergo 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). NCIP process is now on-going on both FTAA applications.

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 Philippine 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, Revised and Amended Standards and Interpretations and Improved PFRS Adopted in Calendar Year 2010

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.

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

Revised PFRS 3, *Business Combinations*, and Amendments to 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 will affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after January 1, 2010.

Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*
The amendment to PAS 39, effective for annual periods beginning on or after July 1, 2009, 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.

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 accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability.

Improvements to PFRS Effective 2010
The omnibus amendments to PFRS issued in 2009 were issued primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The following improvements are effective for annual period financial years beginning January 1, 2010 except if otherwise stated.

PFRS 2, *Share-based Payment*
- 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, *Non-current Assets Held for Sale and Discontinued Operations*
- 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, *Operating Segments*
- 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, *Presentation of Financial Statements*
- 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, *Statement of Cash Flows*
- 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, *Impairment of Assets*
- 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, *Intangible Assets*

- 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. This 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, *Financial Instruments: Recognition and Measurement*: 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, *Reassessment of Embedded Derivatives*

- 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, *Hedge of a Net Investment in a Foreign Operation*

- 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.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2010

The Company will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations from IFRIC to have significant impact on its financial statements.

Effective in 2011:

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

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

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

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

Improvements to PFRS Effective 2011
The omnibus amendments to PFRSs issued in 2010 were issued primarily with a view to removing inconsistencies and clarifying wording. The amendments are effective for annual periods on or after either July 1, 2010 or January 1, 2011. The Company has not yet adopted the following amendments and anticipates that these changes will have no material effect on the financial statements.

- Revised PFRS 3, *Business Combinations*
- PFRS 7, *Financial Instruments: Disclosures*
- PAS 1, *Presentation of Financial Statements*
- PAS 27, *Consolidated and Separate Financial Statements*
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*

Effective 2012:

Amended PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets*
The amendment provides a practical solution to the problem of assessing whether recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will, normally, be through sale.

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

Philippine Interpretation IFRIC 15, *Agreements for the 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.

Effective in 2013:

PFRS 9, *Financial Instruments: Classification and Measurement*
PFRS 9, as issued in 2010, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, hedge accounting and derecognition will be addressed. The completion of this project is expected in early 2011. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

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

<u>Financial Instruments</u>
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 fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. Financial assets under PAS 39 are classified as either financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS financial assets. The Company's financial assets are of the nature of loans and receivables and AFS financial assets. As of December 31, 2010 and 2009, 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. As of December 31, 2010 and 2009, the Company has no financial liabilities at FVPL.

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 non-derivative 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 trade and other 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. Otherwise, they are classified as noncurrent assets.

AFS Financial Assets
AFS financial assets are non-derivative assets that are either designated in this category or not classified in any of the other categories. AFS financial assets 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 financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are reported as "Unrealized gain (loss) on AFS financial assets" 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 (capital deficiency) 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 financial assets are reported as interest income using the effective interest rate. Any dividends earned on holding AFS financial assets 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".

Other financial liabilities are classified as current liabilities when they are expected to be settled within twelve months from the financial position date or the Company has an unconditional right to defer settlement for at least twelve months from financial position date. Otherwise, they are classified as noncurrent liabilities.

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
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 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.

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 and other 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 financial assets, 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.

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
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.

Investments in subsidiaries are accounted for under the cost method less any allowance for impairment losses. Cost method is a method of accounting for an investment whereby the investment is recognized at cost. The investor recognizes income from the investment only to the extent that the investor receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

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, plant 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 equity (capital deficiency) section in the parent company statement of financial position. Any increase in the land's valuation is credited to the "Revaluation increment in land" account, unless and only to the extent it reverses a revaluation decrease of the land previously recognized as expense in which case it is recognized as income. Any decrease is first offset against an increase on earlier valuation in land and is thereafter recognized as expense. Upon derecognition of the revalued property, the relevant portion of the revaluation increment realized in respect of previous valuation is released from the revaluation increment directly to deficit.

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.

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

The estimated 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, plant 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.

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. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

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.

Investments in Subsidiaries

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 subsidiaries. Estimating the value in use requires the Company to make an estimate of the expected future cash flows of the subsidiaries and to make use of a suitable discount rate to calculate the present value of those future cash flows.

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.

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.

Deficit
Deficit represent accumulated losses incurred by the Company.

Treasury Shares
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.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. 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 when services are rendered.

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 balance sheet 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, trade and other receivables, inventories and property, plant and equipment, net of allowances and provisions.

Segment liabilities include all operating liabilities and consist principally of trade and other payables and bank loans. 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 are 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 - The 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 Company'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.

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 Trade and Other Receivables

The Company evaluates specific accounts where the Company has information that certain customers are unable to meet their financial obligations. Factors, such as the Company's length of relationship with the customers and the customer's current credit status, are considered to ascertain the amount of reserves that will be recorded in the receivables account. In addition to specific allowances against individually significant accounts, the Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any past collection experiences, the current economic conditions and average age of the group of receivables. These reserves are re-evaluated and adjusted as additional information is received. Allowance for impairment losses as of December 31, 2010 and 2009 amounted to ₱184,618 and ₱172,061, respectively. Trade and other receivables, net of valuation allowance, amounted to ₱511,726 and ₱243,262 as of December 31, 2010 and 2009, 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 for inventory losses of ₱569,646, amounted to ₱6,290 and ₱7,724 as of December 31, 2010 and 2009, 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, Deferred Exploration Costs and Other Noncurrent Assets
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 parent company 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), deferred exploration costs and other noncurrent assets aggregated to ₱2,729,186 and ₱3,013,028 as of December 31, 2010 and 2009, respectively (see Notes 11, 12 and 13).

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, 2010 and 2009, AFS investments amounted to ₱1,276 (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, 2010 and 2009 amounted to ₱2,334,756 and ₱2,398,278, 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 ₱2,230,069 as of December 31, 2010 and 2009 (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 ₱14,266 and ₱12,318 as of December 31, 2010 and 2009, respectively (see Note 16).

Estimating Impairment of Investments in Subsidiaries
The Company assesses whether there are any indicators of impairment on investments in subsidiaries at each reporting date. Management has determined that there are no events or circumstances that may indicate that the carrying amount of the investment is not recoverable as of December 31, 2010 and 2009, thus, no impairment losses were recognized for the years then ended. The Company's investments in subsidiaries amounted to ₱1,607,438 and ₱607,438 as of December 31, 2010 and 2009, 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 ₱17,523 and ₱12,179 as of December 31, 2010 and 2009, respectively. Net pension expense amounted to ₱5,344, ₱4,370 and ₱3,553 in 2010, 2009 and 2008, 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 2010 and 2009 (see Note 28).

5. **Cash and Cash Equivalents**

	2010	2009
Cash on hand and with banks	**₱259,439**	₱6,432
Short-term deposits	**14,595**	–
	₱274,034	₱6,432

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 ₱434, ₱912 and ₱673 in 2010, 2009 and 2008, 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:

	2009	2008
Cash on hand and with banks	₱45,933	₱24,275
Short-term deposits	20,000	2,300
	₱65,933	₱26,575

6. Trade and Other Receivables

	2010	2009
Trade	**₱67,129**	₱73,239
Amounts owed by related parties (see Note 24)	**430,337**	185,220
Employee stock ownership incentive plan (see Note 26)	**58,416**	58,416
Others	**140,462**	98,448
	696,344	415,323
Less allowance for impairment losses	**184,618**	172,061
	₱511,726	₱243,262

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 ₱184,618 and ₱172,061, as of December 31, 2010 and 2009, respectively, covering those receivables considered as individually impaired.

Receivables which were not individually significant and individually significant for which no specific impairment were assessed were subjected to collective assessment.

Movements of allowance for impairment losses are as follows:

	December 31, 2010				
	Trade receivables	**Employee stock ownership plan**	**Amounts owed by related parties**	**Others**	**Total**
Balances at beginning of year	**₱14,009**	**₱58,416**	**₱42,085**	**₱57,551**	**₱172,061**
Provision during the year (see Note 19)	–	–	–	**12,557**	**12,557**
Balances at end of year	**₱14,009**	**₱58,416**	**₱42,085**	**₱70,108**	**₱184,618**

	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

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 as of December 31, 2010 and 2009 amounted to ₱6,290 and ₱7,724, respectively, net of allowance for inventory losses of ₱569,646 in both years. Provision for inventory losses amounted to ₱14,549 in 2008 (see Note 19).

8. Other Current Assets

	2010	2009
Prepaid expenses and others	**₱10,667**	₱8,675
Input tax - net	**3,988**	1,742
	₱14,655	₱10,417

Prepaid expenses and others consist mainly of insurance and rent paid in advance, among others.

9. Investments in Subsidiaries

The details of investments in subsidiaries as of December 31, 2010 and 2009 follow:

	2010	2009
Acquisition cost of investments:		
BNMI (see Note 2)	**₱1,002,500**	₱2,500
Benguet Management Corporation (BMC)	**440,000**	440,000
Benguet Corp. International Ltd. (BIL)	**115,565**	115,565
BLRI	**39,463**	39,463
Batong Buhay Mineral Resources Corporation (BBMRC)	**2,500**	2,500
Ifaratoc Mineral Resources Corporation (IMRC)	**2,500**	2,500
Kingking Copper-Gold Corporation (KCGC)	**2,500**	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
	₱1,607,438	₱607,438

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, 2010, BIL, BBMRC, IMRC, KCGC, and BPGC, which were established to operate its mining prospects, are still preoperating. BLRI will manage and operate the ACMP. On the other hand, BNMI has started its mining operations in 2010. Other subsidiaries were incorporated to provide support services to the parent company.

10. AFS Investments

AFS investments as of December 31, 2010 and 2009 follow:

Quoted shares	₱810
Unquoted shares	466
	₱1,276

Movements of AFS investments are as follows:

	2010	2009
Balance at beginning of year	**₱1,276**	₱1,198
Change in fair value of AFS investments	–	78
Balance at end of year	**₱1,276**	₱1,276

The unrealized gain on the increase in fair value of these investments amounting to ₱68 as of December 31, 2010 and 2009, are shown as a separate component in the parent company statements of changes in equity (capital deficiency). The carrying amounts of these investments approximate values as of December 31, 2010 and 2009.

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

Revalued amount of land as of December 31, 2010 and 2009 amounted to ₱2,230,069. The valuation was performed by an independent firm of appraisers, Cuervo Appraisers, Inc. The revaluation increment is not available for distribution to stockholders until fully realized.

b. Property, Plant and Equipment - at cost

	2010				
	Land and Land Improvements	**Buildings**	**Machinery, Tools and Equipment**	**Mine Properties and Mine Development Costs**	**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 and end of year	**–**	**–**	**–**	**1,434,593**	**1,434,593**
	–	**–**	**–**	**–**	**–**
Not mortgaged					
Cost:					
Balances at beginning of year	**95,818**	**317,572**	**1,231,616**	**22,252**	**1,667,258**
Additions during the year	**8,300**	**1,489**	**10,758**	**–**	**20,547**
Disposals during the year	**–**	**(17,905)**	**(125,771)**	**–**	**(143,676)**
Balances at end of year	**104,118**	**301,156**	**1,116,603**	**22,252**	**1,544,129**
Accumulated depreciation, depletion and amortization:					
Balances at beginning of year	**49,890**	**255,027**	**1,081,865**	**14,139**	**1,400,921**
Depreciation, depletion and amortization for the year (see Notes 19, 20 and 21)	**3,390**	**2,806**	**20,225**	**–**	**26,421**
Disposals	**–**	**(20,009)**	**(66,019)**	**–**	**(86,028)**
Balances at end of year	**53,280**	**237,824**	**1,036,071**	**14,139**	**1,341,314**
Allowance for impairment losses:					
Balances at beginning and end of year	**23,360**	**–**	**66,655**	**8,113**	**98,128**
	27,478	**63,332**	**13,877**	**–**	**104,687**
Net book values	**₱27,478**	**₱63,332**	**₱13,877**	**₱–**	**₱104,687**

	2009				
	Land and Land Improvements	Buildings	Machinery, Tools and Equipment	Mine Properties and Mine Development Costs	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 (see Note 19, 20 and 21)	–	–	–	259	259
Balances at end of year	–	–	–	1,434,593	1,434,593
	–	–	–	–	–
Not mortgaged					
Cost:					
Balances at beginning of year	95,818	316,907	1,217,741	22,252	1,652,718
Additions for the year	–	665	13,875	–	14,540
Balances at end of year	95,818	317,572	1,231,616	22,252	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 (see Notes 19, 20 and 21)	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	23,360	–	66,655	8,113	98,128
	22,568	62,545	83,096	–	168,209
Net book values	₱22,568	₱62,545	₱83,096	₱–	₱168,209

Not mortgaged property, plant and equipment include temporarily idle properties with carrying values of ₱86,505 and ₱127,649 as of December 31, 2010 and 2009, respectively.

12. Deferred Exploration Costs

The Company signed the Head of Terms with SAML in relation to the Kingking Project (see Note 2).

Movements of deferred exploration costs are as follows:

	2010	2009
Balances at beginning of year	**₱517,974**	₱447,758
Additions	**62,636**	70,216
Disposal (see Note 2)	**(285,325)**	–
Balance at end of year	**₱295,285**	₱517,974

13. Other Noncurrent Assets

	2010	2009
Advance royalties (see Note 2)	**₱82,498**	₱82,498
Others	**16,647**	14,278
	₱99,145	₱96,776

Others include the Mine Rehabilitation Fund (MRF) amounting to ₱3,382 and ₱5,288 as of December 31, 2010 and 2009, respectively, as required by the Philippine Mining Act of 1995, of the Company for which it maintains 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

	2010	2009
Accrued interest and penalties	**₱842,216**	₱2,018,731
Unsecured loans	**242,964**	291,411
Secured loans	**234,373**	1,218,363
	₱1,319,553	₱3,528,505

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 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.

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 Philippine 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 October 22, 2009, the Company submitted a debt settlement proposal to its creditors of record through the Philippine National Bank (PNB) as the trustee under the Restructuring Agreement/MTI. The Company received a certification from PNB that the Company has not yet been declared under default in accordance with the Restructuring Agreement/MTI. On this basis, 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

No. 9182, SPV law, existing jurisprudence and the signed agreements with the intent of fully settling its obligations under current market conditions especially as they relate to the SPV 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.

On October 22, 2010, the Company received a copy of "Notice of Settlement" to PNB Trust Banking Group from a secured creditor holding a significant amount of debt papers stating the full settlement of various peso- and dollar-denominated promissory notes and mortgage participation certificates comprising 49.05% (at ₱45.00 exchange rate) of the total secured debts and withdrawing all prior notices and instructions. On the same date, a "Deed of Settlement" was entered into by the Company and said creditor.

On October 28, 2010, the Company received a copy of "Notice of Settlement" from another secured creditor and a letter from the said creditor stating the full settlement of the promissory notes it held and Mortgage Participation Certificates and withdrawing its previous notices and instructions to PNB consisting of 3.89% of the total secured debt.

On October 29, 2010, the Company entered in to a "Purchase and Sale Agreement" with two secured creditors for the settlement of its long-outstanding debt. The Company settled its loans with the said creditors which comprise 26.61% of secured debt and 16.63% of unsecured debt.

As of December 31, 2010, the Company has settled a total of ₱2,227,223 in loan principal and related accrued interest and penalties. Gain on settlement of these liabilities amounted to ₱1,943,563 (see Note 23), with portion relating to principal amounting to ₱701,491.

On January 20, 2011, the Company entered into a "Compromise Agreement" with another secured creditor to settle an additional 0.43% of its secured debt. A copy of notice of settlement and withdrawal of previous instructions to PNB was received by the Company.

On March 11, 2011, the Company entered into a "Deed of Assignment" with an unsecured creditor. The agreement provides for the settlement of the Company's outstanding debt comprising 68.67% of unsecured debt.

As a result of the notices to PNB of the secured creditors holding 79.98% of the secured debt, PNB notified the Company on March 17, 2011 that it is withdrawing its previous notice of default.

Accrued interest and penalties represent cumulative interest and default charges as of December 31, 2010 and 2009. Finance charges on bank loans in 2010, 2009 and 2008 amounted to ₱129,906, ₱174,642 and ₱206,722, respectively (see Note 23).

15. **Trade and Other Payables**

	2010	2009
Amounts owed to related parties (see Note 24)	**₱276,315**	₱199,215
Trade	**124,888**	166,377
Accrued expenses and others	**351,474**	369,275
	₱752,677	₱734,867

Trade payables are noninterest-bearing and are normally settled on 60 to 90-days' terms.

Accrued expenses and other payables consist mainly of accrual of professional fees, taxes and various operating expenses related to mining operations which are generally paid within two months from reporting date.

16. **Liability for Mine Rehabilitation**

	2010	2009
Balances at beginning of year	**₱12,318**	₱10,638
Accretion (see Note 23)	**1,948**	1,680
Balances at end of year	**₱14,266**	₱12,318

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

17. **Capital Stock**

	2010		2009	
	No. of shares	**Amount**	No. of shares	Amount
Authorized				
Convertible Preferred Class "A"	**19,652,912**	**₱67,500**	19,652,912	₱67,500
Common Class "A"	**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"	**100,935,625**	**302,807**	93,865,185	281,595
Common Class "B"	**61,473,467**	**184,420**	57,061,697	171,185
Total shares issued and subscribed		**₱487,972**		₱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 ₱8.07 a share for 2011. Each preferred share is convertible into 3.1625 Common Class A shares. 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 April 7, 2010, the Company's BOD approved the Memorandum of Agreement (MOA) between the Company and RYM Business Management Corporation (RBMC) for a private placement of ₱330.0 million in the Company's common shares divided into two (2) tranches. On April 23, 2010, the Company received the amount of ₱150.0 million pertaining to the initial subscription of RBMC.

The following are the movements in the number of issued shares of stock:

2010

	Convertible Preferred Class "A"	**Common Class "A"**	**Common Class "B"**
Issued shares at beginning of year	**217,061**	**93,865,185**	**57,061,697**
Private placement during the year	**–**	**6,617,640**	**4,411,770**
Employees' exercise of stock options	**–**	**452,800**	**–**
Issued shares at end of year	**217,061**	**100,935,625**	**61,473,467**

2009

	Convertible Preferred Class "A"	Common Class "A"	Common Class "B"
Issued shares at beginning and end of year	217,061	93,865,185	57,061,697

As of December 31, 2010, 2009 and 2008, the Company has seventeen thousand one hundred fifty six (17,156), seventeen thousand four hundred eight (17,408) and seventeen thousand eight hundred eighteen (17,818) 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:

	2010	2009	2008
Outstanding at beginning of year	**4,722,400**	5,162,400	5,640,000
Cancelled during the year	**(542,720)**	(440,000)	(258,720)
Exercised during the year	**(452,800)**	–	(218,880)
Outstanding at end of year	**3,726,880**	4,722,400	5,162,400

Prices of outstanding options at grant date:

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

	2010	2009	2008
Average price per share	**₱18.03**	₱17.13	₱17.01
Shares available for future option grants	**3,489,494**	2,946,774	2,506,774

As of December 31, 2010, all option shares are exercisable.

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.

No compensation expense relating to the stock option plan was recognized in 2010 and 2009. Compensation expense recognized in 2008 amounted to ₱9,212.

19. Selling, General and Administrative Expenses

	2010	2009	2008
Personnel expenses (see Notes 22 and 27)	**₱86,361**	₱75,541	₱83,342
Outside services	**15,497**	13,857	10,771
Provision for impairment loss on trade and other receivables (see Note 6)	**12,557**	15,011	11,340
Power consumption	**13,805**	11,552	21,755
Rent	**6,313**	1,263	3,182
Materials and supplies	**5,187**	3,409	5,064
Depreciation	**1,932**	–	–
Others	**17,315**	15,314	1,049
	₱158,967	₱135,947	₱136,503

Others consist mainly of insurance, repairs and maintenance and various administrative expenses, among others.

20. Cost of Mine Products Sold

	2010	2009	2008
Materials and supplies	**₱50,589**	₱51,728	₱75,748
Personnel expenses (see Note 22)	**22,764**	16,516	17,268
Depreciation, depletion and amortization (see Note 11)	**22,657**	21,971	22,129
Power consumption	**9,798**	8,315	10,506
Smelting, refining and marketing	**4,508**	185	5,236
Repairs and maintenance	**1,106**	27	2,724
Others	**5,179**	192	5,612
	₱116,601	₱98,934	₱139,223

21. Cost of Services and Others

	2010	2009	2008
Personnel expenses (see Note 22)	**₱5,596**	₱8,500	₱6,551
Materials and supplies	**22,894**	13,097	5,607
Others (see Note 11)	**14,363**	11,640	7,502
	₱42,853	₱33,237	₱19,660

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

22. Personnel Expenses

	2010	2009	2008
Salaries and wages	**₱90,817**	₱79,762	₱81,043
Benefits and allowances (see Notes 25 and 26)	**18,560**	16,425	22,565
Pension expense (see Note 27)	**5,344**	4,370	3,553
	₱114,721	₱100,557	₱107,161

The above amounts were distributed as follows:

	2010	2009	2008
General overhead expenses (see Note 19)	**₱86,361**	₱75,541	₱83,342
Cost of mine products sold (see Note 20)	**22,764**	16,516	17,268
Cost of services and others (see Note 21)	**5,596**	8,500	6,551
	₱114,721	₱100,557	₱107,161

23. **Other Income (Charges)** - Net

	2010	2009	2008
Gain on settlement of liabilities (see Note 14)	**₱1,943,563**	₱–	₱–
Income from nonrefundable deposit (see Note 2)	**353,600**	–	–
Foreign currency exchange gains (losses) - net	**103,568**	56,350	(246,060)
Interest income (see Notes 5 and 24)	**47,408**	912	673
Accretion expense	**(1,948)**	(1,690)	(1,452)
Others - net	**(19,437)**	4,677	(53,168)
	₱2,426,754	₱60,249	(₱300,007)

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

On October 22, 2010, the Company received the $8.0 million first installment, or ₱353,600, from SAML in compliance with the Heads of Terms (see Note 2). This deposit is nonrefundable and non-reimbursable. The Company used part of the proceeds to settle a portion of its bank loans (see Note 14).

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 of both interest and 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	**2010**	**₱109,461**	**₱215,306**
		2009	109,326	173,951
SARC and subsidiaries	Subsidiary	**2010**	**1,611**	–
		2009	1,156	–
BIL	Subsidiary	**2010**	**–**	**61,009**
		2009	–	25,264
Others	Subsidiaries	**2010**	**277,180**	–
		2009	32,653	–
Total		**2010**	**₱388,252**	**₱276,315**
Total		2009	₱143,135	₱199,215

Amounts owed by related parties amounting to ₱388,252 and ₱143,135, is net of allowance for impairment losses of ₱42,085 as of December 31, 2010 and 2009 (see Note 6).

In 2010, BNMI issued a promissory note to the Company in the amount of ₱323,200 bearing an interest of 12% per annum as a reimbursement for the transfer of mine properties and mine development costs incurred by the Company in relation to the SCNP. Also in 2010, the Company granted an unsecured loan to one of its subsidiary with an interest of 9% per annum amounting to ₱135,000, collectible on demand. Interest earned in relation to the transactions with related parties amounted to ₱46,974.

Compensation of Key Management Personnel
The Company considered all senior officers as key management personnel.

	2010	2009	2008
Salaries	**₱29,735**	₱24,143	₱23,731
Employee benefits	**4,053**	3,469	3,485
	₱33,788	₱27,612	₱27,216

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 2010 and 2009.

26. **Employee Stock Ownership Incentive Plan/Employee Stock Purchase 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, 2010 and 2009, 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)

	2010	2009	2008
Current service cost	**₱3,036**	₱2,599	₱2,269
Interest cost	**2,355**	1,764	1,247
Expected return on plan assets	**(215)**	(203)	(230)
Actuarial loss recognized in the plan year	**168**	210	267
Net pension benefit	**₱5,344**	₱4,370	₱3,553

Movements of accrued retirement as of December 31, 2010 and 2009 follow:

	2010	2009
Present value of obligation	**₱33,696**	₱22,025
Fair value of plan assets	**(4,727)**	(4,289)
Unfunded status	**28,969**	17,736
Unrecognized actuarial gains	**(11,446)**	(5,557)
Balance at end of year	**₱17,523**	₱12,179

Changes in the present value of defined benefit obligation follow:

	2010	2009
Balance at beginning of year	**₱22,025**	₱17,377
Interest cost	**2,355**	1,764
Current service cost	**3,036**	2,599
Actuarial losses	**6,280**	285
Balance at end of year	**₱33,696**	₱22,025

Changes in the fair value of plan assets follow:

	2010	2009
Balance at beginning of year	**₱4,289**	₱3,446
Expected return	**215**	203
Actuarial gains	**223**	640
Balance at end of year	**₱4,727**	₱4,289
Actual return on plan assets	**₱438**	₱236

The plan assets of BC comprised mostly of investments in shares of stock and fixed income securities as of December 31, 2010 and 2009.

The major categories of BC's plan assets as a percentage of the fair value of total plan assets are as follows:

	2010	2009
Fixed income securities	**86.37%**	78.92%
Investment in shares of stock	**13.40%**	21.07%
Cash	**0.23%**	0.01%
	100.00%	100.00%

The Company expects to contribute ₱12,177 to its defined benefit retirement plan in 2011.

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.

	2010	2009
Discount rate	**7.31%**	10.15%
Expected rate of return	**2.50%**	5.00%
Salary increase rate	**15.00%**	12.00%

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

	2010	2009	2008	2007	2006
Present value of defined benefit obligation	**₱33,696**	₱22,025	₱17,377	₱15,469	₱8,948
Fair value of plan assets	**4,727**	4,289	3,446	3,993	3,820
Funded (unfunded) status	**(28,969)**	(17,736)	(13,931)	(11,476)	5,128
Experience adjustments on:					
Plan assets	**223**	33	(170)	–	1,493
Plan liabilities	**1,772**	285	(1,608)	–	4,022
Actual return on plan assets	**438**	236	546	173	1,697

28. Income Taxes

The provisions for current income tax in 2010 and 2009 represent MCIT. The components of the Company's deferred income tax liabilities are as follows:

	2010	2009
Revaluation increment in land	**₱669,022**	₱669,022
Capitalized interest	**99,883**	108,737
Excess of accelerated deduction of mining exploration and development costs over depletion and exploration costs written-off	**72,454**	108,174
Excess of accelerated depreciation over normal depreciation of property, plant and equipment and others	**35,327**	52,989
	₱876,686	₱938,922

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:

	2010	2009
Reserve for possible losses on mining properties and mine development costs	**₱591,652**	₱888,898
Allowance for impairment losses on:		
Inventories	**569,646**	569,646
Trade and other receivables	**184,619**	172,061
Property, plant and equipment	**98,914**	98,914
Other noncurrent assets	**4,274**	4,274
NOLCO	**234,749**	765,642
Unrealized foreign exchange losses	**108,648**	952,706
MCIT	**37,808**	1,863
Liability for mine rehabilitation	**17,523**	12,318
Accrued retirement liability	**14,266**	12,719

The amounts and expiration dates of NOLCO as of December 31, 2010 that can be claimed as deduction from future taxable income are as follows:

Year Incurred	Year of Expiration	NOLCO	MCIT
2010	2013	₱–	₱35,945
2009	2012	190,244	1,863
2008	2011	44,505	–
		₱234,749	₱37,808

Movements of NOLCO follow:

	2010	2009
Balances at beginning of year	**₱765,642**	₱892,918
Utilizations	**(530,893)**	–
Additions	–	190,244
Expirations	–	(317,520)
Balances at end of year	**₱234,749**	₱765,642

Movements of MCIT follow:

	2010	2009
Balances at beginning of year	**₱1,863**	₱–
Additions	**35,945**	1,863
Balances at end of year	**₱37,808**	₱1,863

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

	2010	2009	2008
Provision for (benefit from) income tax at statutory tax rates	**₱683,467**	(₱52,622)	(₱179,722)
Additions to (reductions in) income taxes resulting from:			
Nondeductible expenses	**126**	113	124
Changes in unrecognized deferred tax assets	**(459,759)**	47,845	138,176
Nontaxable income	**(249,995)**	(14,279)	–
Interest income subject to final tax	**(130)**	(274)	(236)
Benefit from income tax	**(₱26,291)**	(₱19,217)	(₱41,658)

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, 2010 and 2009, 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, 2010 and 2009:

	2010		
	On demand	**Within two months**	**Total**
Bank loans:			
Unsecured	**₱242,964**	**₱–**	**₱242,964**
Secured	**234,373**	**–**	**234,373**
Accrued interest and penalties	**842,216**	**–**	**842,216**
Trade and other payables:			
Amounts owed to related parties	**–**	**276,315**	**276,315**
Trade	**–**	**124,888**	**124,888**
Accrued expenses and others	**–**	**351,474**	**351,474**
	₱1,319,553	**₱752,677**	**₱2,072,230**

	2009		
	On demand	Within two months	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

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, 2010			
	Neither Past Due Nor Impaired			
	High Grade	**Standard Grade**	**Past Due But Not Impaired**	**Total**
Cash and cash equivalents (excluding cash on hand)	**₱273,529**	**₱–**	**₱–**	**₱273,529**
Trade and other receivables				
Trade	**–**	**53,120**	**–**	**53,120**
Amounts owed by related parties	**–**	**–**	**388,252**	**388,252**
Others	**–**	**–**	**70,354**	**70,354**
AFS investments				**–**
Quoted ordinary shares	**810**	**–**	**–**	**810**
Unquoted ordinary shares	**466**	**–**	**–**	**466**
Total credit risk exposure	**₱274,805**	**₱53,120**	**₱458,606**	**₱786,531**

	December 31, 2009			
	Neither Past Due Nor Impaired			
	High Grade	Standard Grade	Past Due But Not Impaired	Total
Cash and cash equivalents (excluding cash on hand)	₱5,719	₱–	₱–	₱5,719
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	₱6,995	₱59,230	₱184,032	₱250,257

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, 2010 and 2009.
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, 2010 and 2009, 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:

2010	**Change in interest rates (in basis points)**	**Sensitivity of pretax income**
PHP	**+100**	**(₱9,264)**
PHP	**-100**	**9,264**
USD	**+100**	**(3,932)**
USD	**-100**	**3,932**

2009	Change in interest rates (in basis points)	Sensitivity of pretax loss
PHP	+100	(₱16,831)
PHP	-100	16,831
USD	+100	(18,454)
USD	-100	18,454

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 100 basis points for USD LIBOR and 100 basis points for PhP T-bill.

Foreign Currency Risk

Foreign currency risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Company takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial performance and cash flows. The Company has transactional currency exposures. Such exposure arises from the sale of gold 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, 2010 and 2009 follow:

	2010		2009	
	USD	**Peso Equivalent**	USD	Peso Equivalent
Asset				
Cash with banks	**5,540**	**242,874**	–	–
Liabilities				
Trade and other payables	**2,797**	**122,620**	21,761	1,005,358
Secured bank loans	**3,773**	**165,408**	18,183	840,055
	6,570	**288,028**	39,944	1,845,413
Net exposure	**1,030**	**45,154**	39,944	1,845,413

As of December 31, 2010 and 2009, the exchange rates of the Philippine peso to the USD are ₱43.84 and ₱46.20, 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, 2010 and 2009 is as follows:

	Peso	Sensitivity of pretax income
2010	Strengthen by 1	**₱1,030**
	Weakens by 1	**(1,030)**
2009	Strengthen by 1	39,944
	Weakens by 1	(39,944)

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 parent company financial statements, management opted not to disclose equity price risk sensitivity analysis for 2010 and 2009.

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, 2010 and 2009.

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

	2010	2009
Capital stock	**₱487,972**	₱453,525
Capital surplus	**1,153,579**	1,032,818
Cost of share-based payments	**41,790**	43,148
	₱1,683,341	₱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, nickel 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, real estate 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 as reported 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, 2010, 2009 and 2008:

2010

	Mining	Foundry	Trucking and Warehousing	Others	Total	Eliminations	Company
Revenue							
External customers	**₱585,661**	**₱390**	**₱27,693**	**₱9,914**	**₱623,658**	**(₱319,787)**	**₱303,871**
Interest income	**47,453**	**2**	**1**	**8,688**	**56,144**	**(8,736)**	**47,408**
Inter-segment	**–**	**2,733**	**1,473**	**2,002**	**6,208**	**(6,208)**	**–**
Other income	**2,407,805**	**–**	**–**	**298**	**2,408,103**	**(7,372)**	**2,400,731**
	3,040,919	**3,125**	**29,167**	**20,902**	**3,094,113**	**(342,103)**	**2,752,010**
Cost and Expenses							
Interest expense	**168,901**	**3,457**	**247**	**8,212**	**180,817**	**(50,911)**	**129,906**
Direct costs	**156,935**	**2,698**	**23,300**	**10,306**	**193,239**	**(58,374)**	**134,865**
Selling and general expenses	**188,126**	**2,558**	**6,121**	**5,867**	**202,672**	**(58,094)**	**144,578**
Accretion expense	**1,948**	**–**	**–**	**–**	**1,948**	**–**	**1,948**
Impairment losses	**12,675**	**–**	**–**	**101**	**12,776**	**(219)**	**12,557**
Depreciation, depletion and amortization	**62,516**	**–**	**2,941**	**–**	**65,457**	**(39,036)**	**26,421**
Taxes on revenue	**5,633**	**–**	**–**	**–**	**5,633**	**(1,558)**	**4,075**
Other expenses	**20,185**	**2**	**–**	**–**	**20,187**	**(750)**	**19,437**
	616,919	**8,715**	**32,609**	**24,486**	**682,729**	**(208,942)**	**473,787**
Provision for (benefit from) income tax							
Current	**78,717**	**26**	**70**	**81**	**78,894**	**(42,949)**	**35,945**
Deferred	**(63,754)**	**–**	**1,467**	**(78)**	**(62,365)**	**129**	**(62,236)**
	14,963	**26**	**1,537**	**3**	**16,529**	**(42,820)**	**(26,291)**
Net income (loss)	**₱2,409,037**	**(₱5,616)**	**(₱4,979)**	**(₱3,587)**	**₱2,394,855**	**(₱90,341)**	**₱2,304,514**
Operating assets	**₱6,793,028**	**₱273,623**	**₱84,666**	**₱326,656**	**₱7,477,973**	**(₱2,333,368)**	**₱5,144,605**
Operating liabilities	**₱3,478,633**	**₱214,102**	**₱49,124**	**₱113,152**	**₱3,855,011**	**(₱782,420)**	**₱3,072,591**
Other disclosure:							
Capital expenditure	**₱357,340**	**₱5**	**₱73**	**₱–**	**₱357,418**	**(₱336,871)**	**₱20,547**

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

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, 2010 and 2009:

	Carrying Amounts		Fair Values	
	2010	2009	**2010**	2009
Financial Assets:				
Loans and receivables:				
Cash and cash equivalents				
Cash on hand and with banks	**₱259,439**	₱6,432	**₱259,439**	₱6,432
Cash equivalents	**14,595**	–	**14,595**	–
Trade and other receivables				
Trade	**53,120**	59,230	**53,120**	59,230
Amounts owed by related parties	**388,252**	143,135	**388,252**	143,135
Others	**70,354**	40,897	**70,354**	40,897
	785,760	249,694	**785,760**	249,694
AFS investments:				
Quoted	**810**	810	**810**	810
Unquoted	**466**	466	**466**	466
	1,276	1,276	**1,276**	1,276
	₱787,036	₱250,970	**₱787,036**	₱250,970
Financial Liabilities:				
Other financial liabilities:				
Bank loans:				
Unsecured	**₱242,964**	₱291,411	**₱242,964**	₱291,411
Secured	**234,373**	1,218,363	**234,373**	1,218,363
Accrued interest and penalties	**842,216**	2,018,731	**842,216**	2,018,731
Trade and other payables				
Amounts owed to related parties	**276,315**	199,215	**276,315**	199,215
Trade	**124,888**	166,377	**124,888**	166,377
Accrued expenses and others	**351,474**	369,275	**351,474**	369,275
Equity of claimowner in contract operations	**55,941**	49,136	**55,941**	49,136
	₱2,128,171	₱4,312,508	**₱2,128,171**	₱4,312,508

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, 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 their fair values.

Fair Value Hierarchy
The Company's quoted AFS investments amounting to ₱810 as of December 31, 2010 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.

33. **Agreements and Contingencies**

a. The Company is contingently liable for liabilities arising from lawsuits or claims filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the parent company financial statements.

b. 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, 2010, 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.

   On March 31, 2010, the Company signed a disengagement agreement with the Tribe for mutual termination of the JV 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. Discussions with the Tribe and its new investor for the Company's demands are on-going. On the same date, Hunter sent a demand letter to the Company on the basis of the latter's withdrawal from the project.

   On April 10, 2010, the Company and Hunter signed a Settlement and Termination Agreement which also provides for the return to Hunter of the amounts it advanced, with interest. The Company settled all its obligations to Hunter in 2010.