



BenguetCorp

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

April 20, 2012

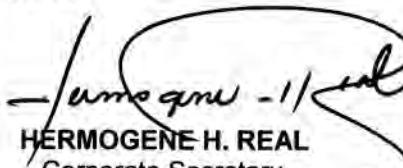
The Annual Meeting of the Stockholders of Benguet Corporation (herein "BenguetCorp" or "the Company") will be held at Fairways Dining, Manila Golf and Country Club, Inc., Harvard Road, Forbes Park, Makati City, Philippines, on May 29, 2012 at 3 o'clock p.m. for the following purposes:

1. To elect ten (10) shareholders to serve as Directors (including Independent Directors) for the ensuing year, in case the Temporary Restraining Order (TRO) of the Philippine Supreme Court is lifted on or before the stated Annual Stockholders' Meeting on May 29, 2012 or within 90 days thereafter;
2. Approval of Minutes of the Annual Stockholders' Meeting held on June 29, 2011;
3. Approval of the amendments of the existing Amended Stock Option Plan;
4. Ratification of all acts, contracts, resolutions and proceedings made and entered into by Management and/or the Board of Directors since the June 29, 2011 Annual Stockholders' Meeting; and
5. To transact such other business as may properly be brought before the meeting or any adjournment thereof, including possibly voting to adjourn the meeting up to ninety (90) days until the aforesaid TRO is lifted. Management knows of no other proposals to be presented during the meeting.

The Board of Directors has fixed the close of business on April 10, 2012 as the record date for the determination of the holders of the Company's stock entitled to notice of, and to vote at the said meeting. The transfer books will not be closed.

Any stockholder who does not expect to attend the meeting in person and desires to be represented thereat is requested to date and sign the proxy enclosed herewith and deposit the same in the mails in the enclosed envelope with no postage required. As provided under the By-Laws, the proxy should be mailed in time so as to be received by the Stockholders Relations Office/Corporate Secretary on or before 3 o'clock p.m. of May 28, 2012 which is 24 hours before the date of the meeting. Validation of proxies will be on May 28, 2012 at 3:00 p.m. at the Board Room of Benguet Corporation, Universal Re-Building, 106 Paseo de Roxas, 1226 Makati City, Philippines. In the event a stockholder decides to attend the meeting, he may, if he wishes, revoke his proxy and vote his shares in person.

A copy of the Annual Report of the Company for the year ended December 31, 2011 containing the audited financial statements for the year 2011 accompanies this notice.


HERMOGENE H. REAL
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

**INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**



1. Check the appropriate box:
 Preliminary Information Statement
 Definitive Information Statement
2. Name of Registrant as specified in its charter : BENGUET CORPORATION
3. METRO MANILA, PHILIPPINES
 Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number: 11341
5. BIR Tax Identification Code: 410-000-051-037
6. UNIVERSAL RE-BUILDING, 106 PASEO DE ROXAS, MAKATI CITY 1226
 Address of principal office Postal Code
7. Registrant's telephone number, including area code: (632) 751-9137 / 812-1220
8. May 29, 2012, 3 o'clock p.m., Fairways Dining, Manila Golf & Country Club, Inc., Harvard Road, Forbes Park, Makati City, Philippines
 Date, time and place of the meeting of security holders
9. Approximate date on which the Information Statement is first to be sent or given to security holders: As soon as practicable after the approval of the Definitive Information Statement but not later than April 30, 2012
10. In case of Proxy Solicitations:
 Name of Person Filing the Statement/Solicitor : Management of Benquet Corporation
 Address : Universal Re-Building, 106 Paseo de Roxas, Makati City, Philippines
 Telephone No. : (632) 751-9137 / 812-1380
11. Securities registered pursuant to Sections 8 and 12 of the Code (information on number of shares and amount of debt is applicable only to corporate registrants):

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding & Amount of Debt Outstanding (Net of Treasury Shares as of March 31, 2012)</u>
Convertible Preferred Class A share	217,061
Common Class A share	102,247,867
Common Class B share	61,461,042

Total consolidated outstanding principal debt as of December 31, 2011- ₱975 Million

12. Are any or all of registrant's securities listed on a Stock Exchange? Yes No
 If so, disclose the name of such Stock Exchange and class of securities listed therein:

The Issuer's Class A and B common and Convertible Preferred Class A shares are listed in the Philippine Stock Exchange (PSE).

PART I. INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS

The Annual Stockholders' Meeting of Benguet Corporation (the "Company") will be held at Fairways Dining, **Manila Golf & Country Club, Inc., Harvard Road, Forbes Park, Makati City, Philippines** on **May 29, 2012** at **3:00 p.m.** The complete mailing address of the principal office of the Company is **7th Floor Universal Re-Building, 106 Paseo de Roxas, 1226 Makati City, Philippines.**

The Information Statement and form of proxy are first to be sent to security holders as soon as practicable after the approval of the Definitive Information Statement by the Securities and Exchange Commission but not later than **April 30, 2012.**

DISSENTERS' RIGHT OF APPRAISAL

Although the following actions are not among the matters to be taken up during the Annual Stockholders' Meeting, the stockholders are herein apprised of their appraisal rights pursuant to Title X of the Philippine Corporation Code. A stockholder shall have the right to dissent and demand payment of fair value of the share in case he voted against the following proposed corporate actions: (a) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or extending or shortening the term of corporate existence; (b) in case of sale, lease, exchange, transfer, mortgage, pledge or other dispositions of all or substantially all of the corporate property and assets; and (c) in case of merger or consolidation.

The appraisal right may be exercised by the dissenting stockholder by making a written demand for payment of the fair value of his shares on the company within thirty (30) days after the date on which the vote was taken and within ten (10) days after demanding payment of his shares, he shall submit the certificate of stocks representing his shares to the company for notation thereon that such shares are dissenting shares. If the proposed corporate action is implemented and if there is agreement as to the fair value of the shares, the company shall pay the fair value of the shares to such stockholder upon surrender and transfer of the certificate of stocks. The fair value of the share shall be determined as to the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate actions. Provided, that no payment shall be made to any dissenting stockholder, unless the company has unrestricted retained earnings in its books to cover such payment. If within a period of sixty (60) days from the date the corporate action was approved, the withdrawing stockholder of the company cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the dissenting stockholder, another by the company and the third by the two previously chosen. The findings of the majority of the appraisers will be final and the award shall be paid by the company within thirty (30) days after the award is made. Upon payment of the agreed or awarded price, the stockholder shall forthwith transfer his share to the company. From the time of demand for payment of the fair value of the stockholder shares, all rights accruing to such shares, including voting and dividend rights, shall be suspended.

However, since the matter to be taken up during the stockholders' meeting do not include any of the corporate actions wherein stockholders' appraisal right may be available and exercised, there is no call for the same.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Other than the nominees for election as directors, no director, nominee, associate of the nominees or officer of the Company at any time since the beginning of the last fiscal year, had any substantial interest, directly or indirectly, by security holdings or otherwise, in any of the matters to be acted upon in the stockholders' meeting, other than election to office. No director has informed the Company in writing that he intends to oppose any action to be taken by the Company at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

a. Class of Voting Shares

The Company has three classes of stock, two of which (the Common Class A and the Convertible Preferred Class A) can be owned only by Philippine citizens because the Company is engaged in the mining business. Under Philippine law, at least sixty percent (60%) of the outstanding capital stock of a corporation engaged in mining must be owned by Philippine citizens. The other class of the Company's stock is its Common Class B which may be owned by anyone regardless of nationality or citizenship.

As of March 31, 2012, there are 217,061 shares outstanding of the Company's Convertible Preferred Class A stock, 102,247,867 shares outstanding of its Common Class A stock and 61,461,042 shares outstanding of its Common Class B stock. Each share of stock outstanding is entitled to one vote. Holders of the Company's Convertible Preferred Class A stock and Common Class A stock are entitled to nominate and elect six (6) out of the ten (10) members of the Board of Directors. Holders of the Company's Common Class B shares are entitled to nominate and elect four (4) out of the ten (10) members of the Board of Directors.

b. Record Date and Share Ownership

Only holders of the Company's stock of record at the close of business on April 10, 2012, are entitled to notice of and to vote at the Annual Stockholders' Meeting to be held on May 29, 2012. Presence in person or by proxy of a majority of the outstanding capital stock on the record date is required for a quorum.

c. Cumulative Voting Rights

In the election of directors, stockholders may vote only for those directors nominated for the class of shares owned by them, either in person or by proxy. Any stockholder may cumulate his shares since cumulative voting is authorized under the Philippine Corporation Code and will be used in the election of directors at the meeting. On this basis, each holder of Convertible Preferred Class A and Common Class A stocks may vote the number of shares registered in his name for each of the six (6) directors to be elected by said classes of stock, or he may multiply the number of shares registered in his name by six (6) and cast the total of such votes for one (1) director or he may distribute his votes calculated as above described among some or all of the six (6) directors to be elected by the said classes of stockholders, as he elects. Each holder of Common Class B may do the same thing in respect of the four (4) directors to be elected by Common Class B shareholders (but multiplying by four (4) rather than by six (6)). The proxies propose to use their discretion in cumulating votes.

d. Security Ownership of Certain Record and Beneficial Owners and Management

1) Security Ownership of Certain Record and Beneficial Owners: - The following table sets forth certain information about persons (or "groups" of persons) known by the Company to be the record or beneficial owner of five percent (5%) or more of the Company's total outstanding stocks as of March 31, 2012:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent to Total Shares Outstanding
Class A Common	PCD Nominee Corporation G/F MSE Bldg., Ayala Avenue, Makati City (Stockholder)	(see note 1/)	Filipino	33,669,762	20.540%
	Palm Avenue Holding Company, Inc. - 3F Universal Re-Building, 106 Paseo de Roxas, Makati City (Stockholder)	(see note 2/)	Filipino	21,874,909	13.344%

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 Government under Executive Order Nos. 1 & 2 c/o PCGG, IRC Bldg., #82 EDSA, Mandaluyong City (Stockholder)	(see note 2/)	Filipino	21,306,830	12.998%
	Palm Avenue Holdings Company and/or Palm Avenue Realty Corporation, Metro Manila, Philippines. Sequestered by the Republic of the Philippines thru Presidential Commission on Good Government under Executive Order Nos. 1 & 2 and reverted to Palm Avenue as sequestered shares per Supreme Court Entry of Judgment dated March 15, 1993 in G.R. No. 90667 entitled Republic of the Philippines vs. Sandiganbayan, Palm Avenue Realty Deve-lopment Corp. and Palm Avenue Holdings Company c/o PCGG, IRC Bldg., #82 EDSA Mandaluyong City. (Stockholder)	(see note 2/)	Filipino	10,278,125	06.270%
	Alfonso T. Yuchengco and Associates, RCBC, 333 Sen. Gil Puyat Ave.Mkt City (Stockholder)	(see note 3/)	Filipino	8,707,967	05.312%
Class A Convertible Preferred	None				
Class B Common	Palm Ave. Realty & Devt. Co. 3F Universal Re-Building, 106 Paseo de Roxas, Makati City (Stockholder)	(see note 2/)	Filipino	14,560,000	08.882%

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.

There are no PCD's participants who own five percent (5%) or more of the Company's total outstanding stocks as of March 31, 2012.

Notes to Security Ownership of Certain Record and Beneficial Owners:

- 1/ PCD Nominee Corporation ("PCDNC") is a wholly-owned subsidiary of Philippine Central Depository, Inc. ("PCD"). The beneficial owners of such shares registered under the name of PCDNC are PCD's participants who hold the shares in their own behalf or in behalf of their clients. The PCD is prohibited from voting these shares, instead the participants have the power to decide how the PCD shares of the Company 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 Corp. (the "Palm Companies). The nominee of Palm Companies in the Board of Directors is Mr. Benjamin Philip G. Romualdez, President/CEO of the Company. In June 29, 2011 Annual Stockholders' Meeting of the Company, the Palm Companies issued a proxy in favor of its legal counsels, Attys. Otilia Dimayuga-Molo/Andrea Rigonan-Dela Cueva, to vote in all matters to be taken up in the stockholders' meeting.
- 3/ The Company is not aware of who is/are the direct or indirect beneficial owner/s of Alfonso T. Yuchengco & Associates. The nominee of Alfonso T. Yuchengco & Associates in the Board of Directors is Mr. Luis Juan L. Virata who is currently a Director.

Security Ownership of Management - The following table sets forth certain information as of March 31, 2012, as to each class of the Company's securities owned by the Company's directors and officers (It is to be noted that all the shares below are record ownership): The Company is not aware of any indirect beneficial ownership of Directors and Executive Officers of the Company.

A. Individual

Title of Class	Name of Beneficial Owner	Citizenship	Amount and nature of beneficial ownership	Percent to total per Class of stocks
A	Benjamin Philip G. Romualdez	Filipino	23	0.000%
B			551	0.001%
A	Dennis R. Belmonte	Filipino	72,001	0.070%
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	72,001	0.070%
B			19,200	0.031%
A	Daniel Andrew G. Romualdez	Filipino	7	0.000%
A	Maria Remedios R. Pompidou	Filipino	5	0.000%
B	Bernardo M. Villegas	Filipino	1	0.000%
A	Salvador P. Pabalan	Filipino	2,481	0.002%
A	Marcelo A. Bolaño	Filipino	19,163	0.019%
A	Roland P. de Jesus	Filipino	7,263	0.007%
A	Reynaldo P. Mendoza	Filipino	41,222	0.040%
A	Leopoldo S. Sison III	Filipino	13,322	0.013%
A	Ma. Mignon D. De Leon	Filipino	10,000	0.010%
A	Lina G. Fernandez	Filipino	38,022	0.037%
A	Tomas D. Malihan	Filipino	95	0.000%
A	Max D. Arceño	Filipino	511	0.000%
A	Hermogene H. Real	Filipino	17,700	0.017%
B			100	0.000%

B. As a Group

Class A Common	Filipino	62,461,900 shares ¹	61.089%
Class B Common	Filipino	15,062,452 shares ²	24.507%

Conversion Premium of Convertible Preferred Class A Shares – (For the information of shareholders)

After the 25% stock dividend which was paid on July 20, 1990, the holders of Convertible Preferred Class A may, at their option, convert such shares into 3.1625 shares of Common Class A stock of Benguet upon payment of a conversion premium which shall be an amount equal to the earnings per share of common stock (Common Class A and Common Class B) averaged over the immediately preceding 5-year period, multiplied by a factor of 6; provided, however, that the sum of the par value of the Convertible Preferred Class A shares being converted & the conversion premium so determined shall in no case be less than the book value per share of the common stock (Common Class A and Common Class B) outstanding. The conversion premium is ₱22.46 a share in 2012.

¹ Includes 10,278,125 and 21,306,830 sequestered shares, the record owners of which are Palm Avenue Holdings Company (PAHC) and/or Palm Avenue Realty Corporation (PARC) and presently held in trust by PCGG. Also included is the 8,707,967 shares beneficially owned by a group of associates of A.T. Yuchengco; and 21,874,909 shares, the record owner of which is Palm Avenue Holding Company, Inc.

² Includes 237,850 and 235,667 sequestered shares, the record owner of which are Fairmont Real Estate, Inc. and Independent Realty Corporation which is presently in trust by PCGG. Also included is the 14,560,000 shares, the record owner of which is Palm Avenue Realty and Development Corporation; and 8,980 shares beneficially owned by RCBC Trust Accounts, a group associate of AT Yuchengco.

- 3) Voting Trust Holders of 5% or More: - There are no voting trust holders of 5% or more.
- 4) Changes in Control of the Registrant: - For the years 2010 and 2011, there are no arrangements which may result in a change in control of the registrant company.

Status of the TRO

As of the date of this statement, the election of directors is still enjoined under the Temporary Restraining Order (TRO) issued by the Philippine Supreme Court. Unless such TRO is set aside to allow an election, no election can be held. The incidents leading to the above-mentioned TRO are as follows: - In the second quarter of 1986, 16.2 million Common Class A shares of Benguet Corporation registered in the name of Palm Avenue Holdings Corporation and Palm Avenue Realty Corporation were sequestered by the Presidential Commission on Good Government (PCGG), on the ground that the beneficial owner of the shares allegedly being Benjamin Romualdez, the brother-in-law of former President Ferdinand Marcos. The PCGG has voted these Class A shares during the annual stockholders' meeting from 1986 up to 1991. In the annual stockholders' meeting held in May of 1992, the Palm Avenue Companies nominated and voted for Benjamin Philip G. Romualdez and Ferdinand Martin G. Romualdez pursuant to a resolution of the Sandiganbayan (anti-graft court) dated May 25, 1992 allowing the Palm Avenue Companies as registered owners of sequestered shares to exercise voting rights of shares subject of litigation regarding the legal ownership over said shares. Just before the start of the 1993 stockholders' meeting, a Temporary Restraining Order (TRO) issued by the Philippine Supreme Court in connection with a pending PCGG case enjoined the Company from conducting the election of directors scheduled on said date or on any later date until further orders of the Court. The 1993 meeting, however, continued as to any other matters in the agenda. Since then the TRO has not been lifted. Thus, the Board deferred the holding of the 1994 Annual Stockholders' meeting scheduled on May 31, 1994. From 1995 to 2003 and 2006 to 2011, the Annual Stockholders' Meetings were held but no elections of directors were conducted. A consolidated judgment of the Supreme Court on January 23, 1995 nullified and set aside the above-mentioned Sandiganbayan resolution of May 25, 1992 allowing the Palm Avenue Companies to vote the sequestered shares, but it maintained the effectivity of the TRO which the Supreme Court previously issued subject to the power of the Sandiganbayan (the anti-graft court) to modify or terminate the TRO. If the TRO is lifted by the Sandiganbayan (anti-graft court) or the Supreme Court, then the elections of the directors will be held consistent with the Supreme Court consolidated judgment of January 23, 1995.

On September 1, 1986, the registered owner of the sequestered shares and Benguet Management Corporation (BMC), a 100%-owned subsidiary of the Company, agreed on the purchase by BMC of 9.5 million of the sequestered shares. Three million of these 9.5 million shares were purchased by employees of the Benguet Group of Companies under the Employees Stock Ownership Incentive Plan (ESOIP) approved by shareholders at their July 3, 1986 special meeting. The balance of 6.5 million shares purchased were then held in trust by Far East Bank & Trust Company (FEBTC) under a trust account established by BMC as trustor for the benefit of the Republic of the Philippines, represented by the PCGG for subsequent disposition to the public at some future date. This remaining 6.5 million shares later became 8,222,500 after the 10% and 15% stock dividends declared in 1988 and 1989, then became 16,445,000 after the 100% stock dividend paid in October, 1989. The validity of the Contract of Sale was upheld by the Supreme Court of the Republic of the Philippines in Benguet's favor.

Upon instructions of PCGG, BMC sold 8.2 million shares of the above-mentioned remaining shares at a public auction, but excluding the right to receive the 100% stock dividend which the Company paid on October 10, 1989 to shareholders of record as of August 26, 1989. The sale at public auction was held on September 27, 1989, with Rizal Commercial Banking Corporation ITF various accounts as the highest bidder for the 6.18 million shares. The remaining 2 million shares were sold to FEBTC as trustee for the Employees Stock Ownership Incentive Plan (ESOIP), being one of the winning bidders. In a Supreme Court Resolution dated June 23, 1992, the remaining unsold 100% stock dividend of 8.2 million shares (now 10,278,125 shares after the 25% stock dividend paid on July 20, 1990), which were then registered in the name of Republic of the Philippines were declared to be still part of the Palm Avenue Companies shares under sequestration and likewise subject to litigation as the other sequestered stocks. The Presidential Commission on Good Government also sequestered Fairmount Real Estate, Inc. and Independent Realty Corp. on April 14, 1986 & March 6, 1986, respectively, being companies that are alleged to be beneficially owned by former President Marcos. Among the sequestered assets of these companies are shareholdings in Benguet Corporation.

DIRECTORS AND EXECUTIVE OFFICERS

The Directors of the Company are elected at the Annual Stockholders' Meeting to hold office until the next succeeding annual meeting or until their respective successors have been elected and qualified. In the June 29, 2011 Annual Stockholders' Meeting, no election was held because the TRO issued by the Supreme Court enjoining the election of directors remained in force. Thus, the incumbent directors of the Company continue to remain in office on holdover capacity until their respective successors are elected and qualified.

- A. **Directors / Nominees** - The respective ages, citizenships and period covered on present positions of herein named incumbent Directors of the Company who are also the Nominees for election to the Board of Directors on May 29, 2012 Annual Stockholders' Meeting, are as follows:

Incumbent Directors / Nominees representing Holders of Common Class A and Convertible Preferred Class A Stocks:

Name	Age	Citizenship	Position	Period Served
Daniel Andrew G. Romualdez	52	Filipino	Chairman	Since July 21, 2011
Dennis R. Belmonte	74	Filipino	Director	Since May 13, 1986
Luis Juan L. Virata	58	Filipino	Director	Since August 18, 1995
Maria Remedios R. Pompidou	45	Filipino	Director	Since October 25, 2000
Rogelio C. Salazar	76	Filipino	Director	Since August 25, 2010
Alberto C. Agra	47	Filipino	Independent Director	Since August 25, 2010

Incumbent Directors / Nominees representing Holders of Common Class B Stock:

Benjamin Philip G. Romualdez	50	Filipino	Vice Chairman	Since July 21, 2011
Andres G. Gatmaitan	71	Filipino	Director	Since February 10, 1987
Isidro C. Alcantara, Jr.	58	Filipino	Director	Since November 14, 2008
Bernardo M. Villegas	73	Filipino	Independent Director	Director since June 25, 1998 and appointed independent director since 2002

Ms. Rebecca R. Rapisura nominated Mr. Bernardo M. Villegas and Mr. Max D. Arceño nominated Mr. Alberto C. Agra for election as Independent Directors of the Company, whom they have no relations and who are stockholders of the Company. Both Nominees have accepted their nominations in writing. They possess all the qualifications and none of the disqualifications for election or to serve as independent directors. 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. The sworn certificate of qualifications of herein named incumbent independent directors who are also the Nominees for election as independent directors are presented in Annexes "C" & "D".

Up to this date of filing this information statement, there are no other nominees for election as director or independent director submitted to the Corporate Secretary. The Company hereby undertakes to submit a final list of nominees of directors and independent directors to the Commission, should there be any, on or before April 14, 2012. No further nominations of independent directors shall be entertained after April 14, 2012. This is in pursuant to Article III, Section 1.1 of the Amended By-Laws of the Company which provides that nomination shall be submitted in writing to the Corporate Secretary not later than forty five (45) days prior to the date of the meeting.

The Nomination Committee determined that the Nominees possess all the qualifications and none of the disqualifications for election as director or independent director. The committee is composed of three directors, namely: Mr. Benjamin Philip G. Romualdez as the Chairman and the members are independent directors, Messrs. Alberto C. Agra and Bernardo M. Villegas.

The brief descriptions of business experience for the past five years, period of services directorships in other companies, and the positions currently held of herein named incumbent Directors who are also the Nominees for election to the Board of Directors of the Company, are as follows:

Directors Representing Holders of Common Class A & Convertible Preferred Class A Stocks:

DANIEL ANDREW G. ROMUALDEZ - Elected as Chairman of the Company during the BOD meeting held on July 21, 2011. He first became a Director of the Company by appointment on October 22, 2002 and has served as Vice Chairman of the Board of Directors (January 9, 2009-July 20, 2011). Mr. Romualdez is a Registered Architect and the Principal of Daniel Romualdez Architects, P.C. since August 1993. Formerly, he worked with The Office of Thierry Despont (September 1986-December 1986), Dimitri Dalamotis Associates (January 1987-March 1988) and Robert Stern Architects in New York, New York (March 1988-May 1993).

DENNIS R. BELMONTE - First became a Director of the Company by appointment on May 13, 1986. He is a retired President and Chief Executive Officer of the Company effective February 28, 1998 but remained President and Chief Executive Officer on hold over capacity until May 31, 1998. He is also Consultant and Senior Advisor to the President (November 9, 2011 to present). He was Officer-In-Charge/Acting Chief Executive Officer of the Company (August 25, 2010-November 8, 2011); Prior to his position as OIC/Acting CEO of the Company, he was in acting capacity as President from April 2010 to August 24, 2010. Currently, he is Vice Chairman and CEO of Benguetcorp Nickel Mines, Inc. and Balatoc Gold Resources Corporation; Director and Vice Chairman of Benguet Management Corporation; and Trustee, Jaime V. Ongpin Foundation Inc. (1980 to present). Formerly, he is President of Natural Resources Development Corporation and Natural Resources Mining Development Corporation (2005-2006); and President and Chairman, Benguet Management Corporation (1994-1998).

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

MARIA REMEDIOS R. POMPIDOU – First became a Director of the Company by appointment on October 25, 2000. She is also President and Chief Executive Officer of MRP New York Inc. and Management and Consulting Firm; Publisher of Visionaire Publishing LLC; Managing Director, Sumitomo Consulting Group; Senior Vice President, Katsoba Management Consulting; and Associate of Dream Studio.

ROGELIO C. SALAZAR – First became a Director of the Company by appointment on August 25, 2010. Mr. Salazar is concurrently President and Chief Executive Officer of Kamahalan Publishing Corporation and of Kagitingan Printing Press, Inc. (1998 to present) His experience in operations and management in Mining extends over 21 years with Atlas Consolidated Mining and Development Corporation (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). He was also President (1990-1992) and Director (1989-1997) of the Chamber of Mines of the Philippines. His previous employments include: President & Chief Operating Officer and Director (February 1997- April 1998) of International Container Terminal Services Inc. (ICTSI); President & Chief Executive Officer and Director (1983-1989), Executive Vice President (1981-1983) and Vice President (1979-1981) of Paper Industries Corporation of the Philippines (PICOP); concurrent positions in the A. Soriano Corporation (ANSCOR) Group of Companies such as Executive Vice President and Director, A. Soriano Corporation; Chairman of the Board, Anzor 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, First became an Independent Director of the Company by appointment on August 25, 2010. He is also President of Forensic Law and Policy Strategies, Inc. or Forensic Solutions (August 2010 to present); Ex-Officio Chairman & Board of Trustees, Philippine Association of Government Corporate Lawyers (PAGCLAW) (Dec. 2008 to present); Professor of Laws, College of Law, Ateneo de Manila University (November 1993 to present [on leave, AY 2010-2011]); Ex-Officio Trustee, Board of Trustees of MWSS (March 2007 to present). Formerly, he was Acting Secretary, Department of Justice (March 2010-June 2010); Acting Solicitor General, Office of the Solicitor General (January 2010-June 2010); Government Corporate Counsel, Office of the Government Corporate Counsel, Department of Justice (March 2007-March 2010); 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 - Elected as Vice Chairman of the Company during the special BOD meeting held on July 21, 2011. He first became a Director of the Company on May 26, 1992 and has served as Chairman (August 8, 1995-October 22, 2002 and January 9, 2009-July 20, 2011). He was elected President and Chief Executive Officer during the BOD organizational meeting of June 25, 1998 and remained as President and Chief Executive Officer to the present. Currently, he is President of Chamber of Mines of the Philippines (2004 to present); Director of Philippine Chamber of Commerce & Industry (PCCI) (Dec. 4, 2009 to present); PCCI Vice President-Industry (Jan. 2010 to present) and Oxford University and Cambridge University Club of the Philippines (Jan. 2006 to present); Chairman of Benguet Management Corporation (Feb. 2009 to present), Benguetcorp Nickel Mines, Inc. (2011 to present), Benguet Pantukan Gold Operation (2011 to present), and BenguetCorp International Limited (Hongkong) (1998 to present); Director, Philippine Mine Safety and Environment Association (2004 to present); Trustee, Doña Remedios Trinidad Romualdez Medical Foundation, Inc. (1984 to present) and Philippine-Australia Business Council (PABC) (2004 to present); Trustee/Chairman, Dr. Vicente Orestes Romualdez (DVOR) Educational Foundation, Inc. (1995 to present); and Trustee/Treasurer, RTR Foundation for Scientific Research and Development Inc.

ANDRES G. GATMAITAN – First became a Director of the Company by appointment on February 10, 1987. He is also Senior Counsel of SyCip Salazar Hernandez & Gatmaitan Law Office which is the outside counsel of Benguet Corporation; Chairman, Convergys 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), Suprallex 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 – First became a Director by appointment on June 25, 1998. 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 and Consultant of Insular Life, Transnational Diversified, Inc. (1998 to present), member of the Boards of Dualtech Foundation (1998 to present) and Columnist, Manila Bulletin (1964 to present). Formerly, he was Director of Makati Business Club (1981-2010); Director, Phinma Foundation (1995-2001); Director, Pilipinas Shell Foundation (1995-2001); Senior Vice President, University of Asia and the Pacific (2004-2006); Chairman, Center for Research and Communication (1995); Director and Consultant of Alaska (1999); President, Philippine Economic Society (1972-1974); Chairman, Department of Economics-De La Salle University Manila (1964-1069), Committee on the National Economy & Patrimony (1986); Director, Economic Research Bureau and Graduate School of Business-De La Salle University Manila (1967-1968); Project Director, Philippine Economic History under the National Historical Commission (1969-1972); Member, Preparatory Commission for Constitutional Reforms and Constitutional Commission (1999); Consultant, Productivity Development Center-National Economic Council and Program Implementation Agency (1968-1969).

ISIDRO C. ALCANTARA, Jr., - First became a Director by appointment on November 14, 2008. He is also President of Financial Risk Resolution Advisory, Inc. (2006 to present) and Director of Balatoc Gold Resources Corp. (2009 to present) and Benguet Management Corporation. He was Sr. Vice President & Head of Corporate & Institutional Banking of Hongkong and Shanghai Corporation (HSBC), Manila, Philippines (2005); President & Chief Executive Officer of Philippine Bank of Communications (PBCom), Manila, Philippines (2000-2004); Executive Vice President, Corporate Banking Group of Equitable PCI Bank (EPCIB), Manila, Philippines (1981-2000); Director, Bankers Association of the Philippines (2000-2003). He previously worked with Bancom Finance Corporation, PCI Bank & Insular Bank of Asia & America (a Bank of America Affiliate) from 1975 to 1981.

- B. Executive Officers** - The executive officers of the Company are appointed or elected annually to a one-year term (subject to removal) by the Board of Directors immediately following the Annual Stockholders' Meeting. Below are the incumbent executive officers of the Company, and their respective ages, citizenship and positions as follows:

Name	Age	Citizenship	Present Position Held
Daniel Andrew G. Romualdez	51	Filipino	Chairman of the Board
Benjamin Philip G. Romualdez	50	Filipino	Vice Chairman, President & Chief Executive Officer
Bienvenido M. Araw	65	Filipino	Senior Vice President, Project & Organization Development Officer
Marcelo A. Bolaño	62	Filipino	Senior Vice President, Engineering and Research
Renato A. Claravall	60	Filipino	Senior Vice President, Chief Finance Officer
Salvador P. Pabalan	75	Filipino	Senior Vice President, Audit
Reynaldo P. Mendoza	54	Filipino	Senior Vice President, Legal Services
Tomas D. Malihan	64	Filipino	Vice President, Exploration & Chief Geologist
Leopoldo S. Sison III	53	Filipino	Vice President, Logistics Management
Lina G. Fernandez	47	Filipino	Vice President, Corporate Planning
Roland P. de Jesus	63	Filipino	Vice President, HR & Administration
Randolph B. Afidchao, Sr.	59	Filipino	Vice President, Benguet District Operations
Ma. Mignon D. De Leon	54	Filipino	Vice President, Benguet District Administration and Property Management
Pablo Gabriel R. Malvar		Filipino	Vice President, Business Development
Max D. Arceño	50	Filipino	Assistant Vice President, Treasury
Pamela M. Gendrano	46	Filipino	Assistant Vice President, Environmental Compliance
Hermogene H. Real	55	Filipino	Corporate Secretary

The names of executive officers of the Company, and their respective positions and offices held in the Company and its subsidiaries and brief description of business experience, are as follows:

DANIEL ANDREW G. ROMUALDEZ is the Chairman of the Board of Directors of the Company since July 21, 2011 to present.

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

BIENVENIDO M. ARAW is the Senior Vice President-Project & Organization Development Officer of the Company since March 17, 2010 to present. He is also Chairman & President, Berec Land Resources, Inc.; President & Chief Operation Officer, Balatoc Gold Resources Corporation; Chairman, Kingking Copper-Gold Corporation; Vice Chairman, Benguetrade, Inc.; Director, Benguet Management Corporation; and Ex-Officio Officer, Benguetcorp Nickel Mines, Inc. His previous employments include: Senior Consultant, ZMG Ward Hawell (2008-2010); Chief Executive Officer-Davies Energy System Inc. (2007-2008), President and CEO-JP Latex Technology, Inc. (2004-2007), Rehabilitation Receiver-Our Lady of Pilar Montessori Center 2003-present) and Philippine Appliance Corporation (2002-present), Project Director-Medical Center Parañaque, Inc. (2002-present), Management Consultant-Seachamp Int'l Export Corp Sedgewich Trader's Corp (2002-2004) and Sankyo Selki (Phils) Manufacturing Corporation (2002-2004), Executive member-Uniwide Holdings Inc. Interim Rehabilitation Committee (1999-2002), President-Uniwide Sales Realty and Resources Corporation (1997-2002), Director-Asian Amalgamated Corporation

(1998-2002), Director-Filipinas Synthetic Fiber Corporation (Filsyn)/Lakeview Industrial Corporation (1991-2000), President-Lakeview Industrial Corporation (1991-1997), Director-Capital Garment Corporation (1985-1997), Senior Vice President-Filsyn (1984-1997), Vice President for Marketing-Filsyn (1977-1984), Vice President for Operations-Filsyn (1976), Sales Engineer-Usiphil, Inc. (1969-1971).

MARCELO A. BOLAÑO is the Senior Vice President for Engineering and Research of the Company since February 17, 2012 to present. He is also Chairman, President & COO of Pillar of Exemplary Consultants Inc. (1999 to present), Sagittarius Alpha Realty Corp. (1997 to present), and BC Property Management, Inc. (2011 to present); President of Benguetcorp Nickel Mines, Inc. (2011 to present), Benguet Pantukan Gold Corporation (2011 to present), and Kingking Copper-Gold Corporation (2011 to present); Director of Balatoc Gold Resources Corp. (1998 to present), BMC Forestry Corporation (1998 to present), Ifaratoc Mineral Resources Corp. (2009 to present), Benguetrade, Inc. (2011 to present) and Batong Buhay Mineral Resources Corporation (2011 to present). Formerly, he was Chairman, Benguetcorp Nickel Mines Inc. (2009-2011); President, Benguet Management Corporation; and Director Kingking Copper-Gold Corp. (2009-2011). Prior to his present position, he was 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) and Kingking Copper-Gold Project (May 1993-June 1993); Acting General Manager of Baguio Gold Operation (1992-1993). Before joining Benguet Corporation, he was a Planning and Development Engineer of Ledesco Development Corporation & Alta Tierra Resources, Inc. (1973-1975); Office Engineer, E.R. Bacon Philippines (1973); Senior Office Engineer, Honiron Philippines, Inc. (1971-1973). Prior to his present position, he was Senior Vice President for Mining and Technical Services (June 28, 1998-February 16, 2012)

RENATO A. CLARAVALL is the Senior Vice President-Chief Finance Officer of the Company since March 16, 2010 to present. He is also Chairman, Benguetrade, Inc. (2011 to present); Director & President, Benguet Management Corporation (2011 to present); Director & Vice President-Treasurer, Kingking Copper-Gold Corporation (2011 to present); Treasurer, Benguetcorp Nickel Mines, Inc. (2011 to present); Director of Balatoc Gold Resources Corporation, Berec Land Resources, Inc., and BMC Forestry Corporation since 2011 to present. Mr. Claravall 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).

SALVADOR P. PABALAN is the Senior Vice President for Audit of the Company since February 17, 2012 to present. He is also Director, Vice President & Treasurer of Batong Buhay Mineral Resources Corporation, Sagittarius Alpha Realty Corporation, Infaratoc Mineral Resources Corporation; Director and Treasurer of Berec Land Resources, Inc. (2000 to present), Pillars of Exemplary Consultant, Inc. (1994 to present), BC Property Management, Inc. and Benguet Pantukan Gold Corporation; Director of Benguet Management Corporation (1997- to present), Arrow Forwarding Corporation, Aqua de Oro Ventures Corporation, Kingking Copper-Gold Corporation (2008 to present) and BMC Forestry Corporation. Trustee and Treasurer, Jaime V. Ongpin Foundation, Inc. (1993 to present); Formerly, he was a Director & Treasurer, Benguetcorp Nickel Mines, Inc.(2009-2011); Director of Philippine Cocoa Estates Corporation and Petrofields Corporation (1992-1994); Before joining Benguet Corporation, he was with SyCip, Gorres, Velayo & Company in the Management Services Division (1960-1964); Finance Manager of Engineering Equipment, Inc. (1964-1975); and Instructor of Graduate School of Business of the Pamantasan Ng Lungsod Ng Maynila (1975-1992), University of the East (1975-1992) and Philippine Christian University (1975-1992). Prior to his present position, he was Senior Vice President for Finance and Treasurer (June 16, 1997-February 16, 2012).

REYNALDO P. MENDOZA is the Senior Vice President for Legal of the Company since August 25, 2006 to present. He is also Assistant Corporate Secretary of the Company (2002 to present) and Corporate Secretary of Arrow Freight Corporation, BMC Forestry Corporation, Benguetrade, Inc., Sagittarius Alpha Realty Corporation, Benguet Pantukan Gold Corp., since 1997 to present; Pillars of Exemplary

Consultants Inc. (1996 to present); Benguetcorp Nickel Mines, Inc. (2009 to present); Balatoc Gold Resources Corp.(1998 to present); Ifaratoc Mineral Resources Corp. (2009 to present); Berec Land Inc. (2000 to present); Benguet Management Corporation; Aqua de Oro Ventures Corp.; BC Property Management, Inc.; Batong Buhay Mineral Resources Corp.; and Kingking Copper-Gold Corp. He was Director of Jaime V. Ongpin Foundation (1996-2007). Before joining Benguet Corporation, he was Staff Lawyer of PDCP (1987-1988) and Malayan Insurance Company (1986-1987); Associate Lawyer, Castro, Villamor & Associate (1985-1986); Legal Assistant/Apprentice Lawyer, Gono Law Office (1985). Prior to his present position, he was Vice President for Legal (2002-2006)/Assistant Corporate Secretary (2002 to present).

TOMAS D. MALIHAN is the Vice President for Exploration and Chief Geologist of the Company since February 17, 2012 to present. He is also Chairman & President, Batong Buhay Mineral Resources Corp., Director of Ifaratoc Mineral Resources Corp., and Pillars of Exemplary Consultant, Inc. He was designated Project Manager of the Company's Kingking Copper-Gold Project during its Bankable Feasibility Study period. He is a member of Geological Society of the Philippines. He was hired in 1973 as Geological Trainee and was assigned in the Exploration, Research & Development Division based in Balatoc Mines, Benguet. He was first assigned in ERD's Tawi-Tawi Porphyry Copper Project in Bobok, Bokod, Benguet and later in the Taysan Porphyry Copper Project in Taysan, Batangas Province in Southern Luzon before he was recalled, about a year after to work in the Acupan Gold Mines. In 1975, he was pulled out from Acupan Mines to join the Exploration Team that evaluated the Dizon Porphyry Copper Gold Project. He worked in Dizon Mine as Resident Geologist continuously until 1991 when the Kingking Copper Gold property was signed up by BenguetCorp with NADECOR and was assigned in this new project in concurrent capacity as Resident Geologist for Dizon Mine until 1997. Prior to his present position, he was Vice President for Exploration, Research and Development and Chief Geologist (August 2008-February 16, 2012).

RANDOLPH B. AFIDCHAO is the Vice President for Benguet District Operations since June 16, 2010 to present. He is also Vice President/General Manager, Berec Land Resources, Inc. and Director of Aqua de Oro Ventures Corp., Pillars of Exemplary Consultant, Inc., BC Property Management, Inc., Sagittarius Alpha Realty Corporation, Benguet Pantukan Gold Corp., and Benguetrade, Inc. His previous employments include: Consulting Mining Engineer-J.D. Muyco & Associates, Inc. (June 2008 to June 15, 2010), Mine Superintendent-Apex Mining Company, Inc. (2006-2008), Mine Consultant-Crew Minerals (Phil.) Inc. (2005-2006), Mine Manager-Viclude Mining Corporation (2004-2005), Quarry Manager-Lazy Bay Resources Corporation (1999-2001), Senior Planning Manager-Base Metals Mineral Resources Corporation (Feb. 1997-June 1997), Mine Superintendent-Itogon-Suyoc Mines, Inc. (1979-1996), Project Supervisor-Philchrome Mining Corporation (1977-1978).

LEOPOLDO S. SISON III is the Vice President for Logistics Management of the Company since February 17, 2012 to present. He is also Chairman/President of Ifaratoc Mineral Resources Corp. (2009 to present); Chairman, Arrow Freight Corporation (1998 to present); President, Benguetrade Inc. (1998 to present); Director of Berec Land Resources Inc.(2005 to present), Pillars of Exemplary Consultants Inc. (1999 to present), Kingking Copper-Gold Corp. (2009 to present) and Batong Buhay Mineral Resources Corp. Formerly, he was a Director of BMC Forestry Corporation (1995 to 2011), Benguetcorp Nickel Mines Inc. (2009-2011, and President/General Manager of BMC Forestry Corporation (1995-1998) and Arrow Freight Corporation (1992-1995), President, Capitol Security and Allied Services, Inc. (1984-1985); Production Supervisor, CDCP-Systemas (1980-1983). Prior to his present position, he was Vice President for Project Planning and Business Development (Oct. 22, 2002-Feb. 16, 2012) and Asst. Vice President for Business Development (1998-2002).

ROLAND P. DE JESUS is the Vice President for HR and Administration of the Company since October 22, 2002 to present. He is also Compliance Officer of the Company; Chairman/President of Aqua de Oro Ventures Corporation; Director of Ifaratoc Mineral Resources Corporation and Arrow Forwarding Corporation; General Manager of Philippine Journalists Inc. Formerly, 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. Prior to his present position, he was Assistant Vice President for HR & Administration.

MA. MIGNON D. DE LEON is the Vice President for Benguet District Administration and Property Management of the Company since October 22, 2002. She is also Corporate Community Relations Officer of the Company (2002 to present), Director of BC Property Management, Inc. (2004 to present), Aqua de Oro Ventures Corporation, Benguetrade, Inc., BMC Forestry Corporation and Board Member to the Itogon Municipality Council of Women (2006 to present). She was also Board Member (Management Representative) to the Regional Tripartite Wages & Productivity Board-Cordillera Administrative Region (1995-2006); Board Member representing the Women's Sector to the Peoples Law Enforcement Board of the Municipality of Itogon, Province of Benguet (2005-2010); Past Chairman (1984-1995) and Current Adviser (1996 to present) to the Regional Mining Industry Training Board-Technical Working Group of the Cordillera Administrative Region; Past President (1989-1993) and Current Adviser (1994 to present) to the Personnel Management Association of the Philippines, Baguio-Benguet Chapter; Board Member, Benguet Province Visitor's Bureau (2008-2009); Past President of the Benguet Provincial Tourism Council (2001-2006); Past Vice Chairman of the Cordillera Tourism Council (2006-2008). Prior to her present position, she was Assistant Vice President of the Benguet District Administration (1996-2002).

LINA G. FERNANDEZ is the Vice President for Corporate Planning of the Company since August 25, 2006 to present. She is also Risk Management Officer of the Company (March 2011 to present) and Treasurer of the following subsidiaries of BenguetCorp as follows: Benguetrade Inc. (1997 to present), Arrow Freight Corporation (1998 to present), BMC Forestry Corporation (1998 to present), Aqua de Oro Ventures Corp., Balatoc Gold Resources Corp., and Benguet Management Corporation (1999 to present); Director/Asst. Treasurer of Berec Land Resources, Inc. (2000 to present) and Sagittarius Alpha Realty Corporation; Director of BC Property Management, Inc., Benguet Pantukan Gold Corporation, and Batong Buhay Mineral Resources Corporation. Formerly, she is a Director of Benguetcorp Nickel Mines Inc. (2009-2011) and Kingking Copper-Gold Corp. (2008-2011). Prior to her present position, she was Assistant Vice President for Corporate Planning (Oct. 2002-August 2006).

PABLO GABRIEL R. MALVAR is the Vice President for Business Development since February 20, 2012 to present. 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 attended the "E-valuation: Maximizing the Value of Internet Ventures" Executive Education Program of Columbia Business School (2000). He was awarded the Chartered Financial Analyst (CFA) distinction by the Association for Investment Management and Research, based in Charlottesville, Virginia (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.; Investment Research Management Consultant, Strategic Equities Corporation, Philippines, January 1999-December 1999; 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.

MAX D. ARCEÑO is the Assistant Vice President for Treasury of the Company since July 1, 2011 to present. He is a Certified Public Accountant and was initially hired in 1985 by the Company as an Accounting Staff I, where he rose from the ranks to his present position. Prior to his promotion, he was Division Manager for Audit and Tax.

PAMELA M. GENDRANO 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).

HERMOGENE H. REAL is the Corporate Secretary of the Company since October 25, 2000 to present. 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).

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 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.

Certain Relationship and Related Transactions - The Company has 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.

Aside from the above, there are no other transactions or proposed transactions during the last two years in which the registrant or any director or executive officers, any nominee for election as directors, any security holder or member of their immediate families, are a party and the amount of which exceeds P500,000.00. None of its directors, officers or affiliates of the Company, or beneficial owner of more than 10% of any class of voting securities of the Company, or any associate of any such director or security holder, or any of its subsidiaries, has a material interest adverse to the Company or any of its subsidiaries.

Parent Company - Benguet Corporation has no parent company.

No director has declined to stand for re-election to the board of directors since the date of the annual meeting of security holders due to any disagreement with the Company relative to the Company's operations, policies and practices.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

1. Summary Compensation - 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:

<u>Name</u>	<u>Principal Position</u>
1. Benjamin Philip G. Romualdez	President & Chief Executive Officer
2. Bienvenido M. Araw	SVP, Project & Organization Development Officer

- | | |
|------------------------|-------------------------------|
| 3. Renato A. Claravall | SVP, Chief Finance Officer |
| 4. Reynaldo P. Mendoza | SVP, Legal Services |
| 5. Marcelo A. Bolaño | SVP, Engineering and Research |

	Year	Salary (In-Million)	Bonus (In-Million)	Other Annual Compensation
All above-named officers as a group	2012*	₱22.6	₱6.7	₱0.2
	2011**	13.8	1.7	0.4
	2010**	13.8	1.7	0.4
All other directors and officers as a group unnamed	2012*	22.2	6.4	0.7
	2011**	15.8	1.9	0.4
	2010**	10.9	1.6	0.4

(*) - Estimate (**) - Actual

2. 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.
3. Employment Contract/Termination of Employment/Change-In-Control Arrangements - There are no employment contracts between the Company and its executive officers. The provisions of the Company's Personnel Policy Manual govern the terms and conditions of employment, benefits and termination. No other plan or arrangement of change-in-control/responsibilities between the Company and its executive officers due to resignation, retirement or any other termination from employment. No amount involved which exceed ₱2,500,000, which is paid periodically, or installments.

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.

Since 1980, the Company maintained an Incentive Bonus Plan. The purposes of the Plan are: (1) to attract, employ and retain management personnel of outstanding competence, and (2) to motivate its management personnel to deliver superior performance in pursuing the goals and business interests of the Company. The Plan provides for a bonus award, calculated on the basis of net income, to top operating executives, managers and members of the Board of Director. Bonus awards are either paid in full directly to the awardees or are transferred to a trust fund and are payable to the awardees in three installments generally over a period of two years. Bonus awards for any year shall be paid in cash, or in common stock. Either Common Class A or Common Class B shares may be issued under the Plan subject to the legal limitations on ownership of Common Class A shares which can be owned only by Philippine citizens. From 1995 to 2010, there was no amount set aside for payment of bonuses in accordance with the Plan.

4. 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 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. Payment of the option price for shares purchased under the Plan must be paid for in full at the time the option is partially or fully exercised. 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 October 19, 2007 and by the stockholders of the Company on December 18, 2007, extending the termination date of granting stock options for another five (5) years or until May 31, 2013.

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 P8.50 per share and 2,801,600 class "B" common shares at an exercise price of P29.07 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 under Notice of Approval-Stock Option Plan Application dated April 9, 2008. As of April 6, 2010, 100% of the stock option is exercisable by the stock option grantees. 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 options grant of 2,200,332 common shares (consisting of 1,320,199 class "A" common shares at an exercise price of Php16.50 per share and 880,133 class "B" common shares an exercise price of Php17.50 per share) came entirely from the unexercised and 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 unexercised and cancelled shares came from the options grant of 7,004,000 common shares awarded on April 6, 2006, which shares are exempted from registration under SRC rules and the listing was approved by the PSE. On May 3, 2012, twenty percent (20%) of the stock option becomes exercisable by the stock option grantees.

As of March 31, 2012, 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) April 6, 2006 Stock Option Grants

	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	P8.50	P29.07	-	-	120,000	80,000	-	-
Four Highest Paid Named Executive Officers:										
BM Araw	-	-	-	-	-	-	-	-	-	-
RA Claravall	-	-	-	-	-	-	-	-	-	-
RP Mendoza	79,200	52,800	P8.50	P29.07	39,600	-	39,600	52,800	-	-
MA Bolaño	86,400	57,600	8.50	29.07	86,400	-	-	57,600	-	-
All Executive Officers & Directors as a Group Unnamed	979,200	652,800	P8.50	P29.07	528,520	19,200	289,400	484,800	161,280	148,800
All Consultants and Managers as a Group Unnamed	2,937,600	1,958,400	P8.50	P29.07	1,432,200	-	171,960	945,600	1,333,440	1,012,800
Total	4,202,400	2,801,600			2,085,720	19,200	620,960	1,620,800	1,494,720	1,161,600
Less: Options Awarded on May 3, 2011									1,320,199	880,133
Total Options Cancelled-Net									174,521	281,467

(*)- As of April 6, 2010, 100% of the option grants are exercisable by the stock option grantees. 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		Options Cancelled (Due to resignation, retirement, death & retrenchment)	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
BPG Romualdez Pres/CEO	No Options Granted									
Four Highest Paid Named Exe. Officers:										
BM Araw	36,000	24,000	P16.50	P17.50	-	-	36,000	24,000	-	-
RA Claravall	36,000	24,000	16.50	17.50	-	-	36,000	24,000	-	-
RP Mendoza	36,000	24,000	16.50	17.50	-	-	36,000	24,000	-	-
MA Bolaño	33,600	22,400	16.50	17.50	-	-	33,600	22,400	-	-
All Officers & Directors as a Group Unnamed	366,600	244,400	P16.50	P17.50	-	-	366,600	244,400	-	-
All Consultants and Managers as a Group Unnamed	811,999	541,333	P16.50	P17.50	-	-	802,999	535,333	9,000	6,000
Total	1,320,199	880,133					1,311,199	874,133	9,000	6,000

(*)- On May 3, 2012, twenty percent (20%) of the option grants becomes exercisable by the stock option grantees. 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 March 31, 2012, 1,393,442 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 470,988 common shares of optionees who have been separated from the Company under the previous implementation of the Plan.

INDEPENDENT PUBLIC ACCOUNTANTS

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 August 25, 2010 and June 29, 2011, respectively. Audit services of SGV for the calendar year ended December 31, 2011 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 2011 is Mr. John T. Villa, an SEC accredited auditing partner of SGV. This is Mr. Villa's third 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 ₱4.2 million in 2011 and ₱3.7 million in 2010. For 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 tax fees for these engagements are ₱1.4 million and ₱134 thousand, respectively. 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 Board of Directors in its June 29, 2011 Organizational Board Meeting has re-appointed SGV as the Independent Public Accountant and Mr. John T. Villa as engagement partner for Calendar Year 2012

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.

COMPENSATION PLANS

Except for the proposed amendments to the existing Amended Stock Option Plan as discussed and presented in the "Amendment of Charter, By-Laws or Other Documents" portion of this report, there are no other actions to be taken in the stockholders' meeting with respect to the existing retirement plan, employees stock ownership plan and incentive bonus plan of the Company, to which cash or non-cash compensation may be paid or distributed to its directors, officers or employees.

ACTION WITH RESPECT TO REPORTS

The approval/ratification of the following will be considered and acted upon in the meeting:

1. Minutes of the 2011 Annual Stockholders' meeting with the following items:
 - a) Approval of the Minutes of the 2010 Annual Stockholders Meeting;
 - b) 2010 Annual Report; and
 - c) Approval/ratification of all acts, contracts, resolutions and proceedings made and entered into by management and/or the Board of Directors since the August 25, 2010 Annual Stockholders' Meeting.
2. Approval/ratification of all acts, contracts, resolutions, and proceedings made and entered into by Management and/or the Board of Directors since the June 29, 2011 Annual Stockholders' Meeting which include the following:
 - a) Results of Organizational Meeting of the Board which includes the:
 - i. Re-appointment of the Chairman and Vice Chairman of the Board;
 - ii. Re-appointment of current officers to their respective positions;
 - iii. Re-appointment of external auditor, SVG & Company;
 - iv. Re-appointment of Sycip Salazar Hernandez & Gatmaitan Law Offices as the Legal Counsel of the Company in the Philippines and Atty. Paul Jolis of Lewis, D'Amato, Brisbois & Bisgaard as the Legal Counsel of the Company in the United States of America;
 - v. Re-appointment of local (BPI) and foreign (ASTTC) stock registrars and transfer agents of the Company; and
 - vi. Reconstitution of various Board committees: Executive Committee, Salary (Compensation) Committee, Stock Option Committee, Investment Committee, Audit Committee, Property Development Committee, Nomination Committee, Corporate Governance Committee, and Risk Management Committee.
 - b) Approved and designated officers to transact business with commercial banks/financing institutions as authorized by the Company;
 - c) Approved Investment Committee recommendation to sign up with Bright Mining for BenguetCorp Nickel Mines, Inc. (BNMI) direct ore selling operation.
 - d) Approved and authorized management to proceed with the negotiations of St. Augustine Mining Ltd. (SAML) receivables discounting up to the 10% maximum discount;
 - e) Approved in principle to pursue debt settlement on SSS and Lazard quickly and to proceed with the quasi reorganization;
 - f) Approved and confirmed to set the exercise price of the stock option grant to P16.50 per share for Common Class A and P17.50 per share for Common Class B and authorized management to implement the award;
 - g) Appointed and elected Mr. Daniel Andrew G. Romualdez as Chairman of the Board of Directors effective July 21, 2011 and Mr. Benjamin Philip G. Romualdez as Vice-Chairman but Mr. Benjamin Philip G. Romualdez will maintain his current position as President and CEO;

- h) Approved in principle BenguetCorp's additional investment of \$6.0 Million in Benguetcorp Nickel Mines, Inc. (BNMI);
- i) Authorized management to enter into a Marketing Agreement with BNMI and designated Mr. Salvador Pabalan as authorized signatory thereof;
- j) Authorized management to negotiate and enter into an agreement with St. Augustine Mining Ltd. (SAML) for the discounting of receivables under the Heads of Terms and the release of the escrowed transactional documents and designated OIC and Chief Finance Officer as authorized signatories with alternate signatory, Director Isidro Alcantara, Jr.;
- k) Approved amendment to signatories on BC-Banco de Oro, Baguio Branch and BC-United Coconut Planters Bank, Baguio Branch;
- l) Approved the amendment to resolution on designated officers authorized (1) to issue Special Power of Attorney for BC cases and (2) to file appropriate complaints before any court;
- m) Authorized and approved the implementation of the proposed quasi reorganization/ equity restructuring plan of BC and authorized management to file the required application with the SEC;
- n) Approved and ratified First Amendment to Heads of Terms executed between BC and St. Augustine Mining Ltd. on August 31, 2011 for the discounting of receivables and the release the escrowed transactional documents;
- o) Approved and ratified the Call Option Agreement between BC and NADECOR and Irrevocable Special Power of Attorney executed on August 31, 2011 which provides a call option to acquire the operating rights of Benguet Pantukan Gold Corporation;
- p) Approved and ratified the purchase of two (2) split type barges at P29.865 Million each or a total of P59.730 Million;
- q) Approved and ratified the Power Purchase Contract with Aboitiz Power for BC Baguio Operation;
- r) Agreed to proceed with the policy undertaking to convert US registered B shares into local shares as suggested by BC's US counsel, and confirmed BC approved budget for conversion expense;
- s) Approved to offer to Balanga Bataan Mineral Corp (BBMC), Pantingan claimowner, the combination of an equity and royalty which would be put in a BC subsidiary;
- t) Approved the opening of bank account with UCPB Baguio Branch for BC-Benguet Antamok Gold Operations Final Mine Rehabilitation and Development Fund (BC-BAGO FMRDF);
- u) Approved the sale of BC fire truck (2010 Hino Truck) with Plate No. PGI-857 to Berec Land Resources, Inc. (BEREC) for P937,500.00;
- v) Authorized to move forward with the Transamine deal structure of forward sale of gold and authorized Messrs. Isidro Alcantara, Jr. and Renato Claravall to sign the Heads of Terms;
- w) Approved the opening of bank accounts with (1) United Coconut Planters Bank for BC-Irisan Lime Project; and (2) Banco de Oro-Baguio Branch for BC Benguet Laboratories;
- x) Approved the opening of trust funds in compliance with government regulations: (1) UCPB for BC-ACMP Final Mine Rehabilitation and Decommissioning Fund (FMRDF); (2) UCPB for BC-BTP Rehabilitation Cash Fund (RCF); UCPB for BC-BTP Monitoring Trust Fund (MTF); UCPB for BC-BTP Final Mine Rehabilitation and Decommissioning Fund;
- y) Approved a clean credit facility with Banco de Oro for P500M to finance BC's working capital and equipment requirements and designated authorized officers thereof;
- z) Approved and ratified the Nickel Offtake Contract by and among BC, BNMI and Minecore Resources, Inc., with BC as the exclusive marketing agent and designated SVP-Finance & Treasurer as signatory thereof;
- aa) Approved and ratified the agreement on BC Central Headquarters Office lease extension and the authority of SVP-Finance & Treasurer as signatory;
- bb) Approved a Christmas gift and bonus for the year 2011 payable to all employees;
- cc) Approved the US\$4 Million initial capital budget for the proposed exploration of the Greater Acupan Gold mine;
- dd) Approved and authorized management to participate in the public bidding on the Department of Energy (DOE's) Philippine Energy Contracting Round 4 for Coal and approved the bidding expense budget of P2.25 Million and the engagement of Mr. Ceasar Lao-as as consultant;
- ee) Approved the amendment to BC-ACMP bank account at BDO to replace Nemesis Awit (who has resigned) with Tomas Malihan as signatory;

- ff) Approved the opening of bank account with UCPB Baguio Branch for BC-Acupan Contract Mine Project (ACMP);
- gg) Approved in principle to pursue negotiations with Credit Suisse;
- hh) Approved the new Table of Organization and approved/noted new appointed officers, as follows:
 - 1) Mr. Pablo Gabriel Malvar – as Vice President for Business Development;
 - 2) Ms. Pamela M. Gendrano as Assistant Vice President for Environmental Compliance; and
 - 3) Mr. Luisito B. Albarracin as Consultant for Geology.
- ii) The Board approved in principle the Stock Option Committee proposal to a) increase maximum award under the existing Stock Option Plan from 200,000 to 500,000 BC shares per employee and b) establish a new Stock Option Program for 12,100,000 BC shares;
- jj) Approved in principle the deal framework on increase in capitalization of Acupan Gold Mines vis-à-vis additional investment in BenguetCorp International Limited; Benguetcorp USA, Inc. and BenguetCorp Canada Ltd.;
- kk) Authorized and approved the sale of Benguet Corporation's two (2) Calhorr patented lands in Itogon, Benguet to Sagittarius Alpha Realty Corporation;
- ll) Approved and ratified the contract with Eurocopter South East Asia Pte Ltd. dated December 28, 2011 for one pre-owned EC 130 B4 Ecureuil Helicopter and contract for renewal of Security Services of Impala Security & Investigation Services, Inc.
- mm) Approved and authorized the issuance of the Consolidated Audited Financial Statements of Benguet Corporation and its Subsidiaries as of December 31, 2011;
- nn) Approved the setting of annual stockholders' meeting of the Company on May 29, 2012 at 3:00 p.m. at the Fairways Dining, Manila Golf and Country Club, Harvard Road, Forbes Park, Makati City and fixed April 10, 2012 as the record date for stockholders entitled to notice of and to vote at, this meeting.
- oo) Approved the Subscription Agreements between Benguet Corporation and its wholly owned subsidiary, Benguetcorp Nickel Mines, Inc., and RYM Business Management, respectively; and
- pp) Approved the amendments of the Amended Stock Option Plan.

BRIEF SUMMARY OF MINUTES OF AUGUST 25, 2010 STOCKHOLDERS' MEETING

1. Date / Venue: The Annual Meeting of the Stockholders of the Company was held on 29 June 2011, 3:00 p.m. at Fairways Dining Room, Manila Golf and Country Club, Inc., Harvard Road, Forbes Park, Makati City.
2. Quorum Present: The Corporate Secretary certified that there is a quorum for the transaction of business, there being present in person or represented by proxy 117,718,745 shares or 72.02% of the outstanding capital stock of the Company.
3. Matters Taken Up: In the President's report, the following additional information was disclosed to the stockholders present during the annual meeting:
 - a) Organizationally, the Company has completed the necessary requirements to operate BNMI and BGRC as stand-alone business units. BNMI's authorized capital stock is now at P2.0 billion, of which P1.025 billion has been paid up. A term supply contract for up to 1.8 million metric tons of nickel ore is being finalized to complement the existing off-take arrangement with DMConsunji Inc. BGRC has recently signed a contract for detailed engineering requirements of the project and contracted the rehabilitation of the tailings ponds and reinforcement of the silt dam.
4. The stockholders approved the Minutes of the Annual Meeting of Stockholders held on August 25, 2010. The Company received votes in person and by proxy a total of 75,768,245 or 74.29% of Class A shares and a total of 40,417,669 or 65.76% of Class B shares or a combined total of 116,185,914 or 71.08% of Class A and B shares in favor of the approval of the Minutes of the Annual Meeting of Stockholders held on August 25, 2010.
5. The stockholders confirmed and ratified all acts, contracts, resolutions and proceedings made and entered into by Management and/or the Board of Directors during the period August 25, 2010 to June 29, 2011. The Company received votes in person and by proxy a total of 75,768,245 or 74.29% of Class A shares and a total of 40,217,561 or 65.44% of Class B shares or a combined total of 115,985,806 or 70.96% of Class A and B shares in favor of the confirmation and ratification of all acts, contracts, resolutions and proceedings made and entered into by Management and/or Board of Directors since the last annual stockholders' meeting of August 25, 2010.

6. No election of directors was held because the 1993 Supreme Court Temporary Restraining Order (TRO) enjoining the holding of elections of directors has not been lifted. Thus, the Company's present set of directors will remain in office on hold-over capacity until their successors shall have been duly elected and qualified. The composition of the Board of Directors is as follows:
- i) Directors representing the Convertible Preferred Class "A" and Common Class "A" stocks:

1. Dennis R. Belmonte	4. Maria Remedios R. Pompidou
2. Daniel Andrew G. Romualdez	5. Rogelio C. Salazar
3. Luis Juan L. Virata	6. Alberto C. Agra – Independent Director
 - ii) Directors representing the Common Class "B" stock:

1. Benjamin Philip G. Romualdez	3. Isidro C. Alcantara, Jr.
2. Andres G. Gatmaitan	4. Bernardo M. Villegas - (Independent Director)

AMENDMENT OF CHARTER, BY-LAWS OR OTHER DOCUMENTS

Amendments to the Existing Amended Stock Option Plan

The Company's Stock Option Plan (the "Plan") was originally adopted by the Company's Board of Directors on September 10, 1974 and approved by the stockholders at the 1975 annual meeting. Initially 1,000,000 shares of the Company's authorized but unissued Common Class A and/or Common Class B stock were reserved for issuance under the Plan and, no option could be granted under the Plan after September 10, 1984. In May 1980, the stockholders approved a proposal to increase the shares reserved for issuance under the Plan from 1,000,000 to 2,000,000. Then, in the 1983 annual meeting, the stockholders approved to extend the Plan from September 10, 1984 to May 31, 1990, the termination date for granting of options, and at the same time, increased the maximum number of shares that could be awarded under the Plan to any one optionee from 100,000 to 200,000 shares. In the May 1988 annual meeting, the stockholders approved an additional 2,000,000 shares thereby allowing a total of 4,000,000 shares of Common Class A and/or Common Class B stock to be reserved for issuance on exercise of options, and extended the termination date for granting of options under the Plan from May 31, 1990 to May 31, 1998. The Plan has been amended several times. The latest amendment was approved by the Board of Directors on October 19, 2007 and by the stockholders of the Company on December 18, 2007, extending the termination date of granting of stock options for another five (5) years or until May 31, 2013.

Under the Plan, 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. Payment of the option price for shares purchased under the Plan must be paid in full at the time the option is exercised. No option is exercisable after ten years from the date of the grant.

As of March 31, 2012, there are 1,393,442 reserved common shares available for grant of options in the future. These shares came entirely from the remaining reserved common shares of 922,454 and 470,988 common shares of optionees who have been separated from the Company under the previous implementation of the Plan.

At its meeting held on March 16, 2012, the Stock Option Committee deliberated and approved the proposed amendments to the existing Amended Stock Option Plan (the "Plan") and the Board of Director in its regular meeting held on March 23, 2012 approved the proposed amendments with the following highlights:

1. Increase the maximum award per employee from 200,000 shares over the life of plan **to 500,000 shares per grant**. The reason in the increase of award is for members of top management having reached the 200,000 shares limit to be able to participate in future stock option grants;
2. 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. As of March 31, 2012, only 1,393,442 common shares are left for stock options;

3. Future options shall be for a price which shall not be less than 100% of the fair market price of the shares on the date of the grant made by the Stock Option Committee as quoted in the Philippine Stock Exchange **minus discount of up to 25% of market price** as determined by the Committee at date of grant and approved by the Board of Directors. In the existing Plan, the option shall be for a price which shall not be less than 100% of the fair market price of the shares on the date of grant. The proposed amendment is to reward officers, directors, managers, and consultants who worked hard to turn around the company, and to motivate new hires of the company;
4. Future options may be exercised by the optionee to the extent of **30% after one year from the grant, 60% after two years from the grant, and 100% after three years from the grant.** The shares purchased may be paid in full and in cash **or installment over three years,** at the time of the exercise of the option, **provided that the stock certificate shall be issued only upon full payment of the option price.** In the existing Plan, the Option is 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. Payment of the option price for shares purchased under the Plan must be paid in full at the time the option is exercised. The proposed amendment is to reward officers, directors, managers, and consultants who worked hard to turn around the company, and to motivate new hires of the company; and
5. To extend the termination date of the existing Plan for five years or **until May 31, 2018.** The existing Plan is expiring on May 31, 2013 and there is a need to extend the Plan so that outstanding options shall continue to be exercisable in accordance with their terms.

Considering the Company's strategic plans, the Board believes that it will be beneficial to the company and its shareholders to amend the existing Plan. The purpose of the Plan is to provide the staff employees, directors, consultants of the Company and its Subsidiaries with greater incentive to promote the business interest of the Company and to remain in its employ.

The proposed amendments of the existing Amended Stock Option Plan shall be submitted for approval of the stockholders at the Annual Stockholders' Meeting on May 29, 2012. A vote of the stockholders representing majority of the outstanding capital stock of the Company is needed for the approval of the amendments of the existing Plan. Management recommends a vote **FOR** these amendments.

OTHER PROPOSED ACTION - Except those referred to in the notice of the annual meeting of stockholders, no other proposed action shall be taken up in the annual meeting in respect to any matter.

VOTING PROCEDURES - In case of election of directors, the method of counting votes is as follows: If the number of nominees does not exceed the number of directors to be elected, the Secretary of the meeting, upon motion made and seconded, is instructed to cast all votes represented at the meeting in favor of the nominees. However, if the number of nominees exceeds the number of directors to be elected, voting is done by ballots. Counting of votes shall be done by the Corporate Secretary (or by his authorized representatives) or by independent auditors or by a Committee designated by the Board of Directors. The first six (6) nominees for Class A (Convertible Preferred and Common) and first four (4) nominees for Class B (Common) receiving the most number of votes will be elected as directors. All matters subject to vote, except in cases where the law provides otherwise, shall be decided by the plurality vote of stockholders present in person or by proxy and entitled to vote thereat, provided that a quorum is present.

PART II. INFORMATION REQUIRED IN A PROXY FORM

Identification - The solicited proxies will be voted by the representative of the Company, Mr. Benjamin Philip G. Romualdez, President & Chief Executive Officer, and/or Atty. Hermogene H. Real, Corporate Secretary, and each or any of them as attorney(s)-in-fact, with the power of substitution to vote as proxy in all matters to be taken in the annual stockholders' meeting on May 29, 2012 and at any and all other adjournment thereof.

Instruction - Instructions on how to complete and return the proxy are provided in the proxy form and in the notice of annual meeting of stockholders. As in the previous annual stockholders' meetings of the

Company, the committee of validation of proxies are composed of representatives from the Company's external auditor (Sycip Gorres Velayo & Company), stock transfer agent (Bank of the Philippine Islands), and its Corporate Secretary/Assistant Corporate Secretary. The committee adheres to the procedural requirements governing conduct in the validation of proxies as set forth in the By-Laws and procedures under Paragraph 11 (b) of SRC Rule 20.

Revocability of Proxy - A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised. In the event a stockholder decides to attend the meeting, he may, if he wishes, revoke his proxy and vote his shares in person. The grant of authority in the election of directors is subject to the lifting of TRO. In case no election of directors is held on the date of the Annual Stockholders' Meeting on May 29, 2012, the proxy will still be valid for ninety (90) days from said date, or up to August 27, 2012 and can still be exercised in the event the TRO is lifted after the May 29, 2012 Stockholders' Meeting and an election is ordered within the said ninety (90) day-period.

Persons Making the Solicitation - The solicitation of proxies is made by or on behalf of the management of the Company in order to obtain the required quorum and the required vote to approve the subject matters to be taken in the annual stockholders' meeting of the Company. The solicitation is primarily by mail. Incidental personal solicitation may be made by officers, directors and regular employees of the Company whose number is not expected to exceed fifteen, and who will receive no additional compensation therefor. The Company will bear the cost of preparing, assembling and mailing this Information Statement and other materials furnished to stockholders in connection with such proxy solicitation (including nominal cost of any such incidental personal solicitation) and the expenses of brokers, who shall mail such materials to their customers. Estimated cost of distributing the annual report together with the proxy statement/card locally is at ₱50.00 per envelope and total cost in the United States is about \$37,500. The Company retained Georgeson & Company to assist in the solicitation of proxies from the United States. The firm may solicit proxies by personal interview, telefax, telephone, mail and electronic mail. It is expected that the fee for these services will not exceed US\$15,500 plus reimbursement of customary out-of-pocket expenses.

No director has informed the Company in writing of any intention to oppose the matters to be taken up in the annual meeting.

Incorporated herein are the following:

1. Annex "A" - Management Report containing Management's Discussion and Analysis of Financial Position and Results of Operations for 2011 compared to 2010 and 2009, Market Price of and Dividends of the Company's Common Equity and Compliance of Leading Practices on Corporate Governance of the Company;
2. Annex "B" - Chairman's and President's Report 2011
3. Annex "C" - Sworn Certificate of Qualification of Independent Director, Bernardo M. Villegas
4. Annex "D" - Sworn Certificate of Qualification of Independent Director, Alberto C. Agra
5. Audited Consolidated Financial Statements for 2011 with Management's Responsibility for Financial Statements.
6. Supplementary Schedules

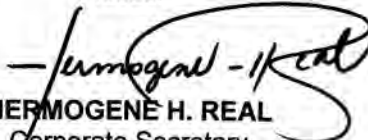
SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on April 20, 2012.

BENGUET CORPORATION

Issuer

By:


HERMOGENE H. REAL
Corporate Secretary

MANAGEMENT REPORT

Brief Description of Business

Benguet Corporation (the “Company”) pioneered modern mining in the Philippines. It was established on August 12, 1903, and its 108 years of existence is a testament to its adaptability and resiliency in the face of changes brought about by global events, natural calamities, economic conditions, and industry trends.

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

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

The Company endured in the first decade of the 21st century with a leaner organization and austere operation with revenues coming from the continued operation of MCO (up to 2007), the Irisan lime kilns, the sale/development of non-performing land assets, and the disposal of mothballed equipment, non-moving materials, and supplies inventories. The Company also ventured into projects in real estate and ecotourism, water resource development, reforestation, and engineering services. It reopened BGO on a limited scale in 2003 through the Acupan Contract Mining Project (ACMP), developed Sta. Cruz Nickel Project (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. The Company invested in the development of the Sta. Cruz Nickel, Balatoc Tailings, and Surigao Coal projects, and the expansion of ACMP. It likewise settled a majority of its debt. It continues to hold interests in the Acupan Gold, Ampucao Gold Copper, Pantingan Gold, BenguetOreline Contract Operation (BOLCO) Gold, and the Ilocos Norte and the KalingaFinancial or Technical Assistance Agreement (FTAA) prospects.

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

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

The Company’s vision is to regain its 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 Contract Mining Project (ACMP) in Benguet Gold Operation (BGO) in Itogon, Benguet Province:** ACMP was initially conceived as a community based underground mining operation which started commercial operation in January 2003. Gold production in 2011 totaled 4,625 ounces, higher as compared to 3,079 ounces in 2010 and 2,129 ounces in 2009. The average grade of ore milled was 7.92 grams gold per ton in 2011, 8.55 grams gold per ton in 2010 and 6.79 grams gold per ton in 2009. ACMP ended the year 2011 with an average milling rate of 128 tons per day. The Company is targeting to further expand capacity of the ACMP mill to 300 tons per day in the fourth quarter of 2012.
- **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. On February 28, 2011, the SEC approved BNMI's increase in capital stock from 10.0 million shares to 2.0 billion shares. In 2011, SCNP exported a total of 1.4 million tons of nickel ore ranging from 1.70% to 2.05% Ni grade as compared to 1.3 million tons of nickel ore ranging from 1.80% to 2.05% Ni grade in 2010.

On August 8, 2011, BNMI entered into a five-year Marketing Agreement with its Parent Company as the exclusive marketing agent 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., a major Chinese trading company 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., a subsidiary of Dunfeng Holding, Inc. of China 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.

Consistent with its medium term plan to transform the company from a direct ore exporter into processed nickel producer, BNMI is presently studying different processes using its low and medium grade ore to produce a higher value material for export. BNMI has signed a cooperation agreement with a reputable Chinese institute engaged in research, design and development of thermal energy technology.

- **Irisan Lime Project (ILP) in Baguio City:** ILP produced 8,605 tons of quicklime in 2011, higher as compared to 7,642 tons in 2010 and 7,444 tons produced in 2009. ILP obtained renewal of its lime plant mineral processing permit and Alaminos limestone quarry permit for another five years or up to 2016.

Exploration, Research and Development

- **Kingking Copper-Gold Prospect in Pantukan, Compostela Valley Province:** On September 13, 2011, St. Augustine Mining Ltd. (SAML), an affiliated company of the US-based Russell Mining & Minerals Inc. (RMMI), 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. Aside from transferring BC's interest as co-contractor in the MPSA and its operatorship under the Operating Contract with NADECOR, other related properties included in the transaction are: the adjacent Sagittarius Alpha Realty Corporation (SARC) claims in

Pantukan, and interest in Pantukan Mineral Corporation (PMC). SARC is a wholly owned subsidiary of the Company.

- **Balatoc Tailings Project (BTP) in Itogon, Benguet Province:** BTP involves the re-processing of mine tailings produced during the operation of Acupan Mines to recover residual gold. The mining/extraction method is through dredging using hydraulic dredge-pumps. The milling process is a combination of flotation, roasting and Carbon-In-Pulp/Carbon-In-Leach (CIL/CIP). The impounded tailings were drilled starting in the late '80s and again in 2008 confirming some 16.7 million metric tons of tailings. Metallurgical test indicates that a recovery of about 70% of the gold can be achieved. The project includes a second phase of roasting of pyrite concentrate to improve gold recovery.

In 2009, the Company entered into a processing agreement with its wholly owned subsidiary, Balatoc Gold Resources Corporation (BGRC) to implement the project. It will also conduct research & development, engineering and marketing study for the project. A Mineral Processing Permit (MPP) No. 13-2010-CAR for BTP was issued by the Mines and Geosciences Bureau (MGB)-Cordillera Administrative Region (CAR) and the DENR which allows BTP to reprocess the impounded BGO-Acupan mill tailings for recovery of residual gold. The Company signed a Deed of Assignment transferring the MPP to BGRC and the Department of Environment and Natural Resources (DENR) has likewise approved the transfer of the MPP to BGRC. The MPP and other government permits have been issued to put BTP into operation. The Company has initially signed several contracts for the infrastructures required for the processing plant, such as the construction of the water pumping station, the raising of the existing dam crests of all the tailings ponds, and the construction of a silt trap. BGRC was granted by the Board of Investment (BOI) a Certificate of Registration as pioneer enterprise for BTP.

- **Antamok Tailings Project (ATP) in Itogon, Benguet Province:** The ATP which targeted the Benguet Antamok Gold Operation (BAGO) mill tailings impounded in the BAGO tailings pond was conceived as a possible additional resource that could be developed similar to BTP. The BAGO tailings pond located a few hundred meters downstream from the BAGO open pit contains some 7.64 M tons of tailings produced from the BAGO milling operation (1992-'97). In addition, a considerable tonnage of extraneous materials estimated at about 1.95M tons washed from the BAGO pit over the years as well as from the Otek marginal grade material dump and from the numerous illegal miners workings, found their way into the pond and is now resting on top of the tailings deposit. A preliminary sampling of these extraneous materials showed it can be considered for exploitation together with the original tailings in the pond. More core drilling, however, may be required to firm up the resource estimate of these impounded materials if this project will be pursued. By and large, the concept of the ATP project was to present a viable alternative to the Bulk Water Project and the ESL that had been considered for rehabilitation of the Antamok open pit.
- **Ampucao Copper Gold Porphyry Prospect in Itogon, Benguet Province:** Ampucao is located along the same favorable mineralized belt where the Sto. Tomas orebody of Philex's Padcal and Lepanto's Far South-East deposit are situated. The prospect was discovered accidentally underground in the late '60s while drilling for the so-called 500 gold vein series at the southern edge of Acupan Gold Mines in the vicinity of Acupan's Fog Shaft. There were no follow up exploration work conducted after its discovery and its economic potential has not been ascertained up to the present. A diamond drilling exploration program was designed to determine the size, shape and tenor of what appeared to be porphyry copper-type deposit with significant associated gold values. The drilling program will commence as soon as the underground drill stations have been prepared using the still existing openings from Acupan Mine's Level 2000.
- **Pantingan Gold Prospect in Bagac, Bataan Province:** The prospect is located in Bataan peninsula and is nestled within the Mt. Mariveles caldera, an extinct volcano whose last eruption was dated more than a million years ago. The prospect was signed up with Benguet in 1996 by the Balanga-Bataan Mineral Resources Corporation (BBMRC) under a Royalty Agreement. It is covered by an MPSA Contract with the Philippine government (MPSA No. 154-2000-III) granted on March 31, 2000. This property is within a geologically favorable caldera setting and like the Acupan Mine in Benguet, shows a potential gold vein system considered worthy of further exploration. The prospect has several mineralized structures trending in generally parallel directions which has been interpreted as possible

upper expressions of a bonanza-type epithermal vein system. 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:** Since 1993, when, due to lack of high grade tailings available for purchase from the small-scale miners operating in the area, the BOLCO's tails buying and processing operations, were suspended after a few years of operations the property remains under caretakership Both the mining property and the 30 tons per day CIL gold processing plant are available to investors for either purchase or JV. The Company had recently conducted a re-evaluation works on the San Fernandino vein of BOLCO and the results had been encouraging. The Company's IPs-community consultation program was being pursued by your Company when it was temporarily put on hold by the NCIP due to pending resolution of a complaint lodged by an anti-mining group against an exploration company (not BC). This was later followed by a Writ of Kalikasan filed by another group that opposes all forms of mining in the Zamboanga Peninsula.
- **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 your 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 currently preparing to participate in the Philippine Energy Contracting Round (PECR) 4 for Coal to possibly secure other prospective coal areas.
- **Foreign Technical Assistance Agreement (FTAA):** Separate applications for FTAA's were filed under the name of the Company's subsidiary, Sagittarius Alpha Realty Corporation (SARC) in Ilocos Norte (AFTAA- 003) and Apayao (AFTAA-033) in 2004. The Ilocos FTAA-applied area covers a total of 32,613 hectares comprising of four (4) separate parcels while that in Apayao totals 51,892.92 hectares covering three parcels.

For the FTAA application in Ilocos Norte, the Company conducted community consultations with IP groups residing in the applied areas, particularly in the municipalities of Adams, Solsona, Vintar, Nueva Era and Carasi. A number of MOAs has been signed with the IPs of Vintar and Solsona. The Company continues to work on its FTAA application in Apayao.

HealthCare Services

- **Benguet Laboratories (BL) in SM Baguio City:** is a healthcare provider for 86 years, continues to serve various Health Management Organizations catering to corporate and institutional clients, both from the private and government sectors that are located in Northern Luzon. BL is in partnership with about 66 medical practitioners of various disciplines and expertise. Management of BL is working to be the leading healthcare provider in Baguio-Benguet areas including the Cordillera. It plans to expand its resources to areas within Regions 1, 2 and 3.

Land Development

- Benguet Corporation has land assets comprising of mineral land in Itogon, Benguet, agricultural land in Zambales, and forest land in Bokod, Benguet. Recognizing that land development is a natural and logical play to balance the mining cycle, the Company, in the first quarter of 2011, decided to set up the Real Estate Group. The landholdings in Itogon were reviewed in order to develop best land use options for each particular area from the perspective of economics, environment and benefits to the host community and local government units.

The Company pursued the implementation of Presidential Proclamation No. 1248 dated June 9, 1998 declaring Kelly as a Special Economic Zone in Itogon. In late 2011, the Philippine Economic Zone Authority issued the Certificate of Registration to Benguet Corporation as Developer/Operator of the Kelly Special Economic Zone. It is planned that the special economic zone will consist of an industrial complex for light to medium manufacturing enterprises, business processing outsourcing companies, to be supported by commercial and administrative services and infrastructure facilities.

The Company has more than a thousand hectares of agricultural land in Zambales, primarily consisting of a mango farm. Feasibility studies are being conducted on best development options and agro-industrial tourism is being considered.

It will be recalled that the Company acquired concessions over 70 years ago in Benguet and Mountain Province for the timber requirements of its mining operations. In Bokod, Benguet, the Company has reforested some 20,000 hectares with 20 million trees and is at present s well-preserved second-growth forest. The Company is working with the local government and the Department of Environment and Natural Resources towards the grant of a Special Agreement for Protected Areas (SAPA) to enable the development of eco-tourism as the best development option for the area.

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). AFC is BMC's logistics company which handles the trucking requirements of clients in the manufacturing and fuel oil sectors. AFC is currently involved in the mining activities of the Company's Sta.Cruz Nickel Project particularly the provision and operation of earth-moving equipment. BFC manages the Irisan Lime Plant and develops the Company's real estate assets in Northern Luzon, such as the Woodspark Subdivision. BTI is the Company's trading arm primarily dealing with industrial and environmental equipment and supplies to power, cement and mining companies. BMC also continues to maintain the mango plantation in Iba, Zambales.
- In 1988, the Company acquired **BenguetCorp International Limited (BIL)**, a Hongkong-based and 100% owned subsidiary for international operations, remains largely inactive. BIL's wholly-owned subsidiaries, BenguetCorp Canada Limited (BCL) in Vancouver, B.C. and BenguetCorp USA Limited (BUSA) in Nevada, U.S.A. continue to hold interest in mining properties in Royston Hills, Nevada, which are currently being offered for sale to interested parties.

FINANCIAL AND OTHER INFORMATION

The Statement of Management's Responsibility for Financial Statements; Auditors' PTR, Name of Certifying Partner & Address and the Audited Consolidated Financial Statements of the Company as of and for the period ending December 31, 2011 are incorporated hereto by reference.

MANAGEMENT DISCUSSION & ANALYSIS & PLAN OF OPERATION

The management's discussion and analysis of financial position and results of operations of the Company is presented below and should be read in conjunction with the audited consolidated financial statements of the Company as of and for the period ended December 31, 2011 which is incorporated hereto by reference.

A. For the years ended December 31, 2011 and 2010

The Company's operating revenues 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. 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 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 for the year 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 last year.

ACMP contributed ₱145 million, 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 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 from ₱25 million last year due to increased in purchases of materials and supplies for ACMP.

Other current assets increased to ₱117 million 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 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 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, Berek 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 this year.

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 compared to ₱945 million last year. 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 compared with the ₱24 million last year. The liability for mine rehabilitation pertains to the projects of BGO, MCO, BAGO, and BNMI.

Accrued pension liability amounted to ₱30 million 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 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 from ₱755 million last year.

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

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 of 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\$1,224 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 slightly 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.

B. For the years ended December 2010 and 2009

In 2010, the Company received timely support mid-year through a capital infusion (via private placement) of ₱150 million. Intended for general corporate purposes, the fund was partially utilized to increase the capacity of the Acupan Contract Mining Project (ACMP) and to accelerate the development of another potential revenue earner, the Balatoc Tailings Project (BTP). The ramped-up ACMP gold output, coupled with the start of commercial nickel ore shipments from the Santa Cruz Nickel Project (SCNP), have provided the Company with a steady, recurring income base amid sustained high metal prices. The Company successfully broke the Kingking impasse by negotiating a transactional arrangement with a third party that would monetize the Company's investment in the prospect.

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

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

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

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

Other net income in 2010 amounted to ₱2.4 billion substantially higher than the other income of ₱70 million in 2009. The other net income this year came from the ₱1.9 billion gain on settlement of liabilities and ₱354 million income from non-refundable deposit from the Kingking transaction while in

2009, the other income was attributed to the ₱47 million gain on sale of Catitipan property in Davao and the accrued foreign exchange gain of ₱56 million.

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

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

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

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

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

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

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

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

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

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

Key Performance Indicators

Working Capital- Working capital (current assets less current liabilities) and current ratio (current assets over current liabilities) measures the liquidity or debt paying ability of the Company. As of December 31, 2010 and December 31, 2009, the Company's current liabilities exceeded its current assets by ₱1.5 billion and ₱4.1 billion, respectively.

Metal Price- The market price of gold in the Banko Sentral ng Pilipinas which is based from the world spot market prices provided by the London Metal Exchange for gold is the key indicator in determining the Company's revenue level. The average market prices for gold sold were at US\$1,262 per ounce in 2010 and US\$1,023 per ounce in 2009.

Tonnes Mill and Ore Grade- Tonnes milled and ore grade determine gold production and sales volume. The higher the tonnage and ore grade, the more gold are produced and sold. Tonnes milled in 2010 were 26,040 at the average grade of 6.55 grams per tonne gold. Gold sold in 2010 were 3,079 ounces. In 2009, tonnes milled were 19,094 at the average grade of 6.79 grams per tonne gold. Gold sold in 2009 were 2,129 ounces.

Foreign Exchange Rate- As the Company's sales proceeds are mainly in U.S. dollars, a higher Philippine peso to U.S. dollar exchange rate means higher peso sales but would also reflect a foreign exchange loss on the restatement of the Company's dollar obligations. Conversely, a lower exchange rate reduces the Company's revenue in pesos but brings foreign exchange income on the loans. As of December 31, 2010, the peso to dollar exchange rate was at ₱43.885 higher as compared to ₱46.356 in 2009.

Earnings Per Share-The earnings per share reflect the Company's bottom line operating results expressed in amount per share of the Company's outstanding capital stock. Assuming a constant outstanding number of shares, as a Company's earnings increase, the earnings per share correspondingly increase. The Company earnings per share in 2010 is ₱15.14 compared to losses per share of ₱1.23 in 2009. With the anticipated shipment of nickel ores in the Sta. Cruz Nickel Project and projected improvement in gold production of ACMP compounded with the prevailing favorable metal price, the Company anticipates an improvement in its earnings per share in 2011.

Known Trends, Events or Uncertainties

The Company does not foresee any cash flow problem over the next twelve months due to projected improvement in gold production of ACMP compounded with the prevailing favorable metal price, assure market for nickel ores of Sta. Cruz Nickel Project due to the signing of off-take agreement with DMCI Mining Corporation and favorable local market quicklime sales from ILP. 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 April 7, 2010, the Company entered into a Memorandum of Agreement with RYM Business Management Corporation (RBMC) for a private placement of up to ₱330 million in the Company's common shares equivalent to 14.6 million Class "A" shares and 9.7 million Class "B" shares. The subscription to authorized and unissued shares of the Company was divided into two transactions. The first transaction was completed on April 23, 2010 with full payment of ₱150 million. The second transaction shall be completed within 180 days from listing of the shares under the first tranche.

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

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

In December 2010, the Company transferred, subject to Department of Environment and Natural Resources (DENR)'s approval, Mineral Production Sharing Agreement (MPSA) No. 226-2005-III of Sta Cruz Nickel Project (SCNP) to Benguetcorp Nickel Mines Inc. (BNMI). The transfer is in exchange for one billion BNMI shares out of the total capital increase of two billion shares (at par value of one

peso per share) applied for by BNMI with the Securities and Exchange Commission (SEC). BNMI is completing the necessary requirements for fund-raising activities.

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

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

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

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

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

MARKET PRICE OF AND DIVIDENDS OF THE COMPANY'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Class A, Common Class B and Convertible Preferred Class A shares are listed and traded in the Philippine Stock Exchange (PSE). As of April 11, 2012, the closing price of Common Class A is ₱24.50 per share, ₱25.40 per shares for Common Class B and ₱51.15 per share for Convertible Preferred Class A as of last trading day on March 20, 2012.

The Company's public float as of March 31, 2012 is 55.25%.

The high and low prices of the Company's shares in the PSE for the First Quarter 2012 are as follows:

	<u>High Price</u>	<u>Low Price</u>
Common Class A	₱29.00	₱25.60
Common Class B	34.00	25.50
Convertible Preferred Class A*	51.15	31.00

The high and low prices of the Company's shares in the PSE for each quarter of 2011 and 2010 are as follows:

	1 ST QUARTER		2 ND QUARTER		3 RD QUARTER		4 TH QUARTER	
	2011	2010	2011	2010	2011	2010	2011	2010
CONVERTIBLE PREFERRED CLASS A*								
Highest Price Per Share	₱57.00	₱ -	₱60.00	₱ -	₱30.50	₱ -	₱ -	₱ -
Lowest Price Per Share		38.00	30.00	-	30.50	-	-	-
COMMON CLASS A								
Highest Price Per Share	19.50	14.50	23.00	12.75	29.95	13.00	29.00	15.86
Lowest Price Per Share	11.04	10.75	14.50	11.00	19.00	9.30	20.05	11.04
COMMON CLASS B								
Highest Price Per Share	21.00	19.50	24.00	17.00	30.00	17.00	29.00	16.50
Lowest Price Per Share	12.10	11.00	14.50	12.50	19.32	12.00	21.20	12.50

(*) There are no trading transactions during the fourth quarter of 2011 and the whole year of 2010.

For the Company U.S. registered Class "B" shares, since the voluntary deregistration of the Company's Class "B" shares from the United States Securities & Exchange Commission (U.S. SEC) in 2008, trading of its U.S. registered class "B" shares (BENGF) in the Over-The-Counter (OTC) Pink Sheets was suspended. The Company's U.S. counsel initiated efforts to re-start trading of the shares in the Pink Sheets by finding a market maker willing to file a FINRA Form 211 but the market maker, Hudson Securities, a division of investment bank, Rodman & Renshaw who had filed the FINRA Form 211 in BenguetCorp's (BC) behalf to initiate re-listing was not successful.

The Company is taking steps to have all U.S. registered Class "B" shares converted to Philippine registry. In connection to this, in its June 29, 2011 Annual Stockholders' Meeting, the Company sent notices along with the annual report and proxy materials to the U.S. stockholders, informing them of the option to convert their shares to Philippine registry so they can transact in the PSE. 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 Philippine Stock Exchange (PSE). The Company's Class "B" shares are listed and may be traded in the PSE under the trading symbol "BCB". This particularly addressed the concerns of the U.S. stockholders on lack of trading venue in the U.S.

Holders - As of March 31, 2012, the Company's approximate number of shareholders is 16,998 and the list of consolidated top 20 stockholders are as follows:

Name	Title of Class	Number of Shares Held	Percent to Total Shares Outstanding
1. PCD Nominee Corporation (Filipino)	A	33,669,762	20.540%
2. Palm Ave. Holding Company, Inc.	A	21,874,909	13.334%
3. Palm Ave. Holding Co. and/or Palm Avenue Realty Corp.	A	21,306,830	12.998%
4. Palm Avenue Realty & Development Co	B	14,560,000	08.882%
5. Palm Ave. Holding Co. and/or Palm Avenue Realty Corp.	A	10,278,125	06.270%
6. PCD Nominee Corporation (Non-Filipino)	B	6,863,930	04.187%
7. PCD Nominee Corporation (Filipino)	B	5,377,041	03.280%
8. First Clearing LLC	B	4,009,017	02.446%
9. House of Investment, Inc.	A	2,848,637	01.738%
10. Great Pacific Life Assurance Corporation	A	1,820,276	01.110%
11. FEBTC TA 4113-000204-5 (ESPP)	A	1,700,000	01.037%
12. Ernesto Chua Chiaco	A	1,118,200	00.682%
13. FEBTC TA 4113-00204-5	A	908,533	00.554%
14. Cynthia Manalili Manalang	A	500,000	00.305%
15. Henry Sy	A	373,535	00.228%
16. RP Land Development Corporation	A	320,000	00.195%
17. Henry Sy, Sr.	A	307,346	00.187%
18. Sysmart Corporation	A	289,652	00.177%
19. Fairmont Real Estate, Inc.	B	237,850	00.145%
20. Independent Realty Corporation	B	235,667	00.144%

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

Recent Sales of Unregistered or Exempt Securities – In connection with the first transaction of a private placement with RYM Business Management Corporation in 2010, the Company sold 6,617,640 shares of common class A at a subscription price of ₱11.00 per share and 4,411,770 shares of common class B at a subscription price of ₱13.35 per share, for a total consideration of ₱79,411,680 and ₱70,588,320, respectively. Also, a total of 2,106,720 shares of common class A and 19,200 shares of common class B, at the option prices of ₱8.50 and ₱29.07 per share, respectively, were exercised by optionees as of December 31, 2011 pursuant to the implementation of the Stock Option Plan of the Company. These sales are exempted from the registration requirements of the Securities Regulation Code (SRC).

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

COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

The Company's Corporate Evaluation System

(The evaluation system established by the company to measure or determine the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance)

The Company utilizes various means to measure its level of compliance with its Manual on Corporate Governance and leading governance best practices. It adopted ratings and surveys of regulatory agencies and private organization as a tool to determine its level of corporate governance. It participated annually in the Corporate Governance Scorecard of the Institute of Corporate Directors for public listed companies as required by the Securities and Exchange Commission (SEC). The Company also accomplished its Corporate Governance Disclosure Survey for listed companies as required annually by the Philippine Stock Exchange (PSE). The Company through its Compliance Officer, annually certifies the Company's compliance with its Manual on Corporate Governance. For 2011, a certification had been issued and submitted to the SEC and PSE in January 2012.

Governance Processes and Policies

(Measures being undertaken by the company to fully comply with the adopted leading practices on good corporate governance)

The directors, officers and employees substantially complying with the leading practices and principles on good corporate governance as embodied in the Manual on Corporate Governance of the Company. 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. In 2011, the Board approved the Revised Manual on Corporate Governance in compliance with SEC's Revised Code of Corporate Governance. 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.

For transparency and easy access and reference of its stockholders and investing public, the Company regularly posts on its website corporate disclosures and reports submitted to SEC and PSE.

Corporate Governance Manual Deviations

(Any deviation from the company's Manual of Corporate Governance. It shall include a disclosure of the name and position of the person/s involved and the sanction/s imposed on said individual)

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

(Any plan to improve corporate governance of the company)

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.

The Company's Corporate Governance Committee composed of three directors and compliance officer namely: Mr. Bernardo M. Villegas an independent director and is the Chairman and members are: Andres G. Gatmaitan, director, Isidro C. Alcantara, Jr., director and Roland P. de Jesus, Compliance Officer.

UNDERTAKING TO PROVIDE COPIES OF THE ANNUAL REPORT AND INTERIM FINANCIAL STATEMENTS

The Company undertake to provide without charge to each person solicited, upon written request of such person, a copy of the Company's 2011 Annual Report or SEC Form 17-A. Such written request should be directed to: THE MANAGER, Shareholder Relations Office, Benguet Corporation, 7th Floor Universal Re-Building, 106 Paseo de Roxas, 1226 Makati City, Metro Manila, Philippines. The Company's 2011 Annual Report/SEC Form 17-A is also available for downloading at the Company's website: <www.benguetcorp.com>

The Company likewise undertake to provide / distribute during the Annual Stockholders' Meeting, a copy of First Quarter Report 2012 (SEC Form 17-Q) containing Company's Interim Financial Statements, Management Discussion and Analysis of Financial Condition and Results of Operation.

PRESIDENT’S STATEMENT

After the successful company turnaround in 2010, Benguet Corporation maintained its forward momentum in 2011 with a reported ₱1.4 billion net income. The impetus was provided by the steady improvement in the operating revenues of the Acupan Contract Mining Project now renamed as the Acupan Gold Project (AGP) and earnings from BenguetCorp Nickel Mines, Inc.(BNMI) . Your Company foresees further enhancement of its operational profitability in the medium term, with the continued ramp up of the gold milling operation of AGP and new nickel off-take agreements for the supply of an additional 3.6 million tons of high grade nickel ore over the next three years.

Your Company’s operational performance was augmented by a significant non-cash gain in the ongoing settlement of your Company’s old debt and by the final receipt of the sale proceeds from the sale of its interest in the Kingking Copper-Gold Project.

Further, your Company signed a ₱500 million multi-purpose omnibus credit facility with a reputable universal bank to ensure working capital support for its various projects. Finally, your Company’s efforts in restructuring its balance sheet has put it back to a positive retained-earnings position.

Consolidated Results

Consolidated net earnings for 2011 amounted to ₱1.4 billion or ₱8.50 per share (US\$31.5 million or US\$0.19 per share), inclusive of a non-recurring gain of ₱642.3 million from debt settlement and a ₱423 million gain from the sale of your Company’s Kingking interest. In 2010, consolidated earnings amounted to ₱2.4 billion or ₱15.14 per share (US\$54.7 million or US\$0.34 per share)..

Consolidated earnings declined in 2011 as a result of the decrease in the non-recurring gains, but operating revenue for the year was 68% better than the previous year. Before financing charges, operating profit increased to ₱262 million in 2011 from the operating profit of ₱156 million in 2010.

The gross operating revenues of your Company significantly increased to ₱994 million (US\$22.6 million) in 2011 from ₱624 million (US\$14.2 million) in 2010. The increase was attributed to the ₱501 million revenues generated from BNMI’s operation in the Sta. Cruz Nickel Project (SCNP) IN 2011 compared with the ₱282 million revenues from 2010 and the higher gold production of 4,625 ounces in 2011 versus 3,079 ounces in 2010 from your AGP.

Mining

Earnings from your AGP significantly increased to ₱145 million (US\$3.3 million) in 2011 from ₱77.8 million (US\$1.8 million) in 2010. The improvement was substantially due to increased gold production of 4,625 ounces in 2011 versus 3,079 ounces in 2010 with favorable gold price averaging US\$1,589/oz in 2011 against US\$1,224/oz in 2010. AGP ended the year 2011 with an average milling rate of 128 tons per day against 93 tons per day in 2010. Your Company is targeting to further expand capacity of the AGP mill to 300 tons per day by the fourth quarter of 2012.

BNMI, a wholly owned subsidiary, generated net earnings of ₱141 million (US\$3.2 million), higher than the net earnings of P101 million (US\$2.3 million) in 2010. In July 2011, BNMI declared a cash dividend of ₱32.00 per share from earnings per share out of audited 2010 earnings per share of ₱40.48. Authorized capital stock was increased to ₱2.0 billion, of which ₱1.025 billion has been paid up.

On August 8, 2011, your 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., a major Chinese trading company on August 24, 2011, for the sale and delivery of 1.8 million metric tons of nickel ore grading of at least 1.8% and with Minecore Resources, Inc., a subsidiary of Dunfeng Holding, Inc. of China, on October 5, 2011, for 1.8 million metric tons of nickel ore grading of 1.8% and above and 200,000 metric tons of 1.6% nickel.

Consistent with its medium-term plan to transform BNMI from a direct ore exporter into a processed nickel producer, your Company's subsidiary is presently studying different processes using its low and medium grade ore to produce a higher value product for export. BNMI has signed a cooperation agreement with a reputable Chinese institute engaged in research, design, and development of thermal energy technology.

Earnings from your Irisan Lime Project (ILP) amounted to ₱16.3 million (US\$0.37 million) in 2011 higher than the ₱12.8 million (US\$0.29 million) in 2010 mainly due to an improved sales volume of 8,605 tons in 2011 versus 7,643 tons 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

The Department of Environment and Natural Resources (DENR) approved the transfer of the Mineral Processing Permit (MPP) of the Balatoc Tailings Project (BTP) to the Balatoc Gold Resources Corporation (BGRC), operator of BTP and a wholly-owned subsidiary of your Company. The MPP and other government permits have been issued to BGRC that now puts BTP into operation which is potentially the country's first large-scale gold recovery project from mill tailings. To start the project, your Company has initially signed several contracts for the infrastructures required for the processing plant, such as the construction of the water pumping station, the raising of the dam crests of all tailings ponds, and the construction of a silt trap. Furthermore, BGRC was granted by the Board of Investments (BOI) a Certificate of Registration for BTP as a pioneer enterprise.

A diamond drilling exploration program was designed for a more exhaustive study of your Company's AGP operations as it will help determine the resource base of the lower underground levels which are presently flooded. The drilling program will commence as soon as the underground drill stations have been prepared.

Pre-development activities for the Surigao Coal Project were put on hold in 2011 due to DENR Circular EO 23, which declares a moratorium on cutting of timber in natural and residual forests. DENR's Community Environment and Natural Resources Office (CENRO) of Lianga Municipality denied your Company's request for a Tree Inventory, which is preparatory to an application for a Cutting Permit, but reversed the decision in January 2012 after the issuance of a Memorandum from the Executive Secretary which exempted exploration and mining activities from EO 23.

Your Company is currently preparing to participate in the Philippine Energy Contracting Round (PECR) 4 for Coal to possibly secure other coal areas.

For your Company's Foreign Technical Assistance Agreement (FTAA) applications in Ilocos Norte, your Company conducted community consultations with (Indigenous People) IP groups residing in the applied areas, particularly in the municipalities of Adams, Solsona, Vintar, Nueva Era, and Carasi. MOAs have been signed with the IPs of Vintar and Solsona. Your Company continues to work on its FTAA application in Apayao.

Subsidiaries and Affiliates

Benguet Management Corporation (BMC), a wholly owned subsidiary of your Company, and its subsidiaries, reported a consolidated net income of ₱37 million (US\$0.842 million) a turnaround from the loss of ₱10.3 million (US\$0.235 million) in 2010. The positive variance was mainly due to the non-cash gain realized from the settlement of debt comprising 30% of the long-outstanding unsecured loans of BMC. Among BMC's subsidiaries, BTI reported net earnings of ₱3.44 million in 2011, a turnaround from the loss of ₱1.09 million in 2010. Arrow Freight Corporation (AFC), on the other hand, reported a net loss of ₱3.34 million this year, lower than the ₱4.79 million net loss incurred in the previous year on account of its involvement in the mining activities of your Company's nickel project starting in the 4th quarter, particularly the provision and operation of earth-moving equipment. AFC is BMC's logistics subsidiary. However, it is projected that AFC's participation as lead logistics provider will enable it to turnaround in 2012.

BMC Forestry Corporation (BFC) reported a net loss of ₱0.1 million this year, as against ₱0.2 million net earnings in 2010. BFC continues to develop the Woodspark Rosario Subdivision Project in La Union. Total lot sales and reservations to-date stand at 193 lots with an aggregate area of 28,012 square meters.

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 interests in mining properties for gold/silver in Royston Hills, Nevada.

Earnings from Benguet Laboratories (BL) decreased to ₱5.0 million (US\$0.11million) in 2011 from ₱6.1 million (US\$0.14) in 2010. The decrease in earnings is on account of lower sales to corporate accounts. BL is in partnership with about 65 medical practitioners of various disciplines and expertise. It continues to serve Health Management Organizations catering to corporate and institutional clients, both from the private and government sectors that are located in Northern Luzon. BL is working to be the leading healthcare provider in the Baguio-Benguet area and the Cordilleras and plans to expand its services to Regions 1, 2, and 3.

Land Development

Your Company has land assets comprising of mineral land in Itogon, Benguet, agricultural land in Zambales, and forest land in Bokod, Benguet. Recognizing that land development is a natural and logical play to balance the mining cycle, your Company, in the first quarter of 2011, set up the Real Estate Group. The land holdings in Itogon are being reviewed to determine how to develop the best land use options for each particular area from the perspective of economics, the environment, and benefits to the host community and local government units.

Your Company pursued the implementation of Presidential Proclamation No. 1248 dated June 9, 1998 declaring Kelly, which has an area of 133 hectares, as a Special Economic Zone (SEZ) in Itogon. In late 2011, the Philippine Economic Zone Authority (PEZA) issued the Certificate of Registration to Benguet Corporation as developer and operator of the Kelly Special Economic Zone. Your Company plans for Kelly SEZ to have an industrial complex for light-to-medium manufacturing enterprises and business processing outsourcing (BPO) companies, to be supported by commercial and administrative services and infrastructure facilities.

Your Company owns and 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, and agro-industrial tourism is being considered.

It will be recalled that your Company 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 the DENR towards the grant of a Special Agreement for Protected Areas (SAPA) to enable the development of ecotourism as the best development option for the area.

Environmental Protection and Community Services

Your Company is committed to the protection and enhancement of our environment by ensuring that its mining operations are compliant with the strict regulations of the DENR-MGB (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. Also, your Company continues to fulfill its social development obligations through the implementation of various Social Development and Management Programs (SDMP) for Benguet Gold Operation (BGO) and BNMI, in coordination with the Local Government Units and the host communities. The SDMP has directly benefited residents within your Company's areas of operations in Benguet and Zambales provinces as well as neighboring communities.

BGO extends SDMP for Barangays Virac, Poblacion, and Ucab. Community service areas include human resource development, health, education, socio-cultural, information education campaign, and mining technology and geosciences. High school scholarship programs continue to benefit deserving students. A supplemental feeding program for school year 2011-2012 is being implemented in the day care centers in Barangays Virac and Poblacion. Your Company funded the construction of a mushroom house in a Virac timber yard, in line with the establishment of a livelihood program for the Itogon Mushroom Growers Association (IMGA).

The operations of BNMI is contributing to the social upliftment of its community by providing local employment and other community services such as scholarship grants, nutrition programs, medical missions, livelihood projects, and tree planting activities. Financial assistance is extended for various community sports activities and celebrations, construction materials for schools, and road repair and maintenance activities in different barangays. Since 2008, BNMI has planted a total of 48,100 trees in Sta. Cruz, Zambales, covering an area of 28.68 hectares.

Good Corporate Governance

Your Company adheres to the principles of good corporate governance and faithfully complies with the guidelines of the Securities and Exchange Commission (SEC) and the Philippine Stock

Exchange (PSE). It continues to improve systems and processes to enhance adherence to principles and practices of good corporate governance. In 2011, the Board approved the revised *Manual on Corporate Governance* in line with SEC Memorandum Circular No. 6, Series of 2009. Your Company has participated annually in the Corporate Governance Scorecard of the Institute of Corporate Directors and the Corporate Governance Disclosure Survey for publicly listed companies in compliance with the mandate of SEC and PSE, respectively. It regularly posts on its website corporate disclosures and reports for transparency and easy access and reference of stakeholders.

Other Corporate Developments

On September 13, 2011, St. Augustine Mining Ltd. (SAML), an affiliated company of the US-based Russell Mining & Minerals, Inc. (RMMI), complied with the accelerated performance of transactional conditions to render effective the transfer of your Company's interest in the Kingking Project and related claims. On August 31, 2011, your Company agreed with SAML to amend the Heads of Terms dated July 22, 2010 to accelerate the payment of the acquisition price of the Kingking interest and related claims through a 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 was only upon full payment of the price that the transfer of BC's interest in the properties become effective.

On October 25, 2011, your Company signed a twenty-year power supply contract with Aboitiz Power Corporation through its wholly owned subsidiary Therma Luzon, Inc. (TLI), to supply power to your Company's current and future mining operations in Itogon, Benguet Province.

On December 5, 2011, the Securities and Exchange Commission (SEC) approved your Company's application for quasi-reorganization and equity restructuring. The quasi reorganization / equity restructuring plan of the Management was approved by the Board of Directors on September 27, 2011. The Board authorized the 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 needed to be done by your Company to complete the corporate restructuring process. Positive retained earnings has put your Company back on the path toward a consistent dividend policy.

On December 19, 2011, your 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.

Debt Status

As of the end of 2011, your Parent Company's outstanding principal debt subject to the repayment plan amounted to ₱250.32 million or US\$5.7 million, down from ₱488.30 million or US\$11.1 million as of December 31, 2010. Your Parent Company's outstanding principal debt subject to the 1992 Restructuring Agreement has been reduced to ₱236.11 million or only 20% of the original principal. Your Company remains committed to a final and comprehensive settlement of all the old debt or to arrange for a suitable restructuring of the remaining obligations.

Outlook

Your Company is confident that it can sustain this forward momentum.

We expect AGP to complete its expansion plan and attain 300 tons per day processing capacity that will result to an estimated 1,000 ounces per month by year-end 2012.

The future looks promising as well for BNMI with a committed income stream for the next three years, amidst positive market pricing. Furthermore, your Company continues to evaluate proposals for a joint venture on nickel-processing technology that enhance mineral resources output of a higher value.

With a steadily improving income base, the restoration of its credit standing and renewed financial strength, your Company is now well positioned to expand its operations, embark on new projects, and dedicate its full attention to moving forward and increasing shareholder value.

We are, therefore, taking this opportunity to express our appreciation to our Board of Directors, shareholders, and all our employees whose collective concern and exceptional efforts have enabled your Company to maintain its profitable performance. Working together, your Company is ready to face tomorrow's challenges and opportunities.

Benjamin Philip G. Romualdez
President & Chief Executive Officer

CERTIFICATION OF INDEPENDENT DIRECTOR

I, BERNARDO M. VILLEGAS, Filipino, of legal age and a resident of 496 Northwestern Street, Greenhills, San Juan, Metro Manila, after having been duly sworn to in accordance with law, do hereby declare that:

- 1. I am an independent director of Benguet Corporation.
2. I am affiliated with the following companies or organizations:

Table with 3 columns: Company/Organization, Position/Relationship, Period of Service. Rows include Insular Life / Transnational Diversified, Inc., Dualtech Foundation, Manila Bulletin, Makati Business Club, Phinma Foundation, Pilipinas Shell Foundation, University of Asia and the Pacific, Center for Research and Communication, Alaska, Philippine Economic Society, Department of Economics-De La Salle University Manila, Committee on National Economy & Patrimony, Economic Research Bureau, Graduate School of Business-De La Salle University Manila, Phil. Economic History, National Historical Commission, Preparatory Commission for Constitutional Reforms & Constitutional Commission, Productivity Dev. Center-National Economic Council & Program Implementation Agency.

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Benguet Corporation, as provided for in Rule 38 of the Securities Regulation Code.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.

5. I shall inform the Corporate Secretary of Benguet Corporation of any changes in the above-mentioned information within five days from its occurrence.

Done, this ___ day of March 2012 at Makati City.

Bernardo M. Villegas signature and name: BERNARDO M. VILLEGAS

Affiant

MAR 30 2012

SUBSCRIBED AND SWORN to before me this ___ day of March 2012 at Makati City, affiant exhibited to me his Tax Identification Number 111-622-998 issued by the Bureau of Internal Revenue of the Philippines.

Doc. No. 28
Page No. 7
Book No. 49
Series of 2012.

ATTY. ANTONIO M. SANTOS
NOTARY PUBLIC

UNTIL DECEMBER 31, 2012

ROLL OF ATTORNEYS NO. 2340, LIFETIME

IBP NO. 08917, LIFETIME

PTR NO. 2973948 MB/1-5-12

MCLE NO. 111-0015877/1-7-12

CERTIFICATION OF INDEPENDENT DIRECTOR

I, ALBERTO C. AGRA, Filipino, of legal age and with residence at No. 12 4th Street, Saint Ignatius Village, Quezon City, after having been duly sworn to in accordance with law, do hereby declare that:

- 1. I am an independent director of Benguet Corporation.
2. I am affiliated with the following companies or organizations:

Table with 3 columns: Company/Organization, Position/Relationship, and Period of Service. Rows include Department of Justice, Office of the Solicitor General, Office of the Government Corporate Counsel, Forensic Law & Policy Strategies, Inc. or Forensic Solutions, Sea-Change, Business Mirror, Philippine Ass. of Govt. Corporate Lawyers (PAGCLAW), Ateneo de Manila University, Metropolitan Waterworks Sewerage System (MWSS), Associates in Rural Development, and Workers College, Center for Community Services.

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Benguet Corporation, as provided for in Rule 38 of the Securities Regulation Code.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.

5. I shall inform the Corporate Secretary of Benguet Corporation of any changes in the abovementioned information within five days from its occurrence.

MAR 30 2012

Done, this ___th day of March 2012 at Makati City.

[Handwritten signature]

ALBERTO C. AGRA

MAR 30 2012 Affiant

SUBSCRIBED AND SWORN to before me this ___ day of March 2012 at Makati City, affiant exhibited to me his Driver's License No. NO2-82-007417 expiring on April 3, 2013 and issued by the Land Transportation Office of East Avenue, Quezon City.

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Page No. 79
Book No. 79

Series of 2012

ATTY. ANTONIO M. SANTOS
NOTARY PUBLIC

UNTIL DECEMBER 31, 2012

ROLL OF ATTORNEYS NO. 2940, LIFETIME

IBP NO. 08917, LIFETIME

PTR NO. 2973948 MB/1-5-12

MCLE NO. 111-0015877/1-7-12

BENGUET CORPORATION

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* 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, 2011, 2010 and 2009, 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 consolidated 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 or members.

Sycip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such 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 24th day of April, 2012.

SUBSCRIBED AND SWORN to before me this 24 th day of April, 2012 at MANDALUYONG CITY, a city and municipality in the province of Rizal, Philippines, and the said ROMUALDEZ exhibited to me his identifications, to wit: 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.

Doc. No. 27
Page No. 7
Book No. II
Series of 2012.

LINA G. FERNANDEZ
NOTARY PUBLIC UNTIL DEC. 31, 2012
COMMISSION No 0263-11
65 SIKAP ST., MANDALUYONG CITY
ROLL OF ATTORNEYS No.52122
IBP No.869790/JAN. 2, 2012/RSM
PTR No 1296481/JAN. 2, 2012/MANDALUYONG

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Benguet Corporation

We have audited the accompanying consolidated financial statements of Benguet Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, 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, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Benguet Corporation and its subsidiaries as at December 31, 2011 and 2010, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2011 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

John F. Villa

John T. Villa

Partner

CPA Certificate No. 94065

SEC Accreditation No. 0783-AR-1 (Group A),

February 9, 2012, valid until February 8, 2015

Tax Identification No. 901-617-005

BIR Accreditation No. 08-001998-76-2009,

June 1, 2009, valid until May 31, 2012

PTR No. 3174837, January 2, 2012, Makati City

March 22, 2012



BENGUET CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands, Except Number of Shares)

	December 31	
	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	₱1,257,364	₱292,457
Trade and other receivables (Note 6)	81,939	270,103
Loans receivable (Note 7)	58,632	54,657
Inventories (Note 8)	37,266	25,477
Other current assets (Note 9)	116,861	36,429
Total Current Assets	1,552,062	679,123
Noncurrent Assets		
Property, plant and equipment (Notes 2, 11 and 17):		
At revalued amounts - land	2,527,363	2,315,022
At cost	599,378	434,479
Available-for-sale (AFS) investments (Note 10)	14,462	15,365
Deferred exploration costs (Note 13)	311,112	354,332
Investment property (Note 12)	166,693	166,693
Other noncurrent assets (Note 14)	133,356	105,030
Total Noncurrent Assets	3,752,364	3,390,921
TOTAL ASSETS	₱5,304,426	₱4,070,044
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of loans payable (Note 15)	₱1,004,193	₱1,491,428
Trade and other payables (Note 16)	243,977	670,716
Income tax payable	62,928	75,274
Total Current Liabilities	1,311,098	2,237,418
Noncurrent Liabilities		
Loans payable - net of current portion (Note 15)	563,310	-
Deferred income tax liabilities - net (Note 30)	980,260	944,548
Liability for mine rehabilitation (Note 17)	34,060	23,759
Pension liability (Note 29)	29,700	20,993
Equity of claimowner in contract operations	49,136	55,941
Other noncurrent liabilities	25,563	32,844
Total Noncurrent Liabilities	1,682,029	1,078,085
Total Liabilities	2,993,127	3,315,503

(Forward)



	December 31	
	2011	2010
Equity		
Capital stock (Notes 18 and 19)	₱492,220	₱487,792
Capital surplus	18,895	1,153,579
Other components of equity:		
Revaluation increment in land - net of deferred income tax liability (Note 11)	750,779	1,612,988
Cumulative translation adjustments of foreign subsidiaries	40,394	39,285
Cost of share-based payment (Notes 19 and 27)	41,372	41,790
Unrealized gain on AFS investments (Note 10)	920	2,139
Retained earnings (deficit)	974,735	(2,575,016)
	2,319,315	762,557
Cost of 116,023 shares held in treasury, ₱69 per share	(8,016)	(8,016)
Total Equity	2,311,299	754,541
TOTAL LIABILITIES AND EQUITY	₱5,304,426	₱4,070,044

See accompanying Notes to Consolidated Financial Statements.



BENGUET CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
[Amounts in Thousands, Except Earnings (Loss) Per Share]

	Years Ended December 31		
	2011	2010	2009
REVENUES			
Sale of mine products	₱894,080	₱321,827	₱163,872
Sale of merchandise and services	70,777	264,224	45,968
Trucking and warehousing services	22,984	27,693	18,646
Real estate sales	6,233	9,914	12,063
	994,074	623,658	240,549
COSTS AND OPERATING EXPENSES			
Costs of mine products sold (Note 20)	326,737	138,573	97,160
Costs of merchandise sold and services (Note 21)	125,553	98,002	53,677
Costs of real estate sold	4,852	8,425	8,465
Selling and general (Note 22)	270,415	217,182	174,139
Taxes on revenue	6,259	5,633	2,528
	733,816	467,815	335,969
INTEREST EXPENSE (Note 15)	(43,048)	(133,571)	(178,909)
OTHER INCOME - Net (Note 25)	1,263,887	2,393,613	69,760
INCOME (LOSS) BEFORE INCOME TAX	1,481,097	2,415,885	(204,569)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)			
Current	124,240	79,078	2,607
Deferred	(28,467)	(62,365)	(21,880)
	95,773	16,713	(19,273)
NET INCOME (LOSS) (Note 31)	₱1,385,324	₱2,399,172	(₱185,296)
BASIC EARNINGS (LOSS) PER SHARE (Note 31)	₱8.50	₱15.14	(₱1.23)
DILUTED EARNINGS (LOSS) PER SHARE (Note 31)	₱8.46	₱14.95	(₱1.23)

See accompanying Notes to Consolidated Financial Statements.



BENGUET CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2011	2010	2009
NET INCOME (LOSS)	₱1,385,324	₱2,399,172	(₱185,296)
OTHER COMPREHENSIVE INCOME (LOSS)			
Revaluation increase in land, net of related deferred tax liability (Note 11)	148,639	–	–
Cost of share-based payment (Note 19)	10,690	–	–
Translation adjustments of foreign subsidiaries	1,109	(2,736)	(936)
Unrealized gain (loss) on AFS investments (Note 10)	(1,088)	351	2,043
Reclassification adjustment - Realized loss on disposal of AFS investments (Note 10)	(131)	(297)	–
	159,219	(2,682)	1,107
TOTAL COMPREHENSIVE INCOME (LOSS)	₱1,544,543	₱2,396,490	(₱184,189)

See accompanying Notes to Consolidated Financial Statements.



BENGUET CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(Amounts in Thousands)

	Other Components of Equity								Total
	Capital Stock	Capital Surplus	Revaluation Increment (Note 11)	Cumulative Translation Adjustment of Foreign Subsidiaries	Cost of Share-Based Payment (Note 19)	Unrealized Gain (Loss) on AFS Investments	Retained Earnings (Deficit)	Treasury Stock	
Balances at January 1, 2009	₱453,345	₱1,032,818	₱1,612,988	₱42,957	₱43,148	₱42	(₱4,788,892)	(₱8,016)	(₱1,611,610)
Net loss for the year	-	-	-	-	-	-	(185,296)	-	(185,296)
Other comprehensive income (loss)	-	-	-	(936)	-	2,043	-	-	1,107
Total comprehensive income (loss) for the year	-	-	-	(936)	-	2,043	(185,296)	-	(184,189)
Balances at December 31, 2009	453,345	1,032,818	1,612,988	42,021	43,148	2,085	(4,974,188)	(8,016)	(1,795,799)
Stock subscription (Note 18)	33,089	116,911	-	-	-	-	-	-	150,000
Employees' exercise of stock options (Note 18)	1,358	3,850	-	-	(1,358)	-	-	-	3,850
Net loss 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
Net income for the year	-	-	-	-	-	-	1,385,324	-	1,385,324
Other comprehensive income (loss) (Note 11)	-	-	148,639	1,109	10,690	(1,219)	-	-	159,219
Total comprehensive income (loss) for the year	-	-	148,639	1,109	10,690	(1,219)	1,385,324	-	1,544,543
Balances at December 31, 2011	₱492,220	₱18,895	₱750,779	₱40,394	₱41,372	₱920	₱974,735	(₱8,016)	₱2,311,299

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	₱1,481,097	₱2,415,885	(₱204,569)
Adjustments for:			
Depreciation, depletion and amortization (Note 24)	88,052	59,901	26,368
Interest expense (Note 15)	43,048	133,571	178,909
Cost of share-based payment (Note 19)	10,690	–	–
Unrealized foreign exchange losses (gains)	5,348	(25,479)	(56,350)
Accretion expense (Note 17)	3,220	1,948	1,680
Provision for impairment losses on:			
Trade and other receivables (Note 6)	17,665	12,659	21,022
Property, plant and equipment, inventory losses and other assets	–	–	6,430
Gain on sale of property, plant and equipment	–	(135)	(47,596)
Gain on settlement of loans and other liabilities (Notes 15, 25 and 34)	(797,258)	(1,943,563)	–
Income from sale of Kingking rights (Note 25)	(411,208)	(353,600)	–
Income from discounting of loans payable (Note 25)	(44,848)	–	–
Recovery of allowance for impairment losses (Note 6)	(17,351)	–	–
Interest income (Note 25)	(7,464)	(9,091)	(2,864)
Realized gain on disposal of AFS investments	(131)	(297)	–
Operating income (loss) before working capital changes	370,860	291,799	(76,970)
Decrease (increase) in:			
Trade and other receivables	187,850	(146,853)	(22,033)
Inventories	(11,789)	1,104	(6,466)
Other current assets	(80,432)	(7,293)	11,608
Other noncurrent assets	(22,716)	–	–
Increase in:			
Trade and other payables	(225,028)	75,048	20,603
Accrued pension liability	8,707	5,580	5,474
Other noncurrent liabilities	(7,281)	32,844	–
Cash generated from (used in) operations	220,171	252,229	(67,784)
Interest received	3,489	687	2,864
Income taxes paid	(136,586)	(3,804)	–
Interest expense paid	(4,222)	–	–
Net cash from (used in) operating activities	82,852	249,112	(64,920)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of Kingking rights	501,262	265,200	–
Proceeds from disposal of:			
AFS investments	1,396	1,846	–
Property, plant and equipment	–	421	53,765
Additions to:			
Property, plant and equipment (Note 11)	(245,869)	(25,240)	(14,540)
Deferred exploration costs (Notes 13 and 34)	(46,834)	(64,110)	(68,997)
AFS investments	(1,450)	–	(8,381)
Decrease (increase) in other noncurrent assets	(5,610)	5,359	(3,047)
Net cash from (used in) investing activities	202,895	183,476	(41,200)

(Forward)



	Years Ended December 31		
	2011	2010	2009
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for settlement of loans	(₱36,267)	(₱283,856)	(₱5,742)
Proceeds from:			
Availment of loans	712,112	–	–
Employees' exercise of stock options (Note 18)	12,215	3,850	–
Issuance of capital stock (Note 18)	–	150,000	–
Increase in loans receivable	–	(46,253)	–
Increase in equity of claimowner in contract operations	–	6,245	13,762
Net cash from (used in) financing activities	688,060	(170,014)	8,020
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	(8,900)	–	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	964,907	262,574	(98,100)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
	292,457	29,883	127,983
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)			
	₱1,257,364	₱292,457	₱29,883

See accompanying Notes to Consolidated Financial Statements.



BENGUET CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. Corporate Information

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

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

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

The accompanying consolidated financial statements of the Company and its subsidiaries, collectively referred to as the Group, as of December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011 were authorized for issue by the Board of Directors (BOD) on March 22, 2012.

2. Status of Operations

Quasi-reorganization

On December 5, 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 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 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.

Business Operations

Significant developments of the Group's operations follow:

a. Mining Projects

Acupan Contract Mining Project (ACMP)

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



Phase 2 will reopen up the access to the previously operating Acupan mine which had blocked 840,000 ounces reserve from 8.2 million ounces resource. ACMP has a current production of 128 tons per day with average output of 385 ounces of gold per month.

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

In this regard, BLRI has obtained approval from Philippine Export-Import Credit Agency (PhilEXIM) for a five-year loan facility of up to ₱150.0 million to finance the expansion project. The loan will be secured by real estate assets owned by BLRI and other subsidiaries of BC and by a chattel mortgage over the project assets (see Note 15). The total available loan facility was drawn in 2011.

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 Company entered into an agreement with 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 calling for the marketing of lower grade nickel ores/high grade nickel ores with high iron content.

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

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

On August 8, 2011, the 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 a 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 15).

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.

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.

On January 16, 2012, the DENR approved the transfer of MPSA to BNMI.

Masinloc Chromite Operation (MCO)

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

Benguet Gold Operations (BGO)

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

Benguet Antamok Gold Operation (BAGO)

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

Irisan Lime Project (ILP)

In 2010, the Company's quarrying permit for the ILP was renewed for another five years.

b. Exploration, Research and Development Projects

Balatoc Tailings Project (BTP)

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

On October 21, 2009, the Company appointed ATR Kim Eng Capital Partners, Inc. as financial advisor to raise additional development capital for the BTP. The project involves the reprocessing of mine tailings to recover residual gold. The BTP involves a second phase of roasting of pyrite concentrate to improve gold recovery.

Also on that same date, the Company entered into a processing agreement with Balatoc Gold Resources Corporation (BGRC) to implement the BTP. The Company has completed the bankable feasibility study of the BTP and engaged external Competent Persons to prepare and review reports as required under the Philippine Mineral Reporting Code as modeled after the Joint Ore Reserve Committee of Australia. The confirmed tailings resource of 16.7 million tons with an average grade of 0.69 gram of gold per ton, are deposited in three (3) ponds. The Company obtained the BTP's Environmental Compliance Certificate (ECC) on June 11, 2009 and the Mineral Processing Permit on May 31, 2010.



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

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

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 Company has approved an initial ₱7.5 million research fund for the ATP to study the feasibility of reprocessing. The Company is planning to enter into a processing agreement with its wholly owned subsidiary, Benguet Pantukan Gold Corporation (BPGC) to implement the ATP. The Company will advance the fund requirements of the project and then swap this with BPGC's shares.

Surigao Coal Prospect

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

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

Pre-development activities was put on hold in 2011 due to a DENR Circular Executive Order (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 currently preparing to participate in the Philippine Energy Contracting Round 4 for Coal to possibly secure other prospective coal areas.



Pantingan Gold Prospect

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

Zamboanga Gold Prospect

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

The Company had recently conducted re-evaluation works on the San Fernandino vein of BOLCO and the result had been encouraging. The Company's IPs- community consultation program was pursued by the Company.

Northern Luzon Financial and Technical Assistance Agreement (FTAA) Application

Six parcels of mineral claims of some 113,603 hectares staked in Abra, Apayao and in the Ilocos will undergo geological reconnaissance surveys as soon as permits are obtained. The potential for iron deposits in the area is very high. On September 15, 2009, an area clearance certificate for 52,263 hectares was released by the Mines and Geosciences Bureau-Cordillera Administrative Region (MGB-CAR). NCIP process is now on-going on both FTAA applications.

c. Water Projects

Baguio City Bulk Water Supply Project

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

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

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

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 Company's VWS supplies water in the Balatoc area. With the increase in demand, the Company 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 Benguet Management Corporation, 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 Company has approved an initial ₱4.92 million budget for the real estate project to study the feasibility of KSEZ and the potential of other real estate properties of the Company. The Company 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.

3. **Summary of Significant Accounting Policies**

Basis of Preparation

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

Statement of Compliance

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

Basis of Consolidation

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

	Nature of Business	Country of Incorporation	Effective Percentage of Ownership
BLRI	Exploration and development	Philippines	100.00
Kingking Copper-Gold Corporation (KCGC)*	Exploration and development	Philippines	100.00
BNMI	Exploration and development	Philippines	100.00
BMC	Foundry	Philippines	100.00
BMC Subsidiaries:			
Arrow Freight Corporation (AFC)	Logistics	Philippines	100.00
Benguetrade, Inc.	Trading	Philippines	100.00
BMC Forestry Corporation (BFC)	Real estate	Philippines	100.00
ADOVC	Bottled water and water delivery	Philippines	100.00
BPGC	Exploration and development	Philippines	100.00
BCPM*	Management services	Philippines	100.00
Media Management Corporation (MMC)**	Management services	Philippines	100.00

(Forward)



	Nature of Business	Country of Incorporation	Effective Percentage of Ownership
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
Sagittarius Alpha Realty Corporation (SARC)	Real estate holding	Philippines	100.00
SARC Subsidiary:			
Balatoc Gold Resources Corporation (BGRC; formerly Benguet Parkland Development Corporation)	Real estate holding	Philippines	100.00
Batong Buhay Mineral Resources Corporation (BBMRC)*	Exploration and development	Philippines	100.00
Ifaratoc Mineral Resources Corporation (Ifaratoc) (see Note 33)*	Exploration and development	Philippines	100.00

* *Preoperating*

** *Nonoperating*

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

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

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

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

Changes in Accounting Policies and Disclosures

New and Amended Standards and Interpretations and Improved PFRS Adopted in Calendar Year 2011

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended standards and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) and improved PFRS. Unless otherwise indicated, the adoption did not have any significant impact on the consolidated financial statements of the Group.



Amendment to PAS 24, *Related Party Transactions*

The amendment to PAS 24 clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity.

Amendment to PAS 32, *Financial Instruments: Presentation*

The amendment in PAS 32 alters the definition of a financial liability to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

Amendment to Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement*

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognized as a pension asset.

Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

The Interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value unless this cannot be reliably measured. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

Improvements to PFRS Effective in Calendar Year 2011

The omnibus amendments to PFRS issued in May 2010 were issued 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 in accounting policies but did not have any impact on the Group's consolidated financial statements.

PFRS 3, *Business Combinations*

- The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net asset in the event of liquidation should be measured at fair value or at the present ownership instruments' proportionate share in the acquiree's identifiable net assets.
- All other components are to be measured at their acquisition date fair value.
- The amendments should be effective subsequent to 2011.

PFRS 7, *Financial Instruments: Disclosures*

- The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.



PAS 1, *Presentation of Financial Statements*

- The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements.

Other amendments resulting from the 2010 Improvements to PFRSs to the following standards did not have any material impact on the accounting policies, financial position or performance of the Group.

- **PFRS 3, *Business Combinations (Contingent consideration arising from business combination prior to adoption of PFRS 3 (as revised in 2008))***
- **PFRS 3, *Business Combinations (Un-replaced voluntarily replaced share-based payment awards)***
- **PAS 27, *Consolidated and Separate Financial Statements***
- **PAS 34, *Interim Financial Reporting***

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position and performance of the Group.

- **Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes (determining the fair value of award credits)***
- **Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments***

New, Revised and Amended Standards and Interpretation Effective Subsequent to December 31, 2011

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

Effective in 2012:

Amendment to PFRS 7, *Financial Instruments: Disclosures*

The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment is effective for annual periods on or after July 1, 2011.

Amendment to PAS 12, *Income Taxes - Deferred taxes: Recovery of Underlying Assets*

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40, *Investment Property*, should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendment is effective for annual periods beginning on or after January 1, 2012.



Effective in 2013:

PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*

These amendments require 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 for annual periods beginning on or after January 1, 2013.

PFRS 9, *Financial Instruments: Classification and Measurement*

PFRS 9 reflects the first phase of the International Accounting Standards Board's (IASB) work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2011 or the first half of 2012. 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 classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture. This is effective for annual periods beginning on or after January 1, 2013.

PFRS 10, *Consolidated Financial Statements*

PFRS 10 replaces the portion of PAS 27 that addresses the accounting for consolidated financial statements. It also includes the issues raised in Standards Interpretation Committee (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. This standard is effective for annual periods beginning on or after January 1, 2013.

PFRS 11, *Joint Arrangements*

PFRS 11 replaces PAS 31, *Interest 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.



PFRS 12, *Disclosure of Interests in Other Entities*

PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of 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. This standard is effective for annual periods beginning on or after January 1, 2013.

PFRS 13, *Fair Value Measurement*

PFRS 13 establishes a single source of guidance under PFRS 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 is effective for annual periods beginning on or after January 1, 2013.

Amendment to PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*

The amendments to PAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (i.e., upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment is effective for annual periods beginning on or after July 1, 2012.

Amendment to PAS 19, *Employee Benefits*

The IASB has issued numerous amendments to PAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment is effective for annual periods beginning on or after January 1, 2013.

Revised PAS 27, *Separate Financial Statements*

As a consequence of the new PFRS 10 and PFRS 12, what remains of PAS 17 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The amendment is effective for annual periods beginning on or after January 1, 2013.

Revised PAS 28, *Investments in Associates and Joint Ventures*

As a consequence of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the applications of the equity method to investments in joint ventures in addition to associates. The amendment is effective for annual periods beginning on 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 that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset. 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*

These amendments to PAS 32 clarify 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. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective in 2015:

PFRS 9, *Financial Instruments: Classification and Measurement*

PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012.

This is effective for annual periods beginning on or after January 1, 2015.

Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

This interpretation, effective for annual periods beginning on or after January 1, 2015, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires the 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 the stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The Philippine SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by 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.

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.

Financial Instruments

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

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



Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial assets at 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 available-for-sale (AFS) financial assets. The Group's financial assets are of the nature of loans and receivables and AFS financial assets. As of December 31, 2011 and 2010, the Group has no financial assets at FVPL and HTM investments. Also under PAS 39, financial liabilities are classified as FVPL or other financial liabilities. The Group's financial liabilities are of the nature of other financial liabilities. As of December 31, 2011 and 2010, 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 financial assets or designated as at FVPL. This accounting policy relates to the statement of financial position captions "Cash and cash equivalents", "Loans receivable" and "Trade and other receivables".

Receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, receivables are measured at amortized cost using the effective interest rate method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization, if any, is included in the "Other income (charges)" caption in the consolidated statement of income. The losses arising from impairment of receivables, if any, are recognized 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 months after the reporting date or within the normal operating cycle, whichever is longer. Otherwise, they are classified as noncurrent assets.

AFS Financial Assets

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

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

AFS financial assets whose fair value cannot be reliably established are carried at cost less an allowance for any possible impairment. This 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 financial assets is reported as interest income using the effective interest rate. Any dividend earned on holding AFS financial assets 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 effective interest 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 “Foreign currency exchange gains (losses)” in the consolidated statement of income.

This accounting policy relates to the Group’s “Loans payable”, “Trade and other payables” and “Equity of claimowner in contract operations”.

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

Determination of Fair Value

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

Fair Value of Financial Instruments

Financial instruments recognized in fair value are analyzed based on:

- Level 1 - quoted prices in active markets for identical asset or liability;
- Level 2 - those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and



- Level 3 - those with inputs for asset or liability that are not based on observable market data (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.

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 effective interest rate (i.e., the effective interest rate computed at initial recognition). The amount of the loss shall be recognized in consolidated statement of income.

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

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. The financial assets, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized.

AFS Investments

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

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

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

Input Value-added Tax (VAT)

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

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

Property, Plant and Equipment

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

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



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

<u>Category</u>	<u>Number of Years</u>
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.

Deferred Exploration Costs

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



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

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 effective interest rate method. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Investment Property

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property are recognized in the consolidated statement of comprehensive income in the year in which they arise.

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

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

Water Rights

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

Impairment of Nonfinancial Assets

Property, Plant and Equipment and Investment Property

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.



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

Deferred Exploration Costs

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

A valuation allowance is provided for unrecoverable deferred exploration costs based on the 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.

Provisions

General

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

Provision for Mine Rehabilitation

Provision is made for close down, restoration and environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the financial period when the related environmental disturbance occurs, based on the estimated future costs using information available at reporting date. At the time of establishing the provision, a corresponding asset is capitalized, where it gives rise to a future benefit, and depreciated over future production from the operations to which it relates.

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

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



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

Capital Stock and Capital Surplus

Common and preferred shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds. The excess of proceeds from issuance of shares over the par value of shares are credited to capital surplus.

Retained Earnings (Deficit)

Retained earnings (deficit) represent the cumulative balance of periodic net income or loss of the Group and any effect of adopting new standards.

Treasury Shares

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Mine Products

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

Sale of Merchandise

Revenue is recognized upon delivery of goods and transfer of ownership to customers.

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 effective interest rate method.



Costs and Expenses

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

Leases

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

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- (d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) and (d) and at the date of renewal or extension period for scenario (b).

Operating Leases - The Group as a Lessee

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

Operating Leases - The Group as a Lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Pension Plan

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



The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognized actuarial gains and losses reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Share-based Payment Transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit and loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period. No expense is recognized for awards that do not ultimately vest.

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

When the terms of an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately.

However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Foreign Currency Translation

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

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



Related Party Relationships and Transactions

Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date.

Deferred Income Tax

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

- (a) where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- (a) where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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



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

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

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

Earnings (Loss) Per Share

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

Diluted earnings (loss) per share amounts are calculated by dividing the net profit (loss) attributable to ordinary equity holders of the parent (after deducting interest on the convertible non-cumulative redeemable preference shares) by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Other Comprehensive Income

Other comprehensive income 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).

Segment Reporting

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

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

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

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

Contingencies

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



Events After the Reporting Date

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

4. Summary of Significant Accounting Judgments, Estimates and Assumptions

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

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from such estimates.

Judgments

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

Determining Functional Currency

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

Determining Operating Lease Commitments - Group as Lessee

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

Determining Operating Lease Commitments - Group as Lessor

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

Assessing Recoverability of Deferred Exploration Costs

A valuation allowance is provided for estimated unrecoverable deferred exploration costs based on the Group's assessment of the future prospects of the mining properties, which are primarily dependent on the presence of mineral reserves in those properties, and metal prices in the market which is the primary driver of returns on the production. Deferred exploration costs, net of allowance for impairment losses, amounted to ₱311,112 and ₱354,332 as of December 31, 2011 and 2010, respectively (see Note 13).

Assessing Provisions and Contingencies

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



The Group currently does not believe that these proceedings will have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 34).

Assessing Production Start Date

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

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

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.

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 ₱6,233, ₱9,914 and ₱12,063 in 2011, 2010 and 2009, respectively. The related costs of real estate sold amounted to ₱4,852, ₱8,425 and ₱8,465 in 2011, 2010 and 2009, respectively.

Estimating Allowance for Impairment Losses on Trade and Other Receivables and Loan Receivables

The Group evaluates specific accounts where the Group has information that certain customers are unable to meet their financial obligations. Factors, such as the Group's length of relationship with the customers and the customer's current credit status, are considered to ascertain the amount of reserves that will be recorded in the receivables account. In addition to specific allowances against individually significant accounts, the Group also makes a collective impairment



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 and loan receivable amounting to ₱17,665, ₱12,659 and ₱21,022 were recognized in 2011, 2010 and 2009, respectively (see Notes 6). Recovery of impairment in 2011 amounted to ₱17,351 were recorded as part of "Other income (charges)" account. As of December 31, 2011 and 2010, the carrying value of trade and other receivables and loans receivable amounted to ₱140,571 and ₱324,760, respectively, net of allowance for impairment losses of ₱154,002 and ₱153,688 as of December 31, 2011 and 2010, respectively (see Notes 6 and 7).

Estimating Impairment Losses on Inventories

The Group maintains allowance for inventory losses at a level considered adequate to reflect the excess of cost of inventories over their NRV. NRV of inventories are assessed regularly based on prevailing estimated selling prices of inventories and the corresponding cost of disposal. Increase in the NRV of inventories will increase cost of inventories but only to the extent of their original acquisition costs. As of December 31, 2011 and 2010, the carrying value of inventories amounted to ₱37,266 and ₱25,477, respectively (see Note 8).

Estimating Mineral Reserves and Resources

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

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

Estimates of reserves for undeveloped or partially developed areas are subject to greater uncertainty over their future life than estimates of reserves for areas that are substantially developed and depleted. As an area goes into production, the amount of proven reserves will be subject to future revision once additional information becomes available. As those areas are further developed, new information may lead to revisions. The Group estimated the Nickel laterite ore reserves of SCNP to be roughly 16.2 million tons as of December 31, 2011 and 2010.

Assessing Impairment of Property, Plant and Equipment, Investment Property, Deferred Exploration Costs and Other Noncurrent Assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the value of property, plant and equipment, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that the property, plant and equipment is impaired. Any resulting impairment loss could have a material adverse impact on the consolidated financial condition and results of operations. The Group did not recognize any impairment loss in 2011 and 2010. As of December 31, 2011 and 2010,



property, plant and equipment (at revalued amount and at cost), investment property, deferred exploration costs and other noncurrent assets amounted to ₱3,737,902 and ₱3,375,556, respectively (see Notes 11, 12, 13 and 14).

Estimating Impairment of AFS Investments

The determination of impairment loss for AFS investments requires an estimation of the present value of the expected future cash flows and the selection of an appropriate discount rate. An impairment issue arises when there is an objective evidence of impairment, which involves significant judgment. In applying this judgment, the Group evaluates the financial health of the issuer, among others. In the case of AFS equity instruments, objective evidence of impairment includes a significant or prolonged decline in the fair value of the investments below its cost. The Group treats “significant” generally as 30% or more and “prolonged” as greater than twelve months. The Group expands its analysis to consider changes in the issuer’s industry and sector performance, legal and regulatory framework, changes in technology, and other factors that affect the recoverability of the Group’s investments. Impairment losses recognized in 2009 amounted to ₱28. No impairment loss was recognized in 2011 and 2010. As of December 31, 2011 and 2010, the carrying value of AFS investments amounted to ₱14,462 and ₱15,365, respectively (see Note 10).

Estimating Useful Lives of Property, Plant and Equipment

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property, plant and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. Property, plant and equipment (at revalued amount and at cost) as of December 31, 2011 and 2010 amounted to ₱3,126,741 and ₱2,749,501, respectively (see Note 11). The useful lives are disclosed in Note 3 to the consolidated financial statements.

Determining the Appraised Value of Land

The appraised value of land is based on a valuation by an independent appraiser firm, which management believes, holds a recognized and relevant professional qualification and has recent experience in the location and category of the land being valued. The appraiser firm used the market data approach in determining the appraised value of land. As of December 31, 2011 and 2010, the appraised value of land amounted to ₱2,527,363 and ₱2,315,022, respectively (see Note 11).

Estimating Provision for Mine Rehabilitation

The Group estimates the costs of mine rehabilitation based on previous experience in rehabilitating fully mined areas in sections of the mine site. These costs are adjusted for inflation factor based on the average annual inflation rate as of adoption date or re-evaluation of the asset dismantlement, removal or restoration costs. Such adjusted costs are then measured at present value using the market interest rate for a comparable instrument adjusted for the Group’s credit standing. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group’s liability for mine rehabilitation. Liability for mine rehabilitation amounted to ₱34,060 and ₱23,759 as of December 31, 2011 and 2010, respectively (see Note 17).



Estimating Pension Benefits

The determination of the Group's obligation and cost for pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 29 and include among others, discount rates, expected rates of return on plan assets and rates of future salary increase. In accordance with PAS 19, *Employee Benefits*, actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the Group's recognized expense and recorded obligation in such future periods. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's pension and other pension obligations. Net pension liability of BC amounted to ₱25,780 and ₱17,523 as of December 31, 2011 and 2010, respectively (see Note 29). Net pension liability of AFC amounted to ₱3,920 and ₱3,470 as of December 31, 2011 and 2010 respectively (see Note 29).

Assessing Realizability of Deferred Income Tax Assets

The Group reviews the carrying amounts of deferred income tax assets at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group has deferred income tax assets amounting to ₱8,761 and ₱10,833 as of December 31, 2011 and 2010, respectively. The Group has deductible temporary differences excess MCIT and unused NOLCO as of December 31, 2011 and 2010 for which deferred income tax assets were not recognized as it is not probable that sufficient taxable profit will be available against which the benefit of the deferred income tax assets can be utilized (see Note 30).

5. Cash and Cash Equivalents

	2011	2010
Cash on hand and in banks	₱639,654	₱272,889
Short-term investments	617,710	19,568
	₱1,257,364	₱292,457

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates. Interest income related to cash and cash equivalents amounted to ₱3,489, ₱687 and ₱2,864 in 2011, 2010 and 2009, respectively (see Note 25).

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

	2010	2009
Cash on hand and in banks	₱19,778	₱52,668
Short-term investments	10,105	75,315
	₱29,883	₱127,983



6. Trade and Other Receivables

	2011	2010
Trade	₱74,665	₱218,174
Advances to contractors	58,649	90,199
Employee stock ownership incentive plan (see Note 27)	58,416	58,416
Receivables from lessees of bunkhouses	30,240	29,976
Officers and employees	13,971	27,026
	235,941	423,791
Less allowance for impairment losses	154,002	153,688
	₱81,939	₱270,103

Trade and other receivables are noninterest-bearing and are collectible within a period of one year. Most of the receivables of the Group consist of individually significant accounts and were therefore subject to the specific impairment assessment. Based on impairment assessment done, the Group recognized an allowance amounting to ₱154,002 and ₱153,688 as of December 31, 2011 and 2010, 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 2011 and 2010 from the collective assessment.

Movements of allowance for impairment losses are as follows:

	2011					Total
	Trade receivables	Receivables from lessees of bunkhouses	Advances to contractors	Employee Stock ownership incentive plan	Officers and employees	
Balances at beginning of year	₱34,290	₱20,798	₱38,760	₱58,416	₱1,424	₱153,688
Provisions	-	9,442	8,223	-	-	17,665
Recoveries	(17,351)	-	-	-	-	(17,351)
Balances at end of year	₱16,939	₱30,240	₱46,983	₱58,416	₱1,424	₱154,002

	2010					Total
	Trade receivables	Receivables from lessees of bunkhouses	Advances to contractors	Employee Stock ownership incentive plan	Officers and employees	
Balances at beginning of year	₱34,290	₱20,798	₱26,101	₱58,416	₱1,424	₱141,029
Provisions	-	-	12,659	-	-	12,659
Balances at end of year	₱34,290	₱20,798	₱38,760	₱58,416	₱1,424	₱153,688

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



7. Loans Receivable

On March 3, 2010, a subsidiary granted to a third party a total unsecured loan facility of ₱135.0 million with interest rate of 9% per annum collectible on demand. Outstanding loan, including accrued interest as of December 31, 2011 and 2010 amounted to ₱58.6 million and ₱54.7 million, respectively. Interest income earned in relation to the loan amounted to ₱4.0 million and ₱8.4 million in 2011 and 2010, respectively.

8. Inventories

	2011	2010
Subdivision lots and housing units for sale - at cost	₱18,037	₱18,593
Materials and supplies - at NRV	19,229	6,884
	₱37,266	₱25,477

Inventories charged to current operations amounted to ₱150,378, ₱86,822 and ₱78,303 in 2011, 2010 and 2009, respectively. There were no unusual purchase commitments as of December 31, 2011 and 2010.

9. Other Current Assets

	2011	2010
Input VAT - net	₱73,914	₱14,985
Creditable withholding taxes and prepaid expenses	38,308	17,698
Others	4,639	3,746
	₱116,861	₱36,429

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

In 2011, the Group paid ₱25.0 million representing advanced rental payments for office spaces in Universal RE Building for 8.5 years starting January 1, 2012. The portion of the prepaid rent pertaining to 2013 and succeeding years amounting to ₱22.7 million was classified as noncurrent asset (see Note 14).

10. AFS Investments

	2011	2010
Quoted shares	₱9,343	₱10,246
Unquoted shares	5,119	5,119
	₱14,462	₱15,365



Movements of AFS investments are as follows:

	2011	2010
Balances at beginning of year	₱15,365	₱16,860
Additions	1,450	-
Disposals	(1,265)	(1,846)
Change in fair value of AFS investments	(1,088)	351
Balances at end of year	₱14,462	₱15,365

The unrealized gain on the increase in fair value of these investments amounting to ₱920 and ₱2,139 as of December 31, 2011, and 2010, respectively, is shown as a separate component in the equity section 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:

	2011	2010
Balances at beginning of year	₱2,139	₱2,085
Unrealized gain (loss)	(1,088)	351
Amount transferred out of equity	(131)	(297)
Balances at end of year	₱920	₱2,139

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.

11. Property, Plant and Equipment

a. Land at Revalued Amounts

	2011		Total
	Cost	Revaluation Increment	
<u>Mortgaged</u>			
Balances at beginning and end of year	₱5,354	₱74,125	₱79,479
<u>Not Mortgaged</u>			
Balances at beginning and end of year	5,400	2,230,143	2,235,543
Additions	-	212,341	212,341
Balances at end of year	5,400	2,442,484	2,447,884
Total	₱10,754	₱2,516,609	₱2,527,363



	2010		Total
	Cost	Revaluation Increment	
<u>Mortgaged</u>			
Balances at beginning and end of year	₱5,354	₱74,125	₱79,479
<u>Not Mortgaged</u>			
Balances at beginning and end of year	5,400	2,230,143	2,235,543
Total	₱10,754	₱2,304,268	₱2,315,022

The latest valuation was performed by an independent firm of appraisers, Cuervo Appraisers, Inc. The appraisers determined the fair value of the Group's land based on its market value as of September 16, 2011. The revaluation increment amounting to ₱212,341 is not available for distribution to stockholders until the related asset is sold.

b. Property, Plant and Equipment at Cost

	2011					Total
	Land and land Improvements	Buildings	Machinery, Tools and Equipment	Mining Properties and Mine Development Costs	Construction in Progress	
<u>Mortgaged</u>						
Cost:						
Balances at beginning and end of year	₱930	₱23,796	₱92,473	₱1,434,593	₱-	₱1,551,792
Accumulated depreciation, depletion and amortization and allowance for possible losses on mining properties and mine development costs:						
Balances at beginning and end of year	930	17,014	88,897	1,422,690	-	1,529,531
Allowance for impairment loss:						
Balance at beginning and end of year	-	-	-	11,903	-	11,903
Total	-	6,782	3,576	-	-	10,358
<u>Not Mortgaged</u>						
Cost:						
Balances at beginning of year	136,962	307,678	1,236,161	316,303	-	1,997,104
Additions (see Note 17)	18,898	-	124,505	35,310	74,238	252,951
Retirement	(23,360)	(597)	(60,105)	(7,062)	-	(91,124)
Balances at end of year	132,500	307,081	1,300,561	344,551	74,238	2,158,931
Accumulated depreciation, depletion and amortization:						
Balances at beginning of year	91,326	278,005	1,067,873	37,195	-	1,474,399
Depreciation, depletion and amortization (see Note 24)	1,237	5,412	52,487	28,916	-	88,052
Balances at end of year	92,563	283,417	1,120,360	66,111	-	1,562,451
Allowance for impairment losses:						
Balances at beginning of year	23,360	597	67,565	7,062	-	98,584
Retirement	(23,360)	(597)	(60,105)	(7,062)	-	(91,124)
Balances at end of year	-	-	7,460	-	-	7,460
Total	39,937	23,664	172,741	278,440	74,238	589,020
Net book values	₱39,937	₱30,446	₱176,317	₱278,440	₱74,238	₱599,378



	2010				
	Land and land Improvements	Buildings	Machinery, Tools and Equipment	Mining Properties and Mine Development Costs	Total
<u>Mortgaged</u>					
Cost:					
Balances at beginning and end of year	₱930	₱23,796	₱92,473	₱1,434,593	₱1,551,792
Accumulated depreciation, depletion and amortization and allowance for possible losses on mining properties and mine development costs:					
Balances at beginning and end of year	930	17,014	88,897	1,422,690	1,529,531
Allowance for impairment loss:					
Balance at beginning and end of year	–	–	–	11,903	11,903
Total	–	6,782	3,576	–	10,358
<u>Not Mortgaged</u>					
Cost:					
Balances at beginning of year	128,662	307,678	1,223,432	21,485	1,681,257
Additions (see Note 17)	8,300	–	16,940	9,493	34,733
Disposals	–	–	(4,211)	–	(4,211)
Reclassification (see Note 13)	–	–	–	285,325	285,325
Balances at end of year	136,962	307,678	1,236,161	316,303	1,997,104
Accumulated depreciation, depletion and amortization:					
Balances at beginning of year	90,089	272,593	1,041,318	14,423	1,418,423
Depreciation, depletion and amortization (see Note 24)	1,237	5,412	30,480	22,772	59,901
Disposals	–	–	(3,925)	–	(3,925)
Balances at end of year	91,326	278,005	1,067,873	37,195	1,474,399
Allowance for impairment losses:					
Balances at beginning and end of year	23,360	597	67,565	7,062	98,584
Total	22,276	29,076	100,723	272,046	424,121
Net book values	₱22,276	₱35,858	₱104,299	₱272,046	₱434,479

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.

Property, plant and equipment that are not mortgaged include temporarily idle properties with cost of ₱106,366 as of December 31, 2011 and 2010.

12. Investment Property

Investment property consists of land located in Cabuyao, Laguna with a total net land area of 47,626.71 square meters owned by BLRI. This land is currently mortgaged to PhilEXIM as part of the collateral for the ACMP 300 tons per day expansion project being managed by BLRI (see Note 15).

On December 19, 2009, BLRI engaged an independent firm of appraisers to assess the fair market value of the investment property. As of December 31, 2011 and 2010, the fair market value of the investment property amounted to ₱166,693.



13. Deferred Exploration Costs

Movements of deferred exploration costs are as follows:

	2011	2010
Balances at beginning of year	₱354,332	₱579,444
Additions	46,834	60,213
Reclassification (see Note 11)	-	(285,325)
Disposal	(90,054)	-
Balances at end of year	₱311,112	₱354,332

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

Kingking Project

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

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

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

Consequently, the approval by DENR for the transfer of the MPSA to SAML has not been obtained. The Company and NADECOR agreed to suspend all pending legal proceedings so that the mining feasibility study can proceed without delay.

In 2011, the 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 ₱411,208 was recorded as part of "Other income" account in the 2011 consolidated statement of income (see Note 25).

14. Other Noncurrent Assets

	2011	2010
Advance royalties	₱92,464	₱92,464
Prepaid rent (Note 9)	22,716	-
Advances to various exploration projects	9,313	5,868
Mine rehabilitation fund (MRF)	5,547	3,382
Artworks - at cost	3,316	3,316
	₱133,356	₱105,030



As required by the Philippine Mining Act of 1995, the Company maintains MRF amounting to ₱5,547 and 3,382 as of December 31, 2011 and 2010, respectively. The MRF shall be used for physical and social rehabilitation of areas and communities affected by mining activities and for research on the social, technical and preventive aspects of rehabilitation. The MRF earns interest at the respective bank deposit rates.

15. Loans Payable

	2011	2010
Accrued interest and penalties	₱592,975	₱937,692
Secured loans	245,621	234,373
Unsecured loans	51,712	319,363
Others	677,195	–
	1,567,503	1,491,428
Less noncurrent portion	563,310	–
Current portion	₱1,004,193	₱1,491,428

a. Unsecured Bank Loans

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

b. Secured Bank Loans

On June 11, 1999, the Company and its creditor-banks agreed on the repayment plan of the Company's outstanding loans. The agreement is contained in a Term Sheet signed by one of the creditor banks for itself as creditor and as agent of the creditor banks represented in the MTI with the Company. The Term Sheet will be formalized in the MOA to be signed by all secured and unsecured bank creditors.

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

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

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



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

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

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

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

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

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

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

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

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



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

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

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

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

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

As of December 31, 2011 and 2010, the Company has settled a total of ₱579,099 and ₱2,227,223 in loan principal and related accrued interest and penalties, respectively. Gain on settlement of these liabilities amounted to ₱595,547 and ₱1,943,563, respectively (see Note 25), with portion relating to principal amounting to ₱225,383 and ₱701,491, respectively.

c. Others

Nickel Off-take Agreement

As discussed in Note 2, BNMI signed an off-take agreement with a Chinese trading company on August 24, 2011. The agreement calls for advances to be provided to the 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 twelve months. The Chinese trading company shall deduct \$3.3 per metric ton from the selling price as partial repayment until the advance is fully paid.

Also on October 5, 2011, BNMI signed an off-take agreement with another Chinese trading company. The Chinese trading company advanced the Company \$7.0 million (₱306.9 million). These advances shall be paid through the delivery of nickel ore by BNMI over the three 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.

PhilEXIM

As discussed in Note 2, BLRI obtained from PhilEXIM a five-year loan facility up to ₱150.0 million to finance the expansion of the ACMP project. 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 ₱10.1 million for the year ended December 31, 2011. The loan is covered by collateral (see Note 12).



Accrued interest and penalties represent cumulative interest and default charges as of December 31, 2011 and 2010. Finance charges on the secured and unsecured bank loans in 2011, 2010 and 2009 amounted to ₱43,048, ₱133,571 and ₱178,909, respectively.

16. Trade and Other Payables

	2011	2010
Trade	₱78,150	₱261,313
Withholding taxes	23,379	40,952
Output VAT	9,539	30,083
Nontrade	83,981	260,743
Officers and employees	4,602	31,338
Accrued expenses	27,889	27,536
Others	16,437	18,751
	₱243,977	₱670,716

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

Accrued expenses are generally paid within two months from reporting date. Accrued expenses consist mainly of accrual of professional fees, taxes and various operating expenses related to mining operations. None of the accrued expenses exceed 5% of the total current liabilities.

Others represent various payables which are individually immaterial.

17. Liability for Mine Rehabilitation

	2011	2010
Balances at beginning of year	₱23,759	₱12,318
Additions	7,081	9,493
Accretion (see Note 25)	3,220	1,948
Balances at end of year	₱34,060	₱23,759

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

18. Capital Stock

	2011		2010	
	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"	102,351,465	307,055	100,935,625	302,627
Common Class "B"	61,473,467	184,420	61,473,467	184,420
Total shares issued and subscribed		₱492,220		₱487,792



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 ₱22.46 a share for 2012. Each preferred share is convertible into 3.1625 Common Class A shares. The convertible preferred stock is also entitled to have one vote for each full share of Common Class A stock into which such share of convertible preferred stock is, at any stockholders' meeting, then convertible. It does not enjoy the same dividend right as the two classes of common stock but is entitled to a fixed cumulative dividend of 8% a year if there is surplus profit and when declared by the BOD.

On April 7, 2010, the Company's BOD approved the Memorandum of Agreement (MOA) between the Company and RYM Business Management Corporation (RBMC) for a private placement of ₱330.0 million in the Company's common shares divided into two (2) tranches. On April 23, 2010, the Company received the amount of ₱150.0 million pertaining to the initial subscription of RBMC.

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

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

2010

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

All issuances of capital stock made during 2011 and 2010 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 Company's track record of registration of securities under the Securities Regulation Code of the SEC:

Date of Registration (SEC Approval)	Description	Number of shares	Par value per share	Total amount (in 000's)
June 18, 1956	Capital upon registration: Common shares	18,000,000	₱1.00	₱18,000
November 25, 1960	Increase in number and par value of common shares: Common shares	20,000,000	2.00	40,000
November 9, 1964	Increase in par value of common shares: Common shares	20,000,000	3.00	60,000
October 22, 1968	Increase in number of common shares and introduction of preferred shares: Common shares Preferred shares	50,000,000 6,000,000	3.00 5.00	150,000 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" Common class "B" Convertible preferred shares	30,000,000 20,000,000 19,652,912	3.00 3.00 3.44	90,000 60,000 67,500
July 27, 1989	Increase in number of common shares Common class "A" Common class "B" Convertible preferred shares	120,000,000 80,000,000 19,652,912	₱3.00 3.00 3.44	₱360,000 240,000 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, 2011, 2010 and 2009, the Company has sixteen thousand nine hundred ninety-eight (16,998), seventeen thousand one hundred fifty-six (17,156) and seventeen thousand four hundred eight (17,408) stockholders, respectively.

19. Stock Option Plan

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



Options granted to Filipino optionees are exercisable in the form of 60% Common Class A and 40% Common Class B shares. Options for Common Class B shares may be exercised only if Common Class A shares had been previously or simultaneously exercised so as to maintain a minimum 60:40 ratio of Common Class A to Common Class B shares.

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

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

	2011	2010	2009
Outstanding at beginning of year	3,726,880	4,722,400	5,162,400
Grant during the year	2,200,332	-	-
Exercised during the year	(1,415,840)	(452,800)	-
Cancelled during the year	(136,800)	(542,720)	(440,000)
Outstanding at end of year	4,374,572	3,726,880	4,722,400

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

	2011	2010	2009
Average price per share	₱20.30	₱18.03	₱17.13
Shares available for future option grants	1,425,962	3,489,494	2,946,774

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

	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 2011 amounted to ₱10.7 million. No compensation expense was recognized in 2010 and 2009.



20. Cost of Mine Products Sold

	2011	2010	2009
Materials and supplies	₱97,586	₱50,589	₱49,954
Personnel expenses (see Note 23)	57,911	22,764	16,516
Outside services	52,507	4,508	–
Depreciation, depletion and amortization (see Note 24)	52,481	22,657	21,971
Smelting, refining and marketing	45,209	21,971	185
Power and utilities	15,106	10,115	8,315
Other charges	5,937	5,969	219
	₱326,737	₱138,573	₱97,160

21. Cost of Merchandise Sold and Services

	2011	2010	2009
Inventory	₱44,571	₱30,157	₱24,617
Depreciation, depletion and amortization (see Note 24)	25,199	35,312	3,037
Outside services	20,629	9,899	7,021
Personnel expenses (see Note 23)	13,188	9,464	13,599
Power consumption	10,113	7,395	73
Rent	3,855	947	88
Taxes and licenses	2,497	527	318
Travel and transportation	1,744	–	–
Repairs and maintenance	846	145	629
Others	2,911	4,156	4,295
	₱125,553	₱98,002	₱53,677

22. Selling and General Expenses

	2011	2010	2009
Personnel expenses (see Note 23)	₱97,237	₱107,234	₱80,504
Outside services	52,876	38,972	31,315
Transportation and travel	34,992	9,266	4,290
Provision for impairment losses (see Notes 6, 8 and 11)	17,665	12,659	27,480
Taxes and licenses	14,137	1,697	2,268
Depreciation, depletion and amortization (see Note 24)	10,372	1,932	1,360
Supplies	9,578	6,076	3,732
Communication, light and power	8,555	7,342	12,383
Rent	8,157	7,788	2,123
Representation	4,164	345	143
Others (see Note 34)	12,682	23,871	8,541
	₱270,415	₱217,182	₱174,139



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

23. Personnel Expenses

	2011	2010	2009
Wages and salaries	₱123,155	₱100,920	₱79,762
Benefits and allowances (see Note 29)	45,181	38,542	30,857
	₱168,336	₱139,462	₱110,619

The amounts were distributed as follows:

	2011	2010	2009
Selling and general expenses	₱97,237	₱107,234	₱80,504
Cost of mine products sold	57,911	22,764	16,516
Cost of merchandise sold and services	13,188	9,464	13,599
	₱168,336	₱139,462	₱110,619

24. Depreciation, Depletion and Amortization

	2011	2010	2009
Cost of mine products sold	₱52,481	₱22,657	₱21,971
Cost of merchandise sold and services	25,199	35,312	3,037
Selling and general expenses	10,372	1,932	1,360
	₱88,052	₱59,901	₱26,368

25. Other Income (Charges)

	2011	2010	2009
Gain on settlement of loans and other liabilities (see Note 15)	₱797,258	₱1,943,563	₱-
Income from sale of Kingking rights (see Note 13)	411,208	353,600	-
Income from discounting of loans (see Note 15)	44,848	-	-
Interest income (see Notes 5 and 7)	7,464	9,091	2,864
Foreign currency exchange gains (losses) - net	(6,560)	106,417	56,350
Accretion expense	(3,220)	(1,948)	(1,680)
Others - net	12,889	(17,110)	12,226
	₱1,263,887	₱2,393,613	₱69,760

Others - net consists of income from the reversal of variables accruals which arose from transactions with third parties.



26. Incentive Bonus Plan

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

No incentive bonuses were paid or accrued in 2011, 2010 and 2009.

27. Employee Stock Ownership Incentive Plan/Employee Stock Purchase Plan

The Employee Stock Ownership Incentive Plan (ESOIP), as approved by the stockholders in 1986, allows employees of the Group to buy up to 6 million shares of the Common Class A stock of the Group at either of two prices. If the shares are acquired by the Group from a seller or are treasury shares, these can be bought at acquisition cost. If the shares are sourced from the authorized but unissued shares of the Group, these can be bought at the average closing price quoted in the Philippine Stock Exchange on the last day that such shares were traded prior to the start of the purchase period. Payment for the shares purchased shall be advanced by the Group on behalf of the employees and repaid through salary deduction without interest. Interest shall be shouldered by the Group or the respective subsidiary. The shares acquired by employees under the ESOIP may be subjected to a holding period from the date of purchase.

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).

28. Related Party Disclosures

Compensation of Key Management Personnel of the Group

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

	2011	2010	2009
Salaries	₱47,214	₱29,735	₱24,143
Employee benefits (see Note 29)	14,693	4,053	3,469
	₱61,907	₱33,788	₱27,612

All intercompany transactions are eliminated at consolidated level. Items eliminated are separately disclosed in a schedule in accordance with Philippine SEC requirements under the Revised SRC Rule 68.



29. Pension Benefits Plans

BC has a funded, noncontributory trustee 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:

	2011	2010	2009
<i>BC</i>			
Current service cost	₱5,508	₱3,036	₱2,599
Interest cost	2,463	2,355	1,764
Expected return on plan assets	(118)	(215)	(203)
Actuarial losses recognized in the plan year	404	168	210
	8,257	5,344	4,370
<i>AFC</i>			
Current service cost	398	195	282
Interest cost	121	185	643
Actuarial losses (gains) recognized in the plan year	(69)	(71)	179
	450	309	1,104
Net pension expense	₱8,707	₱5,653	₱5,474

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

	2011			2010		
	BC	AFC	Total	BC	AFC	Total
Present value of defined benefit obligation	₱114,506	₱8,680	₱123,186	₱33,696	₱2,209	₱35,905
Fair value of plan assets	(4,800)	-	(4,800)	(4,727)	-	(4,727)
Unfunded status	109,706	8,680	118,386	28,969	2,209	31,178
Unrecognized actuarial gains (losses)	(83,926)	(4,760)	(88,686)	(11,446)	1,261	(10,185)
	₱25,780	₱3,920	₱29,700	₱17,523	₱3,470	₱20,993

Changes in the present value of defined benefit obligation follow:

	2011			2010		
	BC	AFC	Total	BC	AFC	Total
Balances at beginning of year	₱33,696	₱2,209	₱35,905	₱22,025	₱1,902	₱23,927
Interest cost	2,463	121	2,584	2,355	185	2,540
Current service cost	5,508	398	5,906	3,036	195	3,231
Benefits paid	-	-	-	-	(73)	(73)
Actuarial losses (gains)	72,839	5,952	78,791	6,280	-	6,280
Balances at end of year	₱114,506	₱8,680	₱123,186	₱33,696	₱2,209	₱35,905



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

	2011	2010
Balances at beginning of year	₱4,727	₱4,289
Expected return	118	215
Actuarial gains (losses)	(45)	223
Balances at end of year	₱4,800	₱4,727

	2011	2010	2009
Actual return on plan assets	₱73	₱438	₱236

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

	2011	2010
Fixed income securities	86.62%	86.37%
Investment in shares of stock	6.53%	13.40%
Cash	6.85%	0.23%
	100.00%	100.00%

BC expects to contribute ₱15.0 million to the defined benefits retirement plan in 2012 while AFC does not expect to contribute any amount in 2012.

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

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

	BC		AFC	
	2011	2010	2011	2010
Discount rate	5.80%	7.31%	5.62%	5.48%
Expected rate of return	2.50%	2.50%	-	-
Salary increase rate	20.00%	15.00%	11.00%	5.00%

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

	2011	2010	2009	2008	2007
Present value of defined benefit obligation	₱114,506	₱33,696	₱22,025	₱17,377	₱15,469
Fair value of plan assets	4,800	4,727	4,289	3,446	3,993
Funded (unfunded) status	(109,706)	(28,969)	(17,736)	(13,931)	(11,476)
Experience adjustments on:					
Plan assets	(45)	223	33	(170)	-
Plan liabilities	23,947	(1,772)	285	(1,608)	-
Actual return on plan assets	73	438	236	546	173



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

	2011	2010	2009	2008	2007
Present value of defined benefit obligation	₱8,680	₱2,209	₱1,902	₱6,143	₱6,449
Experience adjustments on plan liabilities	–	1,261	1,332	(4,013)	(4,013)

30. Income Taxes

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

	2011	2010
Deferred income tax assets on:		
NOLCO	₱4,895	₱6,769
Allowance for impairment losses	1,503	1,614
Accrued pension liability	1,176	1,041
Unrealized foreign exchange loss	112	–
Unamortized organization costs	716	1,075
MCIT	343	293
Difference between tax and book basis of accounting for real estate transactions	16	41
	8,761	10,833
Deferred income tax liabilities on:		
Revaluation increment in land	754,983	691,280
Capitalized interest	85,168	99,883
Excess of accelerated deduction of mining exploration and development costs over depletion and exploration costs written-off	54,342	72,454
Revaluation increment in investment property	38,179	38,179
Excess of accelerated depreciation over normal depreciation of property, plant and equipment and others	26,496	35,327
Cumulative translation adjustments	17,312	16,837
Discounting of loans	12,541	–
Unrealized foreign exchange gains	–	1,421
	989,021	955,381
	₱980,260	₱944,548



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:

	2011	2010
Allowance for inventory losses, impairment losses and others	₱501,171	₱922,860
Unrealized foreign exchange losses	135,607	141,458
Reserve for impairment losses on mining properties and mine development costs	107,202	591,653
MCIT	61,000	37,673
Accrued pension liability	25,780	17,523
NOLCO	17,089	266,942
Liability for mine rehabilitation	16,520	23,759
Share-based payment	10,698	-
Accrued expense	8,366	-

As of December 31, 2011, 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
2009	2012	₱10,027	₱1,714
2010	2013	26,786	36,097
2011	2014	7,547	23,532
		₱44,360	₱61,343

Movements of NOLCO follow:

	2011	2010
Balances at beginning of year	₱289,505	₱839,759
Additions	7,547	11,318
Application	(241,788)	(521,647)
Expirations	(10,904)	(39,925)
Balances at end of year	₱44,360	₱289,505

Movements of MCIT follow:

	2011	2010
Balances at beginning of year	₱37,966	₱568
Additions	23,532	37,674
Expirations	(155)	(276)
Balances at end of year	₱61,343	₱37,966



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

	2011	2010	2009
Income tax computed at statutory tax rate	₱444,329	₱724,766	(₱61,371)
Changes in unrecognized deferred income tax assets and others	(348,556)	(708,053)	42,098
Provision for (benefit from) income tax	₱95,773	₱16,713	(₱19,273)

31. Earnings (Loss) Per Share Computation

	2011	2010	2009
Net income (loss)	₱1,385,324	₱2,399,172	(₱185,296)

Number of shares for computation of:

	2011	2010	2009
<u>Basic earnings (loss) per share</u>			
Weighted average common shares issued	163,101,809	158,614,411	151,143,943
Less treasury stock	116,023	116,023	116,023
Weighted average common shares outstanding	162,985,786	158,498,388	151,027,920
<u>Diluted earnings (loss) per share</u>			
Weighted average common shares issued	163,101,809	158,614,411	151,143,943
Less treasury stock	116,023	116,023	116,023
	162,985,786	158,498,388	151,027,920
Exercise of stock option	–	1,257,531	–
Conversion of preferred stock	678,316	678,316	–
Weighted average common shares outstanding	163,664,102	160,434,235	151,027,920
Basic earnings (loss) per share	₱8.50	₱15.14	(₱1.23)
Diluted earnings (loss) per share	₱8.46	₱14.95	(₱1.23)

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

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



32. Segment Information

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

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

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

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

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

The other segments are engaged in research, development, real estate and water projects.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating income or loss and is measured consistently with income (loss) before income tax as reported in the consolidated financial statements.

Business Segments

The following tables present revenue and profit and certain asset and liability information regarding the Group's business segments for the years Ended December 31, 2011, 2009 and 2008:

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
	<u>2,328,836</u>	<u>54,542</u>	<u>45,571</u>	<u>34,549</u>	<u>2,463,498</u>	<u>(204,206)</u>	<u>2,259,292</u>
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
	<u>871,266</u>	<u>23,459</u>	<u>46,894</u>	<u>14,377</u>	<u>955,996</u>	<u>(177,801)</u>	<u>778,195</u>

(Forward)



	Mining	Foundry	Trucking and Warehousing	Others	Total	Eliminations	Consolidated
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	₱8,308,828	₱279,965	₱97,155	₱344,490	₱9,030,438	(₱3,726,012)	₱5,304,426
Operating liabilities	₱3,320,719	₱192,366	₱64,470	₱193,375	₱3,770,930	(₱777,803)	₱2,993,127
Other disclosure:							
Capital expenditure	₱252,701	₱-	₱250	₱-	₱252,951	₱-	₱252,951

2010

	Mining	Foundry	Trucking and Warehousing	Others	Total	Eliminations	Consolidated
Revenue							
External customers	₱585,661	₱390	₱27,693	₱9,914	₱623,658	₱-	₱623,658
Interest income	47,453	2	1	8,688	56,144	(47,053)	9,091
Inter-segment	-	2,733	1,473	2,002	6,208	(6,208)	-
Other income	2,407,805	-	-	298	2,408,103	(1,365)	2,406,738
	3,040,919	3,125	29,167	20,902	3,094,113	(54,626)	3,039,487
Cost and Expenses							
Interest expense	168,901	3,457	247	8,212	180,817	(47,246)	133,571
Direct costs	156,935	2,698	23,300	10,306	193,239	(6,208)	187,031
Selling and general expenses	188,126	2,558	6,121	5,867	202,672	-	202,672
Accretion expense	1,948	-	-	-	1,948	-	1,948
Impairment losses	12,675	-	-	101	12,776	(117)	12,659
Depreciation, depletion and amortization	62,516	-	2,941	-	65,457	(5,556)	59,901
Taxes on revenue	5,633	-	-	-	5,633	-	5,633
Other expenses	20,185	2	-	-	20,187	-	20,187
	616,919	8,715	32,609	24,486	682,729	(59,127)	623,602
Provision for (benefit from) income tax							
Current	78,901	26	70	81	79,078	-	79,078
Deferred	(63,754)	-	1,467	(78)	(62,365)	-	(62,365)
	15,147	26	1,537	3	16,713	-	16,713
Net income (loss)	₱2,408,853	(₱5,616)	(₱4,979)	(₱3,587)	₱2,394,671	₱4,501	₱2,399,172
Operating assets	₱6,793,027	₱273,623	₱84,666	₱326,656	₱7,477,972	(₱3,407,928)	₱4,070,044
Operating liabilities	₱3,478,816	₱214,102	₱49,124	₱113,152	₱3,855,194	(₱539,690)	₱3,315,504
Other disclosure:							
Capital expenditure	₱357,340	₱5	₱73	₱-	₱357,418	(₱332,178)	₱25,240



2009

	Mining	Foundry	Trucking and Warehousing	Others	Total	Eliminations	Consolidated
Revenue							
External customers	₱209,631	₱117	₱18,646	₱12,155	₱240,549	₱-	₱240,549
Interest income	1,188	2	-	1,674	2,864	-	2,864
Inter-segment	-	1,774	2,210	-	3,984	(3,984)	-
Other income	110,698	3,805	2,243	1,987	118,733	-	118,733
	321,517	5,698	23,099	15,816	366,130	(3,984)	362,146
Cost and Expenses							
Interest expense	174,642	3,752	515	-	178,909	-	178,909
Direct costs	128,187	2,488	19,191	9,436	159,302	(3,984)	155,318
Selling and general expenses	112,352	2,825	3,409	5,717	124,303	-	124,303
Accretion expense	1,680	-	-	-	1,680	-	1,680
Impairment losses	15,011	2,368	4,502	5,571	27,452	-	27,452
Depreciation, depletion and amortization	22,015	12	3,638	703	26,368	-	26,368
Taxes on revenue	2,528	-	-	-	2,528	-	2,528
Other expenses	50,157	-	-	-	50,157	-	50,157
	506,572	11,445	31,255	21,427	570,699	(3,984)	566,715
(Provisions for (benefit from) income tax							
Current	₱1,927	₱45	₱88	₱547	₱2,607	₱-	₱2,607
Deferred	(21,079)	-	(834)	33	(21,880)	-	(21,880)
	(19,152)	45	(746)	580	(19,273)	-	(19,273)
Net loss	₱165,903	₱5,792	₱7,410	₱6,191	₱185,296	₱-	₱185,296
Operating assets	₱4,270,513	₱279,411	₱81,898	₱460,557	₱5,092,379	(₱1,512,418)	₱3,579,961
Operating liabilities	₱5,677,007	₱215,453	₱44,462	₱144,053	₱6,080,975	(₱705,215)	₱5,375,760
Other disclosure:							
Capital expenditure	₱14,540	₱-	₱-	₱-	₱14,540	₱-	₱14,540

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

33. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise unsecured and secured bank loans. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group has financial instruments such as cash and cash equivalents, trade and other receivables and trade and other payables, which arise directly from its operations. Other financial asset includes 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, 2011 and 2010, cash and cash equivalents may be withdrawn anytime while quoted AFS investments may be converted to cash by selling them during the normal trading hours in any business day. The tables below summarize the maturity profile of the Group's financial assets as of December 31, 2011 and 2010:

2011	On Demand	More than 90 days	More than 1 year	Total
Cash and cash equivalents	₱1,257,364	₱-	₱-	₱1,257,364
Trade and other receivables	38,050	43,889	-	81,939
Loans receivable	58,632	-	-	58,632
AFS investments	9,343	-	5,119	14,462
Total	₱1,363,389	₱43,889	₱5,119	₱1,412,397

2010	On Demand	More than 90 days	More than 1 year	Total
Cash and cash equivalents	₱292,457	₱-	₱-	₱292,457
Trade and other receivables	217,036	53,067	-	270,103
Loans receivable	54,657	-	-	54,657
AFS investments	10,246	-	5,119	15,365
Total	₱574,396	₱53,067	₱5,119	₱632,582

The tables below summarize the maturity profile of the Group's financial liabilities based in contractual undiscounted payments as of December 31, 2011 and 2010:

2011	On demand	More than 90 days	More than 1 year	Total
Loans payable	₱890,308	₱-	₱719,920	₱1,610,228
Trade and other payables				
Trade	45,020	33,130	-	78,150
Nontrade	-	83,981	-	83,981
Accrued expenses*	312	19,575	-	19,887
Officers and employees	-	4,602	-	4,602
Others	972	15,465	-	16,437
Equity of claimowner in contract operations	-	-	49,136	49,136
Total	₱936,612	₱156,753	₱769,056	₱1,862,421

*Excludes statutory payables

2010	On demand	More than 90 days	More than 1 year	Total
Loans payable	₱1,491,428	₱-	₱-	₱1,491,428
Trade and other payables				
Trade	-	261,313	-	261,313
Nontrade	-	260,743	-	260,743
Accrued expenses	-	27,536	-	27,536
Officers and employees	-	31,338	-	31,338
Others	-	18,751	-	18,751
Equity of claimowner in contract operations	-	-	55,941	55,941
Total	₱1,491,428	₱599,681	₱55,941	₱2,147,050



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 financial position. The maximum exposure is shown at gross amount, before the effect of mitigation through the use of master netting and collateral agreements.

	2011	2010
Cash and cash equivalents		
Cash in banks	₱638,947	₱272,083
Short-term investments	617,710	19,568
Trade and other receivables		
Trade	57,726	183,884
Advances to contractors	11,666	51,439
Receivables from lessees of bunkhouses	–	9,178
Officers and employees	12,547	25,602
Loans receivable	58,632	54,657
Total credit risk exposure	₱1,397,228	₱616,411

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

2011

	Neither Past Due Nor Impaired				Total
	High Grade	Standard Grade	Past Due But Not Impaired	Impaired	
Cash and cash equivalents					
Cash in banks	₱638,947	₱–	₱–	₱–	₱638,947
Short-term investments	617,710	–	–	–	617,710
Trade and other receivables					
Trade	–	24,719	33,007	16,939	74,665
Employee stock ownership incentive plan	–	–	–	58,416	58,416
Advances to contractors	1,263	476	9,927	46,983	58,649
Receivables from lessees of bunkhouses	–	–	–	30,240	30,240
Officers and employees	537	3,215	8,795	1,424	13,971
Loans receivable	–	58,632	–	–	58,632
Total credit risk exposure	₱1,258,457	₱87,042	₱51,729	₱154,002	₱1,551,230



2010

	Neither Past Due Nor Impaired			Impaired	Total
	High Grade	Standard Grade	Past Due But Not Impaired		
Cash and cash equivalents					
Cash in banks	₱272,083	₱-	₱-	₱-	₱272,083
Short-term investments	19,568	-	-	-	19,568
Trade and other receivables					
Trade	-	24,719	159,165	34,290	218,174
Employee stock ownership incentive plan	-	-	-	58,416	58,416
Advances to contractors	1,263	476	49,700	38,760	90,199
Receivables from lessees of bunkhouses	-	-	9,178	20,798	₱29,976
Officers and employees	537	3,215	21,850	1,424	27,026
Loans receivable	-	54,657	-	-	54,657
Total credit risk exposure	₱293,451	₱83,067	₱239,893	₱153,688	₱770,099

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

- Cash and cash equivalents are assessed as high grade since these are deposited in reputable banks, which have a low probability of default.
- 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, 2011 and 2010.

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

2011

	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		Less than 30 days past due	30 to 60 days past due	More than 60 days past due		
Trade	₱24,719	₱5,236	₱64	₱27,707	₱16,939	₱74,665
Officers and employees	3,752	1,610	874	6,311	1,424	13,971
Employee stock ownership plan	-	-	-	-	58,416	58,416
Receivables from lessees of bunkhouses	-	-	-	-	30,240	30,240
Advances to contractors	1,739	32	24	9,871	46,983	58,649
Total	₱30,210	₱6,878	₱962	₱43,889	₱154,002	₱235,941



2010

	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		Less than 30 days past due	30 to 60 days past due	More than 60 days past due		
Trade	₱24,719	₱—	₱131,458	₱27,707	₱34,290	₱218,174
Officers and employees	3,752	—	15,539	6,311	1,424	27,026
Employee stock incentive ownership plan	—	—	—	—	58,416	58,416
Receivables from lessees of bunkhouses	—	—	—	9,178	20,798	29,976
Advances to contractors	1,739	39,829	—	9,871	38,760	90,199
	₱30,210	₱39,829	₱146,997	₱53,067	₱153,688	₱423,791

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, 2011 and 2010, 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:

	Change in interest rates (in basis points)	Sensitivity of pretax income
2011		
PhP	+100	(7,682)
PhP	-100	7,682
USD	+100	(4,862)
USD	-100	4,862
2010		
PhP	+100	(11,850)
PhP	-100	11,850
USD	+100	(1,654)
USD	-100	1,654



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:

	2011		2010	
	USD	Peso Equivalent	USD	Peso Equivalent
<u>Asset</u>				
Cash	20,934	917,747	5,793	235,965
Trade and other receivables	207	9,075	2,624	115,036
	21,141	926,822	8,417	351,001
<u>Liabilities</u>				
Accrued interest and penalties	5,205	228,187	2,797	122,620
Other loans	12,025	527,176	—	—
Secured bank loans	3,773	165,408	3,773	165,408
	21,003	920,771	6,570	288,028
	138	6,051	1,847	62,973

As of December 31, 2011 and 2010, the exchange rates of the Philippine peso to the USD are ₱43.84.

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, 2011 and 2010 is as follows:

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



	Change in foreign exchange rate	Sensitivity of pretax income (loss)
2010	Strengthens by Php1.00	(1,847)
	Weakens by Php1.00	1,847

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.

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, 2011 and 2010:

	Carrying Amounts		Fair Values	
	2011	2010	2011	2010
Financial Assets:				
Loans and receivables:				
Cash and cash equivalents				
Cash on hand and in banks	₱639,654	₱272,889	₱639,654	₱272,889
Short-term investments	617,710	19,568	617,710	19,568
Trade and other receivables	81,939	270,103	81,939	270,103
Loans receivable	58,632	54,657	58,632	54,657
	1,397,935	617,217	1,397,935	617,217
AFS investments:				
Quoted				
	9,343	10,246	9,343	10,246
Unquoted				
	5,119	5,119	5,119	5,119
	14,462	15,365	14,462	15,365
	₱1,412,397	₱632,582	₱1,412,397	₱632,582
Financial Liabilities:				
Other financial liabilities:				
Trade and other payables				
	₱243,977	₱676,545	₱243,977	₱676,545
Loans payable				
	1,567,503	1,491,428	1,609,007	1,491,428
Equity of claimowner in contract operations				
	49,136	55,941	49,136	55,941
	₱1,860,616	₱2,223,914	₱1,902,120	₱2,223,914

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash and Cash Equivalents, Trade and Other Receivables, and Trade and Other Payables

The fair values of these instruments approximate their carrying amounts as of reporting date due to the short-term nature.



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, 2011 and 2010, the Group had quoted AFS investments amounting to ₱9,343 and ₱10,246, respectively, carried at fair value in the 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 2011 and 2010.

Capital Management

The Group maintains a capital base to cover risks inherent in the business. The primary objective of the Group's capital management is to ensure that the Group has available funds in order to continuously operate and support its business activities. The Group has no externally imposed capital requirements.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may obtain additional advances from stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2011, 2010 and 2009.

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

	2011	2010
Capital stock	₱492,220	₱487,792
Capital surplus	18,895	1,153,579
Other components of equity	833,465	1,696,202
Retained earnings (deficit)	974,735	(2,575,016)
Treasury shares	(8,016)	(8,016)
	₱2,311,299	₱754,541



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, 2011 and 2010 are as follows:

	2011	2010
Total liabilities (a)	₱2,993,127	₱3,315,503
Total equity (b)	2,311,299	754,541
Debt-to-equity ratio (a/b)	1.29:1	4.39:1

34. Agreements, Contingencies and Other Matter

Agreements and Contingencies

- a. The Company and certain subsidiaries are contingently liable for liabilities arising from lawsuits or claims (mostly labor, civil, mines administrative and ports related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements.
- b. On May 23, 1995, Benguet-Pantukan Gold Corporation (BPGC) entered into a Royalty Agreement with Option to Purchase (Agreement) with Pantukan Mineral Corporation (PMC). Under this Agreement, BPGC is allowed to perform exploration, development and mining activities over the mining properties of PMC, located in Pantukan Davao del Norte and Davao Oriental. BPGC shoulders all the expenses on such activities. PMC is entitled to royalty calculated on the bases as specified in the Agreement.

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

On March 31, 2010, the Company signed a disengagement agreement with the Tribe for mutual termination of the JV agreement. In the disengagement agreement, the Company's various investments and advances in the project will be reimbursed by the Tribe through the entry of a new investor. Discussions with the Tribe and its new investor for the Company's demands are on-going. On the same date, Hunter sent a demand letter to the Company on the basis of the latter's withdrawal from the project.



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

- d. In 2011, the 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 Company pays TLI on or before the 15th of the payment month.

Other

The foreign exchange rates used in translating the USD accounts of foreign subsidiaries to Philippine peso were ₱43.84 in 2011 and 2010, for the consolidated statements of financial position accounts and ₱43.30 in 2011, ₱45.12 in 2010 and ₱47.64 in 2009 for income and expense accounts.



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 its subsidiaries as at December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011, included in this Form 17-A, and have issued our report thereon dated March 22, 2012. 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.



John T. Villa
Partner
CPA Certificate No. 94065
SEC Accreditation No. 0783-AR-1 (Group A),
February 9, 2012, valid until February 8, 2015
Tax Identification No. 901-617-005
BIR Accreditation No. 08-001998-76-2009,
June 1, 2009, valid until May 31, 2012
PTR No. 3174837, January 2, 2012, Makati City

March 22, 2012

BENGUET CORPORATION

SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DISTRIBUTION

DECEMBER 31, 2011

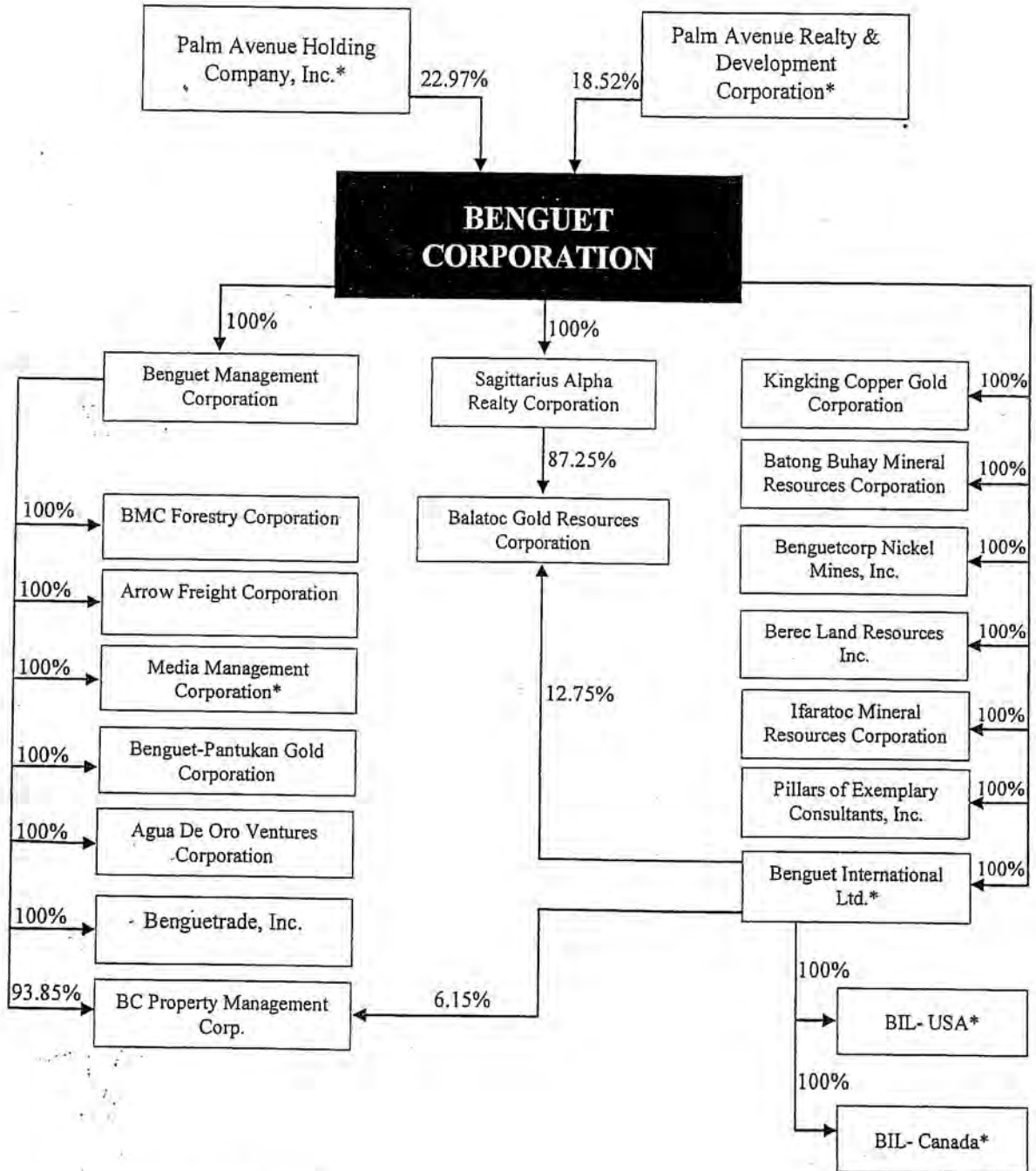
(Amounts in Thousands)

Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning		(₱2,110,871)
Effect of quasi-reorganization		2,164,427
Net income for the year		1,321,680
Add (deduct):		
Unrealized foreign exchange losses	₱5,115	
Accretion expense on liability for mine rehabilitation	2,254	
Unrealized revaluation increment closed to retained earnings as a result of quasi-reorganization	(1,010,848)	
Unrealized income from discounting of noninterest-bearing loans	(41,800)	(1,045,279)
Retained earnings available for dividend distribution as of December 31, 2011		₱329,957

SCHEDULE II
BENGUET CORPORATION AND SUBSIDIARIES
FINANCIAL RATIOS
PURSUANT TO SRC RULE 68, AS AMENDED
December 31, 2011

	2011	2010
<u>Profitability Ratios:</u>		
Return on assets	26%	59%
Return on equity	60%	318%
Gross profit margin	26%	25%
Operating profit margin	153%	409%
Net profit margin	139%	385%
<u>Liquidity and Solvency Ratios:</u>		
Current ratio	1.18:1	0.30:1
Quick ratio	1.07:1	0.28:1
Solvency ratio	0.48:1	0.73:1
<u>Financial Leverage Ratios:</u>		
Asset to equity ratio	2.29:1	5.39:1
Debt ratio	0.56:1	0.81:1
Debt to equity ratio	1.29:1	4.39:1
Interest coverage ratio	35.41:1	19.09:1

BENGUET CORPORATION
MAP OF GROUP OF COMPANIES
DECEMBER 31, 2011



**Not audited by SGV & Co.*

BENGUET CORPORATION AND SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS AS OF DECEMBER 31, 2011

Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] and Philippine Interpretations Committee (PIC) Q&As	Adopted/Not Adopted/Not applicable
PFRS 1, <i>First-time Adoption of Philippine Financial Reporting Standards</i>	Adopted
PFRS 2, <i>Share-based Payment</i>	Adopted
PFRS 3, <i>Business Combinations</i>	Not applicable
PFRS 4, <i>Insurance Contracts</i>	Not applicable
PFRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Not applicable
PFRS 6, <i>Exploration for and Evaluation of Mineral Resources</i>	Adopted
PFRS 7, <i>Financial Instruments: Disclosures</i>	Adopted
PFRS 8, <i>Operating Segments</i>	Adopted
PAS 1, <i>Presentation of Financial Statements</i>	Adopted
PAS 2, <i>Inventories</i>	Adopted
PAS 7, <i>Statement of Cash Flows</i>	Adopted
PAS 8, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	Adopted
PAS 10, <i>Events after the Reporting Period</i>	Adopted
PAS 11, <i>Construction Contracts</i>	Adopted
PAS 12, <i>Income Taxes</i>	Adopted
PAS 16, <i>Property, Plant and Equipment</i>	Adopted
PAS 17, <i>Leases</i>	Adopted
PAS 18, <i>Revenue</i>	Adopted
PAS 19, <i>Employee Benefits</i>	Adopted
PAS 20, <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	Not applicable
PAS 21, <i>The Effects of Changes in Foreign Exchange Rates</i>	Adopted
PAS 23, <i>Borrowing Costs</i>	Adopted
PAS 24, <i>Related Party Disclosures</i>	Adopted
PAS 26, <i>Accounting and Reporting by Retirement Benefit Plans</i>	Adopted
PAS 27, <i>Consolidated and Separate Financial Statements</i>	Adopted
PAS 28, <i>Investments in Associates</i>	Adopted
PAS 29, <i>Financial Reporting in Hyperinflationary Economies</i>	Not applicable
PAS 31, <i>Interests in Joint Ventures</i>	Not applicable
PAS 32, <i>Financial Instruments: Presentation</i>	Adopted
PAS 33, <i>Earnings per Share</i>	Adopted
PAS 34, <i>Interim Financial Reporting</i>	Not applicable
PAS 36, <i>Impairment of Assets</i>	Adopted
PAS 37, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	Adopted
PAS 38, <i>Intangible Assets</i>	Adopted
PAS 39, <i>Financial Instruments: Recognition and Measurement</i>	Adopted
PAS 40, <i>Investment Property</i>	Adopted
PAS 41, <i>Agriculture</i>	Not applicable

Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] and Philippine Interpretations Committee (PIC) Q&As	Adopted/Not Adopted/ Not applicable
Philippine Interpretation IFRIC 1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	Adopted
Philippine Interpretation IFRIC 2, <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	Not applicable
Philippine Interpretation IFRIC 4, <i>Determining whether an Arrangement contains a Lease</i>	Not applicable
Philippine Interpretation IFRIC 5, <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	Not applicable
Philippine Interpretation IFRIC 6, <i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>	Not applicable
Philippine Interpretation IFRIC 7, <i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>	Not applicable
Philippine Interpretation IFRIC 9, <i>Reassessment of Embedded Derivatives</i>	Not applicable
Philippine Interpretation IFRIC 10, <i>Interim Financial Reporting and Impairment</i>	Not applicable
Philippine Interpretation IFRIC 12, <i>Service Concession Arrangements</i>	Not applicable
Philippine Interpretation IFRIC 13, <i>Customer Loyalty Programmes</i>	Not applicable
Philippine Interpretation IFRIC 14, <i>PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	Not applicable
Philippine Interpretation IFRIC 16, <i>Hedges of a Net Investment in a Foreign Operation</i>	Not applicable
Philippine Interpretation IFRIC 17, <i>Distributions of Non-cash Assets to Owners</i>	Not applicable
Philippine Interpretation IFRIC 18, <i>Transfers of Assets from Customers</i>	Not applicable
Philippine Interpretation IFRIC 19, <i>Extinguishing Financial Liabilities with Equity Instruments</i>	Not applicable
Philippine Interpretation SIC 7, <i>Introduction of the Euro</i>	Not applicable
Philippine Interpretation SIC 10, <i>Government Assistance - No Specific Relation to Operating Activities</i>	Not applicable
Philippine Interpretation SIC 12, <i>Consolidation - Special Purpose Entities</i>	Not applicable
Philippine Interpretation SIC 13, <i>Jointly Controlled Entities - Non-Monetary Contributions by Venturers</i>	Not applicable
Philippine Interpretation SIC 15, <i>Operating Leases - Incentives</i>	Not applicable
Philippine Interpretation SIC 21, <i>Income Taxes - Recovery of Revalued Non-Depreciable Assets</i>	Not applicable
Philippine Interpretation SIC 25, <i>Income Taxes - Changes in the Tax Status of an Entity or its Shareholders</i>	Not applicable

Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] and Philippine Interpretations Committee (PIC) Q&As	Adopted/Not Adopted/ Not applicable
Philippine Interpretation SIC 27, <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>	Adopted
Philippine Interpretation SIC 29, <i>Service Concession Arrangements: Disclosures</i>	Not applicable
Philippine Interpretation SIC 31, <i>Revenue - Barter Transactions Involving Advertising Services</i>	Not applicable
Philippine Interpretation SIC 32, <i>Intangible Assets - Web Site Costs</i>	Not applicable
PIC Q&A No. 2006-01: PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts	Not applicable
PIC Q&A No. 2006-02: PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements	Not applicable
PIC Q&A No. 2007-03: PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)	Not applicable
PIC Q&A No. 2008-01 (Revised): PAS 19.78 - Rate used in discounting post-employment benefit obligations	Adopted
PIC Q&A No. 2008-02: PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20	Not applicable
PIC Q&A No. 2009-01: Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern	Not applicable
PIC Q&A No. 2010-01: PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines	Not applicable
PIC Q&A No. 2010-02: PAS 1R.16 - Basis of preparation of financial statements	Adopted
PIC Q&A No. 2011-01: PAS 1.10(f) - Requirements for a Third Statement of Financial Position	Not applicable

BENGUET CORPORATION**SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES
AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)
FOR THE YEAR ENDED DECEMBER 31, 2011**

Name	Designation	Balance at Beginning of Period	Net Additions (Deductions)	Balance at End of Period
Lazaro, C.O.	Senior Manager	₱512,888	₱111,129	₱624,017
Marigundon, H.M.	Senior Manager	95,454	216,352	311,806
Arceno, M.D.	Senior Manager	122,360	117,266	239,626
Tangalin, R.H.	Senior Manager	50,130	179,453	229,583
Bernaldo, C.T.	Senior Manager	206,312	6,750	213,062
Dalit, Jane C.	Senior Manager	157,400	9,436	166,836
Calimlim, D.B.	Senior Manager	186,135	(43,000)	143,135
Villanueva, F.O.	Senior Manager	40,386	91,000	131,386
Hizon, Amado	Rank and File	87,000	30,000	117,000

The ending balances are all current. All deductions during the year pertain to collections. No accounts were written off during the year.

BENGUET CORPORATION**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE
ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Name of Related Party	Balance at Beginning of Period	Net Additions (Deductions)	Balance at End of Period
Benguetcorp Nickel Mines, Inc	₱195,120,160	(₱139,258,505)	₱55,861,655
Media Management Corporation	51,601,094	(5,829,212)	45,771,882
Kingking Copper Gold Corporation	—	37,150,058	37,150,058
Benguet-Pantukan Gold Corporation	29,224,871	36,969	29,261,840
BC Property Management, Inc	28,978,308	151,629	29,126,937
Benguet Management Corporation (BMC)	20,774,067	7,972,785	28,746,852
BMC Forestry Corporation	28,688,857	(458,260)	28,230,597
Balatoc Gold Resources Corporation	—	24,248,760	24,248,760
Arrow Freight Corporation	13,482,238	246,676	13,728,914
Agua de Oro Ventures Corporation	10,350,509	17,500	10,368,009
Benguetrade, Inc	6,807,566	—	6,807,566
Sagittarius Alpha Realty Corporation	1,611,200	(4,894)	1,858,306
Batong Buhay Mineral Resources Corporation	1,275,827	311,222	1,587,049
Pillars of Exemplary Consultants, Inc	336,917	36,969	373,886
Ifaratoc Mineral Resources Corporation	—	104,435	104,435
	₱388,251,614	(₱124,003,868)	₱313,226,746

The ending balances are all current. All deductions during the year pertain to collections. No accounts were written off during the year.

BENGUET CORPORATION

**SCHEDULE D - INTANGIBLE ASSETS (OTHER ASSETS)
FOR THE YEAR ENDED DECEMBER 31, 2011**

<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Addition of Cost</u>	<u>Charged to Cost and Expenses</u>	<u>Charged to Other Accounts</u>	<u>Other Changes</u>	<u>Balance at End of Period</u>
Deferred Exploration Costs	₱354,332,495	₱46,832,792	(₱90,053,740)	₱-	₱-	₱311,111,547

BENGUET CORPORATION
SCHEDULE E - LONG TERM DEBT
FOR THE YEAR ENDED DECEMBER 31, 2011

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under caption "Current Portion of Long-Term Debt" in related Statement of Financial Position	Amount shown under caption "Long-Term Debt" in related Statement of Financial Position
Unsecured Bank Loans	P51,711,999	P51,711,999	P-
Secured Bank Loans	245,621,221	245,621,221	-
Other Loans:			
Nickel Ore customers (net of unamortized discount)	527,194,746	113,884,906	413,309,840
PhilExim	150,000,000	-	150,000,000
	P974,527,966	P411,218,126	P563,309,840