BenguetCorp

April 19, 2013

PHILIPPINE STOCK EXCHANGE
3rd Floor, Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention : MS.JANET A. ENCARNACION
Head- Disclosure Department

Gentlemen:

In compliance with the reportorial requirements of the Philippine Stock Exchange (PSE), we submit hereto Benguet Corporation's (BC) 2012 Annual Report under SEC Form 17-A.

We hope that you will find everything in order.

Very truly yours,

BENGUET CORPORATION
By:

REYNALDO P. MENDOZA
Assistant Corporate Secretary

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 h 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

16,991
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

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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, 2012**................................

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

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

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

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

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

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

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

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, 2012)
Convertible Preferred Class A,	**₱3.44 par value**	**217,061 shares**
Common Class A Stock,	**₱3.00 par value**	**102,297,667 shares***
Common Class B Stock,	**₱3.00 par value**	**61,489,327 shares***

(*) – Net of Treasury Shares

Total consolidated outstanding principal debt as of December 31, 2012 – ₱1.6 Billion

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

Yes [X]   No [ ]

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

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

12. Check whether the issuer:

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

Yes [**X**]   No [ ]

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

Yes [ ]   No [**X**]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (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 April 3, 2013 for Common class A share and Common Class B share and as of the last trading on November 5, 2012 for Convertible Preferred Class 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**	**₱22.65/share**	**₱ 4,916,431.65**
Common Class A share	**102,297,667**	**₱18.00/share**	**1,841,358,006.00**
Common Class B share	**61,489,327**	**₱18.10/share**	**1,112,956,818.70**
Total -	**164,004,055**		**₱2,959,231,256.35**

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

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

Yes [ ]   No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

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

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

PART I – BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

1. <u>BUSINESS DEVELOPMENT</u>

Established on August 12, 1903, Benguet Corporation (the "Company") is the oldest mining company in the Philippines and is the country's recognized pioneer of modern mining. The Company's 109 years of existence is a testament of 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 the 1970s, and finally to its present corporate name of Benguet Corporation, the Company has operated some of the richest mineral prospects using today's cutting-edge technology and has contributed significantly to the country's export earnings. In the 1980s, the Company's stature peaked as it simultaneously operated its five major mines: 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, as the Philippine mining industry went through a difficult period, the Company likewise suffered a decline. Its operations were gravely affected by natural calamities such as the Baguio earthquake in 1990 and the Mount Pinatubo eruption in 1991, countless typhoons, and other external factors such as low metal prices and the 1997 Asian currency and economic crisis. All these led to the suspension of operations of the Company's BGO in 1992, PGO in 1993, BAGO in 1998; and the Company's decision to sell its remaining interest in DCO in 1997. The Company also turned over MCO to the claim owner in July 2007 due to the expiration of the operating contract.

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

In 2010, the Company resolved a longstanding issue with the claimowner of the Kingking Project. It invested in the development of the Sta. Cruz Nickel, Balatoc Tailings, and Surigao Coal projects, and the expansion of AGP. It likewise settled a majority of its debt, and continued to hold interest in the Acupan Gold, Ampucao Gold Copper, Pantingan Gold, Benguet Oreline Contract Operation (BOLCO), and the Ilocos Norte and the Kalinga Financial or Technical Assistance Agreement (FTAA) prospects.

Aside from mining and mineral exploration, the Company has ventured into various projects through several wholly owned subsidiaries. It is engaged in healthcare and diagnostics services through its expanding Benguet Laboratories, Inc., mining logistics through Arrow Freight Corporation, trading of industrial equipment and supplies through Benguetrade, Inc., shipping services through Calhorr 1 & 2 Marine Services Corp, 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 it is now positioned to take full advantage of high metal prices as it expands its gold and nickel operations and moves into new projects.

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

The Company aims to be a responsible, profitable, and growth-oriented conglomerate engaged in natural resource development. In furtherance of this mission, the Management is committed to:

1. Maximize share prices and profitability through growth in earnings and in tangible asset value;
2. Be a socially responsible and environment-conscious corporate citizen, adhering to the highest ethical business standards;
3. Create high value-added and portfolio-stabilizing business opportunities, preferably in natural resource-based endeavors, through strong exploration and research and development programs;
4. Achieve competitiveness and excellence as a natural resource company through the enhanced productivity of its people and through the improvement in the quality of life of its employees and their families and of its host communities.

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 Gold Project (AGP) in Benguet Gold Operation (BGO) in Itogon, Benguet Province:** AGP (formerly Acupan Contract Mining Project (ACMP) was initially conceived as a community based underground mining operation which started commercial operation in January 2003. Gold production in 2012 totaled 6,238 ounces, higher as compared to 4,625 ounces in 2011 and 3,079 ounces in 2010. The average grade of ore milled was 6.89 grams gold per ton in 2012, 7.92 grams gold per ton in 2011 and 8.55 grams gold per ton in 2010. AGP ended the year 2012 with an average milling rate of 149 tons per day, higher as compared to average milling rate of 128 tons per day in 2011 and 93 tons per day in 2010.

  The Company is currently working on its exploration and drilling programs to upgrade AGP's resource capacity. The Exploration & Geology Group completed the design for the surface and underground diamond drilling program for the Phase I of the Greater Acupan Project (GAP). This is intended to test and validate the ore potential of the GW vein mineralization. Under the Phase I Program, some 49 drill holes aggregating 9,913-meters will be drilled on the surface, while 35 drill holes aggregating 9,465-meters will be drilled underground. Six holes have been drilled from the surface aggregating 1,203.77 meters. The first three holes intersected GW hydrothermal breccia mineralization with hole intercepts ranging from 4 meters to 20 meters. The last three holes have intersected GW hydrothermal breccia mineralization with longer hole intercepts between 10 meters and 20 meters. No assay results are available as yet.

  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 2012, BNMI exported a total of 1.488 million tons of nickel ore ranging from 1.5% to 1.82% Ni grade as compared to 1.441 million tons of nickel ore ranging from 1.75% to 2.06% Ni grade in 2011 and 1.3 million tons of nickel ore ranging from 1.80% to 2.05% Ni grade in 2010. In 2012, BNMI declared and paid a cash dividend amounting to ₱150 million or ₱0.12 per share. This is the second round that it declared cash dividend since it commenced operations in 2009.

  BNMI is ramping up its operations by expanding its drilling program and mine development. A drilling contractor was engaged to hasten blocking of the direct ore shippable areas and to update the total nickel resource of whole nickel property. As drilling activities are completed, substantial volumes of high grade ores ranging from 1.94% to 2.24% were discovered in 3 areas of the mine. It has also contracted the conduct of pre-feasibility study on a processing technology using its low and medium grade ore to produce higher value material for export.

BNMI mining operations remain compliant with all environment regulatory requirements. Its port operation, currently being expanded to accommodate five (5) barges loading simultaneously, boasts as the only port operation in Sta. Cruz and Candelaria areas certified by DENR-EMB Region 3 to be compliant with its ECC.

- **Irisan Lime Project (ILP) in Baguio City**: ILP produced 9,140 tons of quicklime in 2012, higher as compared to 8,172 tons in 2011 and 7,642 tons produced in 2010. ILP obtained a renewal of its lime plant mineral processing permit for another five years or up to 2016.

EXPLORATION, RESEARCH AND DEVELOPMENT

- **Balatoc Tailings Project (BTP) in Itogon, Benguet Province:** BTP is the country's first large scale gold recovery project from mill tailings under the Balatoc Gold Resources Corporation (BGRC), a wholly owned subsidiary of the Company. BGRC was granted by the Board of Investment (BOI) a Certificate of Registration as pioneer enterprise for BTP. The Mineral Processing Permit (MPP) and other government permits have been issued to put BTP into operation. BGRC continues the activities on expansion and rehabilitation of its penstocks at Tailings Pond Nos. 2 and 3 and earthmoving works, the silt dam at Gold Creek, the Ambalanga River pumping station, the ridge enhancement works on Tailings Ponds Nos. 2 and 3. The excavated materials from its expansion and rehabilitation activities will be used for the raising of the embankment of Tailings Ponds Nos. 2 and 3 to the level in which BTP will be able to operate its processing plant in Balatoc. It is also currently reviewing and checking the initial engineering drawings done by Peoples' Asia, the outsourced engineering service provider. After this review, the evaluated drawings will be forwarded to 360*Global, an Australian engineering design service providers specializing on mining industry, to do the detailed engineering drawings suited for the bidding in the construction of the plant and installation works for the process equipment. BTP's application for duty free importation of its process equipment has been approved by the Incentive Department of the Board of Investments.

- **AntamokTailings Project (ATP) in Itogon, Benguet Province:** The Company is conducting a study of the feasibility of reprocessing the tailings from its former Benguet Antamok Gold Project (BAGO) that are impounded in the tailings pond downstream from the old BAGO mill. The BAGO tailings pond contains 7.6 million tons including 1.95 million tons of materials washed out from the old mine pit. The initial drilling conducted to test the impounded materials indicates a grade of 4.0 grams gold per ton.

- **Ampucao Copper-Gold Prospect in Itogon, Benguet Province:** The Ampucao prospect is located inside the Pugo Mining Company claims within the southern part of Benguet's Acupan gold mine. The initial exploration work conducted by the Company geologists indicates a porphyry copper-gold mineralization hosted in the diorite below the 2000 level. Two test holes have been programmed to be drilled within the area, but have been put on-hold pending the resolution of the Application for Production Sharing Agreement (APSA).

- **Pantingan Gold Prospect in Bagac, Bataan Province:** The Pantingan epithermal gold prospect consists of 1,410 hectares covered by MPSA No. 154-2000-111. The property is under a Royalty Agreement with Option to Purchase with Balanga-Bataan Mineral Corporation signed in March 1996. Surface mineralization consists of quartz and clay veins ranging from 0.70 meters to 10 meters wide with values as much as 1.0 gram gold and 9.60 gram silver. The prospect needs exploratory drilling to probe the behavior of the veins and tenor of the postulated gold mineralization at depth. To pursue this, the Company, has been trying to secure clearance from DENR because of a watershed application surrounding the claim area. The DENR has yet to act on the Company's request for clearance.

- **Zamboanga Gold Prospect (BOLCO) in R.T. Lim Zamboanga del Sur:** The Zamboanga gold prospect consists of 399.3 hectares. The claims are under an operating agreement with Oreline Mining Company, the owner of the property. A drilling program to evaluate the gold potential of the main structure at depth has been put on-hold pending the resolution of the Application for Processing Sharing Agreement (APSA).

- **Surigao Coal Project in Lianga, Surigao del Sur:** Pre-development activities for the Surigao Coal Project was put on hold in 2011 due to a Department of Environment and Natural Resources (DENR) Circular EO 23 which declares a moratorium on cutting of timber in natural and residual forests. The CENRO of Lianga Municipality denied the Company's request for a tree inventory preparatory to application for a Cutting Permit, but reversed the decision last January 2012 after the issuance of a Memorandum from the Executive Secretary which exempted exploration and mining activities from EO 23. The Company is in the process of completing the requirements to secure permits for mine development of the project. A preliminary hydrology study was done at the nearby Hubo River's water source to assess if the volume capacity of the river system can support a Hydro Plant which will complement the Coal Power Plant study. In 2012, the Company also participated in the bidding of the Philippine Energy Contracting Round (PECR) 4 for Coal to possibly secure other prospective coal areas. The results of the bidding is awaiting the decision of the Department of Energy.

- **Financial Technical Assistance Agreement:** The Company and its subsidiary, Sagittarius Alpha Realty Corporation (SARC) have two pending Financial Technical Assistance Agreement (FTAA) applications consisting of a total of 72,806.291 hectares. The FTAA application within the province of Ilocos Norte (AFTA No. 003) is undergoing FPIC process under the NCIP Regional Office while the FTAA application within Apayao (AFTA No. 033) is pending with the MGB-Cordillera Administrative Region. Exploration work within the two areas will be undertaken as soon as the applications will be approved by the government.

SUBSIDIARIES AND AFFILIATES

- 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). BMC also continues to maintain the mango plantation in Iba, Zambales. **AFC** is BMC's logistics company that provides mining, earthmoving, road construction and maintenance, and hauling equipment services. Currently, AFC is the general contractor for BenguetCorp's Santa Cruz Nickel Project where it has deployed various equipment: excavators, bulldozers, graders, compactors, loaders, water trucks, and dump trucks. AFC is also capable of providing warehouse management services, product distribution, cargo storage and freight services. Among others, its clientele includes: Nutri Asia, Ajinomoto, Gentle Supreme Phil., Unioil. **BFC** manages the Irisan Lime Plant and develops the Company's real estate assets in Northern Luzon, such as the Woodspark Subdivision. **BTI** is BMC's trading arm primarily dealing with industrial and environmental equipment and supplies requirements of both mining and non-mining companies. BTI is expanding its marketing product mix to offer lines and services and to increase its market scope and coverage. It is likewise taking major role in promoting BenguetCorp's various products and services and disposable idle assets.

  BMC undertook a quasi reorganization and capital restructuring which was approved by the Securities and Exchange Commission in December 2012. These restored its positive retained earnings and primed the company toward its role as logistics provider.

- Benguetcorp Laboratories, Inc. (BLI), a wholly owned subsidiary of the Company, began as a modest medical facility that aims to address the various health concerns of the Company's employees and their families. With the growing demand for reliable and high quality healthcare services in Baguio City, the Company has expanded its operations to become a full-fledged tertiary multi-specialty facilities: two clinics in Baguio City under the trade name Benguet Laboratories and the new MedCentral, which was opened in December 2012 in San Fernando, Pampanga. It is targeting to open more branches in key regional locations within Northern, Central and Southern Luzon, as well as in the Visayas and Mindanao. In September 2012, the Company created a wholly owned subsidiary, BenguetCorp Laboratories, Inc. (BCLI), as a distinct operating unit to undertake the healthcare business.

- In 1988, the Company acquired **BenguetCorp International Limited (BIL),** a Hongkong-based and 100% owned subsidiary for international operations, which 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, and port services; sells industrial equipment and supplies; develops water resources and real estate projects.

The Company sells its gold to the Banko Sentral ng Pilipinas. For its nickel ore, the Company had a contractual arrangement thru its project company, Benguetcorp Nickel Mines, Inc. (BNMI) with DMCI Mining Corporation to mine and sell nickel ore from Area 1 of its Sta. Cruz Nickel Project but this contract expired in December 2012. BNMI has an agreement for a three-year off-take contract with Bright Mining & Resource Company Ltd. for the sale and delivery of 1.8 million tons of nickel ore and with Minecore Resources Inc., for the sale and delivery of 2.0 million tons of nickel ore. The quicklime products are mainly sold to local customers.

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

	2012 (% to total revenue)			2011 (% to total revenue)			2010 (% to total revenue)		
	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total
Gold	25%	-	25%	32%	-	32%	27%	-	27%
Lime	4%	-	4%	7%	-	7%	10%	-	10%
Chromite	-	-	-	1%	-	1%	2%	-	2%
Nickel	-	63%	63%		50%	50%	-	12%	12%
Trucking & Ware-housing & others	8%	-	8%	10%	-	10%	49%	-	49%

The Company has no new products or service introduced in 2012 whether prototypes exist or in planning stage.

In gold, there is no competition among mining companies. One can produce as much gold and the gold 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 lower operating cost and proximity of the mine 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 in Acupan Gold 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.

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

Transactions with and/or Dependence on Related Parties - 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.

The Company has a five-year Marketing Agreement as the exclusive marketing agent of its wholly owned subsidiary, Benguetcorp Nickel Mines, Inc. (BNMI), for its nickel ore production. The agreement was signed on August 8, 2011 and through this arrangement, BNMI signed an agreement for a three-year off-take contract with Bright Mining & Resource Company Ltd. on August 24, 2011, for the sale and delivery of 1.8 million tons of nickel ore grading at least 1.8% and with Minecore Resources Inc., on October 5, 2011, for 1.8 million metric tons of nickel ore grading 1.8% and above and 200,000 metric tons of 1.6% nickel.

Terms and Expiration Dates of Royalty Contracts –The Company does not own or possess patents, trademarks or franchises on products and processes, but the Company has Operating Agreement with the claimowners, Balanga Bataan Minerals Corporation (BBMC) for its Pantingan Gold Prospect in Bagac, Bataan and Oreline Mining Corporation (OMC) for its Zamboanga Gold Prospect (BOLCO) in R.T. Lim, Zamboanga del Sur. Duration is up to end of mine life.

Government Regulations and Approval – The Company's Application for Production Sharing Agreement (APSA) for its Ampucao Copper-Gold Prospect in Itogon, Benguet and Zamboanga Gold Prospect (BOLCO) in R.T. Lim Zamboanga del Sur are still under evaluation and pending resolution by the Department of Environment and Natural Resources-Mines Geosciences Bureau (DENR-MGB). The Foreign Technical Assistance Agreements (FTAA) in Ilocos Norte (AFTAA- 003) is undergoing FPIC process under the NCIP Regional Office while the Apayao (AFTAA-033) is pending with the MGB-Cordillera Administrative Region.

The Company participated in the bidding of the Philippine Energy Contracting Round (PECR) 4 for Coal to possibly secure other prospective coal areas. The result of the bidding is awaiting the decision of the Department of Energy.

Effect of Existing or Probable Governmental Regulations - The effect on the Company's operation of existing governmental regulations are mainly on their corresponding costs of compliance 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
2012	₱339	19%
2011	47	5%
2010	64	10%

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. It implemented the mandatory requirements and compliance to various Government agencies. Environmental activities 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.

A total of ₱17.319 million was spent in 2012 for environmental programs of the Company's Benguet District Operation in Itogon, Benguet. The costs and expenses include among others: repair /extension of Penstock tailings ponds, repair/rehabilitation of diversion tunnels and tailings pond spillways, replacement of tailings pipe and pump, enhancement of drainage system, effluent/water & air quality monitoring, reforestation & agro-forestry program, and waste management.

In 2012, the Sta. Cruz Nickel Project of the Company in Zambales spent a total of ₱14.435 million for the expansion / desilting of settling ponds, dredging / desilting of dam and canals, bench stabilization / maintenance, water quality sampling/analysis, air quality assessment, noise assessment, waste management, and reforestation activities.

The costs and effects of compliance with environmental laws are numerous. The costs are mainly on the compliance and non-compliance on the part of the Company. 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, 2012, the Company has 1,501 employees, of whom 140 are administrative, 60 clerical, 532 involved in exploration and operation and 769 are outsourced staff e.g. laborers, 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. Among the benefits provided by the Company are medicine allowance, retirement pay, insurance, transportation allowance, vacation/paternity/sick leaves with pay, free protective equipment & housing facilities to mine based employees.

Within the ensuing twelve months, the Company anticipates changes in the number of employees due to expansion on mining operations of its Acupan Gold Project in Itogon, Benguet and Sta. Cruz Nickel Project in Zambales. The total projected manpower is 1,518 employees, of whom 142 are administrative, 58 clerical, 561 involved in exploration and operation, and 757 are outsourced staff e.g. laborers, security guards, janitors and retainers/consultants.

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

a. 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.

b. The Company's 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.

c. 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 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 lower operating cost and proximity of the mine to major buyers/users in Asia and China.

d. 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. In gold, there is no competition among mining companies. One can produce as much gold and the gold can be sold without any problem.

ITEM 2. PROPERTIES

Parent Company: - The Company owns about 606.27 hectares of patented mining claims in Itogon, Benguet Province where its milling, support and mining facilities for its gold operations are located.

The Company is a claimowner of about 259 hectares of mineral property for gold/silver at Royston Hills, Nevada, U.S.A., which is currently being offered for joint venture or sale to interested parties.

The Company has Mineral Production Sharing Agreement (MPSA) with the Government denominated as MPSA No. 226-2005-III for its Sta. Cruz Nickel Project (SCNP) in Zambales. The said MPSA was transferred/assigned to Benguetcorp Nickel Mines, Inc., a wholly owned subsidiary and operator of SCNP pursuant to the Order issued by the DENR Secretary dated January 16, 2012.

The Company holds an Operating Agreement with the MPSA applicant Oreline Mining Corporation in R.T. Lim, Zamboanga del Sur where its mining and milling facilities are currently on care and maintenance basis. The Motion for Reconsideration on the denial of the MPSA application is undergoing evaluation by MGB Regional Office No. IX.

The Company holds an Operating Agreement with the MPSA Contractor, Balanga Bataan Minerals Corporation dominated as MPSA No. 154-2000-III for its Pantingan Gold Project located in Bataan. It also holds a Coal Operating Agreement with the Department of Energy for its Surigao Coal Project.

Further, the Company has various heavy equipments and vehicles for its mining operations in Itogon, Benguet and Sta. Cruz, Zambales; and service vehicles for its corporate office in Makati City.

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

Berec Land Resources, Inc. (BLRI), a wholly owned subsidiary of the Company, owns a land located in Cabuyao, Laguna with an area of about 47,626.705 square meters. The land is currently mortgaged to Philexim as part of the collateral for the ACMP 300 tons per day expansion project being managed by BLRI. Please refer to Note 11 of the Notes to Audited Consolidated Financial Statements.

Benguetrade, Inc. (BTI), a subsidiary of BMC, owns two (2) residential lots where its three (3) storey building is located in Monterraza Village, Brgy. Tuding, Itogon, Benguet. The lots is containing an aggregate area of about 708 square meters.

BMC Forestry Corporation (BFC), a subsidiary of BMC, owns two (2) office condominium units located at 3rd Floor of One Corporate Plaza Condominium, Benavidez Street, Legaspi Villate, Makati City. BFC also manages the development of the Woodspark Rosario Subdivision Project in Rosario, La Union.

Arrow Freight Corporation (AFC), a subsidiary of BMC, owns five (5) contiguous lots in Brgy. San Antonio, San Pedro, Laguna containing an aggregate area of about 3,211 square meters. The property is located in an area where land development is for mixed commercial and residential purposes. AFC owns a land with an area of about 13,386 square meters where its office and facilities are located. It also owned various vehicles such as 10Wheeler WingVan, Isuzu Elf Van, 6Wheeler Forward, and service cars.

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

The mining properties and assets of the Company’s Benguet Antamok Gold Operation and Benguet Gold Operation are covered by Mortgage Trust Indentures (MTI). Information regarding MTI encumbrances is shown in Note 14 of the Notes to Consolidated Financial Statements under Secured Bank Loans.

The Company continues to lease two (2) units at the Universal ReBuilding, 106 Paseo de Roxas, Makati City where its Corporate Head Office is situated. The leased of the two (2) units is ₱323,937.00 per month exclusive of VAT for a period of one (1) year and renewable yearly.

ITEM 3. LEGAL PROCEEDINGS

As of December 31, 2012, 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 May 29, 2012, 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

As of February 28, 2013, the issued, treasury and outstanding shares of the Company are as follows:

	Issued Shares	Treasury Shares	Outstanding Shares
Convertible Preferred Class “A”	217,061	0	217,061
Common Class “A”	110,342,505	103,598	110,238,907
Common Class “B”	66,795,822	12,425	66,783,397
Total---------	177,355,388	116,023	177,239,365

As of March 31, 2012, the public float of the Company is 58.91%.

The shares are listed and traded in the Philippine Stock Exchange (PSE). As of April 3, 2013, the closing price of Common Class A share is ₱18.00 per share and ₱18.10 per share for the Common Class B share. As of the last trading day on November 5, 2012, the closing price of the Convertible Preferred Class A share is P22.65 per share.

a) The high and low prices of the Company's shares for each quarter of 2012 and 2011 are as follows:

	1ST QUARTER 2012	1ST QUARTER 2011	2ND QUARTER 2012	2ND QUARTER 2011	3RD QUARTER 2012	3RD QUARTER 2011	4TH QUARTER 2012	4TH QUARTER 2011
CONVERTIBLE PREFERRED CLASS A*								
Highest Price Per Share	₱51.15	₱57.00	₱52.00	₱60.00	₱30.20	₱30.50	₱22.65	₱ -
Lowest Price Per Share	31.00	38.00	30.00	30.00	30.05	30.50	22.65	-
COMMON CLASS A								
Highest Price Per Share	29.00	19.50	28.50	23.00	25.10	29.95	24.50	29.00
Lowest Price Per Share	25.60	11.04	22.00	14.50	22.50	19.00	18.80	20.05
COMMON CLASS B								
Highest Price Per Share	34.00	21.00	30.50	24.00	25.00	30.00	24.00	29.00
Lowest Price Per Share	25.50	12.10	21.80	14.50	22.15	19.32	18.80	21.20

(*) There are no trading transactions during the fourth quarter of 2011.

For the Company's U.S. registered Class "B" shares - Since the voluntary deregistration of the Company's Class "B" shares with the United States Securities & Exchange Commission (U.S. SEC) in 2008, trading of the U.S. registered class "B" shares (BENGF) in the Over-The-Counter (OTC) Pink Sheets was suspended. In order to address the concerns of the U.S. stockholders on lack of trading venue in the U.S., the Company is taking steps to have all U.S. registered Class "B" shares converted to Philippine registry. In the June 29, 2011 and May 29, 2012 Annual Stockholders' Meetings, the Company sent notices along with the annual report and proxy materials to its U.S. stockholders, informing them of the option to convert their shares to Philippine registry so they can transact in the Philippine Stock Exchange (PSE) in Manila. By converting the U.S. registered Class "B" shares into Philippine registered Class "B" shares, it is possible for the U.S. shareholders to trade their shares in the PSE. The Company's Class "B" shares are listed and may be traded in the PSE under the trading symbol of "BCB".

Holders - As of February 28, 2013, the Company's approximate number of shareholders is 16,991 and the list of top 20 stockholders for Common Class "A", Common Class "B" and Convertible Preferred Class "A" shares are as follows:

A. Common Class "A" Share

Name	Number of Shares Held	Percent to Total Issued Per Class
PCD Nominee Corporation (Filipino)	34,971,149	31.69%
Palm Avenue Holding Company, Inc.	21,874,909	19.82%
Palm Avenue Holdings Company and/or Palm Avenue Realty Corporation	21,306,830	19.31%
Palm Avenue Holdings Company and/or Palm Avenue Realty Corporation	10,278,125	09.31%
RYM Business Management Corporation	7,941,240	07.20%
House of Investment, Inc.	2,848,637	02.58%
Great Pacific Life Assurance Corporation	1,820,279	01.65%
FEBTC TA 4113-000204-5 (ESPP)	1,700,000	01.54%
FEBTC TA 4113-00204-5	908,533	00.82%
Cynthia Manalili Manalang	500,000	00.45%
Henry Sy	373,535	00.34%
RP Land Development Corporation	320,000	00.29%
Henry Sy, Sr.	307,346	00.28%
Sysmart Corporation	289,652	00.26%
Pan Malayan Management and Investment Corporation	143,948	00.13%
RCBC TA #74-034-9	121,043	00.11%
Sun Hung Kai Sec. A/C# YUO34	118,875	00.11%
Benguet Corporation – (Treasury)	100,354	00.09%
FEBTC TA 4113-00204-5	97,008	00.09%
Enrique T. Yuchengco, Inc.	85,792	00.08%

B. Common Class “B” Share

Name	Number of Shares Held	Percent to Total Issued Per Class
Palm Avenue Realty and Development Co.	14,560,000	21.80%
PCD Nominee (Non-Filipino)	10,107,399	15.13%
PCD Nominee (Filipino)	6,680,418	10.00%
RYM Business Management Corporation	5,294,070	07.92%
Morgan Stanley Smith Barney	567,034	00.85%
Michael Vozar TOD Sharon K. Vozar Sub To Sta Tod Rules	245,420	00.37%
National Financial Services	168,011	00.25%
Fairmount Real Estate, Inc.	161,419	00.24%
Independent Realty Corporation	161,147	00.24%
Richard Soltis & Veronica T. Soltis JT Ten	132,000	00.20%
Arthur H. Runk TTEE of Arthur H. Runk Liv Tr U/A dtd 08/17/1990	118,000	00.18%
William David Courtright	100,000	00.15%
William T.Coleman	100,000	00.15%
Garry A. Gil TTEE FBO Arthur Weir Gill Rev Tr	100,000	00.15%
Edmund S. Pomon	100,000	00.15%
Henry Sy	97,175	00.15%
Bing H. Wan	92,772	00.14%
Nick Milkovich & Carol A. Milkovich JTTen	91,730	00.14%
Sanford E. Halperin	83,788	00.13%
Vince S. Chiaramonte & Mary W. Chiaramonte JTTen	72,200	00.11%

C. Convertible Preferred Class “A” Share

Name	Number of Shares Held	Percent to Total Issued Per Class
PCD Nominee Corporation (Filipino)	59,365	27.35%
Fairmount Real Estate	59,262	27.30%
Jose Concepcion, Jr.	5,000	02.30%
Jalemont Realty Inc.	2,902	01.34%
Reginaldo Amizola	1,737	00.80%
Evengeline Alave	1,720	00.79%
Maverick Marketing Corporation	1,720	00.79%
Jayme Jalandoni	1,380	00.64%
Rosendo U. Alanzo	1,376	00.63%
Romelda E. Asturias	1,376	00.63%
Rosalina O. Ariacho	1,324	00.61%
CMS Stock Brokerage Inc.	1,324	00.61%
Luisa Lim	1,238	00.57%
Delfin GDN Jalandoni	1,118	00.52%
Ventura O. Ducat	1,032	00.48%
Conchita Arms	1,000	00.49%
Equitiworld Securities, Inc.	1,000	00.49%
Benito V. Jalbuena	1,000	00.46%
Remedios Rufino	1,000	00.46%
Carlos W. Ylanan	1,000	00.46%

Dividends - Pursuant to the restrictions provided for in the Parent’s Company’s loan agreements with creditor banks, no cash dividends were declared for the years 2012 and 2011. Further, prior to approval of the quasi-reorganization, the Company was on negative retained earnings position in 2010.

Recent Sales of Unregistered or Exempt Securities – Under the terms and conditions of the Memorandum of Agreement (MOA) on Private Placement dated April 7, 2010 between the Company and RBMC, the Company sold to RBMC 14,558,880 common class “A” shares at ₱12.00 per share and 9,705,840 common class “B” shares at ₱16.00 per share for a total value of ₱330 million. The subscription or placement was divided into two (2) transactions. The first transaction was completed on

April 23, 2010 upon full payment of ₱150 million by RBMC to the Company for which RBMC subscribed 6,617,640 class “A” common shares and 4,411,770 class “B” common shares pursuant to the Stock Subscription Agreement dated April 23, 2010 and the listing of the shares was approved by the Philippine Stock Exchange on March 23, 2011. The second transaction was completed on May 31, 2012 upon full payment of ₱180 million by RBMC to the Company for which RBMC subscribed 7,941,240 common class “A” shares and 5,294,070 class “B” common shares pursuant to the Stock Subscription Agreement dated May 4, 2012 and the listing of the shares was approved by the PSE on February 13, 2013. The securities sold came entirely from the unissued capital stock of the Company which have been previously registered with the Securities and Exchange Commission (SEC) on September 20, 1989 per SEC-BED Order No. 748, Series of 1989. The sales are also exempted from the registration requirements under SEC Memorandum Circular No. 9, Series of 2008.

Under the present implementation of the Company’s Amended Stock Option Plan (the “Plan”), as of February 28, 2013 a total of 2,113,920 shares common class “A” at option price of ₱8.50 per share and 19,200 shares common class “B” at option price of ₱29.07 per share were exercised by optionees in the April 6, 2006 stock option awards and 42,600 shares common class “A” at option price of ₱16.50 per share and 28,285 shares common class “B” at option price of ₱17.50 per share were exercised by optionees in the May 3, 2011 stock option awards. The shares granted under the Plan are exempted from registration under SEC Resolution No. 084 dated March 31, 2008 and the listing of the shares was approved by the PSE on April 9, 2008.

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

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

THE MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS OF THE COMPANY SHOULD BE READ IN CONJUNCTION WITH THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AS OF AND FOR THE PERIOD ENDED DECEMBER 31, 2012 WHICH IS 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, 2012, AND FOR ALL THE OTHER PERIODS PRESENTED, HAVE BEEN MADE.

A. FOR THE YEARS ENDED DECEMBER 31, 2012 VERSUS. 2011

The Company’s operating revenues amounted to ₱1.8 billion, significantly higher than last year. The increased was attributed to the mining business which contributed 89% of the consolidated revenues. The Acupan Gold Project (AGP) and Benguet Nickel Mines (BNMI) Sta. Cruz Nickel Project contributed ₱439 million and ₱1.1 billion, respectively. AGP gold production continues to improved to 6,238 ozs from 4,625 ozs last year. BNMI shipped 735,190 tons in its first year of operation. The total volume shipped including those from its mining contractor in Area 1 increased to 1.488 million tons in 2012 from 1.441 million tons in 2011.

Consolidated net earnings amounted to ₱637 million for 2012, inclusive of ₱387 million non-recurring gain from debt settlement. In 2011, consolidated earnings amounted to ₱1.4 billion, inclusive of a non-recurring gain of ₱797 million from debt settlement and a ₱411 million gain from the sale of Kingking interest.

Consolidated earnings declined as a result of lower non-recurring gains but operating income is almost at the same level as in previous year. Despite the increase in sales revenue, the operating income was maintained at the same level as last year because the increase in revenues was partly offset by the increased in gold production cost and ramp up expenses.

The mining operations as a group contributed ₽549 million inclusive of ₽387 million non-recurring gain from debt settlement. Benguet Management Corporation, a wholly owned subsidiary and its subsidiaries added ₽88 million mainly from the logistics services provided to BNMI.

Operating costs and expenses went up to ₽1,577 million in 2012 from ₽734 million in 2011 mainly due to increase in cost of mine products and services sold and selling and general expenses.

Interest expense amounted to ₽84 million primarily from the interest on loans and advances obtained in 2012. The interest expense in 2011 decreased by ₽43 million mainly due to the settlement of restructured bank loans and reduced interest on the remaining dollar denominated loans due to the appreciation of peso against the US Dollar.

Other net income in 2012 amounted to ₽396 million lower than the other income of ₽1.3 billion in 2011. The decrease versus the previous year is mainly due to the lower non-recurring gain of ₽387 million from debt settlement in 2012 versus ₽797 million gain from debt settlement and ₽411 million income from sale of Kingking interest in 2011.

In 2012, benefit from income tax amounted to ₽92 million compared with the provision for income tax of ₽96 million in 2011. The ₽45 million provision for income tax liability of the Sta. Cruz Nickel Project this year was offset by the ₽137 million increased in deferred tax assets.

The Company's consolidated total assets amounted to ₽6.6 billion, up by 25% than 2011. The increased is basically due from the US$20 million Pre-Export Financing Facility obtained from Amsterdam Trade Bank N.V and Maybank Philippines, Inc. and the ₽180 million Private Placement with RYM Business Management Corp.

Cash and short-term investments decreased to ₽0.7 billion in 2012 from ₽1.3 billion in 2011 mainly cash used by operating activities, equipment purchases for expansion of the Acupan Gold Project , exploration of Sta. Cruz Nickel Project Areas 2, 3 and 4, Greater Acupan Project (GAP) and debt settlement.

Trade and other receivables increased to ₽721 million in 2012 from ₽140 million in 2011 mainly from nickel ore shipment not yet collected.

Inventories increased to ₽175 million from ₽37 million last year. The increased pertains to the nickel ore inventory booked this year and increased in purchases of materials and supplies for AGP.

Other current assets increased to ₽258 million from ₽117 million in 2011 partly due to the increased in input tax on various purchases of goods and services for Acupan Gold Project and Nickel Project expansion.

Property, plant and equipment increased to ₽3.3 billion in 2012 from ₽3.0 billion in 2011 due to equipment purchases for the expansion of AGP, GAP and nickel project in Zambales.

Deferred mining exploration costs went up to ₽747 million in 2012 from ₽408 million in 2011. The increased pertains to the expenses incurred in the AGP's expansion program to increase its milling capacity, Nickel Expansion Project, Balatoc and Antamok Tailings Project and GAP.

Other non-current assets increased to ₽536 million from ₽134 million. The increased was mainly due to the investible funds of the parent company under the management of an investment banking corporation and additional Mine Rehabilitation Fund deposited with a local bank in compliance with the requirements of DENR Administrative Order (DAO) No. 96-40.

The current portion of loans payable declined to ₽966 million from ₽1,004 million last year mainly due to the debt settlement this year.

Trade and other payables increased to ₱490 million in 2012 from ₱243 million in 2011 mainly from the purchases of various supplies for AGP and Arrow Freight Corporation (AFC) sub-contractors hauling services for BNMI not yet paid in 2012.

The regular corporate income tax due from the Sta. Cruz Nickel Project accounted for the income tax payable this year.

The non-current portion of loan payable of ₱931 million increased from ₱563 million in 2011 mainly from the US$20 million Pre-Export Facility obtained from ATB and Maybank Philippines. The loan was obtained to fund its capital expenditure and working capital requirements.

Deferred income tax liabilities decreased to ₱817 million from ₱980 million last year. The decreased pertain to the reduction in excess of accelerated deduction of mining exploration write-off and excess of accelerated depreciation over normal depreciation.

Accrued pension liability amounted to ₱57 million compared to ₱30 million in 2011. The increase in manpower and salary in 2012 accounted for the increased.

Obligations under finance lease pertains to transport equipment acquired by Parent Company.

Other non-current liabilities slightly decreased to ₱67 million from ₱74 million in 2011.

In December 2012, the Philippine SEC approved the Benguet Management Corporation, wholly owned subsidiary application for quasi reorganization to wipe out its deficit as of December 31, 2011, setting it off against its capital surplus and revaluation increment. The quasi-reorganization and the income this year resulted to a positive retained earnings of ₱1,614 million compared to ₱975 million in 2011. For the same reason, the Stockholders Equity increased to ₱3.1 billion from ₱2.3 billion last year.

Other information on Management Discussion and Analysis of Financial Position and Results of Operations is also discussed on pages 41 to 46 in the PRESIDENT'S REPORT incorporated hereto by reference (Annex "A").

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, 2012, the Company's current ratio is 1:1.25 versus 1:1.18 in 2011.

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$1,673 per ounce in 2012 and US$1,589 per ounce in 2011.

Tonnes Mill and Ore Grade- Tons milled and ore grade determine gold production and sales volume. The higher the tonnage and ore grade, the more gold are produced and sold. Tons milled in 2012 were 32,790 with average grade of 6.89 grams per ton gold. Gold sold in 2012 were 6,238 ounces. In 2011, tons milled were 21,121 with average grade of 7.92 grams per ton gold. Gold sold in 2011 were 4,625 ounces.

Foreign Exchange Rate- The Company's sales proceeds are mainly in U.S. dollars, a higher Philippine peso to U.S. dollar exchange rate means higher peso sales but would also reflect a foreign exchange loss on the restatement of the Company's dollar obligations. Conversely, a lower exchange rate reduces the Company's revenue in pesos but brings foreign exchange income on the loans. As of December 31, 2012, the peso to dollar exchange rate was at ₱41.05 lower as compared to ₱43.919 in 2011.

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 2012 is ₱3.89 compared to earnings per share of ₱8.50 in 2011. With the anticipated shipments 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 2013.

Known Trends, Events or Uncertainties

The Company does not foresee any cash flow problems over the next twelve months due to continuing improvement of its gold production compounded with the prevailing favorable metal price and assured market of the nickel ores due to existing off-take agreements. Through the off-take arrangement, BNMI signed an agreement for a three-year off-take contract with Bright Mining & Resource Company Ltd., on August 24, 2011, for the sale and delivery of 1.8 million metric tons of nickel ore grading at least 1.8% and with Minecore Resources Inc., on October 5, 2011, for 1.8 million metric tons of nickel ore grading 1.8% and above and 200,000 metric tons of 1.6% nickel. Within the ensuing twelve months, the Company anticipates changes in the number of employees due to expansion of its gold and nickel operations.

In May 2012, the Company sold 13,235,310 common shares consisting of 7,941,240 shares of Class "A" and 5,294,070 shares of Class "B" for a total consideration of ₱180 million pursuant to a Private Placement with RYM Business Management Corporation (RBMC). The transaction is the second private transaction under the terms and conditions of the Memorandum of Agreement (MOA) dated April 7, 2010, Addendum to the MOA dated September 17, 2010 and Stock Subscription Agreement dated May 4, 2012 between the Company and RBMC, with the first transaction having been completed in April 2010. The funds will be utilized for general corporate purposes, and to fund in part the development of various mining projects of the Company, including the BTP and AGP. In turn, the income generated from these projects will be used to advance the other mineral properties of the Company and to acquire or enter into joint venture arrangement for promising properties and/or projects.

In July 2012, the Company signed a US$20 million Pre-Export Financing Facility Agreement with Amsterdam Trade Bank N.V. and Maybank Philippines Inc., to be used for working capital and capital expenditure requirements.

There is no known event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation that have not been booked although, the Company could be contingently liable for lawsuits and claims arising from the ordinary course of business which are not presently determinable. The Parent Company's outstanding principal debt subject to the 1992 Restructuring Agreement was reduced to ₱117 million or only 10% of the original principal. The Company remains committed to a final and comprehensive settlement of all the old debt or to arrange a suitable restructuring of the remaining obligations.

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

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

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Company;

- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Seasonal aspects that had a material impact on the Company's results of operations; and
- Material changes in the financial statements of the Company from the year ended December 31, 2012 to December 31, 2011.

B. FOR THE YEARS ENDED DECEMBER 31, 2011 VERSUS 2010

The Company's operating revenues in 2011 amounted to ₱994 million, 59% above last year. The mining business accounted for the increase or around 90% of the Group consolidated revenue. The Sta. Cruz Nickel Project (SCNP) and the Acupan Contract Mining Project (ACMP) contributed ₱501 million and ₱317 million, respectively. In 2011, gold production from the ACMP increased to 4,625 ounces this year from 3,079 ounces in 2010. The nickel ore exported by SCNP improved to 1,440,627 tons in 2011 compared to 1,263,136 tons last year.

Consolidated net income amounted to ₱1.4 billion for 2011, lower compared to the net income of ₱2.4 billion in 2010. The income in 2011 were principally provided by the nonrecurring income of ₱1.2 billion from the gain on settlement of liabilities and the sale of Kingking properties. The mining operations as a group contributed ₱262 million before financing charges of ₱43 million, higher than the ₱156 million income before financing charges of ₱134 million in 2010.

In 2011, ACMP contributed ₱145 million which was higher than the previous year of ₱101 million.

Benguetcorp Nickel Mines, Inc. (BNMI), a 100%-owned subsidiary, reported net income of ₱141 million from ₱101 million in 2010.

Operating costs and expenses went up to ₱732 million in 2011 from ₱468 million in 2010 mainly due to increase in cost of mine products and services sold and selling and general expenses.

Interest expense decreased to ₱43 million in 2011 from ₱134 million in 2010 mainly due to the settlement of liabilities in 2011 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 2011 amounted to ₱1.3 billion, lower than the other income of ₱ 2.4 billion in 2010. The nonrecurring income this year were principally attributed to the ₱1.2 billion income from the gains on the settlement of the company's liabilities and the full payment on sale of Kingking properties. The decrease versus the previous year is mainly due to the lower bank liabilities settled this year compared to the ₱1.9 billion last year.

Provision for income tax in 2011 amounted to ₱96 million compared with the ₱17 million income tax in 2010. The ₱90 million regular income tax liability of the Sta.Cruz Nickel Project and the Minimum Corporate Income Tax Liability of the Parent Company accounted for the increase.

The Company's consolidated total assets in 2011 amounted to ₱5.3 billion, 29% higher than 2010. This is basically due to the full payment of the Kingking properties and advances of US$13 million from the off-take agreement with Bright Mining and Resources Company, Ltd. (BM) and Minecore Resources, Inc. (Minecore) for the sale and delivery of 3.8 million tons of nickel ore over the next three years.

For the same reason, total cash and cash equivalents increased to ₱1.3 billion in 2011 from ₱292 million in 2010.

Trade and other receivables decreased to ₽82 million in 2011 from ₽270 million in 2010 mainly from the collection of gold and nickel ore sold in 2010.

Loans receivable slightly increased on account of the interest earned during the year.

Inventories slightly increased to ₽37 million in 2011 from ₽25 million in 2010 due to increased in purchases of materials and supplies for ACMP.

Other current assets increased to ₽117 million in 2011 from ₽36 million in 2010 partly due to increased in input taxes and creditable withholding taxes.

The revalued amounts of land went up to ₽2.5 billion in 2011 from ₽2.3 billion in 2010. The increased was based on the latest valuation performed by an independent appraisers, Cuervo Appraisers, Inc. The appraisers determined the fair value of the land based on its market value as of September 16, 2011.

Property, plant and equipment at cost increased to ₽599 million in 2011 from ₽434 million in 2010 due to acquisition of several equipment to expand capacity of ACMP mill to 300 tons per day and the acquisition of two cargo barges and the construction cost of a port in Candelaria, Zambales for use in BNMI's nickel operation.

Deferred exploration costs declined to ₽311 million in 2011 from ₽354 million in 2010. The declined represent the deferred exploration cost of Kingking Project disposed in 2011.

Other non-current assets increased to ₽133 million in 2011 from ₽105 million. The increased was mainly due to the advance rental of BNMI and the Parent Company for its corporate office in Makati.

The company was able to retire 15% of its principal debt balance as of December 31, 2009. The retirement reduced its principal debt to ₽297 million in 2011 from ₽554 million in 2010. In 2011, the Company obtained a total advances of US$13 million from the Nickel off-take agreement with Bright Mining and Minecore. These advances shall be paid through the delivery of nickel ore by BNMI over the next three years. Likewise, Berec Land Resources, Inc., a wholly-owned subsidiary, obtained from PhilExim a five-year loan facility up to ₽150 million to finance the expansion of the ACMP.

Trade and other payables reduced to ₽244 million in 2011 from ₽671 million 2010 mainly from the settlement of long outstanding payables to various suppliers and contractors and the write-off of advances made by Sino-Phil Mining Corporation.
The regular corporate income tax due from the Sta. Cruz Nickel Project accounted for or about 89% of the income tax payable in 2011.

The non-current portion of loan payable of ₽563 million was part of the US$13 million advances obtained from Bright Mining and Minecore.

Deferred income tax liabilities increased to ₽980 million in 2011 compared to ₽945 million in 2010. The increased represent deferred tax liability on discounting on loans obtained from Minecore and the increased in revaluation increment of land based on the latest valuation by Cuervo Appraisers, Inc. on September 2011.

Liability for mine rehabilitation amounted to ₽34 million in 2011 compared with the ₽24 million in 2010. The liability for mine rehabilitation pertains to the projects of BGO, MCO, BAGO, and BNMI.

Accrued pension liability amounted to ₽30 million in 2011 compared to ₽21 million in 2010. The increase in salary in 2011 accounted for the increased.

Equity of claimowner in contract operations slightly decreased versus the previous year.

Other noncurrent liabilities slightly reduced to ₱26 million in 2011 from ₱33 million in 2010.

In December 2011, the Philippine SEC approved the Company's application for quasi reorganization to wipe out its deficit as of December 31, 2010, setting it off against its capital surplus and revaluation increment. The quasi-reorganization and the income this year resulted to a positive retained earnings of ₱975 million, a turnaround from the deficit of ₱2.6 billion in 2010.

For the same reason, the Stockholders Equity increased to ₱2.3 billion in 2011 from ₱755 million in 2010.

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, 2011 the Company's current ratio is 1:18. As December 31, 2010, the Company's current liabilities exceeded its current assets by ₱1.5 billion.

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$1,589 per ounce in 2011 and US$1,262 per ounce in 2010.

Tonnes Mill and Ore Grade- Tons milled and ore grade determine gold production and sales volume. The higher the tonnage and ore grade, the more gold are produced and sold. Tons milled in 2011 were 38,298 with average grade of 7.92 grams per ton gold. Gold sold in 2011 were 4,625 ounces. In 2010, tons milled were 26,040 with average grade of 6.55 grams per ton gold. Gold sold in 2010 were 3,079 ounces.

Foreign Exchange Rate- The Company's sales proceeds are mainly in U.S. dollars, a higher Philippine peso to U.S. dollar exchange rate means higher peso sales but would also reflect a foreign exchange loss on the restatement of the Company's dollar obligations. Conversely, a lower exchange rate reduces the Company's revenue in pesos but brings foreign exchange income on the loans. As of December 31, 2011, the peso to dollar exchange rate was at ₱43.919 higher as compared to ₱43.885 in 2010.

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 2011 is ₱8.50 compared to earnings per share of ₱15.14 in 2010. With the anticipated shipments 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 2012.

Known Trends, Events or Uncertainties

The Company does not foresee any cash flow problem over the next twelve months due to continuing improvement in gold production of ACMP compounded with the prevailing favorable metal price, favorable local market sales of quicklime 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, Bright Mining & Resource Company Ltd., and Minecore Resources Inc. Within the ensuing twelve months, the Company anticipates changes in the number of employees due to expansion program on gold production of its ACMP and operation of its SCNP.

On December 19, 2011, the Company signed a ₱500 million multi-purpose omnibus credit facility with Banco de Oro Unibank Group. The facility is intended for the working capital requirements of the gold tailings reprocessing project, the expansion of the Acupan gold mine and the Sta.Cruz nickel project, and other mining and exploration projects.

The Company entered into a five-year Marketing Agreement as the exclusive marketing agent of BNMI for its nickel ore production. Through this arrangement, BNMI signed an agreement for a three-year off-take contract with Bright Mining & Resource Company Ltd., on August 24, 2011, for the sale and delivery of 1.8 million metric tons of nickel ore grading at least 1.8% and with Minecore Resources Inc., on October 5, 2011, for 1.8 million metric tons of nickel ore grading 1.8% and above and 200,000 metric tons of 1.6% nickel.

On September 13, 2011, St. Augustine Mining Ltd. (SAML) complied with the accelerated performance of transactional conditions to render effective the transfer of BC's interest in the Kingking Project and related claims. On August 31, 2011, the Company agreed with SAML to amend the Head of Terms dated July 22, 2010 to accelerate the payment of the acquisition price of Kingking interest and related claims through discounted payment of the balance, which in the original agreement had to be paid over a period of seven years. The Head of Terms provides a total consideration of US$25 million out of which, an initial payment of US$8 Million was made by SAML in October 2010. It is only upon full payment of the price that the transfer of BC's interest in the properties becomes effective.

On December 5, 2011, the Securities and Exchange Commission (SEC) approved the Company's applications for quasi-reorganization. The quasi reorganization / equity restructuring plan of management was approved by the Board of Directors on September 27, 2011. The Board authorized management to implement the plan to offset the deficit in retained earnings of ₱2.164 Billion with its capital surplus of ₱1.153 Billion and to apply the revaluation increment of ₱1.561 Billion against the remaining balance. The quasi reorganization / equity restructuring is among the last steps by the Company to complete the corporate restructuring process. Positive retained earnings will put the Company back on the path of dividend declaration.

There is no known event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation that have not been booked although, the Company could be contingently liable for lawsuits and claims arising from the ordinary course of business which are not presently determinable. The Company was able to retire 15% of its principal debt balance as of December 31, 2009. The retirement reduced its principal debt to ₱297 million in 2011 from ₱554 million in 2010. There is continuing effort by the Company to settle or restructure the remaining obligations.

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

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

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Company;
- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Seasonal aspects that had a material impact on the Company's results of operations; and
- Material changes in the financial statements of the Company from the year ended December 31, 2011 to December 31, 2010.

ITEM 7. FINANCIAL STATEMENTS

The audited consolidated financial statements of the Company for the period ended December 31, 2012, 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

The Company's independent public accountants, Sycip Gorres Velayo and Company (SGV) was re-appointed by the Board of Directors and approved/ratified by the stockholders of the Company on June 29, 2011 and May 29, 2012, respectively. Audit services of SGV for the calendar year ended December 31, 2012 included the examination of the parent and consolidated financial statements of the Company, assistance in the preparation of annual income tax return and other services related to filing of reports made with the Securities and Exchange Commission (SEC).

The Company is in compliant with SRC Rule 68, paragraph (3)(b)(iv) requiring the rotation of external auditors or engagement partners who have been engaged by the Company for a period of five (5) consecutive years. The engagement partner who conducted the audit for Calendar Year 2012 is Mr. Jaime F. Del Rosario, an SEC accredited auditing partner of SGV. This is Mr. Del Rosario's first year as engagement partner for the Company. There has been no event occurred where SGV and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosures, or auditing scope or procedures.

For the last two fiscal years, the aggregate audit fees inclusive of VAT and out-of-pocket expenses billed by SGV & Company are ₱4.5 million for 2012 and ₱4.2 million for 2011. In 2011, the Company engaged the services of SGV to assist the Company in handling the Bureau of Internal Revenue tax investigation of the Parent Company for taxable year ending December 31, 2008 and advisory services on providing training and review of the valuation of stock options granted in 2011. The fees for these engagement are ₱1.4 million and ₱134 thousand, respectively. In 2012, the Company engaged the services of SGV in reviewing the management internal reporting process. The fees for this engagement is ₱1.8 million exclusive of VAT. There are no other services rendered by the external auditor other than the usual audit services as mentioned above.

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

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

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

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

A. Directors – In the May 29, 2012 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:

DANIEL ANDREW G. ROMUALDEZ, 53 years old, Filipino, is the incumbent Chairman of the Company since July 21, 2011. He is Director of the Company (October 22, 2002-January 8, 2009) and became Vice Chairman effective January 9, 2009 to July 20, 2011. He is Registered Architect and Principal of Daniel Romualdez Architects, P.C. (August 1993-present). 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).

DENNIS R. BELMONTE, 75 years old, Filipino, has been a Director of the Company (May 13, 1986-present) and also a Consultant/Advisor to management (November 9, 2011-present). He is a retired President/Chief Executive Officer of the Company effective February 28, 1998 but remained President/CEO on hold over capacity until May 31, 1998 and then, in acting capacity as President (April 2010-August 24, 2010) and Officer-In-Charge/Acting CEO (August 25, 2010-November 8, 2011). He is also Chairman/CEO, Balatoc Gold Resources Corporation; Vice Chairman/CEO, Benguetcorp Nickel Mines, Inc.; Chairman, BMC Forestry Corporation; Vice Chairman, Benguet Management Corporation; Director, Acupan Gold Mines, Inc.; and Trustee, Jaime V. Ongpin Foundation Inc. since 1980-present. Formerly, he was President, Natural Resources Development Corporation and Natural Resources Mining Development Corporation (2005-2006); and Chairman & President, Benguet Management Corporation (1994-1998).

LUIS JUAN L. VIRATA, 59 years old, Filipino, has been a Director of the Company since August 8, 1995 to present. He is also Chairman/ Chief Executive Officer of CLSA Exchange Capital Incorporated; Chairman/ President, Exchange Properties Resources Corporation (owner of Caylabne Bay Resort); President/Chief Executive Officer, Coastal Road Corporation; Director, Huntsman Foundation (Wharton School of the University of Pennsylvania, USA), Group 4 Securitas; Founder/Trustee, Asia Society; Board of Trustees, De la Salle University of Dasmariñas, Cavite. Formerly, he was 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.

MARIA REMEDIOS R. POMPIDOU, 46 years old, Filipino, has been a Director of the Company since October 25, 2000 to present. She is also President/Chief Executive Officer of MRP New York Inc., and Management & 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, 77 years old, Filipino, has been a Director of Benguet Corporation since August 25, 2010 to present. He is concurrently President/Chief Executive Officer of Kamahalan Publishing Corporation and Kagitingan Printing Press, Inc. (1998-present) His experience in operations and management in Mining extends over 21 years with Atlas Consolidated Mining and

Development Corporation (ACMDC) 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). Formerly, he was President (1990-1992) and Director (1989-1997) of the Chamber of Mines of the Philippines; President/Chief Operating Officer and Director, International Container Terminal Services Inc. (February 1997-April 1998); 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) and 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, 50 years old, Filipino, has been an Independent Director of the Company since August 25, 2010 to present. He is also Director of Balatoc Gold Resources Corporation and Benguetcorp Nickel Mines, Inc., President of Forensic Law and Policy Strategies, Inc. or Forensic Solutions (August 2010-present); Ex-Officio Chairman & Board of Trustees, Philippine Association of Government Corporate Lawyers (PAGCLAW) (Dec. 2008-present); Professor of Laws, College of Law, Ateneo de Manila University (November 1993-present [on leave, AY 2010-2011]); Ex-Officio Trustee, Board of Trustees of MWSS (March 2007-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); Chief Regulator–OIC, Regulatory Office Metropolitan Waterworks Sewerage System (MWSS) (Sept. 2007-June 2008); 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, 51 years old, Filipino, is the incumbent Vice Chairman since July 21, 2011 and President/Chief Executive Officer of the Company since June 25, 1998. He was a Director (May 26, 1992-August 7, 1995) / (October 23, 2002-January 8, 2009) and as Chairman of the Company (August 8, 1995-October 22, 2002) / (January 9, 2009-July 20, 2011). He is also President, Chamber of Mines of the Philippines (2004-present); Director of Philippine Chamber of Commerce & Industry (PCCI) (Dec. 4, 2009-present); PCCI Vice President-Industry (Jan. 2010-present); and Oxford University and Cambridge University Club of the Philippines (Jan. 2006-present); Chairman of Benguet Management Corporation (Feb. 2009 to present), Benguetcorp Nickel Mines, Inc. (2011-present), Benguet Pantukan Gold Operation (2011-present), and BenguetCorp International Limited (Hongkong) (1998-present); Director, Philippine Mine Safety and Environment Association (2004-present),Benguetcorp Laboratories, Inc. (2012-present), and Acupan Gold Mines, Inc. (2012-present); Trustee, Doña Remedios Trinidad Romualdez Medical Foundation, Inc. (1984-present) and Philippine-Australia Business Council (PABC) (2004-present); Trustee/Chairman, Dr. Vicente Orestes Romualdez (DVOR) Educational Foundation, Inc. (1995-present); and Trustee/Treasurer, RTR Foundation for Scientific Research and Development Inc.

ANDRES G. GATMAITAN, 72 years old, Filipino, has been a 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 and JVS Asia, Inc.; President, United Holdings and Development, Inc., and St. Agen Holding, Inc.; Director, Benguetcorp Nickel Mines, Inc. (2011 to present), Supralex Asia Ventures Corporation, Colgate Palmolive Philippines, Inc., Triumph International (Philippines) Inc., Maybank Philippines, Inc., JVS Worldwide, Inc., Star Performance Philippines, Inc., Unicharm Philippines, Inc., AMI Philippines, Inc.; and Holcim Cement Corporation.

BERNARDO M. VILLEGAS, 74 years old, Filipino, has been a Director of the Company since June 25, 1998 to present. He was designated Independent Director of the Company 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 of Benguetcorp Nickel Mines, Inc., (2012 to present); Director and Consultant, Insular Life, Transnational Diversified, Inc. (1998 to present); Member of the Boards of Dualtech Foundation (1998 to present); Director and Consultant of Alaska (1999 to present); and Columnist, Manila Bulletin (1964 to present). Formerly, he was Director of Makati Business Club (1981-2010); Director, Phinma Foundation (1995-2001); Director, Pilipinas Shell Foundation (1995-2001); Senior Vice President, University of Asia and the Pacific (2004-2006); Chairman, Center for Research and Communication (1995); President, Philippine Economic Society (1972-1974); Chairman, Department of Economics-De La Salle University Manila (1964-1969), Committee on the National Economy & Patrimony (1986); Director, Economic Research Bureau and Graduate School of Business-De La Salle University Manila (1967-1968); Project Director, Philippine Economic History under the National Historical Commission (1969-1972); Member, Preparatory Commission for Constitutional Reforms and Constitutional Commission (1999); Consultant, Productivity Development Center-National Economic Council and Program Implementation Agency (1968-1969).

ISIDRO C. ALCANTARA, Jr., 59 years old, Filipino, has been a 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 of Balatoc Gold Resources Corp. (2009 to present), Benguet Management Corporation (2012 to present), and Benguetcorp Nickel Mines, Inc. (2012 to present). Formerly, 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- Bank of America Affiliate (1975 to 1981).

B. EXECUTIVE OFFICERS - The following persons are the executive officers for 2012-2013 with their corresponding positions and offices held in the Company and its subsidiaries and/or affiliates. The executive officers are elected annually to a one-year term (subject to removal) by the Board of Directors immediately following the Annual Stockholders' Meeting.

DANIEL ANDREW G. ROMUALDEZ, 53 years old, is the Chairman of the Board of Directors of the Company since July 21, 2011.

BENJAMIN PHILIP G. ROMUALDEZ, 51 years old, is the Vice Chairman of the Company since July 21, 2011 and he is also President & Chief Executive Officer of the Company since June 25, 1998.

BIENVENIDO M. ARAW II, 66 years old, Filipino, is the Senior Vice President-Project & Organization Development Officer of the Company since March 17, 2010. He is also Chairman & President, Berec Land Resources, Inc.; President & Chief Operation Officer, Balatoc Gold Resources Corporation; Chairman, Kingking Copper-Gold Corporation; Ex-Officio Officer, Benguetcorp Nickel Mines, Inc.; Rehabilitation Receiver-Our Lady of Pilar Montessori Center (2003-present) & Philippine Appliance Corporation (2002-present); and Director of the following companies: Benguet Management Corporation, Acupan Gold Mines, Inc., Calhorr 1 Marine Services Corporation, Calhorr 2 Marine Services Corporation, and Benguetcorp Laboratories Inc. His previous employments include: Project Director-Medical Center Parañaque, Inc. (2002-2005); 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); Management Consultant of 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); and Sales Engineer-Usiphil, Inc. (1969-1971).

MARCELO A. BOLAÑO, 64 years old, Filipino, is the Senior Vice President-Engineering and Research since February 17, 2012. Prior to his present position, he is Senior Vice President for Mining and Technical Services (June 1998-February 2012). He is also Chairman, President & COO of Pillar of Exemplary Consultants Inc. (1999- present); Chairman & President of Sagittarius Alpha Realty Corp. (1997-present) and BC Property Management, Inc. (2011-present); Director & President of Benguetcorp Nickel Mines, Inc. (2011-present), Benguet Pantukan Gold Corporation (2011-present), and Kingking Copper-Gold Corporation (2011-present); Director of Balatoc Gold Resources Corp. (1998-present), BMC Forestry Corporation (1998-present), Ifaratoc Mineral Resources Corp. (2009-present), Batong Buhay Mineral Resources Corporation (2011-present), Calhorr 1 Marine Services Corporation (2012-present), and Calhorr 2 Marine Services Corporation (2012-present). Formerly, he was Chairman, Benguetcorp Nickel Mines Inc. (2009-2011); President, Benguet Management Corporation; Director Kingking Copper-Gold Corp. (2009-2011); 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), Masinloc Chromite Operations (Feb. 1991-June 1991) & Kingking Copper-Gold Project (May 1993-June 1993); and 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).

RENATO A. CLARAVALL, 61 years old, Filipino, is the Senior Vice President-Chief Finance Officer of the Company since March 16, 2010. He is also Ex-Officio Member and Treasurer of Benguetcorp Nickel Mines, Inc.; Director & President, Benguet Management Corporation (2011- present); Director & Vice President-Treasurer, Kingking Copper-Gold Corporation (2011-present); Director & Treasurer, Acupan Gold Mines, Inc. (2012-present); Director of Balatoc Gold Resources Corporation (2011-present), Berec Land Resources, Inc., (2011-present), BMC Forestry Corporation (2011-present), and Benguetcorp Laboratories, Inc. (2012-present). He is a Senior Executive with a multi-faceted 39-year work experience primarily in financial services: Banking (commercial and investment) and Insurance. His previous employments include: Chief Financial Officer-Creative Hotel Concepts Group (2009-2010), 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, 56 years old, Filipino, is the Senior Vice President for Legal of the Company since August 25, 2006 to present and incumbent Assistant Corporate Secretary (2002 to present). He is also Corporate Secretary of the following companies: 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-present), Benguetcorp Nickel Mines, Inc. (2009-present), Balatoc Gold Resources Corp.(1998-present), Ifaratoc Mineral Resources Corp. (2009-present), Berec Land Inc. (2000- present), Benguet Management Corporation, Aqua de Oro Ventures Corporation, BC Property Management, Inc., Batong Buhay Mineral Resources Corporation, Kingking Copper-Gold Corporation. Formerly, 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).

LINA G. FERNANDEZ, 48 years old, Filipino, is the Vice President for Corporate Planning of the Company since August 25, 2006. She is also Risk Management Officer of the Company (March 2011-present); Acting President, Benguetcorp Nickel Mines, Inc. (2012-present); Director of BC Property Management, Inc., Benguet Pantukan Gold Corporation, and Batong Buhay Mineral Resources Corporation; Director & Assistant Treasurer of Berec Land Resources, Inc. and Sagittarius Alpha Realty Corporation; Treasurer of Benguetrade Inc., Arrow Freight Corporation, BMC Forestry Corporation, Aqua de Oro Ventures Corporation, Balatoc Gold Resources Corporation, and Benguet Management Corporation. Formerly, she is Director of Benguetcorp Nickel Mines Inc. (2009-2011) and Kingking Copper-Gold Corp. (2008-2011).

LEOPOLDO S. SISON III, 54 years old, Filipino, is the Vice President-Logistics Management of the Company since February 17, 2012. Prior to his present position, he is Vice President for Project Planning & Business Development (2002-2012). He is also concurrent President and Chief Operating Officer of Benguet Management Corporation; Chairman/President of Ifaratoc Mineral Resources Corp. (2009-present) and Benguetrade, Inc.; Chairman, Arrow Freight Corporation (1998-present); Director of Berec Land Resources Inc.(2005-present), Pillars of Exemplary Consultants Inc. (1999-present), Kingking Copper-Gold Corp. (2009-present), BMC Forestry Corporation (1995-present), Calhorr 1 Marine Services Corporation (2012-present), Calhorr 2 Marine Services Corporation (2012-present), and Batong Buhay Mineral Resources Corp. Formerly, he was Director, Benguetcorp Nickel Mines Inc. (2009-2011); 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).

ROLAND P. DE JESUS, 65 years old, Filipino, is the Vice President for HR and Administration of the Company since October 22, 2002. He is also Compliance Officer of the Company; Chairman/President, Aqua de Oro Ventures Corporation; Director, Ifaratoc Mineral Resources Corporation, Arrow Forwarding Corporation and Benguetrade, inc.; and Ebarra Benguet Inc. Formerly, he was Chairman/Director 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.

MA. MIGNON D. DE LEON, 56 years old, Filipino, is the Vice President for Corporate Community Relations of the Company since May 29, 2012. Prior to her present position, she is the Vice President – Benguet District Administration and Property Management (October 22, 2002 – May 28, 2012). She is also Director of BC Property Management, Inc. Aqua de Ore Ventures Corporation, BMC Forestry Corporation and BenguetCorp. Laboratories , Inc.; and Irisan Lime Operations, Inc. Formerly, she was Board Member (Management Representative) to the Regional Tripartite Wages and 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 – present) to the Regional Mining Industry Training Board – Technical Working Group of the Cordillera Administrative Region; Past President (1989-1993) and Current Adviser (1994-present) to the People 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); and Past Chairman of the Cordillera Tourism Council (2006-2008). At present, she is the Large Scale Mining Representative appointed by the Chamber of Mines to the Provincial Mining Regulatory Board of the Province of Benguet.

PABLO GABRIEL R. MALVAR, 46 years old, Filipino, is the Vice President for Business Development of the Company since February 20, 2012. He has a BA in Economics from Ateneo de Manila University (1990) and finished MS in Industrial Economics at the University of Asia and the Pacific (1992). He was awarded the Chartered Financial Analyst (CFA) distinction by the Association for Investment Management and Research, based in Chariottesville, Virginia (2000). He attended the "E-valuation: Maximizing the Value of Internet Ventures" Executive Education Program of Columbia Business School (2000). His previous work experiences include: Forecast Manager/ Marketing and

Customer Finance Manager/Senior Accountant/Internal Control Steward, The Procter & Gamble Manufacturing Company in Australia, July 2006–October 2009; Global Bundle Finance Manager, The Procter & Gamble Manufacturing Company in U.S.A.; Senior Investment Analyst, Clarion Capital in Thailand, January 1997-November 1998; Research Manager, Kim Eng. Securities, Philippines, May 1994-December 1996; and Research Manager/Economist, Center for Research and Communication, Philippines, December 1992-May 1994.

NILO THADDEUS P. RODRIGUEZ, 45 years old, Filipino, is the Vice President for System and Audit of the Company since July 1, 2012. He is a Certified Public Accountant. He graduated with a degree in Business Administration and Accountancy from the University of the Philippines- Diliman (1990) and also holds a Master's Degree in Business Management from the Asian Institute of Management (1996). His previous work experiences include: Global Service Delivery Lead-Project Matterhorn and Cluster Site Lead for F&A projects located at Eastwood (Accenture Philippines, June 2011-June 2012); Regional Manager-Finance, Asia-Pacific (Delta Airlines, February 1999-April 2011); Executive, Corporate Finance (SGV & Co., December 1996-January 1999); Chief Finance Officer (Cornerstone Builders, Inc., November 1992-June 1994).

MAX D. ARCEÑO, 51 years old, Filipino, is the Vice President for Accounting and Treasury of the Company since March 1, 2013. Prior to his promotion, he is the Assistant Vice President for Treasury (July 2011-February 2013). Mr. Arceño is also Treasurer of Benguetcorp Laboratories, Inc. (Feb. 2013 to present). He is a BSBA-Accounting graduate of the University of the East (Batch 1983) and passed the board examination for Certified Public Accountant in 1984. He was initially hired by the Company in 1985 as Accounting Staff I, where he rose from the ranks.

ANA MARGARITA N. HONTIVEROS, 45 years old, Filipino, is the Vice President for Special Projects of the Company and concurrently President of Benguetcorp Laboratories, Inc., since January 16, 2013. She graduated with a degree in BS Legal Management from the Ateneo De Manila University (1988). Her previous work experiences include: Senior Assistant Vice President, Marketing (Republic Surety and Insurance Co., Inc., March 2010-January 2013); Consultant (Lapanday Group of Companies, 2005-2007: Manager (Bvlgari Philippines, Jan. 2000-2005); Chief Operating Officer (World Partners Finance Corporation/World Partners Insurance Brokerage Corporation, Sept. 1997-1998); Vice President (Macondray Finance Corp. (MFC) (Lapanday Group), Oct. 1991-1996); President (People's Credit Network Inc. (Subsidiary of MFC), Oct. 1991-1996); Senior Manager (First Active Capital Corporation, 1990-1991); Senior Officer (First Active Capital Corporation, 1990-1991); and Marketing Officer (Urban Bank, April 1988-1990).

PAMELA M. GENDRANO, 46 years old, Filipino, is the Assistant Vice President for Environmental Compliance since February 20, 2012. Ms. Gendrano is a graduate of MS in Environmental Studies and Community Development from the University of the Philippines at Los Baños (1992). She is also a graduate of BS in Forestry (1988) from the same university. Her previous work experiences include: Freelance Environment Consultant (2008-2011); Technical Operations Manager/Senior Environment Management Specialist (GEOSPHERE Technologies, Inc., (2005-2008); Technical Operations Manager (Geographic Management Services Company (2002-2004); Senior Project Officer (BOI, JICA Study in Environmental Management w/ Public and Private Ownership (2002); Environment Management Specialist (Tetra Tech. Environmental Management, Inc. (1999-2001); EIA/IEE Consultant (1999); Project/Program Evaluator, Philippine-Canada Development Fund (1999); Section Chief, Strategic Coordination and Special Projects Section, DENR/EMB (1994-1999); Project Officer, Institute of Environment Science and Management-CIDA/Research Associate, UPLB-College of Forestry-JICA (1991-1995); Research Forester, DENR-Policy Planning Division (1987).

MARY JEAN G. ALGER, 42 years old, Filipino, is the Assistant Vice President (Deputy Chief Finance Officer) since January 16, 2013. She is a graduate of BC Business Economics from the University of the Philippines (1991). Her previous work experiences include: Assistant Vice President-Corporate Planning (Basic Energy Corporation, July 2007-January 2013); Investment Officer (ValueGen Financial Insurance Company, Inc. & Banclife Insurance Corporation, October 2002 to July 2007); Held position on consultant basis and concurrently Assistant Vice President (Corporate Financial

Advisors, Inc., March 2001 to November 2004); Deal Manager (New Millennium Investment Corporation, March 1999 to January 2001); Financial Analyst-Credit Department (Petron Corporation, November 1991 to December 1996).

MA. ANNA G. VICEDO-MONTES, 35 years old, Filipino, is the Assistant Vice President (Deputy Head- Business Development) since February 18, 2013. She is a graduate of BS Business Economics from the University of the Philippines (Batch 1999). Her previous work experiences include: Corporate Planning Manager, (ABS-CBN Corporation, 2007-2013); Strategic Planner, Manager-Sales and Product Application, Trade Promotions and Relations Manager-Food Service Marketing, (San Miguel Pure Foods Company, Inc., 2003-2007); Account Manager, (Central, Hongkong); Senior Team Leader, (The Thomson [Philippines] Corporation – Banking and Brokerage, 1999-2003).

HERMOGENE H. REAL, 57 years old, Filipino, is the Corporate Secretary of the Company since October 25, 2000. She is also Director of Philippine Collectivemedia Corporation (2008 to present); Assistant Corporate Secretary of Doña Remedios Trinidad Romualdez Medical Foundation, Inc. (1996 to present) and Benguetcorp Nickel Mines, Inc.; 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 / Demise of Officer – The following officers of the Company cited personal reasons for their resignation: Mr. Robert F. Wagtingan, Vice President-Engineering, Research & Development effective September 16, 2012; Mr. Tomas D. Malihan, Vice President-Exploration effective August 7, 2012; and Mr. Randolph B. Afidchao, Vice President-Benguet District Operation effective April 1, 2013. Mr. Salvador P. Pabalan, Senior Vice President-Audit demised on January 3, 2013.

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	-	President & Chief Executive Officer
2.	Bienvenido M.Araw	-	Sr. Vice President, Project & Organization Development Officer
3.	Renato A. Claravall	-	Sr. Vice President, Chief Finance Officer

4. Pablo Gabriel R. Malvar - Vice President, Business Development
5. Reynaldo P. Mendoza - Sr. Vice President, Legal Services

	Year	Salary (In-Million)	Bonus (In-Million)	Other Annual Compensation
All above-named officers as a group	2013*	₱38.8	₱34.8	₱0.7
	2012**	35.0	7.9	0.2
	2011**	13.8	1.7	0.4
All other directors and officers as a group unnamed	2013*	50.0	5.4	1.3
	2012**	41.1	7.6	1.1
	2011**	15.8	1.9	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, termination of employment of any officer or from a change-in-control in the Company and no amount exceeding ₱2,500,000 is involved, which is paid periodically or installments. The provisions of the Company's Personnel Policy Manual govern the terms and conditions of employment, benefits and termination.

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

Incentive Bonus Plan

Since 1980, the Company maintained an Incentive Bonus Plan. The purposes of the Plan are: (1) to attract, employ and retain management personnel of outstanding competence, and (2) to motivate its management personnel to deliver superior performance in pursuing the goals and business interests of the Company. The Plan provides for a bonus award, calculated on the basis of net income, to top operating executives, managers and members of the Board of Director. Bonus awards are either paid in full directly to the awardees or are transferred to a trust fund and are payable to the awardees in three installments generally over a period of two years. Bonus awards for any year shall be paid in cash, or in common stock. Either Common Class A or Common Class B shares may be issued under the Plan subject to the legal limitations on ownership of Common Class A shares which can be owned only by Philippine citizens. From 1995 to 2012, there was no amount set aside for payment of bonuses in accordance with the Plan.

Retirement Plan

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

Warrants and Options Outstanding - Since 1975, the Company has a Stock Option Plan (the "Plan") for its selected staff employees, directors and consultants and its subsidiaries. The purpose in granting options are: (1) to encourage stock ownership in the Company, and thereby generate an interest in the Company and its subsidiaries, (2) to promote its affairs, and (3) to encourage its staff employees, directors and consultants to remain in the employ of the Company. The 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.

The Plan had been amended several times. The latest amendment was approved by the Board of Directors on March 23, 2012 and by the stockholders of the Company on May 29, 2012, extending the termination date of granting stock options for another five (5) years or until May 31, 2018.

On April 6, 2006, the Company granted a stock option of 7,004,000 common shares (consisting of 4,202,400 class “A” common shares at an exercise price of ₱8.50 per share and 2,801,600 class “B” common shares at an exercise price of ₱29.07 per share) to qualified participants. These shares are exempted from registration under SEC’s Resolution No. 084 dated March 31, 2008 and the listing was approved by the PSE. As of April 6, 2010, 100% of the stock option is exercisable by the optionees. The 7,004,00 shares granted to optionees came from the remaining reserved shares of 7,926,454 under the Plan, leaving a balance of 922,454 shares available for grant of options in the future.

On May 3, 2011, under the Plan, the Company granted a new stock option to officers, directors, managers and consultants of the Company. The option grants of 2,200,332 common shares (consisting of 1,320,199 class “A” common shares at an exercise price of ₱16.50 per share and 880,133 class “B” common shares an exercise price of ₱17.50 per share) came entirely from the unissued/cancelled stock options of 2,404,320 common shares of optionees who have been separated from the Company under the previous implementation of the Plan. These unissued/cancelled shares came from the option grants of 7,004,000 common shares granted on April 6, 2006 stock option award, which shares are exempted from registration under SRC rules and the listing was approved by the PSE.

As of February 28, 2013, the number of options granted to, exercised, and unexercised by the following officers, directors, consultants and managers is set forth in the following tables:

A) <u>April 6, 2006 Stock Option Grants</u>

	Option Grants*		Option Exercise Price/Share		Options Exercised		Options Unexercised		Options Cancelled (Due to resignation, retirement, death and retrenchment)	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
BPG Romualdez, Pres/CEO	120,000	80,000	₱8.50	₱29.07	-	-	120,000	80,000	-	-
Four Highest Paid Named Executive Officers:										
BM Araw	-	-	-	-	-	-	-	-	-	-
RA Claravall	-	-	-	-	-	-	-	-	-	-
PGR Malvar	-	-	-	-	-	-	-	-	-	-
RP Mendoza	79,200	52,800	₱8.50	₱29.07	39,600	-	39,600	52,800	-	-
All Executive Officers & Directors as a Group Unnamed	1,065,600	710,400	₱8.50	₱29.07	654,520	19,200	289,400	484,800	161,280	148.800
All Consultants and Managers as a Group Unnamed	2,937,600	1,958,400	₱8.50	₱29.07	1,419,800	-	108,760	979,200	1,369,440	1,036,800
Total	4,202,400	2,801,600			2,113,920	19,200	557,760	1,596,800	1,530,720	1,185,600
Less: Options Awarded on May 3, 2011									1,320,199	880,133
Total Options Cancelled-Net									210,521	305,467

(*)- As of April 6, 2010, 100% of the option grants are exercisable by the optionee. Options under the Plan would have to be exercised within ten (10) years from date of grant or up to April 6, 2016.

B) May 3, 2011 Stock Option Grants

	Option Grants*		Option Exercise Price/Share		Options Exercised		Options Unexercised		OptionsCancelled (Due to resignation, retirement, death & retrenchment)	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
BPG Romualdez Pres/CEO	No Options Granted									
Four Highest Paid Named Exe. Officers:										
BM Araw	36,000	24,000	₱16.50	₱17.50	-	-	36,000	24,000	-	-
RA Claravall	36,000	24,000	16.50	17.50	-	-	36,000	24,000	-	-
PGR Malvar	-	-	-	-	-	-	-	-	-	-
RP Mendoza	36,000	24,000	16.50	17.50	-	-	36,000	24,000	-	-
All Officers & Directors as a Group Unnamed	400,200	266,800	₱16.50	₱17.50	12,600	8,400	361,200	240,800	26,400	17,600
All Consultants and Managers as a Group Unnamed	811,999	541,333	₱16.50	₱17.50	30,000	19,885	742,999	495,448	39,000	26,000
Total	1,320,199	880,133			42,600	28,285	1,212,199	808,248	65,400	43,600

(*)- Forty percent (40%) of the option grants becomes exercisable by optionee on May 3, 2013. Options under the Plan would have to be exercised within ten (10) years from date of grant or up to May 21, 2021.

As of February 28, 2013, 1,547,442 common shares are available for grant of options in the future. These shares came entirely from the remaining reserved common shares of 922,454 and 624,988 common shares of optionees who have been separated from the Company under the previous implementation of the Plan.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Beneficial Owners - The following table sets forth certain information about persons (or "groups" of persons) known by the Company to be the directly or indirectly the record or beneficial owner of more than five percent (5%) of any class of the Company's outstanding stocks as of February 28, 2013.

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 Issued Shares Per Class
Class A Common	PCD Nominee Corporation (Filipino), G/F MSE Bldg., Ayala Avenue, MakatiCity. (Stockholder)	(see note[1])	Filipino	34,971,149	31.69%
	Palm Ave. Holding Company, Inc. 3F Universal Re-Building, 106 Paseo de Roxas, Makati City (Stockholder)	(see note[2])	Filipino	21,874,909	19.82%

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

[2] *The Company is not aware of who is/are the direct or indirect beneficial owner/s of the stocks issued to Palm Avenue Holdings Company, Inc. and Palm Avenue Realty and Development Co. (the "Palm Companies).The nominee of Palm Companies in the Board of Directors is Mr. Benjamin Philip G. Romualdez, Chairman of the Board and President/CEO. On May 29, 2012 Annual Stockholders' Meeting of the Company, the Palm Companies issued a proxy in favor of its legal counsels, Attys. Otilia Dimayuga-Molo/Andrea Rigonan-Dela Cueva, to vote in all matters to be taken up in the stockholders' meeting.*

Class A Common	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	19.31%
	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 EDSAMandaluyong City. (Stockholder)	(see note[2])	Filipino	10,278,125	09.31%
	RYM Business Management Corporation Universal Re-Building, 106 Paseo de Roxas, Makati City (Stockholder)	(see note[3])	Filipino	7,941,240	07.20%
Class A Convertible Preferred	PCD Nominee Corporation (Filipino), G/F MSE Bldg., Ayala Avenue, MakatiCity. (Stockholder)	(see note[1])	Filipino	59,365	27.35%
	Fairmount Real Estate, c/o PCGG 6th Floor, Philcomcen Bldg., Ortigas Avenue cor. San Miguel Avenue, Pasig City (Stockholder)	(see note[4])	Filipino	59,262	27.30%
Class B Common	Palm Ave. Realty & Development Co. 3F Universal Re-Building, 106 Paseo de Roxas, Makati City(Stockholder)	(see note[2])	Filipino	14,560,000	21.80%
Class B Common	PCD Nominee Corporation (Non-Filipino), G/F MSE Bldg., Ayala Avenue, MakatiCity. (Stockholder)	(see note[1])	American	10,107,399	15.13%
	PCD Nominee Corporation (Filipino), G/F MSE Bldg., Ayala Avenue, MakatiCity. (Stockholder)	(see note[1])	Filipino	6,680,418	10.00%
	RYM Business Management Corporation Universal Re-Building, 106 Paseo de Roxas, Makati City (Stockholder)	(see note[3])	Filipino	5,294,070	07.92%

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

The following are PCD's participants who hold five percent (5%) or more of any class of the outstanding capital stocks of the Company.

a. Maybank ATR Kim Eng Securities, Inc. holds 5.21% or 5,744,117 Class "A" shares and 6.68% or 4,460,172 Class "B" shares;

[3] *The Company is not aware of who is/are the direct or indirect beneficial owner/s of the stocks. In the June 29, 2011 and May 29, 2012 Annual Stockholders' Meeting of the Company, RYM Business Management Corporation issued a proxy in favor of its President, Mr. Remedio C. Dayandayan, Jr., to vote in all matters to be taken up in the stockholders' meeting.*

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

b. Citibank N.A. holds 6.31% or 4,212,320 Class "B" shares;
c. The Hongkong and Shanghai Banking Corp. Ltd – Client's Acct., hold 5.00% or 3,312,761 Class "B" shares; and
d. Abacus Securities Corporation holds 18.32% or 39,758 Convertible Preferred Class "A" shares.

Security Ownership of Management - The following table sets forth certain information as of February 28, 2013, 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	% to Total per Class of stocks
A	Benjamin Philip G. Romualdez	Filipino	23	0.000%
B			551	0.001%
A	Dennis R. Belmonte	Filipino	72,001	0.065%
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	78,001	0.071%
B			23,200	0.035%
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	Marcelo A. Bolaño	Filipino	19,163	0.017%
A	Roland P. de Jesus	Filipino	7,263	0.006%
A	Reynaldo P. Mendoza	Filipino	41,222	0.037%
A	Leopoldo S. Sison III	Filipino	31,702	0.029%
A	Ma. Mignon D. De Leon	Filipino	10,000	0.009%
A	Lina G. Fernandez	Filipino	38,022	0.034%
A	Max D. Arceño	Filipino	511	0.000%
A	Hermogene H. Real	Filipino	17,700	0.016%
B			100	0.000%

B. As a Group

Class A Convertible Preferred	Filipino	59,262 shares[5]	27.302%
Class A Common	Filipino	61,716,977 shares[6]	55.984%
Class B Common	Filipino	19,878,025 shares[7]	29.764%

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.

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[5] *Includes 59,262 shares, the record owner of which is Fairmount Real Estate which is presently in trust by PCGG.*

[6] *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 are:7,941,240 shares, the record owner of which is RYM Business Management Corporation; and 21,874,909 shares, the record owner of which is Palm Avenue Holding Company, Inc.*

[7] *Includes 14,560,000 shares, the record owner of which is Palm Avenue Realty and Development Company; and 5,294,070 shares, the record owner of which is RYM Business Management Corporation;*

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) The Company has certain relationship and related transactions with its wholly owned subsidiary, Benguetcorp Nickel Mines, Inc. (BNMI). The Company has a five-year Marketing Agreement as the exclusive marketing agent of BNMI for its nickel ore production. The agreement was signed in August 2011 and through this arrangement, BNMI signed an agreement for a three-year off-take agreement with Bright Mining & Resource Company Ltd., and with Minecore Resources Inc. for the sale and delivery of its nickel ore. Other related party transaction is also disclosed in Note 27 to the Audited Consolidated Financial Statement.

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

PART IV – CORPORATE GOVERNANCE

ITEM 13. CORPORATE GOVERNANCE

The Company's Corporate Evaluation System
The Company utilizes various means to measure its level of compliance with its Manual on Corporate Governance and leading governance best practices. It continues to improve systems and processes to enhance adherence to principles and practices of good corporate governance. A Certification of Compliance with the Manual on Corporate Governance and Corporate Governance Disclosure Report are submitted by the Company every year to the SEC and PSE.

Governance Processes and Policies
The directors, officers and employees substantially complying with the leading practices and principles on good corporate governance as embodied in the Revised Manual on Corporate Governance of the Company. and related Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE) Circulars. The Board of Directors (the "Board") oversees the Company's corporate governance and continuously strives to create value for and enhance the long term interests of its stakeholders. The Board approved the Revised Manual on Corporate Governance in compliance with SEC's Revised Code of Corporate Governance. In October 2012, the Board approved the Audit Committee Charter which set out Audit Committee membership and qualifications, duties and responsibilities, reporting process and evaluation. The annual performance review of the Audit Committee will be based on its Charter pursuant to the mandate of SEC's Guidelines for the Assessment of the Performance of Audit Committees of Companies Listed on the Exchange. To aid in compliance with the principles of good corporate governance, the Board constituted nine committees which directly report to the Board in accordance with duly approved procedures. The committees are as follows: the Executive Committee, the Salary (Compensation) Committee, the Stock Option Committee, the Investment Committee, the Audit Committee, the Property Development Committee, the Nomination Committee, the Corporate Governance Committee, and the Risk Management Committee. The Board has independent directors in compliance with the minimum requirement of the SEC.

It continues to regularly posts corporate disclosures and reports on its website for transparency and easy access and reference of stakeholders.

Corporate Governance Manual Deviations
There have been no findings relating to any significant deviation by the Company on its Manual on Corporate Governance requiring disclosure as to the person/s and sanction/s imposed. Nonetheless, when warranted, the Company has disclosure mechanisms for such deviation and sanction.

Commitment to Enhanced Governance
The Company continues to improve systems and processes to enhance adherence to principles and practices of good corporate governance. It undertake to consistently review and update its existing policies and practices to achieve an improved state of corporate governance. It shall also continue to adopt code of corporate governance promulgated by the SEC and PSE.

PART V – EXHIBITS AND SCHEDULES

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

A) Exhibits and Schedules - See accompanying index to financial statements and supplementary schedules.
- Statement of Management's Responsibility for Financial Statements
- Independent Auditors' Report
- Audited Consolidated Financial Statements and Notes for the year ended December 31, 2012.
- Independent Auditors' Report on Supplementary Schedules
- Schedules
- Other Schedules
- Benguet Corporation (Parent) Audited Financial Statements for year ended December 31,2012.

B) The following events were reported under SEC Form 17-C covering the year of 2012 and up to February 28, 2013:

Date of SEC Form 17-C	Description of Disclosure
01.10.12	Certification on attendance of members of the Board of Directors and Compliance with the Revised Manual on Corporate Governance for year 2011.
02.19.12	Changes in organization structure, appointment/engagement of officers and consultant.
03.06.12	SEC's approval of incorporation of Acupan Gold Mines, Inc., a 100% subsidiary of the Company.
03.12.12	DENR's Order on approval of transfer/assignment of MPSA #226-2006-III to Benguetcorp Nickel Mines, Inc. (BNMI), a 100% subsidiary of the Company.
03.22.12	Board's approval on the issuance of 2011 Audited Consolidated Financial Statements, Setting of Annual Stockholders' Meeting on May 29, 2012 with record date of April 10, 2012, Amendments of Amended Stock Option Plan, and Subscription Agreement with BNMI.
03.23.12	Press Release entitled "Benguet Continuous Growth Trend".
03.28.12	Certification from Mines Geosciences Bureau (MGB) on the status of the Company's mining tenements.
05.04.12	Signing of Stock Subscription Agreement between the Company and RYM Business Management Corporation (RBMC).
05.29.12	Results of Annual Stockholders' Meeting and Organizational Meeting of the Board of Directors.
05.31.12	Payment of P180 million by RBMC to the Company, pursuant to May 4, 2012 Stock Subscription Agreement.
05.31.12	Correction of position held by Mr. Dennis R. Belmonte.
06.18.12	Hiring of new officer, Mr. Robert F. Wagtingan, VP for Engineering, Research & Development effective June 20, 2012.
06.26.12	Sworn certification on qualification of independent director, Messrs. Bernardo M. Villegas and Alberto C. Agra.
06.28.12	Hiring of new officer, Mr. Nilo Thaddeus P. Rodriguez, Vice President for System and Audit effective July 1, 2012.

07.11.12	Press release entitled "Benguet Nickel Mines Support National Greening Program".
07.12.12	Signing of US$20 million Pre-Export Financing Facility Agreement between the Company and Amsterdam Trade Bank N.V. and Maybank Philippines Inc.
08.01.12	Replacement of stock transfer agent of the Company from Bank of the Philippine Islands (BPI) to Stock Transfer Service, Inc. (STSI) effective September 1, 2012.
08.03.12	Resignation of Mr. Tomas D. Malihan, Vice President for Exploration effective August 7, 2012.
08.17.12	Press release "BenguetCorp Rescues Trapped Small-Scale Miner"
09.14.12	Resignation of Mr. Roberto F. Wagtingan, VP for Engineering, Research and Development effective September 16, 2012.
09.17.12	Benguetcorp Nickel Mines, Inc. (BNMI), a 100% subsidiary of the Company, declared cash dividend amounting to P150 million or P0.12 per share and press release entitled "Benguetcorp Nickel Mines Approves P150M Cash Dividend".
09.21.12	SEC's approval on the incorporation of Benguetcorp Laboratories, Inc. (BLI), a 100% subsidiary of the Company.
10.02.12	Board's approval on Audit Committee Charter pursuant to the mandate of SEC Memorandum Circular #4, Series 2012.
10.02.12	Board's approval in principle the additional capital investment of BC in Benguet Management Corporation (BMC), its 100% subsidiary.
12.12.12	SEC approval of capital increase, decrease in par value of common shares, quasi reorganization and equity restructuring of Benguet Management Corporation, a 100% subsidiary of the Company.
12.28.12	Signing of Agreement between the Company and Wilshire Business Consulting Corporation to acquire various loan accounts under the Restructuring Agreement and Mortgage Trust Indenture dated 22 December 1993.
01.04.13	Demise of officer, Mr. Salvador P. Pabalan, SVP for Audit
01.14.13	Hiring of new officer, Ms. Ana Margarita N. Hontiveros, Vice President for Special Projects and concurrently President of Benguetcorp Laboratories, Inc., effective January 16, 2013.
01.15.13	Hiring of new officer, Ms. Mary Jean G. Alger, AVP (Deputy Chief Finance Officer) effective January 16, 2013.
01.15.13	Certification on compliance with Revised Manual on Corporate Governance for year 2012.
01.15.13	Certification on attendance of members of the board of directors for year 2012.
02.18.13	Resignation of Mr. Randolph B. Afidchao, Vice President for Benguet District Operation effective April 01, 2013.
02.18.13	Change in capital structure as a result of issuance of shares to RYM Business Management Corporation.
02.21.13	Board's approval on the promotion of Mr. Max D. Arceño to Vice President–Accounting and Treasury effective March 1, 2013.
03.04.13	Corporate Governance Guidelines Disclosure
03.18.13	Annual Verification & Certification from MGB on the status of mining tenements of the Company
03.22.13	Board's approval on a) Setting of Annual Stockholders' Meeting on May 30, 2013 of the Company, and b) Audited Consolidated Financial Statements of the Company
03.22.13	Press Release entitled "Benguet Growth Momentum Continues

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 APR 15 2013 2013.

BENGUET CORPORATION
(Issuer)

By:

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

DENNIS R. BELMONTE
Technical Advisor to the President
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 APR 15 2013 day of MANDALUYONG CITY at Makati City. Affiants exhibited to me their identifications to wit: Mr. Benjamin Philip G. Romualdez with Social Security System No. 33-5830866-8, Mr. Dennis R. Belmonte with Social Security System No. 01-0063459-6, 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 Office of the Social Security System, Philippines.

LINA G. FERNANDEZ
NOTARY PUBLIC UNTIL DEC. 31, 2014
COMMISSION No. 0268-13
65 SIKAP ST., MANDALUYONG CITY
ROLL OF ATTORNEYS No. 52122
IBP No. 905766/NOV. 14, 2012/RSM
PTR No. 1612712/JAN. 2, 2013/MANDALUYONG
MCLE No. IV-0003091, OCT. 17, 2011

Doc. No. 110
Page No. 23
Book No. I
Series of 2013.

Annex "A"

PRESIDENT'S STATEMENT

Benguet Corporation maintained its sustained and dynamic growth in 2012 with a consolidated net income of ₱637 million from revenues of ₱1.8 billion. The momentum was spurred by the improvement in the operating revenues of the Acupan Gold Project (AGP) and substantial revenue from Benguetcorp Nickel Mines, Inc. (BNMI).

Your Company foresees further acceleration of its operational profitability in the medium term, with the continued ramp up of the gold milling operation of AGP, as well as the enhancement of the operational efficiency and quality of ore by BNMI for increased shipments of nickel ore to service existing and new off-take agreements over the next three years.

Under its diversification strategy, your Company provided the impetus for the strategic capital re-structuring and re-organization of its non-mining subsidiaries, as well as created new business units that will provide additional income streams.

Consolidated Results

Operating revenues increased to ₱1.8 billion (US$44.3 million), 83% higher than 2011 due to continuous improvement in production volume. Gold production rose by 35% to 6,238 ounces from 4,625 ounces in 2011. The nickel operation contributed ₱1.1 billion in its first year of operation as compared to the ₱501 million in 2011.

Consolidated net earnings amounted to ₱637 million (US$15.5 million) or ₱3.89 (US$0.095) per share for 2012, inclusive of ₱387 million non-recurring gain from debt settlement. In 2011, consolidated earnings amounted to ₱1.4 billion (US$31.5 million) or ₱8.50 (US$0.19) per share, inclusive of a non-recurring gain of ₱797 million from debt settlement and ₱411 million gain from the sale of Kingking interest.

Consolidated earnings declined as a result of lower non-recurring gains but operating income is almost at the same level as in previous year. Despite the increase in sales volume, the operating income was maintained at the same level as last year because the increase in revenues was partly offset by the increased in gold production cost and ramp-up expenses.

Mining

The Acupan Gold Project (AGP) generated net earnings of ₱41 million (US$1.0 million) lower by 72% than 2011. The decrease was partly due to the increase in production cost and ramp-up expenses, despite higher gold production of 6,238 ounces this year versus 4,625 ounces in 2011 and favorable gold price averaging US$1,673/oz in 2012 against US$1,589/oz in 2011. AGP is continuously increasing milling capacity. It averaged 149 tons per day this year against 128 tons per day in 2011. It completed the installation of a new circuit and conveying system in the mill to double its current capacity within the first quarter of 2013. Your Company continues the mine development of AGP by converting more resource into mineable tonnage. Mine development is accelerated and mining capability is expanded by adding more mining equipment and eventually transforming mining activity into mechanized operation. To upgrade AGP's resource capacity, your Company is also currently working with Roscoe, Postle and Associates (RPA), a Canada-based third party competent person, for the exploration and drilling programs.

Despite weather condition and local challenges in its first year of operation, your Company's wholly owned nickel subsidiary, Benguetcorp Nickel Mines, Inc. (BNMI) shipped 735,190 tons of varying nickel ore grades from 1.56% to 1.82% in five months last year, which is equivalent to 15 boatloads. Total volume shipped, including those from its mining contractor in Area 1, amounted to 1,488,415 tons, generating around $27.9 million or ₱1.1 billion in revenues for BNMI, more than doubling the prior year's ₱501 million.

For the year, BNMI reported a net income of ₱38.6 million (US$0.94 million), lower than the previous year's net income of ₱141 million (US$3.2 million). It was BNMI's first year of operations, enabling it to recognize as revenues the tonnage shipped from its mines, hence the marked top-line growth. On the other hand, the softening of nickel prices in 2012 compared with the prior year coupled with non-capitalized start-up costs contracted margins, which resulted in the decrease in net income. Meanwhile, cash dividends of ₱150 million or ₱0.12 per share was declared and paid during the year. The nickel operation in Sta. Cruz also generated substantial business revenue for your Company's logistics and port operation subsidiaries.

In November 2012, BNMI engaged a reputable Chinese firm to conduct a pre-feasibility study in connection with your Company's nickel processing project. The result of the study is expected within the 2nd quarter of 2013.

As drilling activities were completed, substantial volumes of high grade ores ranging from 1.94% to 2.24% were discovered in three areas of the mine. An updated mineral resource report by a competent person will be released in April 2013.

BNMI mining operations remain compliant with all environmental regulatory requirements. Its port operation, currently being expanded to accommodate five barges loading simultaneously, takes pride in being the only port operation in Sta. Cruz and Candelaria areas certified by DENR-EMB Region 3 as compliant with its ECC.

The Irisan Lime Project (ILP) generated net earnings of ₱10 million (US$0.24 million), lower than the previous year's net earnings of ₱16.3 million (US$0.37 million). The decrease in earnings is attributed to the higher cost of fuel oil, despite higher sales volume of 8,938 tons this year versus 8,605 tons last year.

Exploration, Research and Development

Your Company's Exploration and Geology Department completed the design of the diamond drill program for the Phase I of the Greater Acupan Project (GAP). Intended to test the ore potential of the GW vein mineralization, the program's major component is the drilling to be conducted both on the surface and underground. Under this revised Phase I Program, some 49 drill holes aggregating 9,913 meters will be drilled on the surface, while 35 drill holes aggregating 9,465 meters will be drilled underground.

Balatoc Gold Resources Corporation (BGRC), a wholly owned subsidiary and operator of the Balatoc Tailings Project (BTP), continues the expansion and rehabilitation of its penstocks at Tailings Ponds Nos. 2 and 3 and earthmoving works, the silt dam at the Gold Creek, the Ambalanga River pumping station, and the ridge enhancement works on Tailings Ponds Nos. 2 and 3. The excavated materials from the expansion and rehabilitation activities will be used for raising the embankment of Tailings Ponds Nos. 2 and 3 to the level in which BTP will be able to operate its processing plant in Balatoc.

BGRC has engaged People's Asia, an engineering service provider to do the process and instrumentation diagram (P&ID) for the BTP. The engagement was completed in the first quarter of 2013 and shall form the basis for the detailed engineering set to commence by the second quarter of 2013. BTP's application for duty-free importation of its process equipment has been approved by the Incentive Department of the Board of Investments.

The Department of Energy has yet to make a decision regarding the Philippine Energy Contracting Round 4 (PECR 4) for coal bidding, in which your Company's Surigao Coal Project participated. Meanwhile, a preliminary hydrology study was done at the nearby Hubo River's water source to assess if the volume capacity of the river system can support a Hydro Plant, which will complement the Coal Power Plant study. Your Company is also currently completing the requirements to secure permits for mine development of the project.

Your Company and its wholly owned subsidiary, Sagittarius Alpha Realty Corporation (SARC), have two pending Financial Technical Assistance Agreement (FTAA) applications covering a total of 72,806.291 hectares. The FTAA application within the province of Ilocos Norte (AFTA No. 003) is undergoing FPIC process under the NCIP Regional Office while the FTAA application within Apayao (AFTA No. 033) is pending with the MGB-Cordillera Administrative Region. Exploration work within the two areas will be undertaken as soon as the applications are approved by the government.

Subsidiaries and Affiliates

Consolidated net earnings from Benguet Management Corporation (BMC), a wholly owned subsidiary of your Company and its subsidiaries amounted to ₱88.0 million (US$2.1 million), an improvement of 138% over 2011. The increase in income is due to the logistics services provided by BMC's subsidiaries to BNMI and gains resulting from full settlement of all remaining bank debts this year.

BMC undertook a quasi-reorganization and capital restructuring which was approved by the Securities and Exchange Commission in December 2012. These restored its positive retained earnings and primed the company toward its role as logistics provider.

The year 2012 marked the turn-around year of Arrow Freight Corporation (AFC), a wholly owned subsidiary of BMC, with the entry of AFC in the mining logistics business. AFC generated net earnings of ₱32.6 million (US$0.79 million) from a record high annual revenue of ₱501.9 million (US$12.2 million, recovering from five consecutive years of losses. As the general contractor of BNMI in its Sta. Cruz Nickel Project in Zambales, AFC has been supplying BNMI's mining equipment through its subcontractors since November 2011.

Earnings from Benguetrade, Inc. (BTI), a wholly owned subsidiary of BMC, amounted to ₱1.0 million, lower than its earnings in 2011. Re-organized in December 2012, BTI is moving towards expanding its marketing product mix to offer lines and services and to increase its market scope and coverage, not only to BC's various mining operations, but other industries as well. BTI is likewise taking a major role in promoting the sale of the Company's various products and services and disposable idle assets.

BMC Forestry Corporation (BFC), a wholly owned subsidiary of BMC, reported net earnings of ₱0.9 million, compared to a loss of ₱0.1 million in 2011. BFC continues to develop the Woodspark Rosario Subdivision Project in La Union. Total lot sales and reservations to date stand at 233 lots with an aggregate area of 31,722 square meters.

Benguet Laboratories, a healthcare provider of your Company for 87 years, reported net earnings of ₱3.9 million (US$0.096 million), a decline of 22% from 2011. The decrease in earnings is due to lower sales to corporate accounts. In September 2012, your Company spun off the business and created a wholly owned subsidiary, BenguetCorp Laboratories, Inc. (BCLI), as a distinct corporate unit to create value for your Company and its shareholders. BCLI currently operates three full-fledged tertiary multi-specialty facilities: two clinics in Baguio City under the trade name Benguet Laboratories and the new MedCentral, which was opened in December 2012 in San Fernando, Pampanga. It is targeting to open more branches in key regional locations within Northern, Central and Southern Luzon, in Visayas and Mindanao. BCLI is committed to give its patients ideal diagnostic and treatment procedures through state-of-the-art equipment, and the supervision of its highly skilled, friendly and pro-active medical and administrative personnel.

BenguetCorp International Limited (BIL), your Company's Hong Kong-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 interest in mining properties for gold/silver in Royston Hills, Nevada.

Land Development

Your Company has land assets comprising of mineral land in Itogon, Benguet, agricultural land in Zambales and commercial real estate in Metro Manila, Baguio City, Laguna and Zambales. Recognizing that land development is a natural and logical play to balance the mining cycle, the land holdings in Itogon are being reviewed to determine the best land options for each particular area from the perspective of economics, environment and benefits to the host community and local government units.

Your Company pursued the implementation of Presidential Proclamation No. 1248 declaring Kelly as a Special Economic Zone (SEZ) in Itogon. The Philippine Export Zone Authority (PEZA) issued a Certificate of Registration to Benguet Corporation as developer. The planning process is on-going for an industrial complex consisting of light-to-medium manufacturing enterprises and business processing outsourcing companies, to be supported by commercial and administrative services and infrastructure facilities.

Your Company owns and/or controls more than a thousand hectares of agricultural land in Zambales, primarily consisting of a mango farm. Feasibility studies are being conducted on the best development options, such as agro-industrial tourism.

It will be recalled that your Company also acquired concessions over 70 years ago in Benguet and Mountain Province for the timber requirements of its mining operations. In Bokod, Benguet, your Company reforested some 20,000 contiguous hectares with 20 million pine trees, and this area has become a well-preserved second-growth forest. Your Company is working with the local government and DENR towards the grant of a long-term Special Agreement for Protected Areas (SAPA) to enable the development of an ecotourism project as the best development option for the area.

The various commercial real estate holdings of your Company are presently being subjected to “highest-best use” studies to determine the best value returns in accordance with the strategic policy direction for non-mining businesses.

Environmental Protection

Your Company is committed to the protection and enhancement of the environment by ensuring that its mining operations are compliant with the strict regulations of the DENR-MGB (Mines and Geosciences Bureau) and other government agencies. It continues to implement various activities based on approved Annual Environmental Protection and Management Programs (AEPMP) in close coordination with and monitored by the Mine Monitoring Teams, the Mine Rehabilitation Fund Committees, the MGB, the Local Government Units, and the Environment Management Bureau. It implemented various structural enhancements to ensure continuous compliance with government standards and regulations. With the heavy rainfall in Benguet and Zambales, mitigating and contingency measures, such as installation of flood line marking, drainage canal, concrete culverts, silt ponds, sabo dams and other flood control measures, were closely monitored to adequately receive and channel the run-off to the nearby receiving body of water in your Company’s AGP and SCNP.

Continuous nursery maintenance and rehabilitation are being carried out in AGP and BNMI to expand seedling production and propagation for its massive reforestation projects and community-based agro-forestry program. In support of the National Greening Program of the government, a total of 100,000 seedlings were planted in your Company’s mining areas, thus exceeding the 3-year target of the Mines and Geosciences Bureau of 50,000 trees. This program demonstrates your Company’s commitment to environmental protection, management and sustainable development.

Community Services

Your Company continues to fulfill its social development obligations through the implementation of various Social Development and Management Programs (SDMP) of Benguet Gold Operation and BNMI, in coordination with local government units and host communities. The SDMP has benefitted residents within your Company's areas of operations in Benguet and Zambales, as well as neighboring communities.

Health and education are paramount in the social programs of your Company. High School, Vocational Technical and College Scholarship programs continue to benefit deserving students from various host communities. Your Company provided new equipment and educational materials to several schools situated within its areas of operation through its Adopt a School Program. It likewise conducted medical outreach programs of various services and provided basic health equipment to health centers. Furthermore, a deworming and supplemental feeding program is being implemented for Grades 1 and 2 pupils of elementary schools, as well as pupils of day care centers in Benguet and Zambales.

Your Company contributes to the social upliftment of its community by generating local employment opportunities and providing livelihood projects such as lemon grass production, mushroom production, goat and swine dispersal, food processing, and production of handicrafts. It extends financial assistance for various socio-cultural activities, infrastructure development, and other maintenance activities of its host barangays.

Good Corporate Governance

Your Company adheres to the principles and practices of good corporate governance, as embodied in its Revised Manual on Corporate Governance and related Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE) circulars. It continues to improve systems and processes to maintain its good corporate governance. In October 2012, the Board approved the Audit Committee Charter, which set out Audit Committee membership and qualifications, duties and responsibilities, reporting process and self-evaluation. The annual performance review of the Audit Committee is based on its Charter pursuant to the mandate of SEC's Guidelines for the Assessment of the Performance of Audit Committees of Companies Listed on the Exchange. Your Company annually submits to SEC and PSE a Certification of Compliance with the Manual on Corporate Governance and a Corporate Governance Disclosure Report. It regularly posts corporate disclosures and reports on its website for transparency and easy access and reference of stakeholders.

Other Corporate Developments

In January 2012, the Secretary of the Department of Environment and Natural Resources (DENR) approved the transfer/assignment of the Mineral Production Sharing Agreement denominated as MPSA No. 226-2005-III from Benguet Corporation to BNMI, a wholly owned subsidiary and operator of your Company's Sta. Cruz Nickel Project in Zambales.

In May 2012, your Company sold 13,235.310 common shares consisting of 7,941,240 shares of Class "A" and 5,294,070 shares of Class "B" for a total consideration of ₱180 million pursuant to a Private Placement with RYM Business Management Corporation (RBMC). It is the second private transaction under the terms and conditions of the Memorandum of Agreement (MOA) dated April 7, 2010, Addendum to the MOA dated September 17, 2010 and Stock Subscription Agreement dated May 4, 2012 between your Company and RBMC, with the first transaction completed in April 2010. The funds will be utilized for general corporate purposes, and partly for the funding of the development of your Company's various mining projects, including BTP and AGP. In turn, the income that will be generated from these projects will be used to advance other mineral properties of your Company and to acquire or enter into joint venture arrangements for promising properties and/or projects.

In July 2012, your Company signed a US$20 million Pre-Export Financing Facility Agreement with Amsterdam Trade Bank N.V. and Maybank Philippines Inc., to be used for working capital and capital expenditure requirements.

In October 2012, the Board approved the additional capital investment of your Company in its wholly owned subsidiary, Benguet Management Corporation (BMC). The cash infusion in the amount of Php205 million is for the purpose of subscribing to the proposed capital increase of BMC pursuant to the quasi-reorganization and capital restructuring plan that BMC will implement.

In September 2012, your Company engaged Stock Transfer Service, Inc. (STSI) as its new stock transfer agent/registrar, a service provider that will manage the stock transfer and registrar activities of your Company. Bank of the Philippine Islands (BPI), your Company's former stock transfer agent/registrar has decided to confine its services to affiliates, and thus discontinued its stock transfer/registrar services to external clients.

Outlook

Your Company is moving forward in the expansion of its gold and nickel operations. It is also immersed in its pioneering gold tailings reprocessing project. Furthermore, it has embarked on a program of revitalizing not only its mining services business lines but also its various non-mining projects. It remains optimistic that the coming year will show a marked increase in its operating income performance, which will ultimately benefit all stakeholders.

The substantial accomplishments of 2012 were made possible mainly because of the exceptional efforts of your management team composed of experienced, competent and dedicated executives and our pool of employees committed to excellence. We take this opportunity once again to salute our Board of Directors, officers, managers, rank and file workers, and consultants for their dedicated performance. We look forward with enthusiasm to the pleasure of working together to build a sustainable and profitable future for your Company.

Benjamin Philip G. Romualdez
President & Chief Executive Officer

BENGUET CORPORATION

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

* 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 financial statements or the notes to financial statements.

BenguetCorp

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

SECURITIES & EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
Mandaluyong City

The management of Benguet Corporation (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2012, 2011 and 2010, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submit the same to the stockholders.

Sycip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

DANIEL ANDREW G. ROMUALDEZ
Chairman, Board of Directors

BENJAMIN PHILIP G. ROMUALDEZ
President & Chief Executive Officer

RENATO A. CLARAVALL
Senior Vice President, Chief Finance Officer

Signed this MAR 2 2 2013 day of ______, 2013.

SUBSCRIBED AND SWORN to before me this MAR 2 2 2013 th day of ______, 2013 at MANDALUYONG CITY affiants exhibited to me their identifications, to wit: Mr. Daniel Andrew G. Romualdez with Passport Number EB5843575 issued by the Philippine Consulate General of New York and expiring on July 3, 2017, Mr. Benjamin Philip G. Romualdez with Social Security System No. 33-5820866-8 and Mr. Renato A. Claravall with SSS No. 03-2890762-2, both issued by the Office of the Social Security System, Philippines.

LINA G. FERNANDEZ
NOTARY PUBLIC UNTIL DEC. 31, 2014
COMMISSION No. 0268-13
65 SIKAP ST., MANDALUYONG CITY
ROLL OF ATTORNEYS No. 52122
IBP No. 905766/NOV. 14, 2012/RSM
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MCLE No. IV-0003091, OCT. 17, 2011

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

Benguet Corporation and Subsidiaries

Consolidated Financial Statements
As at December 31, 2012 and 2011
and for Each of the Three Years in the Period
Ended December 31, 2012

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,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Benguet Corporation

We have audited the accompanying consolidated financial statements of Benguet Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2012, 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 Subsidiaries as at December 31, 2012 and 2011, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

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Partner
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SEC Accreditation No. 0076-AR-3 (Group A),
March 21, 2013, valid until March 20, 2016
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April 11, 2012, valid until April 10, 2015
PTR No. 3669674, January 2, 2013, Makati City

March 22, 2013

BENGUET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, Except Number of Shares)

	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱507,669	₱1,257,364
Short-term investment (Note 5)	206,092	–
Trade and other receivables (Note 6)	721,314	139,771
Inventories (Note 7)	174,680	37,266
Other current assets (Note 8)	258,114	116,861
Total Current Assets	1,867,869	1,551,262
Noncurrent Assets		
Property, plant and equipment (Note 10)		
At revalued amounts - land	2,543,759	2,524,618
At cost	728,394	503,552
Available-for-sale (AFS) investments (Note 9)	15,786	14,462
Investment property (Note 11)	167,515	168,213
Deferred mine exploration costs (Note 12)	747,239	408,163
Other noncurrent assets (Note 13)	536,006	134,156
Total Noncurrent Assets	4,738,699	3,753,164
TOTAL ASSETS	₱6,606,568	₱5,304,426
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Note 14)	₱965,739	₱1,004,193
Trade and other payables (Note 15)	489,558	243,977
Obligations under finance lease (Note 33)	10,361	–
Income tax payable	26,482	62,928
Total Current Liabilities	1,492,140	1,311,098
Noncurrent Liabilities		
Loans payable - net of current portion (Note 14)	931,183	563,310
Deferred income tax liabilities - net (Note 29)	816,832	980,260
Liability for mine rehabilitation (Note 16)	55,228	34,060
Pension liability (Note 28)	56,522	29,700
Obligations under finance lease - net of current portion (Note 33)	40,137	–
Other noncurrent liabilities	67,249	74,699
Total Noncurrent Liabilities	1,967,151	1,682,029
Total Liabilities	3,459,291	2,993,127
Equity		
Capital stock (Note 17)	492,454	492,220
Capital surplus	21,131	18,895
Other components of equity (Note 17)	1,029,502	833,465
Retained earnings	1,612,206	974,735
	3,155,293	2,319,315
Cost of 116,023 shares held in treasury, ₱69 per share	(8,016)	(8,016)
Total Equity	3,147,277	2,311,299
TOTAL LIABILITIES AND EQUITY	₱6,606,568	₱5,304,426

See accompanying Notes to Consolidated Financial Statements.

BENGUET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share)

	Years Ended December 31		
	2012	2011	2010
REVENUES (Note 33)			
Sale of mine products	**₱1,629,695**	₱894,080	₱321,827
Sale of services	**94,788**	70,777	264,224
Trucking and warehousing services	**34,197**	22,984	27,693
Rental income and others	**52,690**	6,233	9,914
	1,811,370	994,074	623,658
COSTS AND OPERATING EXPENSES			
Costs of mine products sold (Note 19)	**685,872**	326,737	138,573
Costs of services (Note 20)	**192,685**	128,204	106,427
Selling and general (Note 21)	**612,218**	272,616	217,182
Taxes on revenue	**86,471**	6,259	5,633
	1,577,246	733,816	467,815
INTEREST EXPENSE (Notes 14 and 33)	**(84,406)**	(43,048)	(133,571)
OTHER INCOME - Net (Note 24)	**395,821**	1,263,887	2,393,613
INCOME BEFORE INCOME TAX	**545,539**	1,481,097	2,415,885
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 29)	**(91,932)**	95,773	16,713
NET INCOME	**₱637,471**	₱1,385,324	₱2,399,172
BASIC EARNINGS PER SHARE (Note 30)	**₱3.89**	₱8.50	₱15.14
DILUTED EARNINGS PER SHARE (Note 30)	**₱3.51**	₱8.46	₱14.95

See accompanying Notes to Consolidated Financial Statements.

BENGUET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2012	2011	2010
NET INCOME	**₱637,471**	₱1,385,324	₱2,399,172
OTHER COMPREHENSIVE INCOME (LOSS)			
Translation adjustments of foreign subsidiaries	**5,869**	1,109	(2,736)
Unrealized gain (loss) on AFS investments (Note 9)	**583**	(1,088)	351
Realized gain on disposal of AFS investments (Note 9)	**(659)**	(131)	(297)
Revaluation increment transferred to retained earnings - net of deferred tax liability (Note 10)	**–**	148,639	–
	5,793	148,529	(2,682)
TOTAL COMPREHENSIVE INCOME	**₱643,264**	₱1,533,853	₱2,396,490

See accompanying Notes to Consolidated Financial Statements.

BENGUET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010
(Amounts in Thousands)

			Other Components of Equity (Note 17)							
	Capital Stock	Capital Surplus	Deposits for Future Stock Subscription (Note 17)	Revaluation Increment (Note 17)	Cumulative Translation Adjustment of Foreign Subsidiaries	Cost of Share-Based Payment (Note 18)	Unrealized Gain (Loss) on AFS Investments	Retained Earnings (Deficit)	Treasury Shares	Total
Balances at January 1, 2010	**₱453,345**	**₱1,032,818**	**₱–**	**₱1,612,988**	**₱42,021**	**₱43,148**	**₱2,085**	**(₱4,974,188)**	**(₱8,016)**	**(₱1,795,799)**
Stock subscription (Note 17)	33,089	116,911	–	–	–	–	–	–	–	150,000
Employee's 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**	**1,153,579**	**–**	**1,612,988**	**39,285**	**41,790**	**2,139**	**(2,575,016)**	**(8,016)**	**754,541**
Effect of quasi-reorganization (Note 2)	–	(1,153,579)	–	(1,010,848)	–	–	–	2,164,427	–	–
Employees' exercise of stock options (Note 18)	4,428	18,895	–	–	–	(11,108)	–	–	–	12,215
Stock options vested during the year (Note 18)	–	–	–	–	–	10,690	–	–	–	10,690
Net income for the year	–	–	–	–	–	–	–	1,385,324	–	1,385,324
Other comprehensive income (loss)	–	–	–	148,639	1,109	–	(1,219)	–	–	148,529
Total comprehensive income (loss) for the year	–	–	–	148,639	1,109	–	(1,219)	1,385,324	–	1,533,853
Balances at December 31, 2011	**492,220**	**18,895**	**–**	**750,779**	**40,394**	**41,372**	**920**	**974,735**	**(8,016)**	**2,311,299**
Deposits for future stock subscriptions during the year (Note 17)	–	–	180,000	–	–	–	–	–	–	180,000
Employees' exercise of stock options (Note 18)	234	2,236	–	–	–	(1,211)	–	–	–	1,259
Stock options vested during the year (Note 18)	–	–	–	–	–	11,455	–	–	–	11,455
Net income for the year	–	–	–	–	–	–	–	637,471	–	637,471
Other comprehensive income (loss)	–	–	–	–	5,869	–	(76)	–	–	5,793
Total comprehensive income (loss) for the year	–	–	–	–	5,869	–	(76)	637,471	–	643,264
Balances at December 31, 2012	**₱492,454**	**₱21,131**	**₱180,000**	**₱750,779**	**₱46,263**	**₱51,616**	**₱844**	**₱1,612,206**	**(₱8,016)**	**₱3,147,277**

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱545,539**	₱1,481,097	₱2,415,885
Adjustments for:			
Depreciation, depletion and amortization (Note 23)	**122,746**	88,052	59,901
Interest expense (Note 14)	**84,406**	43,048	133,571
Movements in pension liability (Note 28)	**26,822**	8,707	5,653
Cost of share-based payment (Note 18)	**11,455**	10,690	–
Accretion expense (Notes 16 and 24)	**2,197**	3,220	1,948
Provision for impairment losses on trade receivables (Notes 6 and 21)	**690**	17,665	12,659
Gain on disposal of AFS investments (Note 9)	**(659)**	(131)	(297)
Reversal of impairment on property, plant and equipment (Note 10)	**(745)**	–	–
Interest income (Note 24)	**(5,718)**	(7,464)	(9,091)
Recovery of allowance for impairment losses (Note 6)	**(9,925)**	(17,351)	–
Unrealized foreign exchange losses (gains)	**(32,040)**	5,349	(25,552)
Gain on settlement of loans and other liabilities (Notes 14 and 24)	**(387,007)**	(797,258)	(1,943,563)
Income from investment in fund (Notes 13 and 24)	**(5,903)**	–	–
Income from sale of Kingking rights (Note 24)	**–**	(411,208)	(353,600)
Operating income before working capital changes	**351,858**	424,416	297,514
Decrease (increase) in:			
Short-term investments	**(206,092)**	–	–
Trade and other receivables	**(572,708)**	187,850	(193,106)
Inventories	**(137,414)**	(11,789)	1,104
Other current assets	**(74,168)**	(80,432)	(7,293)
Increase (decrease) on trade and other payables	**289,328**	(269,876)	75,048
Cash flows generated from (used in) operations	**(349,196)**	250,169	173,267
Interest received	**6,116**	3,489	687
Income taxes paid	**100,653**	(136,586)	(3,804)
Interest expense paid	**(89,305)**	(4,222)	–
Net cash flows from (used in) operating activities	**(331,732)**	112,850	170,150
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of:			
AFS investments (Note 9)	**206,309**	1,396	1,846
Property, plant and equipment	**–**	–	421
Proceeds from sale of Kingking rights	–	501,262	265,200
Investment in fund (Note 13)	**(275,000)**	–	–
Additions to:			
Property, plant and equipment (Note 10)	**(347,013)**	(245,870)	(25,375)
Deferred exploration costs (Note 12)	**(339,076)**	(46,834)	(64,110)
AFS investments (Note 9)	**(207,172)**	(1,450)	–
Other noncurrent assets	**(395,805)**	(28,326)	5,359
Net cash flows from (used in) investing activities	**(1,357,757)**	180,178	183,341
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of loans payable and obligations under finance lease	**(185,356)**	(36,267)	(283,856)
Proceeds from:			
Availment of loans	**951,341**	712,112	–
Deposits for future stock subscription (Note 17)	**180,000**	–	–
Employees' exercise of stock options (Note 18)	**1,259**	12,215	3,850
Issuance of capital stock (Note 17)	**–**	–	150,000
Increase (decrease) in other noncurrent liabilities	**(7,450)**	(7,281)	39,089
Net cash flows from (used in) financing activities	**939,794**	680,779	(90,917)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**–**	(8,900)	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(749,695)**	964,907	262,574
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,257,364**	292,457	29,883
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱507,669**	₱1,257,364	₱292,457

See accompanying Notes to Consolidated Financial Statements.

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

1. Corporate Information, Business Operations and Authorization for Issue of the Financial Statements

Corporate Information
Benguet Corporation (BC; the Parent 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 its corporate life for another fifty (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 Parent Company's registered office address is 7th Floor, Universal Re Building, 106 Paseo de Roxas, Makati City.

Status of Business Operations

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

	Prior to Quasi-reorganization	Effect of Quasi-reorganization	After Quasi-reorganization
Capital surplus	₱1,153,579	(₱1,153,579)	₱–
Revaluation increment	1,612,988	(1,010,848)	602,140
Deficit	(2,164,427)	2,164,427	–

For the purpose of dividend declaration, the retained earnings of the Parent Company shall be restricted to the extent of the deficit wiped out by the revaluation increment, amounting to ₱1,010,848, until the asset to which the revaluation increment relates is disposed.

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

	Prior to Quasi-reorganization	Effect of Quasi-reorganization	After Quasi-reorganization
Capital stock	₱400,000	(₱300,000)	₱100,000
Deposit for future stock subscription	40,000	–	40,000
Revaluation increment	12,019	(12,019)	–
Deficit	(364,830)	312,019	(52,811)

The par value of shares of stock of BMC decreased from ₱10 to ₱2.5 per share while its authorized capital stock increased from 40,000,000 shares to 160,000,000 shares. The additional paid-in capital from the decrease in par value of shares and revaluation increment amounting to ₱300.0 million and ₱12.0 million, respectively, were applied against deficit resulting to a balance of ₱52.8 million.

After the quasi-reorganization, the Parent Company made additional deposit for future stock subscription amounting to ₱160.0 million. The total deposit for future stock subscription amounting to ₱200.0 million was issued with shares of stocks resulting to capital stock of ₱300.0 million as of December 31, 2012.

Significant developments in the Group's operations follow:

a. Mining Projects

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

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

Sta. Cruz Nickel Project (SCNP)
SCNP is a surface mining operation. The mine is covered by an approved Mineral Production Sharing Agreement (MPSA) No. 226-2005-III. The nickel laterite mine has a total lot area of 1,406.74 hectares. Based on results of the previous exploration campaigns since the 1970s, the nickel laterite resource in the property is estimated to be roughly 16.2 million tons averaging 1.56% nickel and 0.05% cobalt.

On October 22, 2009, the Parent Company entered into an agreement with Benguetcorp Nickel Mines Inc. (BNMI) to undertake the operation and further exploration, including complete research and feasibility studies on pelletizing and tank leaching technologies, of the Sta. Cruz nickel mine.

On February 10, 2010, BNMI signed a Supplementary Agreement with DMCI Mining Company calling for the marketing of lower grade nickel ores/high grade nickel ores with high iron content.

On December 10, 2010, the Parent Company signed a Deed of Exchange with BNMI to transfer subject to approval by the Department of Energy and Natural Resources (DENR), the MPSA -226-2005-III covering the SCNP. The transfer was approved by the DENR on January 16, 2012.

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

On August 8, 2011, the Parent Company signed a five-year Marketing Agreement to be the exclusive marketing agent of BNMI for its nickel ore production. Through this arrangement, BNMI signed on August 24, 2011 an off-take agreement with major Chinese trading company for the sale and delivery of 1.8 million metric tons of nickel ore grading at least 1.8% over the next three years (see Note 14).

On October 5, 2011, BNMI signed another off-take agreement with another Chinese trading company for 1.8 million metric tons of nickel ore grading 1.8% and above and 0.2 million metric tons of 1.6% nickel ore (see Note 14).

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.

BNMI is presently studying different processes using its low and medium grade ore to produce a higher value material for export. In relation to this, BNMI signed a general cooperation agreement with a reputable Chinese institute engaged in research, design and development of thermal energy technology on July 27, 2011.

In 2012, BNMI declared and paid a cash dividend mounting to ₱150 million or ₱0.12 per share. This is the second round that it declared cash dividend since it commenced operations in 2009.

Masinloc Chromite Operation (MCO)
From 1934 to 2007, the Parent 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 Parent Company and CMI are in discussion for the transfer to the latter of the MPSA and liquidation of assets.

Benguet Gold Operations (BGO)
The Parent 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 AGP. The BGO property also included three (3) 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 371.0 thousand ounces of gold.

Benguet Antamok Gold Operation (BAGO)
The Parent 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 at the end of 1999.

Irisan Lime Project (ILP)
ILP produced 9,140 tons of quicklime in 2012 compared to 8,172 tons in 2011 and 7,642 tons produced in 2010. ILP obtained the renewal of its lime plant mineral processing permit for another five (5) years until 2016.

b. Exploration, Research and Development Projects

Balatoc Tailings Project (BTP)
The Group's Board of Directors (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 Group 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 Parent Company entered into a processing agreement with Balatoc Gold Resources Corporation (BGRC) to implement the BTP. The Parent Company has completed the bankable feasibility study of the BTP and engaged external Competent Persons to prepare and review reports as required under the Philippine Mineral Reporting Code 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) tailings. The Group obtained the BTP's Environmental Compliance Certificate (ECC) on June 11, 2009 and the Mineral Processing Permit (MPP) on May 31, 2010.

On September 2010, the Company signed a Deed of Assignment with BGRC to transfer, subject to approval by the DENR, the Mineral Processing Permit (MPP) No. 13-2010-Cordillera Administrative Region (CAR) of the BTP. The MPP allows the BTP to reprocess the impounded mill tailings from Acupan mines for recovery of residual gold. In November 2011, the transfer of the MPP was approved by the DENR- Mines and Geosciences Bureau (MGB).

BGRC signed contracts for detailed engineering of the project, rehabilitation of the tailings ponds and reinforcement of the silt dam.

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

Antamok Tailings Project (ATP)
The ATP which targeted the BAGO mill tailings pond was conceived as a possible additional resource that could be developed similar to BTP. The BAGO tailings pond located a few hundred meters downstream from the BAGO open pit contains some 7.64 million tons of tailings produced from the BAGO milling operation. In addition, a considerable tonnage of extraneous materials estimated at about 1.95 million 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.

The Group has approved an initial ₱7.5 million research fund for the ATP to study the feasibility of reprocessing. The Group is conducting a study of the feasibility of reprocessing the tailings from its former BAGO that are impounded in the tailings pond downstream from the old BAGO mill. The BAGO tailings pond contains 7.6 million tons including 1.95 million tons of materials washed out from the old mine pit. The initial drilling conducted to test the impounded materials indicates a grade of 4.0 grams gold per ton.

Surigao Coal Prospect
Pre-development activities for the Surigao Coal Project were put on hold in 2011 due to the DENR Circular EO 23 which declares a moratorium on cutting of timber in natural and residual forests. The Community Environment and Natural Resources Office (CENRO) of Lianga Municipality denied the Group's request for a tree inventory preparatory to application for a Cutting Permit, but reversed the decision last January 2012 after the issuance of a Memorandum from the Executive Secretary which exempted exploration and mining activities from EO 23. The Group is in the process of completing the requirements to secure permits for mine development of the project. A preliminary hydrology study was done at the nearby Hubo River's water source to assess if the volume capacity of the river system can support a Hydro plant which will complement the Coal Power Plant Study. In 2012, the Company also participated in the bidding of the Philippine Energy Contracting Round (PECR) 4 for Coal to possibly secure other prospective coal areas. The result of the bidding is awaiting the decision of the Department of Energy.

Ampucao Copper-Gold Prospect
The Ampucao prospect is located inside the Pugo Mining Company claims within the southern part of Benguet's Acupan gold mine. The initial exploration work conducted by the Group geologists indicates a porphyry copper-gold mineralization hosted in diorire below the 2000 level. Two (2) test holes have been programmed to be drilled within the area, but have been put on-hold pending the resolution of the APSA.

Pantingan Gold Prospect
The Pantingan Gold Prospect in Bagac, Bataan Province consists of 1,410 hectares covered by MPSA No. 154-2000-111. The property is under a Royalty Agreement with Option to Purchase with Balanga-Bataan Mineral Corporation signed in March 1996. Surface mineralization consists of quartz and clay veins ranging from 0.70 meters to 10 meters wide with values as much as 1.0 gram-gold and 9.60 gram-silver. The prospect needs exploratory drilling to probe the behavior of the veins and tenor of the postulated gold mineralization at depth. To pursue this, the Group, has been trying to secure clearance from DENR because of a watershed application surrounding the claim area. The DENR has yet to act on the Group's request for clearance.

Zamboanga Gold Prospect (BOLCO)
The Zamboanga gold prospect in R.T. Lim, Zamboanga del Sur, consists of 399.3 hectares. The claims are under an operating agreement with Oreline Mining Company, the owner of the property. A drilling program to evaluate the gold potential of the main structure at depth has been put on-hold pending the resolution of the APSA.

Financial or Technical Assistance Agreement (FTAA) Application
The Company and its subsidiary, Sagittarius Alpha Realty Corporation (SARC) have two (2) pending FTAA applications consisting a total of 72,806,291 hectares. The FTAA application within the province of Ilocos Norte (AFTA No. 003) is undergoing Free, Prior and Informed Consent (FPIC) requirement through the Regional National Commission of Indigenous People

(NCIP) office while the FTAA application within Apayao (AFTA No.033) is pending with the MGB Cordillera Administrative Region. Exploration work within the two areas will be undertaken as soon as the applications will be approved by the government.

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 Group 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 Group points to the delay in implementation and its effect on the viability of the project as justification for the contract provisions. The Group has likewise requested the BWD to conduct a public hearing on these issues, which the BWD has deemed premature. The Group filed a Request for Reconsideration on September 13, 2007.

On November 29, 2007, the BWD issued Board Resolution denying the Group's Request for Reconsideration. The Group has filed a case against BWD, which case is now pending at the Regional Trial Court of Baguio City.

Virac Water System (VWS)
The ongoing expansion of mining operation in Itogon increases the population in the area. Hence, the demand for potable water also increases. The Group's VWS supplies water in the Balatoc area. With the increase in demand, the Group is planning to expand the water system to supply the entire Balatoc and nearby areas and use Agua de Oro Ventures Corporation (ADOVC) to implement the project.

ADOVC, a wholly-owned subsidiary of BMC, is engaged in the business of selling treated and untreated water in Baguio City and Itogon areas.

d. Land Development Projects

Kelly Special Economic Zone (KSEZ)
The Group has approved an initial ₱4.9 million budget for the real estate project to study the feasibility of KSEZ and the potential of other real estate properties of the Group. The Group plans to transfer these properties to BC Property Management, Inc. (BCPM), a wholly-owned subsidiary, to implement the real estate project. The projected capital expenditure will then be used as additional equity in BCPM.

e. Health Care Services

The Group spun off the Benguet Laboratories (BL) and created a wholly owned subsidiary, Benguetcorp Laboratories, Inc. (BLI) to undertake the expansion of BL into a distinct operating unit that can raise the necessary development funds and create value for BC and its shareholders. BLI opened Med Central in San Fernando City at SM Pampanga and started its operations on December 16, 2012.

Executive Order (EO) 79

On July 12, 2012, EO 79 was released to lay out the framework for the implementation of mining reforms in the Philippines. The policy highlights several issues that includes area of coverage of mining, small-scale mining, creation of council, transparency and accountability and reconciling the roles of the national government and local government units. Management believes that EO 79 has no major impact on its current mining operations since the mine is covered by an existing MPSA with the government. Section 1 of EO 79, provides that mining contracts approved before effectivity of the EO shall continue to be valid, binding and enforceable so long as they strictly comply with existing laws, rules and regulations and the terms and conditions of the grant. The EO could, however, delay or adversely affect the conversion of the Company's mineral properties covered by Exploration Permits (EPs) or Exploration Permit Application (EPAs) or APSAs given the provision of EO on the moratorium on the granting of new mineral agreements by the government until a legislation rationalizing existing revenue sharing schemes and mechanisms shall have taken effect.

On March 7, 2013, the MGB has recommended with the DENR the lifting of DENR Memorandum Order No. 2011-01 on the suspension of the acceptance of all types of mining applications. Effective March 18, 2013, MGB has started accepting mining applications for EPs and FTAA pursuant to DENR Administrative Order (DAO) No. 2013-11.

Authorization for Issue of the Consolidated Financial Statements
The accompanying consolidated financial statements of the Parent Company and its subsidiaries, collectively referred to as the Group, as of December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012 were authorized for issue by the BOD on March 22, 2013.

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

Basis of Preparation
The consolidated financial statements of the Group have been prepared on a historical cost basis, except for land, AFS investments and investment property that have been measured at fair value. The consolidated financial statements are presented in Philippine peso, the Parent Company functional currency under Philippine Financial Reporting Standards (PFRS) and as adopted by the Philippine SEC. All values 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 as issued by the Financial Reporting Standards Council (FRSC).

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

	Nature of Business	Country of Incorporation	Effective Percentage of Ownership
Berec Land Resources Inc. (BLRI)	Exploration and development	Philippines	100.00
Kingking Copper-Gold Corporation (KCGC)*	Exploration and development	Philippines	100.00
KCGC Subsidiaries:			
Callhorr 1 Marine Services Corporation (CMSC)*	Logistics	Philippines	100.00
Callhorr 2 Marine Services Inc. (CMSI)*	Logistics	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. (BTI)	Trading	Philippines	100.00
BMC Forestry Corporation (BFC)	Real estate	Philippines	100.00
ADOVC	Selling of treated and untreated Water	Philippines	100.00
Benguet-Pantukan Gold Corporation (BPGC)	Exploration and development	Philippines	100.00
BCPM*	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
Pillars of Exemplary Consultants, Inc. (PECI)	Professional services	Philippines	100.00
SARC	Real estate holding	Philippines	100.00
SARC Subsidiary:			
BGRC	Exploration and development	Philippines	100.00
Batong Buhay Mineral Resources Corporation (BBMRC)*	Exploration and development	Philippines	100.00
Ifaratoc Mineral Resources Corporation (Ifaratoc)*	Exploration and development	Philippines	100.00
Acupan Gold Mines, Inc (AGMI)*	Exploration and development	Philippines	100.00
BLI	Health services	Philippines	100.00

* *Preoperating*
** *Nonoperating*

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

The financial statements of the subsidiaries are prepared for the same accounting period as the Parent Company using uniform accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends 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 (5) to seven (7), and denying the pre-emptive right of stockholders.

The articles of incorporation of AGMI, CMSC and CMSI, and BLI were approved by the Philippine SEC on February 19, 2012, April 17, 2012 and September 19, 2012, respectively.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amended PFRS and Philippine Accounting Standards (PAS) which were adopted as of January 1, 2012. Adoption of these changes in PFRS did not have any significant effect to the Group.

Amendments to Standards

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* (Amendment), effective July 1, 2011
  The amendment require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendment require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. During the year, the Group has no financial assets that have been transferred but not derecognized. Accordingly, the disclosure requirements under this amendment are not presented in the consolidated financial statements.

- PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets* (Amendment), effective January 1, 2012
  This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a "sale" basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ("use" basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The Group's property, plant and equipment are carried at cost. Thus, the amendment has no impact on the consolidated financial statements.

Future Changes in Accounting Policies
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 [based on the International Financial Reporting Interpretations Committee (IFRIC)] to have significant impact on its consolidated financial statements. The relevant disclosures will be included in the notes to the consolidated financial statements when these become effective.

Effective in 2013

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
  The amendment requires an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or "similar agreement", irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above

  The amendments to PFRS 7 are to be retrospectively applied and is effective for annual periods beginning on or after January 1, 2013. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The standard becomes effective for annual periods beginning on or after January 1, 2013. The adoption of PFRS 10 will affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The standard becomes effective for annual periods beginning on or after January 1, 2013. The adoption of PFRS 11 will affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The standard becomes effective for annual periods beginning on or after January 1, 2013. The adoption of PFRS 12 will affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The standard becomes effective for annual periods beginning on or after January 1, 2013. The Group does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
  The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendments will be applied retrospectively and will result to the modification of the presentation of items of OCI.

- PAS 19, *Employee Benefits (Revised)*
  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning on or after January 1, 2013. Once effective, the Group has to apply the amendments retroactively to the earliest period presented.

The Group reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Group obtained the services of an external actuary to compute the impact to the financial statements upon adoption of the standard. The effects are detailed below:

	As at 31 December 2012	As at 31 December 2011	As at 1 January 2010
Increase (decrease) in:			
Consolidated statements of financial position			
Pension liability	₱14,040	₱88,686	₱10,185
Deferred income tax assets	4,212	26,606	3,056
Other comprehensive income	(14,071)	(63,645)	(8,300)
Retained earnings	(4,242)	(1,565)	(1,170)
Consolidated statements of Income			
Net pension expense	(3,825)	(563)	
Provision for income tax	1,148	168	
Net income	2,677	395	
OCI	49,574	(55,345)	

- PAS 27, *Separate Financial Statements (as revised in 2011)*
  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements,* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 will not have a significant impact on the separate financial statements of the entities in the Group. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures* (as *revised in 2011)*
  As a consequence of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The adoption of the amended PAS 28 will have no impact on the financial statements of the Group. The amendment becomes effective for annual periods beginning or after January 1, 2013.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part.

The Group expects that this interpretation will not have any impact on its financial position or performance. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.

Effective in 2014

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendment)
  The amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment to PAS 32 is to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective in 2015

- PFRS 9*, Financial Instruments*
  PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss (FVPL). All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities. PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

- Philippine Interpretation IFRIC 15, *Agreement for the Construction of Real Estate*
  This interpretation 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 rewards of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The

SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Improvements to PFRSs
Improvements to PFRSs, an omnibus of amendments to standards, deal primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*

Summary of Significant Accounting Policies

Cash and Cash Equivalents
Cash consists of cash on hand and in 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 from the date of acquisition and are subject to an insignificant risk of changes in value.

Short-term Investment
Short-term highly liquid investments that are readily convertible to known amount of cash with original maturities of more than three months are classified as "Short-term investment".

Financial Instruments
Initial recognition of Financial Instruments
Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. 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.

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 (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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 investments. The Group's financial assets are of the nature of loans and receivables and AFS investments. As of December 31, 2012 and 2011, the Group has no financial assets at FVPL and HTM investments. Also under PAS 39, financial liabilities are classified at FVPL or other financial liabilities. The Group's financial liabilities are in the nature of other financial liabilities. As of December 31, 2012 and 2011, the Group has no financial liabilities at FVPL.

Loans and Receivables
Loans and receivables are nonderivative 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 consolidated statement of financial position captions "Cash and cash equivalents", "Short-term investments", "Trade and other receivables" and Mine Rehabilitation Fund (MRF) under "Other noncurrent assets".

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 (EIR), less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization, if any, is included in the "Other income - net" caption in the consolidated statement of income. The losses arising from impairment of receivables, if any, are recognized as "Provision for impairment losses" under "Selling and general 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 (12) months after the reporting date or within the normal operating cycle, whichever is longer. Otherwise, they are classified as noncurrent assets.

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

After initial measurement, AFS investments are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are reported as "Unrealized gain on AFS investments" account in the equity section of the consolidated statement of financial position. They are also reported as OCI in the consolidated statement of comprehensive income.

AFS investments whose fair value cannot be reliably established are carried at cost less any allowance for any possible impairment. This is normally applied to equity investments that are unquoted and whose cash flows cannot be reasonably and reliably determined.

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, the disposal is deemed on a first-in first-out basis. Any interest earned on holding AFS investments is reported as interest income using the EIR. Any dividend earned on holding AFS investments is recognized in the consolidated statement of income when the right of payment has been established. Any loss arising from impairment of such investments is 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 EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral part of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities, if any, are recognized in the "Foreign currency exchange gains (losses)" under "Other income - net" in the consolidated statement of income.

This accounting policy relates to the Group's "Loans payable", "Trade and other payables", and "Other noncurrent liabilities".

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 Values of Financial Instruments
The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to the quoted market bid prices at the close of business on the financial reporting period.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

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 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 fair value hierarchy.

For all other financial instruments, the 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 of the fair value hierarchy.

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 32.

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 a 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 EIR (i.e., the EIR 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. The Group, treats "significant" generally as thirty percent (30%) or more of the original cost of investment, and "prolonged" as greater than twelve months. 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 consolidated 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 consolidated statement of income.

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 or net realizable value (NRV). Costs incurred in bringing each product to its present location and condition, are accounted for as follows:

Materials and supplies	-	at purchase cost on a moving-average method;
Subdivision lots and housing units for sale	-	at cost, which includes land costs, amounts paid to contractors for the costs incurred for development and improvement of the properties (planning and design costs, cost of site preparation, professional fees, property taxes, construction overheads and other related costs); and
Beneficiated nickel ore	-	at cost on a moving average production cost during the year exceeding a determined cut-off grade.

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

Other Current Assets
Other current assets include various prepayments and excess input Value-Added Tax (VAT). These are classified as current since the Group expects to realize or consume the assets within twelve (12) months after the end of the reporting date.

Input 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 offset against the Group's VAT liabilities. Input VAT is stated at its estimated Net Realizable Value (NRV).

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 other components of equity account, net of deferred income tax liability, which is included in the equity section in the consolidated statement of financial position. Any increase in the lands' valuation is credited to the "other components of equity" 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 retained earnings.

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

Category	Number of Years
Land improvements	10-35
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.

Property, plant and equipment also include the estimated costs of rehabilitation, for which the Group is constructively liable. These costs, included under mining properties and mine development costs, are amortized using the units-of-production method based on the estimated recoverable mine reserves until the Group actually incurs these costs in the future.

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.

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.

Deferred Mine 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 mine properties and mine development costs included as part of property, plant and equipment. Prior to reclassification, exploration and evaluation expenditure is assessed for impairment.

When a project is abandoned, the related deferred 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.

Borrowing Costs
Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. The amount capitalized is calculated using the EIR method. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Other Noncurrent Assets
Other noncurrent assets include prepaid rental and various deposits to satisfy environmental obligations. These are carried at NRV and classified as noncurrent since the Group expects to utilize the assets beyond twelve months (12) from the end of the reporting date.

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.

Impairment of Nonfinancial Assets

Nonfinancial Receivables and Other Current Assets

At each end of the reporting period, these assets are reviewed to determine whether there is any indication that those assets have suffered impairment loss. If there is an indication of possible impairment, the recoverable amount of assets are estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in the consolidated statement of income.

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 Mine 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 mine 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 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 or is abandoned, all revocable cost associated with the project and the related impairment provisions are written off.

Nonfinancial Other Noncurrent Assets
The Group provides allowance for impairment losses on non-financial other noncurrent assets when they can no longer be realized. The amount and timing of recorded expenses or any period would differ of the Group made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease other noncurrent assets.

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

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. 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 is credited to capital surplus.

Deposits for Future Stock Subscriptions
This represents payment made in advance for subscription of shares to be issued in the future on which the Group has sufficient unissued authorized capital stock.

In instances where the Group does not have sufficient unissued authorized capital stock, the following elements should be present as end of the reporting date in order for the deposits for future stock subscriptions to qualify as equity:

(a) The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
(b) There is BOD approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
(c) There is stockholders' approval of said proposed increase; and
(d) The application for the approval of the proposed increase has been filed with the SEC.

Otherwise, this will be classified as liabilities.

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

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

Treasury Shares
Where the Group purchases its own shares (treasury shares), the consideration paid including any directly attributable incremental costs is deducted from 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.

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

Trucking, Warehousing and Other 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 EIR method.

Others
Miscellaneous income not directly related to the Group's regular results of operation are recognized when services or goods are delivered. These are classified under "Other income" in the consolidated statements of income.

Costs and Expenses 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.

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

Cost of Services
Costs of services incurred in the normal course of business are recognized when the services are rendered.

Cost of Real Estate Sold
Cost of real estate sold is recognized when the significant risks and returns have been transferred to the buyer. This includes land cost, amounts paid to contractors for construction, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs. The cost of real estate sold recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Selling and General Expenses
Expenses consist of costs associated in the general administration of day-to-day operation of the Group. These are generally recognized when the expense arises.

Taxes on Revenue
Taxes on revenue pertain to the excise taxes paid or accrued by the Group for its legal obligation arising from the production of gold and nickel ore. Also, the Group is paying for royalties which are due to the claim owners of the land where the mine site operations were located. These mine product taxes and royalties are expensed as incurred.

Leases

Determination of Whether an Arrangement Contains a Lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of the specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after the inception on the lease only if one of the following applies:

(e) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(f) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(g) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
(h) 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.

Group as a Lessee - Finance Lease

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the statement of comprehensive income.

Pension Plan

The Parent 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 ten percent (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.

Foreign Currency-Denominated Transactions and Translations

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

Deferred Income Tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the 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, 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 investment in foreign subsidiaries 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 sufficient future taxable profit will be available against which the deductible temporary differences and unused NOLCO can be utilized except:

(c) 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

(d) 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 sufficient future taxable profit will be available against which the temporary differences can be utilized.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

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.

Deferred income tax liability shall be recognized for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

(a) the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and
(b) it is probable that the temporary difference will not reverse in the foreseeable future.

Earnings Per Share
Basic earnings per share amount are calculated by dividing net income for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year.

Diluted earnings per share amount are calculated by dividing the net profit 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.

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

Operating Segments
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.

3. 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 consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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 Parent 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 Group 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.

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

Assessing Recoverability of Deferred Mine Exploration Costs
A valuation allowance is provided for estimated unrecoverable deferred mine 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 mine exploration costs, net of allowance for impairment losses, amounted to ₱747,239 and ₱408,163 as of December 31, 2012 and 2011, respectively (see Note 12).

Assessing Provisions and Contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results.

The Group currently assessed that these proceedings will have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 33).

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

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

The Group did not perform any assessment of production start date during the year.

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.

The Group has no intention of selling its investments in stocks in the near term. These are being held indefinitely and may be sold in response to liquidity requirements or changes in market condition. Accordingly, the Group has classified its investments in stocks as AFS investments. The Group has no plans to dispose its AFS investments within twelve (12) months from the end of the reporting date.

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. Real estate sales amounted to ₱7,326, ₱6,233 and ₱9,914 in 2012, 2011 and 2010, respectively (shown as part of rental income and others). The related costs of real estate sold amounted to ₱4,427, ₱4,852 and ₱8,425 in 2012, 2011 and 2010, respectively (shown as part of cost of services; See Note 22).

Estimating Allowance for Impairment Losses on Trade and Other Receivables

The Group evaluates specific accounts where the Group has information that certain customers are unable to meet their financial obligations. Factors, such as the Group's length of relationship with the customers and the customer's current credit status, are considered to ascertain the amount of reserves that will be recorded in the receivables account. In addition to specific allowances against individually significant accounts, the Group also makes a collective impairment assessment against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any past collection experiences, the current economic conditions, and average age of the group of receivables. Allowance is re-evaluated and adjusted as additional information is received. Provision for impairment losses on trade and other receivables amounting to ₱690, ₱17,665 and ₱12,659 were recognized in 2012, 2011 and 2010, respectively (see Note 6). As of December 31, 2012 and 2011, the carrying value of trade and other receivables amounted to ₱721,314 and ₱139,771, respectively, net of allowance for impairment losses of ₱144,767 and ₱154,002 as of December 31, 2012 and 2011, respectively (see Note 6).

Estimating Allowance for Inventory Obsolescence

The Group maintains allowance for inventory losses at a level considered adequate to reflect the excess of cost of inventories over their NRV. NRV of inventories are assessed regularly based on prevailing estimated selling prices of inventories and the corresponding cost of disposal. Increase in the NRV of inventories will increase cost of inventories but only to the extent of their original acquisition costs. As of December 31, 2012 and 2011, the carrying value of inventories amounted to ₱174,680 and ₱37,266, 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, Investment Property, Deferred Mine Exploration Costs and Other Noncurrent Assets
The Group assesses impairment on property, plant and equipment and other nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

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

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

An impairment loss is recognized and charged to the consolidated statements of income if the recoverable amount is less than the carrying amount. The recoverable amount of the asset is determined as the higher of its fair value less costs to sell and value in use. Fair value less costs to sell is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties, net of direct costs of selling the asset. When value in use has been undertaken, fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows. The Group did not recognize any impairment loss in 2012 and 2011.

As of December 31, 2012 and 2011, property, plant and equipment (at revalued amount and at cost), investment property, deferred mine exploration costs and other noncurrent assets amounted to ₱4,722,913 and ₱3,738,702, respectively (see Notes 10, 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 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 thirty percent (30%) or more and "prolonged" as greater than twelve (12) months. The Group expands its analysis to consider changes in the issuer's industry and sector performance, legal and regulatory framework, changes in technology, and

other factors that affect the recoverability of the Group's investments. No impairment loss was recognized in 2012, 2011 and 2010. As of December 31, 2012 and 2011, the carrying value of AFS investments amounted to ₱15,786 and ₱14,462, respectively (see Note 9).

Estimating Useful Lives of Property, Plant and Equipment
The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property, plant and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. Property, plant and equipment (at revalued amount and at cost) as of December 31, 2012 and 2011 amounted to ₱3,272,153 and ₱3,028,170, respectively (see Note 10). The useful lives are disclosed in Note 2 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, 2012 and 2011, the appraised value of land amounted to ₱2,543,759 and ₱2,524,618, respectively (see Note 10).

Determining the Appraised Value of Investment Property
The Group carries investment property at fair value, with changes in fair value being recognized in "Revaluation increment" account, net of deferred income tax liability, which is included in the equity section in the consolidated statement of financial position. The Group engaged an independent valuation specialist to determine fair value as of December 31, 2012 and 2011. The appraised value of investment property amounted to ₱167,515 and ₱168,213 as of December 31, 2012 and 2011, respectively (see Note 11).

Estimating Liability for Mine Rehabilitation
The Group estimates the costs of mine rehabilitation based on previous experience in rehabilitating fully mined areas in sections of the mine site. These costs are adjusted for inflation factor based on the average annual inflation rate as of adoption date or re-evaluation of the asset dismantlement, removal or restoration costs. Such adjusted costs are then measured at present value using the market interest rate for a comparable instrument adjusted for the Group's credit standing. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's liability for mine rehabilitation. Liability for mine rehabilitation amounted to ₱55,228 and ₱34,060 as of December 31, 2012 and 2011, respectively (see Note 16).

Estimating Cost of Share-Based Payment
The Parent Company's Executive Stock Option Plan, or ESOP, grants qualified participants the right to purchase common shares of the Company at a grant price. The ESOP recognizes the services received from the eligible employees and an equivalent adjustment to the equity account over the vesting period. The Parent Company measures the cost of equity-settled transactions with

employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 18. While management believes that the estimates and assumptions used are reasonable and appropriate, significant differences in actual experience or significant changes in the estimates and assumptions may materially affect the stock compensation costs charged to operations.

Estimating Pension Benefits
The determination of the Group's obligation and cost for pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 28 and include among others, discount rates, expected rates of return on plan assets and rates of future salary increase. In accordance with PAS 19, *Employee Benefits,* actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the Group's recognized expense and recorded obligation in such future periods. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's pension and other pension obligations. Net pension liability of Parent Company amounted to ₱50,334 and ₱25,780 as of December 31, 2012 and 2011, respectively (see Note 28). Net pension liability of AFC amounted to ₱6,188 and ₱3,920 as of December 31, 2012 and 2011 respectively (see Note 28).

Assessing Realizability of Deferred Income Tax Assets
The Group reviews the carrying amounts of deferred income tax assets at each end of the 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 ₱148,221 and ₱8,761 as of December 31, 2012 and 2011, respectively. The Group has excess MCIT and unused NOLCO and other deductible temporary difference as of December 31, 2012 and 2011 for which deferred income tax assets were not recognized as it is not probable that sufficient taxable profit will be available against which the benefit of the deferred income tax assets can be utilized (see Note 29).

4. **Cash and Cash Equivalents**

	2012	2011
Cash on hand and in banks	**₱354,908**	₱639,654
Short-term deposits	**152,761**	617,710
	₱507,669	₱1,257,364

Cash in banks earn interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposits rates. Interest income related to cash and cash equivalents amounted to ₱4.5 million, ₱3.5 million and ₱0.7 million in 2012, 2011 and 2010, respectively (see Note 24).

Cash in banks include Debt Service Reserve Account (DSRA) and Collection Account amounting to ₱82.1 million and ₱151.2 million, respectively, relative to BNMI's term loan facility with Amsterdam Trade Bank (ATB) (see Note 14).

5. Short-term Investment

Short-term investment represents time deposits with principal amounting to ₱206.1 million and interest rate of 1.5%. The deposit has a term of one (1) year. Interest income earned in 2012 amounted to ₱0.8 million (see Note 24).

6. Trade and Other Receivables

	2012	2011
Trade	**₱393,486**	₱73,865
Nontrade	**154,428**	38,174
Officers and employees	**95,162**	13,971
Advances to contractors	**60,463**	14,946
Employee stock ownership incentive plan (Note 26)	**58,416**	58,416
Loans receivable	**49,767**	58,632
Receivables from lessees of bunkhouses	**31,992**	30,240
Others	**22,367**	5,529
	866,081	293,773
Less allowance for impairment losses	**144,767**	154,002
	₱721,314	₱139,771

Trade, nontrade, advances to contractors and receivables from lessees of bunkhouses are noninterest-bearing and is generally collectible within a period of one (1) year. Receivables from officers and employees are noninterest-bearing and are subject to liquidation.

Other receivables comprise mainly of receivables from retainers and suppliers, while receivables from officers and employees pertain to cash advances made by employees for the operations of the Group.

Most of the receivables of the Group consist of individually significant accounts and were therefore subject to the specific impairment assessment. Based on the impairment assessment done, the Group recognized allowance for impairment losses amounting to ₱144.8 million and ₱154.0 million as of December 31, 2012 and 2011, 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. However, no impairment was recognized in 2012 and 2011 from the collective assessment.

Movements of allowance for impairment losses are as follows:

	2012							
	Trade receivables	**Nontrade receivables**	**Officers and employees**	**Employee stock ownership incentive plan**	**Advances to contractors**	**Receivables from lessees of bunkhouses**	**Others**	**Total**
Balances at beginning of year	**₱16,939**	**₱30,580**	**₱1,424**	**₱58,416**	**₱11,974**	**₱30,240**	**₱4,429**	**₱154,002**
Provisions	**486**	**–**	**21**	**–**	**5**	**178**	**–**	**690**
Recoveries	**(9,925)**	**–**	**–**	**–**	**–**	**–**	**–**	**(9,925)**
Balances at end of year	**₱7,500**	**₱30,580**	**₱1,445**	**₱58,416**	**₱11,979**	**₱30,418**	**₱4,429**	**₱144,767**

	2011							
	Trade receivables	Nontrade Receivables	Officers and employees	Employee stock ownership incentive plan	Advances to Contractors	Receivables from lessees of bunkhouses	Others	Total
Balances at beginning of year	₱34,290	₱25,228	₱1,424	₱58,416	₱9,878	₱20,798	₱3,654	₱153,688
Provisions	–	5,352	–	–	2,096	9,442	775	17,665
Recoveries	(17,351)	–	–	–	–	–	–	(17,351)
Balances at end of year	₱16,939	₱30,580	₱1,424	₱58,416	₱11,974	₱30,240	₱4,429	₱154,002

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

Loans Receivable
On March 3, 2010, a subsidiary granted an unsecured loan facility to a third party amounting to ₱135.0 million with interest rate of 9% per annum. Outstanding loans receivable, including accrued interest as of December 31, 2012 and 2011 amounted to ₱49.8 million and ₱58.6 million, respectively. Interest income earned in relation to the loan amounted to ₱0.4 million, ₱4.0 million and ₱8.4 million in 2012, 2011 and 2010, respectively.

7. Inventories

	2012	2011
Beneficiated nickel ore - at cost	**₱138,397**	₱–
Materials and supplies - at NRV	**18,334**	19,229
Subdivision lots and housing units for sale - at cost	**17,949**	18,037
	₱174,680	₱37,266

Movements of subdivision lots and housing units for sale - at cost are as follows:

	2012	2011
Balances at beginning of year	**₱18,037**	₱18,707
Development costs incurred	**4,339**	4,182
Disposals (recognized as cost of real estate sales)	**(4,427)**	(4,852)
Balances at end of year	**₱17,949**	₱18,037

As of December 31, 2012 and 2011, the lateritic nickel ore inventory amounted to ₱138.4 million and nil, respectively.

The cost of materials and supplies which are carried at NRV as of December 31, 2012 and 2011 amounted to ₱314.9 million and ₱349.9 million, respectively.

The amount of beneficiated nickel ore inventory recognized as expense in the consolidated statements of income amounted to ₱421.8 million and nil in 2012 and 2011, respectively.

Materials and supplies charged to current operations amounted to ₱269.3 million, ₱151.7 million and ₱86.8 million in 2012, 2011 and 2010, respectively (see Notes 19, 20 and 21). There were no purchase commitments as of December 31, 2012 and 2011.

8. Other Current Assets

	2012	2011
Input VAT – net	**₱198,569**	₱73,914
Prepaid expenses	**52,341**	38,308
Others	**7,204**	4,639
	₱258,114	₱116,861

Input VAT represents tax paid on purchases of applicable goods and services, net of output tax liabilities, which can be recovered as a tax credit against future tax liability of the Group upon approval by the Philippine BIR and/or the Philippine Bureau of Customs.

Prepaid expenses are comprised of creditable withholding taxes (CWTs), prepaid supplies and prepayments for insurance rent and other services. CWTs are amounts withheld from income subject to expanded withholding taxes. CWTs can be utilized as payments for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

9. AFS Investments

	2012	2011
Quoted shares	**₱7,794**	₱9,343
Unquoted shares	**7,992**	5,119
	₱15,786	₱14,462

Movements of AFS investments are as follows:

	2012	2011
Balances at beginning of year	**₱14,462**	₱15,365
Additions	**207,172**	1,450
Disposals	**(205,650)**	(1,265)
Change in fair value of AFS investments	**(198)**	(1,088)
Balances at end of year	**₱15,786**	₱14,462

The unrealized gain on the increase in fair value of these investments amounting to ₱0.8 million and ₱0.9 million as of December 31, 2012, and 2011, respectively, is shown as part of the components of equity of the consolidated statements of financial position and in the consolidated statements of changes in equity. The fluctuations in value of these investments are reported also as part of "Other comprehensive income (loss)" in the consolidated statements of comprehensive income.

Movements of unrealized gain on AFS investments recognized as a separate component of equity are as follows:

	2012	2011
Balances at beginning of year	**₱920**	₱2,139
Unrealized gain (loss) on fair value change during the year	**583**	(1,088)
Gain on disposal transferred to consolidated profit or loss	**(659)**	(131)
Balances at end of year	**₱844**	₱920

Unquoted shares pertain to shares of stock that are not traded in an active market. These investments are carried at cost less any impairment in value since there is insufficient information to determine fair values.

In 2012 and 2011, the Group sold AFS investments with cost amounting to ₱205.7 million and ₱1.3 million, respectively. Proceeds from these disposals amounted to ₱206.3 million and ₱1.4 million resulting to realized gain amounting to ₱0.7 million and ₱0.1 million in 2012 and 2011, respectively.

10. **Property, Plant and Equipment**

a. Land - at Revalued Amounts

	2012		
	Cost	**Revaluation Increment**	**Total**
Balances at beginning of year	**₱10,754**	**₱2,513,864**	**₱2,524,618**
Additions	**19,141**	**–**	**19,141**
Balances at end of year	**₱29,895**	**₱2,513,864**	**₱2,543,759**

	2011		
	Cost	Revaluation Increment	Total
Balances at beginning of year	₱10,754	₱2,301,523	₱2,312,277
Additions	–	212,341	212,341
Balances at end of year	₱10,754	₱2,513,864	₱2,524,618

The Group adopted the revaluation model and engaged an independent firm of appraisers to determine the fair value of its land classified under “Property, plant and equipment” in the consolidated statements of financial position, which is equal to the amount of terms of money at which the property would exchange in the current real estate market, between willing parties both having knowledge of all relevant facts. The appraisers determined the fair value of the Group’s land based on its market value as of September 16, 2011. The assigned value was estimated using the sales comparison approach, which considers the sales of similar or substitute properties and related market value and establishes a value estimates by processes involving comparisons. In general, a property being valued is compared with sales of similar properties that have been transacted in the open market. Listings and offerings may also be considered.

b. Property, Plant and Equipment - at Cost

	2012					
	Land Improvements	**Buildings**	**Machinery, Tools and Equipment**	**Mining Properties and Mine Development Costs**	**Construction in Progress**	**Total**
Cost:						
Beginning balance	**₱133,430**	**₱330,877**	**₱1,393,035**	**₱1,682,093**	**₱74,238**	**₱3,613,673**
Additions	**51,935**	**11,860**	**228,682**	**–**	**35,395**	**327,872**
Change in estimate of mine rehabilitation	**–**	**–**	**–**	**18,971**	**–**	**18,971**
Disposals	**–**	**–**	**(35,432)**	**–**	**–**	**(35,432)**
Ending balance	**185,365**	**342,737**	**1,586,285**	**1,701,064**	**109,633**	**3,925,084**
Accumulated depreciation, depletion and amortization:						
Beginning balance	**86,042**	**307,111**	**1,299,256**	**1,412,612**	**–**	**3,105,021**
Depreciation	**2,691**	**4,772**	**88,048**	**27,235**	**–**	**122,746**
Disposals	**–**		**(35,432)**	**–**	**–**	**(35,432)**
Ending balance	**88,733**	**311,883**	**1,351,872**	**1,439,847**	**–**	**3,192,335**
Allowance for possible losses:						
Beginning balance	**2,243**	**2,565**	**292**	**–**	**–**	**5,100**
Reversals	**(230)**	**(223)**	**(292)**	**–**	**–**	**(745)**
Ending balance	**2,013**	**2,342**	**–**	**–**	**–**	**4,355**
Net book values	**₱94,619**	**₱28,512**	**₱234,413**	**₱261,217**	**₱109,633**	**₱728,394**

	2011					
	Land Improvements	Buildings	Machinery, Tools and Equipment	Mining Properties and Mine Development Costs	Construction in Progress	Total
Cost:						
Beginning balance	₱137,892	₱331,473	₱1,328,635	₱1,750,896	₱–	₱3,548,896
Additions	18,898	–	124,505	28,229	74,238	245,870
Change in estimate of mine rehabilitation	–	–	–	7,081	–	7,081
Disposals	(23,360)	(596)	(60,105)	(7,062)	–	(91,123)
Reclassifications (see Note 12)	–	–	–	(97,051)	–	(97,051)
Ending balance	133,430	330,877	1,393,035	1,682,093	74,238	3,613,673
Accumulated depreciation, depletion and amortization:						
Beginning balance	84,805	301,699	1,246,769	1,383,696	–	3,016,969
Additions	1,237	5,412	52,487	28,916	–	88,052
Disposals	–	–	–	–	–	–
Ending balance	86,042	307,111	1,299,256	1,412,612	–	3,105,021
Allowance for possible losses:						
Beginning balance	25,603	3,162	67,565	18,965	–	115,295
Reversals	(23,360)	(597)	(67,273)	(18,965)	–	(110,195)
Ending balance	2,243	2,565	292	–	–	5,100
Net book values	₱45,145	₱21,201	₱93,487	₱269,481	₱74,238	₱503,552

Construction in progress represents construction cost of a port in Candelaria, Zambales and conversion of two cargo barges into light cargo transport vessels for use in BNMI's nickel operations.

As at December 31, 2012, certain items of property, plant and equipment under "Machinery, Tools and Equipment" category amounting to ₱59.2 million are used as collateral to Philippine Export-Import Credit Facility (PhilExim) Loans (see Note 14).

The Group revised its estimate of the mine rehabilitation and decommissioning cost resulting to an adjustment on capitalized cost amounting to ₱18,971 and ₱7,081 in 2012 and 2011, respectively (see Note 16).

11. **Investment Property**

Investment property consists of land and condominium units amounting to ₱167.5 million and ₱168.2 million as at December 31, 2012 and 2011, respectively.

The land located in Cabuyao, Laguna which is owned by BLRI has a total net land area of 47,626.71 square meters. This is currently mortgaged to PhilEXIM as part of the collateral for the ACMP 300 tons per day expansion project being managed by BLRI (see Note 14).

On December 19, 2009, BLRI engaged an independent firm of appraisers to assess the fair market value of the land. As of December 31, 2012 and 2011, the fair market value of the investment property amounted to ₱166.7 million.

Condominium units owned by BFC are rented out as office spaces. Rental income earned from these properties in 2012 and 2011 amounted to ₱1.4 million. Based on the latest appraisal report, the fair value of the condominium units amounted to ₱19.5 million.

12. **Deferred Mine Exploration Costs**

Movements of deferred mine exploration costs are as follows:

	2012	2011
Balances at beginning of year	**₱408,163**	₱354,332
Additions	**339,076**	46,834
Reclassification (Note 10)	–	97,051
Disposal	–	(90,054)
Balances at end of year	**₱747,239**	₱408,163

Additions pertain to the drilling, hauling and other ongoing exploration, research and development activities of the Group.

Kingking Project
Disposal in 2011 represent deferred exploration costs in relation to Kingking Project.

On July 22, 2010, the Parent 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. 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 Parent 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 Parent Company and NADECOR agreed to suspend all pending legal proceedings so that the mining feasibility study can proceed without delay.

In 2011, the Parent Company and SAML agreed to amend the Head of Terms to accelerate the payment of the Kingking rights and related claims. Income from sale of the Kingking rights amounting to ₱411.2 million was recorded as part of "Other income - net" account in the 2011 consolidated statement of income (see Note 24).

13. **Other Noncurrent Assets**

	2012	2011
Investment in fund (Note 33)	**₱280,903**	₱–
Advances for various exploration projects	**150,842**	88,378
MRF	**42,016**	2,960
Prepaid rent	**31,634**	21,858
Artworks - at cost	**9,906**	9,906
Advance royalties	**4,983**	4,983
Others	**15,722**	6,071
	₱536,006	₱134,156

Investment in fund pertains to investible funds of the Parent Company under the management of an investment banking corporation. In 2012, income from investment in fund amounted to ₱5.9 million (see Note 24).

Advances for various exploration projects pertain to the prepayments of the Group to its contractors and suppliers related to exploration activities.

MRF pertains to accounts opened with a local bank in compliance with the requirements of DAO No. 96-40, otherwise known as "The Revised Implementing Rules and Regulations of the Philippine Mining Act of 1995" (R.A. 7942). The MRF shall be used for physical and social rehabilitation of areas and communities affected by the mine operations, and for research in the social, technical and preventive aspects of the mine's rehabilitation. The funds earn interest at the respective bank deposit rates.

Prepaid rent represents the noncurrent portion of advance rentals made by the Group for its lease of office space.

Artworks pertain to valuable paintings owned by the Group.

Advance royalties refers to the cash advances of BPGC to Pantukan Mineral Cooperation (PMC). BPGC entered into a royalty agreement with option to purchase with PMC under the terms of which BPGC is allowed to perform exploration, development and mining activities over the mining properties of PMC located in Davao del Norte and Davao Oriental.

14. Loans Payable

	2012	2011
Secured loans	**₱1,127,291**	₱245,621
Accrued interest and penalties	**289,333**	592,975
Unsecured loans	**50,000**	51,712
Others	**430,298**	677,195
	1,896,922	1,567,503
Less noncurrent portion	**931,183**	563,310
Current portion	**₱965,739**	₱1,004,193

a. Secured Bank Loans

On June 11, 1999, the Parent Company and its creditor-banks agreed on the repayment plan of the Parent 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 Restructuring Agreement with the Parent Company. The Term Sheet formalized in the Memorandum of Agreement (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 Parent Company's faithful compliance with the MOA. By September 2000, the Parent Company substantially paid the interest due in June 2000. On July 6, 2001, the Parent Company settled the interest due on June 30, 2001 through the assignment of Tax Credit Certificates (TCC). 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 Parent Company faithfully complies with the terms and conditions of the MOA. The amount will automatically be charged to the Parent 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 restructuring agreement assets shall be applied to secured loans. The revenue from operations and proceeds from sale of non-restructuring agreement assets exceeding payment of regular interest, interest on accrued interest and net of the Parent 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 restructuring agreement 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 Parent 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 Parent Company executed, and is committed to maintain, the restructuring agreement 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 Parent 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 Parent 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 Parent 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 Parent Company received a certification from PNB that the Parent Company has not yet been declared under default in accordance with the Restructuring Agreement/MTI. On this basis, the Parent Company is continuing the process of validation with PNB as to who the creditors of record are, and the Parent Company's total financial obligation in accordance with RA No. 9182, Special Purpose Vehicle (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 Parent 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 Parent Company that the secured obligations covered by the MTI are due and payable. On the same date, the Parent 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 Parent 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 Parent Company and said creditor.

On October 28, 2010, the Parent 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 Parent Company entered in to a "Purchase and Sale Agreement" with two secured creditors for the settlement of its long-outstanding debts. The Parent Company settled its loans with the said creditors which comprise 26.61% of secured debts and 16.63% of unsecured debts.

On January 20, 2011, the Parent 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 Parent Company entered into a "Deed of Assignment" with an unsecured creditor. The agreement provides for the settlement of the Parent Company's outstanding debt comprising 68.67% of unsecured debts.

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

As of December 31, 2011 and 2010, the Parent Company has settled a total of ₱579.1 million and ₱2.2 billion in loan principal and related accrued interest and penalties, respectively. Gain on settlement of these liabilities amounted to ₱797.3 million and ₱1.9 billion, respectively (see Note 24).

On December 28, 2012, Parent Company entered into an "Agreement to Sell" with a third party to settle its non-performing loans amounting to ₱343.0 million for a total consideration of ₱47.9 million, payable in five (5) years from the date thereof, with interest of three percent (3%) per annum. The settlement of debt resulted to a gain amounting to ₱295.1 million (see Note 24).

During the year, BMC entered as well into various debt settlement agreements in relation to its long outstanding loans payable and accrued interest amounting to ₱53.5 million and ₱69.1 million, respectively, for a total retirement price of ₱30.7 million, resulting to gains on settlement of debt amounting to ₱91.9 million (see Note 24).

During the year, the Parent Company obtained loans from a bank with interest rates of twelve (12%) and terms of five (5) years. These loans with total remaining balance of ₱20.8 million as of December 31, 2012 are secured by registered chattel mortgage on various vehicles of the Parent Company.

On July 12, 2012, the Parent Company and BNMI entered into an agreement for a US$20.0 million loan term facility with ATB and Maybank to finance its working capital and capital expenditure requirements. The loan facility was fully drawn as of December 31, 2012. The loan is payable on various dates up to 2015. Interest rate for the loan is six (6.0%) plus any applicable screen rate and mandatory cost.

The facility agreement contains positive, negative and financial covenants which include, among others, payment of interest, strict compliance with regulatory provisions regarding internal revenue taxes and environmental requirements, the maintenance of certain financial and project ratios.

As of December 31, 2012, the Company has been compliant with the covenants contained in the facility agreement.

In 2012, transaction cost related to the loans payable that have been amortized is as follows:

Transaction costs capitalized	₱53,094
Less: amortized transaction costs	9,505
	43,589
Less: current portion	27,676
	₱15,913

Relative to the loan facility, BNMI also executed the following agreements with ATB and Maybank:

- Establishment of a collection account to capture all cash inflows from sale of nickel ore to a Chinese trading company. In compliance with the agreement, BNMI maintained a collection account with ATB amounting to ₱151.2 million.

- Establishment of DSRA which shall be used as security of the Account Pledge in connection with the loan facility. The DSRA cash balance amounted to ₱82.1 million as of December 31, 2012 (see Note 4).

PhilEXIM Loans
BLRI obtained from PhilEXIM a five-year loan facility up to ₱150.0 million to finance the expansion of the AGP. On various dates in 2011, BLRI, through an execution of promissory note, availed of the whole loan facility. The loan is subject to an interest of 11.25% per annum payable semi-annually. The principal is payable in equal semi-annual payments beginning on the 5th payment from the initial drawdown. Interest expense in relation to the loan amounted to ₱15.4 million, ₱10.1 million and nil in 2012, 2011 and 2010, respectively. The loan is covered by collateral (see Note 11).

In 2012, AFC entered into a medium-term loan under PhilEXIM's Medium to Long Term Direct Lending Program for the purpose of financing the purchase or dump trucks and transportation equipments. The total amount of loan granted in August 1, 2012 amounted to ₱8.0 million which is payable in three (3) years, subject to twelve (12%) interest rate per annum or the prevailing PDST-F rate at the time of disbursement plus applicable spread, whichever is higher.

The loan is partially secured by a chattel mortgage on its transportation equipments up to ₱4.0 million and a real estate mortgage of its lot in San Pedro, Laguna up to ₱2.0 million. The total carrying amount of the mortgaged property and equipment amounted to ₱59.2 million as of December 31, 2012.

b. Unsecured Bank Loans

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

c. Others

Nickel Off-take Agreement
On August 24, 2011, BNMI signed an off-take agreement with a Chinese trading company. The agreement calls for advances to be provided to the Parent Company amounting to $6.0 million (₱263.0 million) subject to interest of 6% per annum. Interest shall be computed on the outstanding advances after six months from the date of the contract. These advances shall be paid through the delivery of nickel ore by BNMI over the three years or 0.6 million per year. The Chinese trading company shall deduct $3.3 per metric ton from the selling price as partial repayment until the advance is fully paid.

On October 5, 2011, BNMI also signed an off-take agreement with another Chinese trading company. The Chinese trading company made advances to the Parent Company amounting to $7.0 million (₱306.9 million). These advances shall be paid through the delivery of nickel ore by BNMI over the three (3) years. The Chinese trading company shall deduct $3.5 per metric ton from the selling price as partial repayment until the advance is fully paid.

In 2012, payments of advances and interests from these off-take agreements amounted to $1.6 million (₱65.5 million) and $0.3 million (₱11.6 million), respectively. As of December 31, 2012 and 2011, the remaining advances amounted to $10.1 million (₱430.3 million) and $12.0 million (₱527.0 million), respectively.

Total interest charged to operations amounted to ₱80.0 million, ₱43.0 million and ₱133.6 million in 2012, 2011 and 2010, respectively.

Accrued interest and penalties represent cumulative interest and default charges as of December 31, 2012 and 2011.

As of December 31, 2012 and 2011, the Group has been compliant with the covenants, warranties and requirements of its long-term debts.

15. Trade and Other Payables

	2012	2011
Trade	**₱242,720**	₱78,150
Nontrade	**124,507**	83,981
Accrued expenses	**58,689**	27,889
Withholding taxes	**36,823**	23,379
Officers and employees	**5,212**	4,602
Output VAT	**–**	9,539
Others	**21,607**	16,437
	₱489,558	₱243,977

Trade payables include import and local purchases of equipment, inventories and various parts and supplies used in the operations of the Group. These are noninterest-bearing and are normally settled on sixty (60) to ninety (90) days' term.

Accrued expenses are noninterest-bearing and are normally settled on a thirty (30) to 90 day's term. These include unpaid billings for power, communication, light and water, professional fees and various operating expenses related to the mining operations.

Withholding taxes are normally remitted within ten (10) days from the close of each month.

Officers and employees include unclaimed wages, accrued vacation and sick leave and accrued payroll which are payable in 30 days' term.

Others represent other operating expenses that are payable to various suppliers and contractors.

16. Liability for Mine Rehabilitation

	2012	2011
Balances at beginning of year	**₱34,060**	₱23,759
Experience adjustment (Note 10)	**18,971**	7,081
Accretion (Note 24)	**2,197**	3,220
Balances at end of year	**₱55,228**	₱34,060

Liability for mine rehabilitation pertains to the estimated decommissioning costs to be incurred in the future on the mined-out areas of the Group.

The Group makes a full provision for the future cost of rehabilitating mine site and related production facilities on a discounted basis on the development of mines or installation of those facilities. The rehabilitation provision represents the present value of rehabilitation costs. These provisions have been created based on the Group's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. This, in turn, will depend upon future metal and ore prices, which are inherently uncertain.

The Group revised its estimate of the mine rehabilitation and decommissioning cost resulting to an adjustment on capitalized cost amounting to ₱18,971 and ₱7,081 in 2012 and 2011, respectively (see Note 10).

17. **Equity**

Capital Stock

	2012		2011	
	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”	**102,401,265**	**307,204**	102,351,465	307,055
Common Class “B”	**61,501,752**	**184,505**	61,473,467	184,420
Total shares issued		**₱492,454**		₱492,220

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 ₱24.28 a share in 2013. Each preferred share is convertible into 3.1625 Common Class A shares. The convertible preferred stock is also entitled to have one (1) 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 Parent Company’s BOD approved the 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.

On May 4, 2012, the Parent Company entered into a Stock Subscription Agreement with RBMC for the subscription of 7,941,240 Class “A” common shares and 5,294,070 Class “B” common shares of the Parent Company pursuant to the MOA dated April 7, 2010 and the Addendum to the MOA dated September 17, 2010. The total subscription price for the aforementioned Class “A” and Class “B” shares amounting to ₱180.0 million was received on May 31, 2013.

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

2012

	Convertible Preferred Class “A”	**Common Class “A”**	**Common Class “B”**
Issued shares at beginning of year	**217,061**	**102,351,465**	**61,473,467**
Employees’ exercise of stock options	**–**	**49,800**	**28,285**
Issued shares at end of year	**217,061**	**102,401,265**	**61,501,752**

2011

	Convertible Preferred Class "A"	Common Class "A"	Common Class "B"
Issued shares at beginning of year	217,061	100,935,625	61,473,467
Employees' exercise of stock options	–	1,415,840	–
Issued shares at end of year	217,061	102,351,465	61,473,467

All issuances of capital stock made during 2012 and 2011 were exempted from the registration requirements of SRC Rule 68.1. The movements in the capital stock pertain to employees' stock options which were exercised during the year.

Below is the Parent Company's track record of registration of securities under the Securities Regulation Code of the Philippine SEC:

Date of Registration (SEC Approval)	Description	Number of shares	Par value per share	Total amount (in 000's)
June 18, 1956	Capital upon registration:			
	Common shares	18,000,000	₱1.00	₱18,000
November 25, 1960	Increase in number and par value of common shares:			
	Common shares	20,000,000	2.00	40,000
November 9, 1964	Increase in par value of common shares:	20,000,000	3.00	60,000
October 22, 1968	Increase in number of common shares and introduction of preferred shares:			
	Common shares	50,000,000	3.00	150,000
	Preferred shares	6,000,000	5.00	30,000
March 12, 1974	Split of common share in to two classes and change in number and par value and addition of conversion feature to the preferred shares:			
	Common class "A"	30,000,000	3.00	90,000
	Common class "B"	20,000,000	3.00	60,000
	Convertible preferred shares	19,652,912	3.44	67,500
July 27, 1989	Increase in number of common shares			
	Common class "A"	120,000,000	₱3.00	₱360,000
	Common class "B"	80,000,000	3.00	240,000
	Convertible preferred shares	19,652,912	3.44	67,500
Total Authorized Capital:				
	Common class "A"	**120,000,000**	**₱3.00**	**₱360,000**
	Common class "B"	**80,000,000**	**₱3.00**	**₱240,000**
	Convertible preferred shares	**19,652,912**	**₱3.44**	**₱67,500**

As of December 31, 2012, 2011 and 2010, the Parent Company has seventeen thousand five (17,005), sixteen thousand nine hundred ninety-eight (16,998) and seventeen thousand one hundred fifty-six (17,156) stockholders, respectively.

On February 18, 2013, the Parent Company issued a total of 7,941,240 Class “A” and 5,294,070 Class “B” common shares to RBMC pursuant to the terms and conditions of the MOA on Private Placement dated April 7, 2010, Addendum to the MOA dated September 17, 2010, Stock Subscription Agreement dated May 4, 2012 and Letter of Agreement dated December 14, 2012 between the Parent Company and RBMC.

Other Components of Equity

	2012	2011
Revaluation increment - net of deferred tax liability	**₱750,779**	₱750,779
Deposits for future stock subscriptions	**180,000**	–
Cost of share-based payment (see Notes 18 and 26)	**51,616**	41,372
Cumulative translation adjustments of foreign subsidiaries	**46,263**	40,394
Unrealized gain on AFS investments	**844**	920
	₱1,029,502	₱833,465

18. **Stock Option Plan**

Under the 1975 Nonqualified Stock Option Plan (Plan), as amended, 9.9 million shares of the unissued common stock of the Parent Company have been reserved for stock options to selected managers, directors and consultants of the Parent Company. The option price is payable on exercise date and should not be less than the fair market value of the shares quoted on the date of the grant. The Plan, valid up to May 31, 1998, allows a maximum of 632,500 shares to be available to any one optionee. On May 26, 1998, the BOD and the stockholders approved the extension of the Plan until May 31, 2003, which was extended further on December 18, 2002 with the BOD and the stockholders’ approval until May 31, 2008. On December 18, 2007, the BOD and the stockholders approved a further extension of the Plan until May 31, 2013.

On March 23, 2012, the BOD and the stockholders approved the proposed amendments to the existing Amended Stock Option Plan and to extend the termination date of the existing Plan for five (5) years or until May 31, 2018.

As per amendments, there will be an increase in the maximum award per employee from 200,000 shares over the life of the plan to 500,000 shares per grant. Increase the shares reserved for issuance under the Plan from the total of 9,900,000 to 12,100,000. The existing Plan established in 1975 is now almost depleted.

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 30% after one year from the date of the grant, 60% after two years from the date of the grant, and 100% after three years from the 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:

	2012	2011	2010
Outstanding at beginning of year	**4,374,572**	3,726,880	4,722,400
Grant during the year	–	2,200,332	–
Exercised during the year	**(78,085)**	(1,415,840)	(452,800)
Cancelled during the year	**(149,000)**	(136,800)	(542,720)
Outstanding at end of year	**4,147,487**	4,374,572	3,726,880
Exercisable at end of year	**2,515,129**	2,174,240	3,726,880

Prices of outstanding options at grant date:

Class A - April 2006 Grant	₱8.50
- May 2011 Grant	16.50
Class B - April 2006 Grant	29.07
- May 2011 Grant	17.50

	2012	2011	2010
Average price per share	**₱20.50**	₱20.30	₱18.03
Shares available for future option grants	**1,574,962**	1,425,962	3,489,494

The Parent Company used the Binomial Options Pricing Model to determine the fair value of the stock options. The following assumptions were used to determine the fair value of the stock options:

	April 6, 2006 Grant		May 3, 2011 Grant	
	Class A	Class B	Class A	Class B
Share price	₱8.50	₱29.07	₱16.50	₱17.50
Exercise price	8.50	29.07	16.50	17.50
Expected volatility	29.51%	29.51%	91.20%	155.57%
Option life	10 years	10 years	10 years	10 years
Expected dividends	5.38%	5.38%	0.00%	0.00%
Risk-free interest rate	10.30%	10.30%	6.46%	6.46%

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. Compensation expense relating to the stock option plan recognized in 2012 and 2011 amounted to ₱11.5 million and ₱10.7 million, respectively. No compensation expense was recognized in 2010.

19. **Costs of Mine Products Sold**

	2012	2011	2010
Outside services	**₱399,931**	₱52,507	₱4,508
Materials and supplies	**181,887**	97,586	50,589
Depreciation, depletion and amortization (Note 23)	**73,633**	52,481	22,657
Personnel expenses (Note 22)	**73,227**	57,911	22,764
Smelting, refining and marketing	**43,908**	44,046	21,971
Power and utilities	**35,056**	16,462	10,115
Taxes and licenses	**9,982**	1,163	898
Other charges	**6,645**	4,581	5,071
	824,269	326,737	138,573
Net changes in beneficiated nickel ore	**(138,397)**	–	–
	₱685,872	₱326,737	₱138,573

20. **Costs of Services**

	2012	2011	2010
Materials and supplies	**₱64,591**	₱44,571	₱30,157
Rent	**48,196**	3,855	947
Depreciation, depletion and amortization (Note 23)	**29,122**	25,199	35,312
Personnel expenses (Note 22)	**16,250**	13,188	9,464
Power consumption	**10,924**	10,113	7,395
Real estate	**4,427**	4,852	8,425
Outside services	**2,607**	20,629	9,899
Repairs and maintenance	**2,026**	846	145
Travel and transportation	**1,602**	1,744	–
Taxes and licenses	**186**	296	527
Others	**12,754**	2,911	4,156
	₱192,685	₱128,204	₱106,427

Others consist mainly of repairs and maintenance and various direct charges that are individually immaterial.

21. **Selling and General Expenses**

	2012	2011	2010
Personnel expenses (Note 22)	**₱160,760**	₱97,237	₱107,234
Rent	**152,510**	8,157	7,788
Outside services	**133,500**	52,876	38,972
Supplies	**31,282**	9,578	6,076
Depreciation, depletion and amortization (Note 23)	**19,991**	10,372	1,932
Taxes and licenses	**16,801**	16,338	1,697
Communication, light and power	**10,857**	8,555	7,342
Transportation and travel	**10,670**	34,992	9,266
Representation	**3,585**	4,164	345
Provision for impairment losses (Note 6)	**690**	17,665	12,659
Others	**71,572**	12,682	23,871
	₱612,218	₱272,616	₱217,182

Others consist mainly of insurance, repairs and maintenance and various administrative expenses that are individually immaterial.

22. **Personnel Expenses**

	2012	2011	2010
Salaries and wages	**₱171,840**	₱123,155	₱100,920
Benefits and allowances (Note 28)	**78,397**	45,181	38,542
	₱250,237	₱168,336	₱139,462

The amounts were distributed as follows:

	2012	2011	2010
Selling and general expenses	**₱160,760**	₱97,237	₱107,234
Cost of mine products sold	**73,227**	57,911	22,764
Cost of services	**16,250**	13,188	9,464
	₱250,237	₱168,336	₱139,462

23. **Depreciation, Depletion and Amortization**

	2012	2011	2010
Cost of mine products sold	**₱73,633**	₱52,481	₱22,657
Cost of services	**29,122**	25,199	35,312
Selling and general expenses	**19,991**	10,372	1,932
	₱122,746	₱88,052	₱59,901

24. **Other Income (Charges)**

	2012	2011	2010
Gain on settlement of loans and other liabilities (Note 14)	**₱387,007**	₱797,258	₱1,943,563
Foreign currency exchange gains (losses) - net	**13,455**	(6,560)	106,417
Income from investment in fund (Note 13)	**5,903**	–	–
Interest income (Notes 4, 5 and 6)	**5,718**	7,464	9,091
Accretion expense (Note 16)	**(2,197)**	(3,220)	(1,948)
Income from sale of Kingking rights (Note 12)	**–**	411,208	353,600
Others - net	**(14,065)**	57,737	(17,110)
	₱395,821	₱1,263,887	₱2,393,613

25. **Incentive Bonus Plan**

The Group has an incentive bonus plan which provide for bonus awards, calculated on the basis of net income, to top operating executives, managers and members of the BOD. Bonus awards are either paid in full directly to the awardees or are transferred to a trust fund and are payable to the awardees in three installments generally over a period of two years.

No incentive bonuses were paid or accrued in 2012, 2011 and 2010.

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 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.

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).

27. Related Party Disclosures

Compensation of Key Management Personnel of the Group
The Group's related party transactions included the following compensation of key management personnel.

	2012	2011	2010
Salaries	**₱76,113**	₱47,214	₱29,735
Employee benefits (Note 28)	**17,287**	14,693	4,053
	₱93,400	₱61,907	₱33,788

All intercompany transactions are eliminated at consolidated level. Items eliminated are separately disclosed in a schedule in accordance with Philippine SEC requirements under the SRC Rule 68, as Amended (2011).

28. Pension Benefits Plans

Parent Company 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:

	2012	2011	2010
Parent Company			
Current service cost	**₱14,581**	₱5,508	₱3,036
Interest cost	**6,641**	2,463	2,355
Expected return on plan assets	**(120)**	(118)	(215)
Actuarial losses recognized in the plan year	**3,451**	404	168
	24,553	8,257	5,344
AFC			
Current service cost	**1,564**	398	195
Interest cost	**488**	121	185
Actuarial losses (gains) recognized in the plan year	**216**	(69)	(71)
	2,268	450	309
Net pension expense	**₱26,821**	₱8,707	₱5,653

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

	2012			2011		
	Parent Company	**AFC**	**Total**	Parent Company	AFC	Total
Present value of defined benefit obligation	**₱64,722**	**₱10,731**	**₱75,453**	₱114,506	₱8,680	₱123,186
Fair value of plan assets	**(4,891)**	**–**	**(4,891)**	(4,800)	–	(4,800)
Unfunded status	**59,831**	**10,731**	**70,562**	109,706	8,680	118,386
Unrecognized actuarial losses	**(9,497)**	**(4,543)**	**(14,040)**	(83,926)	(4,760)	(88,686)
	₱50,334	**₱6,188**	**₱56,522**	₱25,780	₱3,920	₱29,700

Changes in the present value of defined benefit obligation follow:

	2012			2011		
	Parent Company	**AFC**	**Total**	Parent Company	AFC	Total
Balances at beginning of year	**₱114,506**	**₱8,680**	**₱123,186**	₱33,696	₱2,209	₱35,905
Interest cost	**6,641**	**488**	**7,129**	2,463	121	2,584
Current service cost	**14,581**	**1,564**	**16,145**	5,508	398	5,906
Actuarial losses (gains)	**(71,006)**	**–**	**(71,006)**	72,839	5,952	78,791
Balances at end of year	**₱64,722**	**₱10,732**	**₱75,454**	₱114,506	₱8,680	₱123,186

Changes in the fair value of plan assets of Parent Company follow:

	2012	2011
Balances at beginning of year	**₱4,800**	₱4,727
Expected return	**120**	118
Actuarial losses	**(29)**	(45)
Balances at end of year	**₱4,891**	₱4,800

	2012	2011	2010
Actual return on plan assets	**₱91**	₱73	₱438

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

	2012	2011
Fixed income securities	**86.83%**	86.62%
Investment in shares of stock	**6.58%**	6.53%
Cash	**6.59%**	6.85%
	100.00%	100.00%

The Parent Company's plan assets are being managed by trustee banks. Investments of the fund includes time deposits, shares of stocks that are traded in the Philippine Stock Exchange (PSE) and unquoted shares of stocks. The Parent Company has no transactions with its retirement fund. The retirement fund has no investments in shares of stocks of the Parent Company.

Parent Company expects to contribute ₱20.0 million to the defined benefits retirement plan in 2013 while AFC does not expect to contribute any amount in 2013.

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

	Parent Company		AFC	
	2012	2011	**2012**	2011
Discount rate	**5.27%**	5.80%	**5.62%**	5.62%
Expected rate of return	**2.63%**	2.50%	**–**	–
Salary increase rate	**10.00%**	10.00%	**11.00%**	11.00%

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

	2012	2011	2010	2009	2008
Present value of defined benefit obligation	**₱64,722**	₱114,506	₱33,696	₱22,025	₱17,377
Fair value of plan assets	**4,891**	4,800	4,727	4,289	3,446
Unfunded status	**(59,831)**	(109,706)	(28,969)	(17,736)	(13,931)
Experience adjustments on:					
Plan assets	**(389)**	(45)	223	33	(170)
Plan liabilities	**7,815**	23,947	(1,772)	285	(1,608)
Actual return on plan assets	**91**	73	438	236	546

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

	2012	2011	2010	2009	2008
Present value of defined benefit obligation	**₱10,731**	₱8,680	₱2,209	₱1,902	₱6,143
Experience adjustments on plan liabilities	**–**	(4,760)	1,261	1,332	(4,013)

29. Income Taxes

The provision for (benefit from) current and deferred income tax in 2012 and 2011 are as follows:

	2012	2011
Regular corporate income tax (RCIT)	**₱137,011**	₱96,263
MCIT	**249**	27,977
Applied MCIT	**(65,497)**	–
Benefit from deferred income taxes	**(163,695)**	(28,467)
	(₱91,932)	₱95,773

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

	2012	2011
Deferred income tax assets on:		
Allowance for impairment losses	**₱129,589**	₱1,503
Accrued pension liability	**16,957**	1,176
Depletion of asset retirement obligation	**940**	–
Unamortized organization costs	**358**	716
Accretion of interest	**212**	–
Straight-line amortization of accrued rent	**165**	–
NOLCO	**–**	4,895
Unrealized foreign exchange loss	**–**	112
MCIT	**–**	343
Difference between tax and book basis of accounting for real estate transactions	**–**	16
	₱148,221	₱8,761
Deferred income tax liabilities on:		
Revaluation increment in land	**₱754,983**	₱754,983
Capitalized interest	**70,453**	85,168
Excess of accelerated deduction of mining exploration and development costs over depletion and exploration costs written-off	**43,065**	54,342
Revaluation increment in investment properties	**38,179**	38,179
Excess of accelerated depreciation over normal depreciation of property, plant and equipment and others	**24,501**	26,496
Unrealized foreign exchange gains	**13,273**	–
Transactions costs	**11,832**	–
Discounting of loans	**8,767**	12,541
Cumulative translation adjustments	**–**	17,312
	965,053	989,021
	(₱816,832)	(₱980,260)

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:

	2012	2011
Allowance for inventory losses, impairment losses and others	**₱164,459**	₱501,171
Reserve for impairment losses on mining properties and mine development costs	**107,202**	107,202
Liability for mine rehabilitation	**18,978**	17,485
NOLCO	**35,105**	17,089
Unrealized foreign exchange losses	**29,995**	135,607
Share-based payment	**10,559**	10,698
Accrued expense	**8,636**	8,366
Straight-line amortization of accrued rent	**260**	–
MCIT	**250**	65,497
Pension liability	**–**	25,780

As of December 31, 2012, 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
2010	2013	₱2,217	₱–
2011	2014	6,110	–
2012	2015	26,778	250
		₱35,105	₱250

Movements of NOLCO follow:

	2012	2011
Balances at beginning of year	**₱31,240**	₱278,956
Additions	**26,778**	7,544
Application	**(11,644)**	(245,651)
Expirations	**(11,269)**	(9,609)
Balances at end of year	**₱35,105**	₱31,240

Movements of MCIT follow:

	2012	2011
Balances at beginning of year	**₱66,003**	₱38,253
Application	**(65,497)**	(130)
Additions	**249**	27,977
Expirations	**(505)**	(97)
Balances at end of year	**₱250**	₱66,003

The reconciliation of income tax computed at the statutory income tax rate to provision for income tax shown in the consolidated statements of income is summarized as follows:

	2012	2011
Income tax computed at statutory rate	**₱163,662**	₱444,329
Changes in unrecognized deferred income tax assets and others	**(163,015)**	(290,830)
Nontaxable income	**(72,990)**	(84,007)
Tax exempt dividend income	**(45,000)**	–
Nondeductible expenses	**23,524**	24,711
Interest income subject to final tax	**(1,494)**	(931)
Expiration of NOLCO	**3,381**	2,501
	(₱91,932)	₱95,773

30. Earnings Per Share Computation

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

In computing for the diluted earnings per share, the Parent Company considered the effect of potentially dilutive stock options outstanding as at December 31, 2012.

	2012	2011	2010
Net income	**₱637,471**	₱1,385,324	₱2,399,172

Number of shares for computation of:

	2012	2011	2010
Basic earnings per share			
Weighted average common shares issued	**163,866,339**	163,101,809	158,614,411
Less: treasury shares	**116,023**	116,023	116,023
Weighted average common shares outstanding	**163,750,316**	162,985,786	158,498,388
Diluted earnings per share			
Weighted average common shares issued	**163,866,339**	163,101,809	158,614,411
Less: treasury shares	**116,023**	116,023	116,023
	163,750,316	162,985,786	158,498,388
Stock options	**4,147,487**	–	1,257,531
Convertible preferred shares	**686,455**	678,316	678,316
Conversion of deposit for future stock subscription	**13,235,310**	–	–
Weighted average common shares outstanding	**181,819,568**	163,664,102	160,434,235
Basic earnings per share	**₱3.89**	₱8.50	₱15.14
Diluted earnings per share	**₱3.51**	₱8.46	₱14.95

31. Segment Information

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, health services and water projects.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating income or loss and is measured consistently with income (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, 2012, 2011 and 2010:

2012

	Mining	Foundry	Trucking and Warehousing	Others	Total	Eliminations	Consolidated
Revenue							
External customers	₱1,769,554	₱–	₱33,072	₱8,744	₱1,811,370	₱–	₱1,811,370
Interest income	4,846	33	114	725	5,718	–	5,718
Inter-segment	103,649	5,165	466,250	–	575,064	(575,064)	–
Other income	556,931	92,555	–	1,946	651,432	(248,256)	403,176
	2,434,980	97,753	499,436	11,415	3,043,584	(823,320)	2,220,264
Cost and Expenses							
Interest expense	75,554	600	430	7,822	84,406	–	84,406
Direct costs	842,687	3,965	455,743	3,719	1,306,114	(550,303)	755,811
Selling and general expenses	741,978	3,278	17,393	10,358	773,007	(161,478)	611,529
Accretion expense	2,197	–	–	–	2,197	–	2,197
Impairment losses	315	–	375	–	375	–	690
Depreciation, depletion and amortization	118,646	7	3,656	710	123,019	(273)	122,746
Taxes on revenue	86,471	–	–	–	86,471	–	86,471
Other expenses	738	47	255	9,835	10,875	–	10,875
	1,868,586	7,897	477,852	32,444	2,386,779	(712,054)	1,674,725
Provision for (benefit from) income tax							
Current	121,765	9,605	6,455	632	138,457	–	138,457
Deferred	(230,343)	–	–	(46)	(230,389)	–	(230,389)
	(108,578)	9,605	6,455	586	(91,932)	–	(91,932)
Net income (loss)	₱674,972	₱80,251	₱15,129	(₱21,615)	₱748,737	(₱111,266)	₱637,471
Operating assets	₱10,119,816	₱429,069	₱294,972	₱260,172	₱11,104,029	(₱4,497,461)	₱6,606,568
Operating liabilities	₱4,113,839	₱101,500	₱246,681	₱213,263	₱4,675,283	(₱1,215,992)	₱3,459,291
Other disclosure:							
Capital expenditure	₱665,309	₱–	₱14,851	₱5,929	₱686,089	₱–	₱686,089

2011

	Mining	Foundry	Trucking and Warehousing	Others	Total	Eliminations	Consolidated
Revenue							
External customers	₱955,231	₱8,319	₱24,291	₱6,233	₱994,074	₱–	₱994,074
Interest income	24,019	2	29	4,570	28,620	(21,156)	7,464
Inter-segment	56,568	–	20,852	–	77,420	(77,420)	–
Other income	1,293,018	46,221	399	23,746	1,363,384	(105,630)	1,257,754
	2,328,836	54,542	45,571	34,549	2,463,498	(204,206)	2,259,292
Cost and Expenses							
Interest expense	57,867	2,202	14	4,121	64,204	(21,156)	43,048
Direct costs	414,587	6,168	36,704	4,852	462,311	(82,848)	379,463
Selling and general expenses	201,054	1,085	6,803	2,180	211,122	(7,103)	204,019
Accretion expense	3,220	–	–	–	3,220	–	3,220
Impairment losses	5,227	12,407	–	31	17,665	–	17,665
Depreciation, depletion and amortization	150,810	–	3,263	673	154,746	(66,694)	88,052
Taxes on revenue	6,259	–	–	–	6,259	–	6,259
Other expenses	32,242	1,597	110	2,520	36,469	–	36,469
	871,266	23,459	46,894	14,377	955,996	(177,801)	778,195
Provision for (benefit from) income tax							
Current	122,390	1,549	106	195	124,240	–	124,240
Deferred	(30,292)	(130)	1,910	45	(28,467)	–	(28,467)
	92,098	1,419	2,016	240	95,773	–	95,773
Net income (loss)	₱1,365,472	₱29,664	(₱3,339)	₱19,932	₱1,411,729	(₱26,405)	₱1,385,324
Operating assets	₱8,308,367	₱279,965	₱97,155	₱344,951	₱9,030,438	(₱3,726,012)	₱5,304,426
Operating liabilities	₱3,330,258	₱192,366	₱64,470	₱183,836	₱3,770,930	(₱777,803)	₱2,993,127
Other disclosure:							
Capital expenditure	₱292,404	₱–	₱267	₱33	₱292,704	₱–	₱292,704

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

(Forward)

	Mining	Foundry	Trucking and Warehousing	Others	Total	Eliminations	Consolidated
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
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

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

32. Financial Risk Management Objectives and Policies

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

The significant risks arising from the Group's financial instruments are liquidity risk, credit risk, interest rate risk and foreign currency risk. The BOD reviews and agrees policies for managing each of these risks and 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 liabilities. The Group's objective is to maintain a balance between continuity of funding in order to continuously operate and support its exploration activities. The Group considers its available funds and liquidity in managing its immediate financial requirements.

As of December 31, 2012 and 2011, 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 maturity profile of the Group's financial liabilities based on contractual undiscounted payments and the corresponding aging analysis of Group's financial assets as at December 31, 2012 and 2011 that are used to manage the liquidity risk of the group.

2012	**On Demand**	**0-90 days**	**More than 90 days**	**More than 1 year**	**Total**
Cash and cash equivalents					
Cash on hand	**₱802**	**₱–**	**₱–**	**₱–**	**₱802**
Cash in banks	**354,106**	**–**	**–**	**–**	**354,106**
Short-term deposits	**–**	**152,761**	**–**	**–**	**152,761**

(Forward)

2012	**On Demand**	**0-90 days**	**More than 90 days**	**More than 1 year**	**Total**
Short-term investment	**₱–**	**₱–**	**₱206,092**	**₱–**	**₱206,092**
Trade and other receivables					
Trade	**151,420**	**51,004**	**122,375**	**61,187**	**385,986**
Receivables from lessees of bunkhouses	**1,574**	**–**	**–**	**–**	**1,574**
Loans receivable	**49,767**	**–**	**–**	**–**	**49,767**
AFS investments					
Quoted instruments	**₱7,794**	**₱–**	**₱–**	**₱–**	**₱7,794**
Unquoted instruments	**–**	**7,992**	**–**	**–**	**7,992**
Total	**₱565,463**	**₱211,757**	**₱328,467**	**₱61,187**	**₱1,166,874**

2012	**On Demand**	**More than 90 days**	**More than 1 year**	**Total**
Loans payable	**₱542,027**	**₱507,882**	**₱1,105,066**	**₱2,154,975**
Trade and other payables				
Trade	**209,803**	**26,984**	**5,933**	**242,720**
Accrued expenses*	**26,878**	**5,740**	**9,233**	**41,851**
Other noncurrent liabilities				
Equity of claimowner in contract operations	**–**	**–**	**49,136**	**49,136**
Total	**₱778,708**	**₱540,606**	**₱1,169,368**	**₱2,488,682**

****Excludes statutory payables***

2011	On Demand	0-90 days	More than 90 days	More than 1 year	Total
Cash and cash equivalents					
Cash on hand	₱707	₱–	₱–	₱–	₱707
Cash in banks	638,957	–	–	–	638,957
Short-term deposits	–	617,710	–	–	617,710
Trade and other receivables					
Trade	14,294	7,522	18,048	9,024	48,888
Loans receivable	58,632	–	–	–	58,632
AFS investments					
Quoted instruments	9,343	–	–	–	9,343
Unquoted instruments	–	5,119	–	–	5,119
Total	₱721,933	₱630,351	₱18,048	₱9,024	₱1,379,356

2011	On Demand	More than 90 days	More than1 year	Total
Loans payable	₱890,308	₱–	₱719,920	₱1,610,228
Trade and other payables				
Trade	45,020	33,130	–	78,150
Accrued expenses	312	19,575	–	19,887
Other noncurrent liabilities				
Equity of claimowner in contract operations	–	–	49,136	49,136
Total	₱935,640	₱52,705	₱769,056	₱1,757,401

Credit Risk

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

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.
With respect to credit risk arising from other financial assets of the Group, which comprise of cash and cash equivalents, 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 statements of financial position. The maximum exposure is shown at gross amount, before the effect of mitigation through the use of master netting and collateral agreements.

	2012	2011
Cash and cash equivalents		
Cash in banks	**₱354,106**	₱638,947
Short-term deposits	**152,761**	617,710
Short-term investments	**206,092**	–
Trade and other receivables		
Trade	**385,986**	56,926
Receivables from lessees of bunkhouses	**1,574**	–
Loans receivable	**49,767**	58,632
Other noncurrent assets		
Mine rehabilitation fund (MRF)	**42,016**	2,960
AFS investments		
Quoted instruments	**7,794**	9,343
Unquoted instruments	**7,992**	5,119
Total credit risk exposure	**₱1,208,088**	₱1,389,637

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

2012

	Neither Past Due Nor Impaired				
	High Grade	**Standard Grade**	**Past Due But Not Impaired**	**Impaired**	**Total**
Cash and cash equivalents					
Cash in banks	**₱354,106**	**₱–**	**₱–**	**₱–**	**₱354,106**
Short-term deposits	**152,761**	**–**	**–**	**–**	**152,761**
Short-term investments	**206,092**	**–**	**–**	**–**	**206,092**
Trade and other receivables					
Trade	**183,562**	**51,004**	**151,420**	**7,500**	**393,486**
Receivables from lessees of bunkhouses	**–**	**–**	**1,574**	**30,418**	**31,992**
Loans receivable	**–**	**49,767**	**–**	**–**	**49,767**
Other noncurrent assets					
MRF	**42,016**	**–**	**–**	**–**	**42,016**
AFS investments					
Quoted instruments	**7,794**	**–**	**–**	**–**	**7,794**
Unquoted instruments	**–**	**7,992**	**–**	**–**	**7,992**
Total credit risk exposure	**₱946,331**	**₱108,763**	**₱152,994**	**₱37,918**	**₱1,246,006**

2011

	Neither Past Due Nor Impaired				
	High Grade	Standard Grade	Past Due But Not Impaired	Impaired	Total
Cash and cash equivalents					
Cash in banks	₱638,947	₱–	₱–	₱–	₱638,947
Short-term deposits	617,710	–	–	–	617,710
Trade and other receivables					
Trade	–	42,632	14,294	16,939	73,865
Receivables from lessees of bunkhouses	–	–	–	30,240	30,240
Loans receivable	–	58,632	–	–	58,632
Other noncurrent assets					
MRF	2,960	–	–	–	2,960
AFS investment					
Quoted instruments	9,343	–	–	–	9,343
Unquoted instruments	–	5,119	–	–	5,119
Total credit risk exposure	₱1,268,960	₱106,383	₱14,294	₱47,179	₱1,436,816

The Group has assessed the credit quality of the following financial assets:

a. Cash and cash equivalents and MRF are assessed as high grade since these are deposited in reputable banks, which have a low probability of default.

b. Trade receivables, which pertain mainly to receivables from sale of chromite ore, and loans receivable were assessed as standard grade. These were assessed based on past collection experience and the debtors' ability to pay. Other than receivables which were fully provided with allowance, there were no history of default on the outstanding receivables as of December 31, 2012 and 2011.

Market Risks

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates primarily to the Group's long-term debt obligations with floating interest rates.

As of December 31, 2012 and 2011, the Group's exposure to the risk for changes in market interest rate relates primarily to its secured bank loans and unsecured bank loans with floating interest rates. The Group regularly monitors its interest due to exposure from interest rates movements.

The Group's secured and unsecured loans payable are both payable on demand while other loans payable are payable within 3 years. Nominal interest rates vary from floating rate of 91-day Philippine 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:

2012	Change in interest rates (in basis points)	Sensitivity of pretax income
PHP	**+100**	**(₱7,947)**
PHP	**-100**	**7,947**
USD	**+100**	**(8,094)**
USD	**-100**	**8,094**

2011	Change in interest rates (in basis points)	Sensitivity of pretax income
PHP	+100	**(₱7,682)**
PHP	-100	**7,682**
USD	+100	**(4,862)**
USD	-100	**4,862**

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:

	2012		2011	
	USD	**Peso Equivalent**	USD	Peso Equivalent
Financial Assets				
Cash	**$10,484**	**₱430,368**	$20,934	₱917,747
Trade receivables under "Trade and other receivables"	**7,984**	**327,743**	207	9,075
Other current assets	**5,021**	**206,112**	–	–
Available-for-sale (AFS) investments	**40**	**1,642**	–	–
Total financial assets	**23,529**	**965,865**	21,141	926,822
Financial Liabilities				
Accrued interest and penalties	**1,234**	**50,656**	5,205	228,187
Other loans	**29,394**	**1,206,624**	12,025	527,176
Secured bank loans	**777**	**31,896**	3,773	165,408
Total financial liability	**31,405**	**1,289,176**	21,003	920,771
Net financial asset (liability)	**($7,876)**	**(₱323,311)**	$138	₱6,051

As of December 31, 2012 and 2011, the exchange rates of the Philippine peso to the USD are ₱41.05 and ₱43.84, irrespectively.

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, 2012 and 2011 is as follows:

2012	Change in foreign exchange rate	Sensitivity of pretax income
	Strengthens by Php1.00	**₱7,876**
	Weakens by Php1.00	**(7,876)**

2011	Change in foreign exchange rate	Sensitivity of pretax income
	Strengthens by Php1.00	(₱138)
	Weakens by Php1.00	138

Based on the historical movement of the foreign exchange rate, management believes that the reasonably possible change for the next quarter would result in an increase (decrease) of ₱1.00.

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

Fair Values of Financial Instruments

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

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, 2012 and 2011:

	Carrying Amounts		Fair Values	
	2012	2011	**2012**	2011
Financial Assets:				
Loans and receivables:				
Cash and cash equivalents				
Cash on hand and in banks	**₱354,908**	₱639,654	**₱354,908**	₱639,654
Short-term deposits	**152,761**	617,710	**152,761**	617,710
Short-term investments	**206,092**	–	**206,092**	–
Trade and other receivables				
Trade	**385,986**	58,926	**385,986**	58,926
Receivable from lessees of bunkhouses	**1,574**	–	**1,574**	–
Loans receivable	**49,767**	58,632	**49,767**	58,632
Other noncurrent assets				
MRF	**42,016**	2,960	**42,016**	2,960
	1,193,104	1,377,882	**1,193,104**	1,377,882
AFS investments:				
Quoted	**7,794**	9,343	**7,794**	9,343
Unquoted	**7,992**	5,119	**7,992**	5,119
	15,786	14,462	**15,786**	14,462
	₱1,208,890	₱1,392,344	**₱1,208,890**	₱1,392,344
Financial Liabilities:				
Other financial liabilities:				
Trade and other payables				
Trade	**₱242,720**	₱78,150	**₱242,720**	₱78,150
Accrued expenses	**41,851**	19,887	**41,851**	19,887
Loans payable	**1,896,922**	1,567,503	**2,154,975**	1,609,007
Other noncurrent liabilities				
Equity of claimowner in contract operations	**49,136**	49,136	**49,136**	49,136
	₱2,230,629	₱1,714,676	**₱2,488,682**	₱1,756,180

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, Short-term Investment, 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.

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

Loans Payable
Where the repricing of the variable-rate interest bearing loan is frequent (i.e., three-month repricing), the carrying value approximates the fair value. The fair value of other loans payable is determined by discounting the principal using the 3-month LIBOR rate of 0.58% plus credit spread of 5.42%.

Fair Value Hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2 - other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3 - techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As of December 31, 2012 and 2011, the Group had quoted AFS investments amounting to ₱7,794 and ₱9,343, respectively, carried at fair value in the consolidated statements of financial position. The quoted AFS investments are classified under Level 1 of the fair value hierarchy since these are based on quoted market prices or binding dealer price quotations. The Group has no financial instruments measured at fair value under Levels 2 and 3 of fair value hierarchy. There are no transfers between levels in 2012 and 2011.

Capital Management
The Group maintains a capital base to cover risks inherent in the business. The primary objective of the Group's capital management is to optimize the use and earnings potential of the Group's resources, ensuring that the Group complies with externally imposed capital requirements, if any, and considering changes in economic conditions and the risk characteristics of the Group's activities.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may obtain additional advances from stockholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes in 2012, 2011 and 2010. The Group monitors capital using its parent company financial statements. As at December 31, 2012 and 2011, the Group has met its capital management objectives.

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

	2012	2011
Capital stock	**₱492,454**	₱492,220
Capital surplus	**21,131**	18,895
Retained earnings	**1,612,206**	974,735
Treasury shares	**(8,016)**	(8,016)
	₱2,117,775	₱1,477,834

Further, the Group monitors capital using debt to equity ratio, which is the total liabilities divided by total equity. Debt to equity ratio of the Group as of December 31, 2012 and 2011 are as follows:

	2012	2011
Total liabilities (a)	**₱3,459,291**	₱2,993,127
Total equity (b)	**3,147,277**	2,311,299
Debt-to-equity ratio (a/b)	**1.10:1**	1.29:1

33. Leases, Agreements, Contingencies and Other Matters

Lease Agreements

Operating Lease
The Group leases its office space up to June 30, 2020, renewable upon mutual agreement of both parties. Total rental expense on these leases amounted to ₱4.1 million in 2012. Future minimum lease payments for the operating lease are as follows:

	December 31, 2012
Lease payments due in:	
Less than one year	₱4,412
Between one and five years	16,160
More than five years	8,525
Future minimum lease payments	₱29,097

Finance Lease
During the year, the Parent Company entered into a lease agreement with a leasing and finance company to finance its purchase of an item of property and equipment. Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:

	December 31, 2012
Lease payments due in:	
Less than one year	₱14,737
Between one and five years	46,671
Future minimum lease payments	61,408
Less amount representing interest	10,910
Present value of future minimum lease payments	50,498
Less current portion	10,361
Noncurrent portion	₱40,137

Interest expense recognized on the above finance lease obligations amounted to ₱4.4 million during the current year.

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, BPGC entered into a Royalty Agreement with Option to Purchase (Agreement) with 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. On August 26, 2011, BC entered into a Call Option Agreement with Nationwide Development Corporation (NADECOR). The call option grants NADECOR to acquire full ownership of the Company's Mineral Production Sharing Agreement in respect of its mining claims in Pantukan, Compostella Valley.

c. On December 6, 2010, Parent Company and BLRI signed an agreement for the management of the operation of AGP. Under the management contract, BLRI will provide the necessary technical and financial assistance to expand the production capacity of AGP to 300 tons per day in exchange for a management fee based on the net operating profit of AGP. BLRI also leases its equipments to the AGP mining operations

d. In 2011, the Parent Company signed a twenty (20) year power supply agreement with Therma Luzon, Inc. (TLI), a wholly-owned subsidiary of Aboitiz Power Corporation, to supply reliable power to its current and future mining operations in Itogon, Benguet. The contract provides for a payment discount of 0.5% on its monthly billing if the Parent Company pays TLI on or before the 15th of the payment month.

e. On August 8, 2011, BNMI appointed the Parent Company as its exclusive agent with a marketing fee of $5 per ton of nickel ore shipped, inclusive of VAT. Prior to the marketing agreement, the Company and BC had an operating agreement.

f. On April 30, 2012, the Parent Company entered into a directional investment management agreement with Maybank ATR KIM ENG capital Partners, Inc. (Maybank),an investment banking corporation authorized to perform trust and investment management functions. Under the terms of the agreement, Maybank is to act as the investment manager of the Parent Company's funds totaling ₱275.0 million which can be invested in commercial papers, shares of stock and other financial instruments for appreciation in value and financial returns in the form of interests, dividends or income from management, investment and reinvestment of such funds. As at December 31, 2012, the carrying amount of investment in fund amounted to ₱280.9 million (see Note 13).

g. In 2012, KCGC entered into lease agreements with BNMI which cover lease of the Candelaria port and the rental of charges for the latter's nickel shipments and other business related services. The initial term of the port rental agreement is ten (10) years starting from June 1, 2012. Based on the agreement, the port rental rate shall be US$1.50 per wet metric ton (WMT) of nickel ore loaded based on the final draft survey, which shall due five (5) days from the completion of every shipment. As for the barge rental, the KCGC charges BNMI with 10% mark-up on the actual barge rental billed to KCGC by the third-party barge owners.

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BOA/PRC Reg. No. 0001,
December 28,2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Benguet Corporation
7th Floor, Universal Re Building
106 Paseo de Roxas, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Benguet Corporation and Subsidiaries as at December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012, included in this Form 17-A, and have issued our report thereon dated March 22, 2013. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68, as Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jaime F. del Rosario

Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-3 (Group A),
March 21, 2013, valid until March 20, 2016
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3669674, January 2, 2013, Makati City

March 22, 2013

SCHEDULE I
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2012
(Amounts in Thousands)

BENGUET CORPORATION
7th Floor, Universal-Re Building, 106 Paseo de Roxas, Makati City

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning			₱295,950
Add: Net income actually earned/realized during the period			
	Net income during the period closed to Retained Earnings	₱649,869	
Less:	Non-actual/unrealized income net of tax		
	Equity in net income of associate/joint venture	–	
	Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	35,178	
	Fair value adjustment (mark-to-market gains)	–	
	Fair value adjustment of investment property resulting to gain	–	
	Adjustment due to deviation from PFRS/GAAP - gain	–	
	Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Subtotal		35,178	
Add:	Non-actual losses		
	Depreciation on revaluation increment (after tax)	–	
	Adjustment due to deviation from PFRS/GAAP - loss	–	
	Loss on fair value adjustment of investment property (after tax)	–	
Subtotal		–	
Net income actually incurred during the period		614,691	
Add (Less):			
	Dividend declarations during the period	–	
	Appropriations of retained earnings	–	
	Reversals of appropriations	–	
	Effects of prior period adjustments	–	
	Treasury shares	(8,016)	
Subtotal			**606,675**
RETAINED EARNINGS, AVAILABLE FOR DIVIDEND DISTRIBUTION AS OF DECEMBER 31, 2012			**₱902,625**

*Computed as follows:

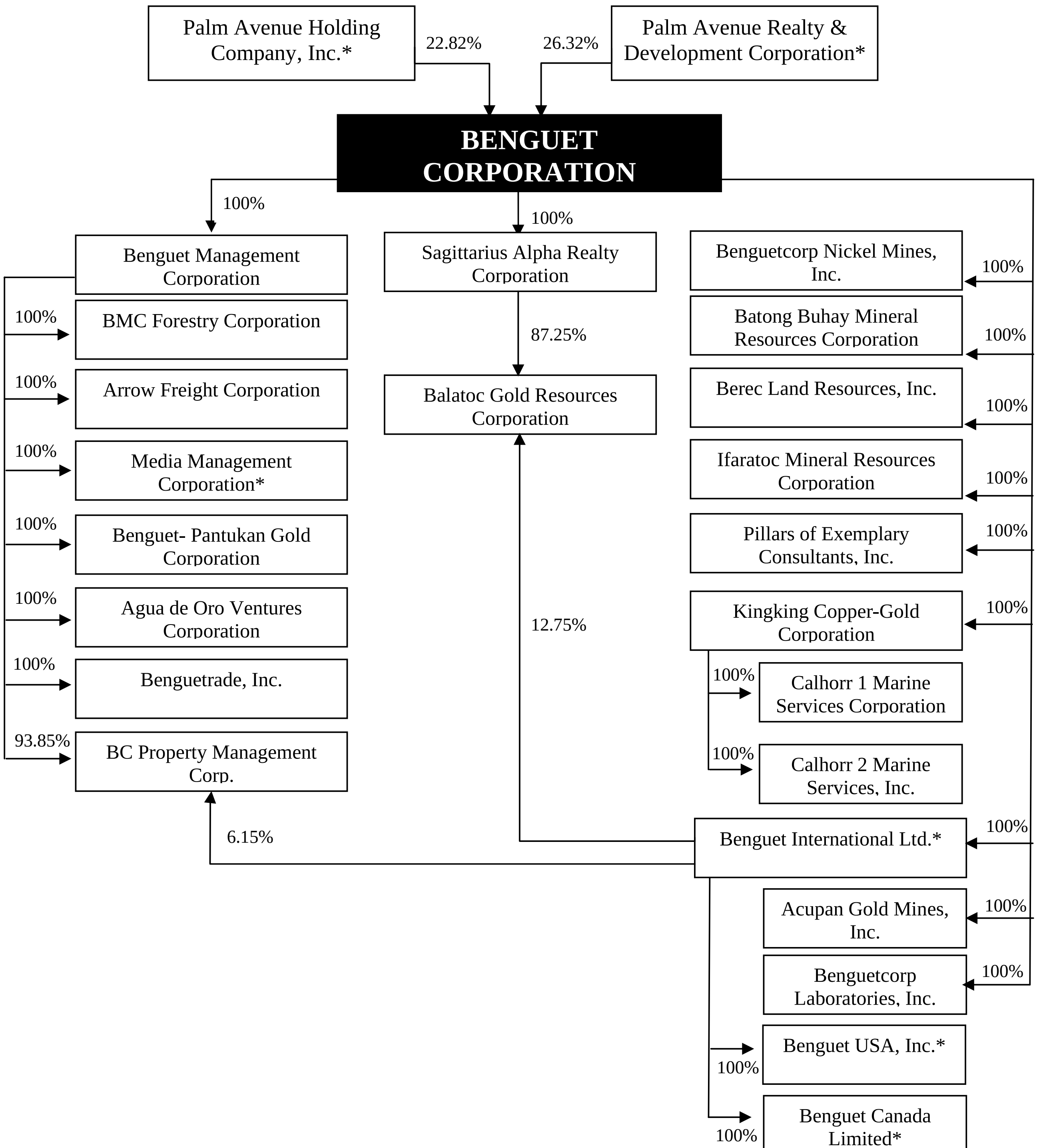
Retained earnings as of December 31, 2011, as reflected in audited financial statements	₱1,321,680
Effect of quasi-reorganization on revaluation increment	(1,010,848)
Unrealized foreign exchange gain - net except those attributable to cash and cash equivalents	(14,882)
Total	₱295,950

SCHEDULE II
BENGUET CORPORATION AND SUBSIDIARIES
FINANCIAL RATIOS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2012

	2012	2011
Profitability Ratios:		
Return on assets	**11%**	30%
Return on equity	**23%**	90%
Gross profit margin	**47%**	53%
Operating profit margin	**13%**	26%
Net profit margin	**35%**	139%
Liquidity and Solvency Ratios:		
Current ratio	**1.25:1**	1.18:1
Quick ratio	**0.96:1**	1.02:1
Solvency ratio	**0.22:1**	0.49:1
Financial Leverage Ratios:		
Asset to equity ratio	**2.10:1**	2.29:1
Debt ratio	**0.52:1**	0.56:1
Debt to equity ratio	**1.10:1**	1.29:1
Interest coverage ratio	**7.46:1**	35.41:1

SCHEDULE III

BENGUET CORPORATION AND SUBSIDIARIES
MAP OF THE RELATIONSHIPS OF THE
COMPANIES WITHIN THE GROUP
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2012



**Not audited by SGV & Co.*

SGVFS001055

SCHEDULE IV
BENGUET CORPORATION AND SUBSIDIARIES
TABULAR SCHEDULE OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER THE PFRS PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2012

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as at December 31, 2012:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	Not Early Adopted		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not Early Adopted		
PFRS 8	Operating Segments	✓		
PFRS 9*	Financial Instruments	Not Early Adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not Early Adopted		
PFRS 10*	Consolidated Financial Statements	Not Early Adopted		
PFRS 11*	Joint Arrangements	Not Early Adopted		
PFRS 12*	Disclosure of Interests in Other Entities	Not Early Adopted		
PFRS 13*	Fair Value Measurement	Not Early Adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	Not Early Adopted		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended) *	Employee Benefits	Not Early Adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended) *	Separate Financial Statements	Not Early Adopted		
PAS 28	Investments in Associates			✓
PAS 28 (Amended) *	Investments in Associates and Joint Ventures	Not Early Adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Not Early Adopted		
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*	✓		
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Not Early Adopted		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

SCHEDULE A

BENGUET CORPORATION AND SUBSIDIARIES
FINANCIAL ASSETS
DECEMBER 31, 2012
(Amounts in Thousands)

Name of issuing entity and association of each issue	Number of shares or principal amounts of bonds and notes	Amount shown in the balances sheet (figures in thousands)	Income received and accrued
BDO Unit Investment Trust Fund	2,948	₱4,223	–
BDO UITF - Dollar	376	2,014	–
Philippine Long Distance Telephone Co.	412	521	–
BDO UITF - Peso	143,939	258	–
Club Filipino	1	140	–
Camp John Hay	1	100	–
Others	–	8,529	–

SCHEDULE B

BENGUET CORPORATION AND SUBSIDIARIES
AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS
(OTHER THAN RELATED PARTIES)
DECEMBER 31, 2012
(Amounts in Thousands)

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected / Settlements	Amounts Written off	Current	Not Current	Balance at end period
Dalit, Jane C.	₱187	₱–	(₱20)	₱–	₱167	₱–	₱167
Aw-Aw, Eduardo	77	–	–	–	77	–	77
Mata, J.R.	66	–	–	–	66	–	66
Calub, Ma. Lourdes O.	79	–	(37)	–	42	–	42
Cambo, Timoteo	–	25	–	–	25	–	25
Lazaro, C. O.	624	33	–	–	657	–	657
Marigundon, H. M.	312	161	–	–	473	–	473
Tangalin, R. H.	230	20	–	–	250	–	250
Bernaldo, C. T.	213	–	(42)	–	171	–	171
Villanueva, F. O.	131	56	–	–	187	–	187
Hizon, Amado	117	13	–	–	130	–	130
Hizon, Fernando	–	30	–	–	30	–	30
Villegas, L. C.	89	21	–	–	110	–	110
Barcelona, E. M.	45	–	(16)	–	29	–	29
Puspos, Emmanuel	39	–	–	–	39	–	39
Calimlim, D. B.	143	–	(29)	–	114	–	114
Marcelo, James	9	28	–	–	37	–	37
Monslaud, Evelyn	–	30	–	–	30	–	30
Rodrigo, Dianne	–	59	–	–	59	–	59
Hizon, Fernando	–	24	–	–	24	–	24

SCHEDULE C

BENGUET CORPORATION AND SUBSIDIARIES
AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE
CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Amounts in Thousands)

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected / Settlements	Amounts Written off	Current	Not Current	Balance at end period
Benguetcorp Nickel Mines, Inc.	(₱91,461)	–	(₱67,690)	–	(₱159,151)	₱–	(₱159,151)
Media Management Corporation	30,649	–	(8,466)	–	22,183	–	22,183
Kingking Copper-Gold Corporation	59,983	–	(89,778)	–	(29,795)	–	(29,795)
Benguet-Pantukan Gold Corporation	57,082	–	(27,783)	–	29,299	–	29,299
BC Property Management, Inc.	48,614	–	(19,366)	–	29,248	–	29,248
Berec Land Resources, Inc.	(51,400)	23,927	–	–	(27,473)	–	(27,473)
Benguet Management Corporation	(100,205)	99,779	–	–	(426)	–	(426)
BMC Forestry Corporation	(26,764)	20,026	–	–	(6,738)	–	(6,738)
Balatoc Gold Resources Corporation	54,076	52,815	–	–	106,891	–	106,891
Arrow Freight Corporation	18,249	–	(2,703)	–	15,546	–	15,546
Agua de Oro Ventures Corporation	36,746	–	(26,245)	–	10,501	–	10,501
Benguetrade, Inc.	(27,495)	22,531	–	–	(4,964)	–	(4,964)
Sagittarius Alpha Realty Corporation	5,402	–	(3,540)	–	1,862	–	1,862
Batong Buhay Mineral Resources Corporation	1,587	40	–	–	1,627	–	1,627
Pillars of Exemplary Consultants, Inc.	374	42	–	–	416	–	416
BenguetCorp International Limited	361	–	–	–	361	–	361
Ifaratoc Mineral Resources Corporation	104	–	(2,445)	–	(2,341)	–	(2,341)
Acupan Gold Mines, Inc.	–	–	(2,401)	–	(2,401)	–	(2,401)
Benguetcorp Laboratories, Inc.	–	1,979	–	–	1,979	–	1,979
Calhorr 1 Marine Services Corporation	–	7,799	–	–	7,799	–	7,799
Calhorr 2 Marine Services, Inc.	–	–	(1,949)	–	(1,949)	–	(1,949)

SCHEDULE D

BENGUET CORPORTION AND SUBSIDIARIES
INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2012
(Amounts in Thousands)

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Deferred exploration costs	₱408,163	₱339,076	–	–	–	₱747,239

SCHEDULE E

BENGUET CORPORATION AND SUBSIDIARIES
LONG-TERM DEBT
DECEMBER 31, 2012
(Amounts in Thousands)

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under the caption "Current Portion of long-term borrowings" in related balance sheet	Amount shown under the caption "Long-term borrowings- net of current portion" in related balance sheet
Unsecured Bank Loans	₱70,825	₱70,825	₱–
Secured Bank Loans	1,052,488	441,320	611,168
Other loans			
Nickel Ore Customers	430,297	146,655	283,642
Others	14,212	14,212	–
	₱1,567,822	₱673,012	₱894,810

The amounts shown exclude the accrued interest.

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SCHEDULE F

BENGUET CORPORATION AND SUBSIDIARIES
INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2012

Name of Related Party	Balance at beginning of period	Balance at end of period
	NOT APPLICABLE	

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SCHEDULE G

BENGUET CORPORATION AND SUBSIDIARIES
GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2012

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owed by person for which statement is filed	Nature of guarantee

NOT APPLICABLE

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SCHEDULE H

BENGUET CORPORATION AND SUBSIDIARIES
CAPITAL STOCK
DECEMBER 31, 2012

The parent company's authorized share capital is ₱667.5 million divided into 219,652,912 shares consisting of 67.5 million Convertible Preferred Class "A" shares with par value of ₱3.43 each and 120 million Class "A" common shares and 80 million Class "B" common shares with par value of ₱3 each. As at December 31, 2012, shares issued and outstanding totaled 164,004,055 held by 17,005 shareholders.

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for option, warrants, conversions and other rights	Affiliates	No of shares held by Directors and Officers	Others
Convertible Preferred Stock						
Class A	19,652,912	217,061	–	–	–	217,061
Common Stock						
Class A	120,000,000	102,297,667	675,374	–	318,354	101,979,313
Class B	80,000,000	61,489,327	899,588	–	23,955	61,465,372

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