



BenguetCorp

April 26, 2017

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

Attention : Mr. VICENTE GRACIANO P. FELIZMENIO, JR.  
Director, Market & Securities Regulation Department

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

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

Gentlemen:

We submit hereto an amended copy of the Company's Annual Report under SEC Form 17-A due to correction on the list of four (4) other most highly compensated executive officers of the Company under Item 10–Executive Compensation of the annual report.

Please note that the Company filed its Annual Report (SEC Form 17-A) to the SEC and PSE on April 25, 2017.

We trust that you will find everything in order.

Very truly yours,

BENGUET CORPORATION

By:

  
HERMOGENE H. REAL  
Corporate Secretary

Attchs. a/s  
/file.

“A”

# COVER SHEET

1 1 3 4 1

SEC Registration Number

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

(Group's Full Name)

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

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

**Mr. Reynaldo P. Mendoza**

(Contact Person)

**812-1380 / 751-9137**

(Group Telephone Number)

1 2 3 1

Month Day  
(Calendar Year)

1 7 - A

(Form Type)

Month Day

(Annual Meeting)

**Not Applicable**

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

**Article Third**

Amended Articles Number/Section

**16,891**

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

## TABLE OF CONTENTS

	<u>Page Number</u>
<b>SEC Form 17-A</b>	3
<b>PART I – BUSINESS AND GENERAL INFORMATION</b>	
Item 1 Business	5
Item 2 Properties	15
Item 3 Legal Proceedings	16
Item 4 Submission of Matters to a Vote of Security Holders	19
<b>PART II – OPERATIONAL AND FINANCIAL INFORMATION</b>	
Item 5 Market for Registrant’s Common Equity & Related Stock Matters	19
Item 6 Management’s Discussion & Analysis or Plan of Operation	23
Item 7 Financial Statements	30
Item 8 Changes in & Disagreements w/ Accountants Financial Disclosure	30
<b>PART III – CONTROL AND COMPENSATION INFORMATION</b>	
Item 9 Directors & Executive Officers of the Issuer	30
Item 10 Executive Compensation	38
Item 11 Security Ownership of Certain Beneficial Owners & Management	41
Item 12 Certain Relationships & Related Transactions	43
<b>PART IV – CORPORATE GOVERNANCE</b>	
Item 13 Corporate Governance	45
<b>PART V – EXHIBITS AND SCHEDULES</b>	
Item 14 Exhibits and Reports on SEC Form-C	46
<b>SIGNATURES</b>	48
<b>ANNEX</b> Annex “A” – 2016 Management Report	49
<b>STATEMENT OF MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL STATEMENTS BENGUET CORPORATION &amp; SUBSIDIARIES 2016 AUDITED CONSOLIDATED FINANCIAL STATEMENTS BENGUET CORPORATION (PARENT) 2016 AUDITED FINANCAL STATEMENTS</b>	-

## SEC FORM 17-A

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

1. For the fiscal year ended .....**DECEMBER 31, 2016**.....
2. SEC Identification Number ....**11341**..... 3. BIR Tax Identification No. ...**000-051-037**....
4. Exact name of issuer as specified in its charter .....**BENGUET CORPORATION**.....
5. ....**PHILIPPINES**..... 6.  (SEC Use Only)  
Province, Country or other jurisdiction of Industry Classification Code:  
incorporation or organization
7. **7F UNIVERSAL RE-BUILDING, 106 PASEO DE ROXAS, MAKATI CITY** .....**1226**.....  
Address of principal office Postal Code
8. .... **(632) 751-9137 / 812-1380** .....  
Issuer's telephone number, including area code
9. ....  
Former name, former address, and former fiscal year, if changed since last report.

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

<u>Title of Each Class</u>	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding (as of December 31, 2016)
<b>Convertible Preferred Class A ₱3.43 par value</b>	<b>217,061 shares</b>
<b>Common Class A Stock ₱1.00 par value</b>	<b>370,246,461 shares*</b>
<b>Common Class B Stock ₱1.00 par value</b>	<b>244,816,422 shares*</b>

(\*) – Net of Treasury Shares

**Total consolidated outstanding principal loans payable as of December 31, 2016 – ₱457 Million**

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

Yes [  ] No [  ]

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

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

12. Check whether the issuer:

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

Yes [  ]      No [  ]

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

Yes [  ]      No [  ]

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

Not Applicable.

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

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

Yes [  ]      No [  ]

**DOCUMENTS INCORPORATED BY REFERENCE**

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

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

## PART I – BUSINESS AND GENERAL INFORMATION

### ITEM 1. BUSINESS

#### 1. BUSINESS DEVELOPMENT

##### CORPORATE PROFILE

Benguet Corporation (the “Company”, “Benguet”) is the oldest mining company in the Philippines and is the country’s recognized pioneer of modern mining. Established on August 12, 1903 as Benguet Consolidated Mining Company, the Company’s 113 years of existence is a testament of its adaptability and resiliency in the face of changes brought about by global events, natural calamities, economic conditions and industry trends.

Benguet was reorganized and registered with the Securities and Exchange Commission (SEC) on June 18, 1956 under the name Benguet Consolidated, Inc. Benguet is now on its third fifty-year corporate life, the extension having been approved by the SEC on June 18, 2006. Having been listed in the Philippine Stock Exchange since January 4, 1950, it is one of the most widely held public companies in the country with 16,905 stockholders of record, with 15.46% of its outstanding shares owned by foreign nationals and institutions, as of December 31, 2016.

In the 1980’s, following its name change to the now “Benguet Corporation”, the Company’s stature peaked as it simultaneously operated its five major mines: Benguet Gold Operations (BGO), Benguet Antamok Gold Operation (BAGO), Dizon Copper-Gold Operation (DCO), Masinloc Chromite Operation (MCO), and Paracale Gold Operation (PGO).

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

In 2002, it reopened BGO on a limited scale through the Acupan Contract Mining Project (ACMP) now being renamed as the Acupan Gold Project (AGP), developed Sta. Cruz Nickel Project (SCNP) in 2007, and continued to review and package its various mineral properties for future development or sale. It invested in the development of the Sta. Cruz Nickel, Balatoc Tailings, and Surigao Coal projects, and the expansion of AGP. It continued to hold interest in the Acupan Gold, Ampucao Gold Copper, Pantingan Gold, Benguet Orelina Contract Operation (BOLCO), and the Ilocos Norte and the Kalinga Financial or Technical Assistance Agreement (FTAA) prospects.

Aside from mining and mineral exploration, the Company ventured into various projects through several wholly owned subsidiaries. It is engaged in healthcare and diagnostics services through its expanding BenguetCorp Laboratories, Inc., mining and construction logistics through Arrow Freight Corporation, port services through Keystone Port Logistics and Management Services Corporation, shipping services through Calhorr 1 Marine Services Corporation and Calhorr 2 Marine Services, Inc., and real estate development and lime production through BMC Forestry Corporation.

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

## **MINING OPERATIONS**

- **Acupan Gold Project (AGP) in Benguet Gold Operation (BGO) in Itogon, Benguet Province:** AGP [is also Acupan Contract Mining Project (ACMP)] is a 300 tpd (tons per day) gold operation. BGO was re-opened in 2002 via the ACMP which is a community-based mining project where the small-scale miners who are Indigenous People are organized into groups and accredited by the Mines and Geosciences Bureau (MGB)-Cordillera Administrative Region (CAP) as mining contractors. The Company engaged the services of these mining contractors to do large scale underground mining in BGO based on metal sharing system.

AGP's revenues went down to ₱542.2 million this year from ₱682.1 million in 2015 and P802.8 million in 2014 due to lower volume of gold production. AGP ended the year with a reported net loss of ₱72.5 million, lower compared to the net loss of ₱97.4 million in 2015 and higher versus ₱16.7 million, in 2014. Gold production in 2016 totaled 9,166 ounces, lower as compared to 12,940 ounces in 2015 and 14,258 ounces in 2014. The average grade of ore milled this year was better at **7.71** grams gold per ton compared 5.38 grams gold per ton in 2015 and 4.38 grams gold per ton in 2014. AGP ended the year 2016 with an average milling rate of 112 tons per day (tpd), lower as compared to average milling rate of 229 tpd in 2015 and 332 tpd in 2014. AGP continues to improve production by identifying new areas as additional revenue source and maximizing plant capacity by converting former BC line leaching tanks to batch type tanks, now ready to process metal sharing ores from contractors.

The Company's BGO is a certified ISO:14001 (2015 version) on Environmental Management System issued on March 11, 2016 by TUV Rheinland, an independent international certification body, after undergoing intensive review and audit of its gold operations. The certification makes BGO fully compliant with the requirement of DENR Administrative Order No. 2015-07 as seal of approval on acceptable level of environmental compliance by mining companies.

In compliance with DENR Memorandum Order No. 2016-01 (re: Audit of all operating mines and moratorium on new mining projects), AGP was audited in August 2016 by a multi-disciplinary team coming from the Mines and Geosciences Bureau (MGB), Environmental Management Bureau (EMB), Department of Agriculture (DA), Department of Health (DOH), Bureau of Fisheries and Aquatic Resources (BFAR) and from NGO, church and community organizations. In the Memorandum for the DENR Secretary dated August 16, 2016 signed by all ten (10) members of the multi-disciplinary mine audit team, the AGP was found to be compliant and the recommendation did not include any penalty, whether suspension or stoppage order and on the minor lapses found, the management was directed to do remedial measures. But on October 28, 2016, the Company received a show cause letter on October 28, 2016 with copy of the Mine Audit Report dated October 3, 2016 which recommended the stoppage of its operation. The findings of minor lapses were elevated to serious violations and the non-rehabilitation of Antamok was cited as additional ground, although the Antamok issue is unrelated and not part of the audit of the AGP. The Company filed within the stipulated period its explanations/comments to the show cause letter. On December 20, 2016, the Company received a Notice of Violation dated November 23, 2016 on the Liang tailings leak incident, which the Company responded to on December 27, 2016. The Liang tailings leak incident is not part of the mining audit. The incident occurred on October 27, 2016 in the tailings impoundment area of Antamok, which is different project from AGP. The leak of mine tailings was discovered following regular inspection conducted by the Company after the heavy rains brought by Super Typhoon Lawin. The leak occurred in the drain tunnel of the underground Antamok mine which has not been in operation by the Company since 1989. The effect of the tailings leakage was limited as it was immediately remediated by the Company so it did not cause serious environmental damages.

On February 14, 2017, the Company received an Order of Cancellation dated February 8, 2017 from the DENR cancelling its authority to undertake mining operation under the Patent Claim PC-ACMP-002-CAR. Within the prescribed period for filing, the Company filed its Notice of Appeal and

Appeal Memorandum to the Office of the President on the cancellation order. The Company is awaiting decision of its appeal from the OP.

**Sta. Cruz Nickel Project (SCNP) in Sta. Cruz, Zambales Province:** The Sta. Cruz Nickel Project (SCNP) is a surface mining operation of Benguetcorp Nickel Mines, Inc. (BNMI), a wholly owned subsidiary of the Company. BNMI drove the revenues for the Company coming from a strong performance during the first half of 2016 sustained by bigger volumes backed by consistent demand on top of improved nickel prices. The nickel business contributed 53% of the Company's consolidated revenues, ending 2016 with ₱810 million, lower as compared to ₱2.4 billion revenues in 2015 and ₱2.0 billion revenues in 2014. BNMI exported a total of 778,485 tons of nickel ore ranging from 1.5% to 1.8% Ni grade as compared to 1.547 million tons nickel ore in 2015, of which 1.072 million tons comprise 1.5% Ni grade and 1.064 million tons in 2014 ranging from 1.51% to 1.88% Ni grade. Nickel ore was sold at an average price of US\$23.05/ton in 2016 versus US\$34.65/ton in 2015 and US\$39.69 in 2014. As a result, BNMI incurred a net loss of ₱118.4 million at the end of this year, compared to the net income of ₱137.1 million in 2015 and ₱70.3 million in 2014. The loss was mainly attributed to the decrease in volume of shipment due to suspension order dated July 7, 2016 jointly issued by the regional offices of Mines and Geosciences Bureau (MGB), Environmental Management Bureau (EMB) and Department of Environment and Natural Resources (DENR), suspending BNMI's mining operation, as a result of filing of Writ of Kalikasan case, provincial moratorium on mining and complaints of anti-mining groups. BNMI requested for a reconsideration of the Suspension Order. BNMI maintained that it has complied with all the environmental and social regulations set by the MGB, which lifted the suspension on August 24, 2015 on the bases of its compliance of their conditions. BNMI is environmentally compliant as proven by the ISO: 14001 Certification on Environmental Management System that it received from TUV Rheinland on March 17, 2016 after undergoing intensive review and audit of its mining operations starting in August 2015. Only the One Mine Haul Road condition was not completed but BNMI had signed a Contract with a partner for its construction, the delay caused mostly by right-of-way issues. However, on August 26, 2016 BNMI received the denial of its request for reconsideration. With regard to the Writ of Kalikasan case, during the first hearing at Court of Appeals for the pre-trial, the parties including BNMI were given the chance to explore settlement. After several meetings by the parties to consider the compromise options, no common ground for settlement was formed. At the scheduled hearing on February 28, 2017, the parties including the Office of the Solicitor General (OSG) manifested the issuance of cancellation orders by the DENR which has effectively rendered the petition moot and academic and therefore it should already be dismissed. The CA directed the parties to submit their respective memorandum which was complied to by BNMI on March 20, 2017.

On October 18, 2016, BNMI received a show cause letter dated October 3, 2016, which provided copy of the Mine Audit Report containing the findings and recommendations of the mine audit team. The Mine Audit Report recommended the status quo of the Suspension Order pending compliances of the conditions stated in the said Order. BNMI submitted on October 24, 2016 its comments/explanation to the findings and recommendation of the Audit Team which remained unresponded. Seeing that it is left with no other viable administrative remedy, BNMI elevated to the court the matter of the unlawful suspension of its mining operations under the Suspension Order issued last July 7, 2016 by the MGB, EMB and DENR Regional Offices. BNMI filed a Petition for Certiorari with Injunction to assail the Suspension Order. During the hearing on the preliminary injunction on November 26, 2016, the Office of the Solicitor General (OSG) representing the respondents government agencies, filed a motion to hear affirmative defenses based on procedural grounds particularly non-exhaustion of administrative remedy. The court granted the motion and dismissed the petition. BNMI filed its Motion for Reconsideration (MR) and while the MR was being heard, the DENR issued the Cancellation Order dated February 8, 2017 (which the Company received on February 13, 2017) cancelling BNMI's Mineral Production Sharing Agreement No. 226-2005, subject to compliance with the provisions of Republic Act No. 7942 on the final mine rehabilitation of disturbed areas and other applicable rules and regulations. The cancellation order has effectively rendered the MR/Certiorari moot and academic, hence the decision to altogether withdraw the petition. On February 22, 2017, BNMI filed its Notice of Appeal to the Office of the



President (OP) in connection with the DENR's cancellation order on February 8, 2017. Under Administrative Order No. 22 of the OP, the filing of Notice of Appeal stays the execution of the order. On March 21, 2017, BNMI filed its Appeal Memorandum to the OP. BNMI is awaiting decision of its appeal from the OP.

- **Irisan Lime Project (ILP) in Baguio City:** ILP net income rose to ₱13.8 million, higher than the ₱12.6 million in 2015 and ₱5.3 million in 2014. ILP produced 9,445 tons of quicklime in 2016, higher compared to the 2015 level of 7,892 tons and lower versus 9,812 tons in 2014. Currently, ILP has production capacity of 1,800 tons of quicklime per month for the three (3) kilns operation.

#### **EXPLORATION, RESEARCH AND DEVELOPMENT**

- **Balatoc Tailings Project (BTP) in Itogon, Benguet Province:** BTP's application for the renewal of its Mineral Processing Permit (MPP) has been withdrawn pending continuing review of its metallurgical and technical processes in the light of new technologies that are available for FS consideration. Viability of the reprocessing shall be made as an integral part of the existing Acupan Contract Mining Project.
- **Antamok Tailings Project (ATP) in Itogon, Benguet Province:** The Antamok Tailings plays a strategic role as the tailings dam is part of the old Benguet Antamok Gold Operation (BAGO) which was suspended in 1998 where the Company has to comply with the ECC's Final Mine Rehabilitation and Decommissioning Program (FMRDP). It will remain as a viable project for tails reprocessing. The Tailings Pond shall also continue to serve as catchment structure for pollution and environmental protection for the proposed Minahang Bayan located within the Antamok property of the Company. The Antamok tailings impoundment area has not been used since 1998 when the Antamok open pit and underground mine temporarily ceased to operate.

The mined-out open pit of BAGO was found viable as a water reservoir and with a proposed water treatment plant, the Company won on August 16, 2005 the bidding for a Bulk Water Project (BWP) in Baguio City. BWP was accepted as a compliance to the Final Mine Rehabilitation/ Decommissioning Plan (FMRDP). Delayed by a court case for more than a decade, the BWP has lately attracted the interest of Baguio city government and several big players companies. While the Company's preferred land use of its Antamok mined-out open pit is the bulk water project, the Company has proposed to Baguio City and the municipality of Itogon in Benguet Province to undertake the final rehabilitation of its Antamok Open Pit, with a project that will involve an Engineered Sanitary Landfill (ESL) that will also lead to a Renewable Waste to Energy Project. In a Memorandum of Agreement (MOA) with the Company, the Goldrich Natural Resources Exploration and Development, Inc., (the "Goldrich"), the City of Baguio, and the Municipality of Itogon, Goldrich will undertake the development and operation of the ESL Project with a Waste to Energy Component (WEC) project. A Technical Working Group and Assessment Team was created, composed of representatives from the two LGUs, the Company, the Regional Environmental Management Bureau, Mines and Geosciences Bureau and Goldrich. Upon conclusion and acceptance of the Project Feasibility Study, the Company and the LGU will formally submit the proposal to the DENR and MGB as the amendment of and approval of the FMRDP for Antamok. The project when completed will serve as compliance to the Ecological Solid Waste Management Act (RA 9003) where all LGUs are mandated to establish their own or common waste disposal facility.

- **Ampucao Copper-Gold Prospect in Itogon, Benguet Province:** The Ampucao is a viable prospect for the discovery of a typical deep-seated porphyry copper-gold deposit corresponding to the surface and underground initial geological evaluation works done by the geologists of Benguet Corporation (BC). Copper bearing formation hosted by intensely silicified quartz diorite was delineated out cropping on a river within the Hartwell claims and at the mine levels of 1500 and 2300 of BC's Acupan Mine. A one-(1) kilometer long deep hole of surface drilling has been suggested to probe the down-dip extension of the projected mineralization in the Ampucao prospect, but this activity has been put on-hold pending the resolution of the Application for

Production Sharing Agreement (APSA). The Company is awaiting decision on its appeal filed on the APSA.

- **Pantingan Gold Prospect in Bagac, Bataan Province:** The Pantingan gold prospect is covered by Mineral Production Sharing Agreement (MPSA), officially designated as MPSA No. 154-2000-III, and it has an aggregate area of 1,410.25 hectares. Benguet Corporation (BC) has a Royalty Agreement with Option to Purchase with Balanga-Bataan Mineral Corporation (BBMC) signed in March 1996. The Pantingan property is a viable prospect for epithermal gold mineralization. The Company has designed a drill program to assess and probe the behavior of the mineralization exposed on the surface. For 2016, a team of geologists has continued its semi-detailed survey and the accompanying follow-up study of this prospect as completion of its two (2) year Exploration Work Program. The Company has likewise submitted the necessary Environmental and Exploration Work Programs required for 2016. The Company is now in the process of talking to interested parties for a possible joint venture which will allow conduct of a comprehensive drilling program.
- **Zamboanga Gold Prospect (BOLCO) in R.T. Lim Zamboanga del Sur:** The Company signed an operating agreement with Orelina Mining Corporation to explore and operate the property within a 399.03 hectares area. The property is about 150 kilometers northeast from Zamboanga City. It straddles the common boundary of R.T. Lim, Zamboanga Sibugay and Siocon, Zamboanga del Norte. The Company is on a continuing FPIC discussions this year with the NCIP. The Financial Work Plan for the implementation of the FPIC is being finalized which the Company plans to review within the timetable prescribed in the agreements before implementation.
- **Surigao Coal Project in Lianga, Surigao del Sur:** The Company acquired a coal property in Surigao del Sur under a Royalty Agreement with Diversified Mining Company in 1980's. The property consists of 12-coal blocks measuring a total area of 12,000 hectares. Six-(6) coal blocks were extensively explored by way of mapping, trenching, drilling, geophysics, electrical logging and topographic surveying. The Company is awaiting issuance of its permit from the DOE for a continuing exploration work program.
- **Financial Technical Assistance Agreement:** Benguet Corporation (BC) through its subsidiary company Sagittarius Alpha Realty Corporation (SARC) holds two (2) pending applications for Financial Technical Assistance Agreement (FTAA) denominated as AFTA No. 003 and AFTA No. 033. AFTA No. 003 with an area of 21,513.37 hectares is within the provincial jurisdiction of Ilocos Norte, whereas AFTA No. 033 consisting of 51,892.92 hectares is situated in Apayao province. Both mineral claims lies within the porphyry copper-gold and epithermal gold mineralization belt of Northern Luzon and are still greenfield for mineral exploration. BC had already negotiated and signed four-(4) out of the five-(5) Memorandum of Agreement (MOA) with the Indigenous People (IP) of Ilocos Norte and now awaiting confirmation from the National Commission on Indigenous Peoples (NCIP) of the Free, Prior and Informed Consent (FPIC) process.

#### **SUBSIDIARIES AND AFFILIATES**

- Benguet Management Corporation (BMC), a wholly-owned subsidiary of the Company was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) in 1980 to manage and conduct the non-mining businesses of the Company. BMC and its subsidiaries ended 2016 with a consolidated net income of ₱3 million, lower as compared to ₱23.1 million in 2015 and ₱13.2 million in 2014 mainly due to the suspension of its major client, BNMI. BMC continues to maintain the mango plantation in Iba, Zambales. BMC's current operational subsidiaries are follows:
  1. Arrow Freight Corporation (AFC) is BMC's logistics company that provides mining, earthmoving, road construction and maintenance, and hauling equipment services. Currently, AFC is the general contractor for BenguetCorp's Santa Cruz Nickel Project where it has deployed various equipment: excavators, bulldozers, graders, compactors, loaders, water trucks, and dump trucks. AFC aggressively pursuing its market expansion plans to protect its

earnings from the fluctuation of metal prices and the uncertainties in the mining industry. AFC expanded its hauling operations to other areas. In September 2016, AFC entered into a contract with G 24 Construction and Trading Inc., based in San Simon, Pampanga for the hauling of filling materials to the 90-hectares San Simon Industrial Complex currently utilizing ten (10) dump trucks and one (1) backhoe. AFC target to deploy a total of twenty (20) dump trucks and two (2) backhoes for economies of scale to increase revenue. AFC is also considering similar contracts for other construction projects and currently evaluating potential aggregates quarry in Montalban, Rizal. AFC reported a net loss of ₱2.5 million this year, a reversal from net income of ₱23.9 million in 2015 and ₱13.2 million in 2014 due to suspension of its major client, BNMI.

2. BMC Forestry Corporation (BFC) manages the Irisan Lime Plant. It continuously develop and sell land of its real estate project Woodspark Subdivision in Rosario, La Union.
  3. Keystone Port Logistics Management & Services Corporation (KPLMSC) was organized to manage port operations and to handle cargo and export shipment of BNMI's nickel ore. KPLMSC handles the port operations of BNMI port in Candelaria, Zambales. For 2016, the total tonnage handled was at 778,485 wet metric tons (wmt), lower as compared to 1,546,933 wmt total volume shipped out in 2015 mainly due to suspension in the second half of the year of its major client, BNMI. KPLMSC reported a net income of ₱1.9 million this year, lower as compared to its net income of ₱11.7 million in 2015 but a turn-around from the net loss of ₱0.2 million in 2014.
- BenguetCorp Laboratories Inc. (BCLI) continued its pursuit of higher revenues, ending 2016 with total revenues of ₱78.2 million, up 13% versus the prior year's level of ₱68.9 million and ₱48.6 million revenues in 2014. BCLI is currently operating four (4) clinic facilities established in SM City and Centermall Baguio City, San Fernando Pampanga and SM City Taytay, Rizal. The clinic offers a complete range of primary healthcare and diagnostic services to the public, all conveniently located for easy access of its patients. BCLI was successful in increasing patient coverage per clinic as well as the average spend per patient. The increasing volume of business especially with Health Maintenance Organization (HMO) partners is expected to continue in the coming years and contribute towards achievement of targets and profitability for BCLI. It plans to expand the location of its biggest footprint in Baguio City to accommodate more patients. This is part of the strategic goals of BCLI to increase its market share in the key cities where it operates.

## 2. BUSINESS OF ISSUER

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

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

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

	2016 (% to total revenue)			2015 (% to total revenue)			2014 (% to total revenue)		
	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total
Gold	35%	-	35%	21%	-	21%	27%	-	27%
Lime	5%	-	5%	2%	-	2%	3%	-	3%
Nickel	-	53%	53%	-	73%	73%	-	66%	66%
Trucking & Warehousing & others	7%	-	7%	4%	-	4%	4%	-	4%

The Company has no new products or service introduced in 2016 whether prototypes that existing or in planning stage.

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

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

Sources of Raw Materials and Supplies - The ore, as raw materials extracted, comes from the Company's mineral properties in Acupan Gold, Sta. Cruz Nickel and Irisan Lime Projects.

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

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

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

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

- a. In 2010, the Company and BLRI signed an agreement for the management of the operations of the AGP. BLRI will provide the necessary technical and financial assistance to expand the production capacity of AGP to 300 tons per day in exchange for a management fee based on the net operating profit of AGP. BLRI also leases its equipment to the Company for the AGP mining operations. In December 2014, the BOD agreed to decrease the basis of the management fee from 25% of the net income of AGP to 15%. In 2015, the parties agreed to terminate the management contract and contract of lease effective December 31, 2015.
- b. In 2011, the Company was appointed as the exclusive marketing agent of BNMI for a marketing fee of \$5 per ton of nickel ore shipped, inclusive of VAT. The contract is effective for five years ending 2016.
- c. Since 2011, Arrow Freight Corporation (AFC), a wholly-owned subsidiary of BMC, has been providing trucking services to the Company for the delivery of equipment to various sites.
- d. Other transactions comprising of non-interest bearing cash advances for working capital requirements were presented under Part III, Item 12 of this report.

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

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

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

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

	Amount in Millions	% to Total Revenue
2016	₱72	4.7%
2015	33	1.0%
2014	22	0.1%

Costs and Effects of Compliance with Environmental Laws –

The Company guided by the standards of the ISO 14001 version 2015 has pro-actively implemented the Environmental Management Program. During the year in review, the Company has planted more than 175,000 seedlings of various endemic species rehabilitating more than 56 hectares as part of the progressive rehabilitation program and DENR's National Greening Program. The Company also continued to implement environmental mitigation and enhancement programs for both nickel and gold operations. Construction, enhancement and desilting of settling ponds and drainage canals; maintenance of hauling roads; desilting of water tributaries; rehabilitation and regular maintenance works for its diversion tunnel and penstocks; maintenance and enhancement of its tailings storage facilities; and care of all other critical environmental infrastructures were given priority. In partnership with a local NGO, the Company through the Nickel mine in Zambales, launched the Bio-Charcoal project turning organic waste materials into soil ameliorating carbon. It enhances plant growth thereby accelerating the reforestation project. This pioneering project of the Company provided additional source of livelihood for the community residents and made the Company one of the models of bio-charcoal technology in mine reforestation program across the country. The total expenditure for Environmental Management was ₱49 Million in 2016.

The Company implemented projects in consonance with its commitment to be a strategic partner for the sustainable development of the mining communities. The Company continued to promote economic development by supporting various livelihood farm-based projects such as irrigation projects, provision of organic fertilizers, facilitation of trainings and other livelihood projects. High-impact infrastructure projects were implemented including the construction of covered-court, solar driers, water system, and road rehabilitation. The company constructed a water system for two barangays providing potable water to more than 2,000 households. The Company also assisted in

putting up and rehabilitating buildings for schools, churches, and other structures in partnership with the communities. Education takes the biggest portion of the budget for the scholarship of more than 360 high school, vocational and college scholars. The Computer Literacy Program for out-of-school youth and barangay officials were continuously to improve their basic computer skills. The Company donated first aid equipment, medicines, and facilitated trainings. Medical missions and free medical clinic were also provided to the residents of far flung communities. The company is also keen on the cultural sensitivity of the mining operations and recognizes the importance of participating in the rich culture of the locals. For Socio-Cultural activities, trainings and human resource improvement was continuously implemented such as support to the training programs designed by the government for local officials and support in community activities. The company continuously implemented the grassroots IEC campaign which is embedded from the project/program launching up to its implementation and completion. The company also supported the mass actions organized by the workers and other pro-mining organizations. The Company likewise supported the activities of the mining industry organized by the Chamber of Mines. The total cost of the Company's social commitment program was ₱10 Million.

Employees – As of December 31, 2016, the Company has 678 employees, of whom 197 handle administrative, 15 clerical, 270 exploration/operation functions and 196 are outsourced staff (seasonal, project based, security guards, janitors & retainers/ consultants). The employees of the Company are not covered by any Collective Bargaining Agreement (CBA). The terms and conditions of employment, benefits and termination are governed by the provisions of the Company's Human Resource and Development Policy Manual. Among the benefits provided by the Company are the mandated government statutory benefits, free housing, free education for minor dependents, water and power to minesite based employees, basic and major medical benefits, Integrated Retirement Plan, Group Life and Personal Accident Insurance, transportation allowance, vacation/sick/paternity/birthday leave with pay and free protective and safety paraphernalia.

Within the ensuing twelve (12) months in 2017, the Company anticipates another round of reduction in workforce in its Acupan Gold Project (AGP) in Itogon, Benguet Province and Sta. Cruz Nickel Project in Zambales Province pending decision on the appeal filed by the Company on the Closure Order issued to its mining operations by the Department of Natural Resources and Environment (DENR) on February 8, 2017. The retrenchment program shall be done in phases or shall be halted depending on the status of the appeal. A caretakership status may only require 30% of its current workforce, most of which are on regulatory compliance, maintenance and security services.

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

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

- a. The mining industry in our country is heavily regulated under the current government administration and the level of regulation dictates the behavior of mining operations and investments into the sector. The DENR ordered the audit of all operating mines in the country pursuant to DENR Memorandum Order No. 2016-01 (re: Audit of all operating mines and moratorium on new mining projects). It also ordered the closure of 23 operating mines and issued a show cause order for the cancellation of 75 MPSAs. The Company's gold mining operation is one of the companies recommended for the cancellation of its authority to undertake mining operation under the Patent Claim and its nickel mining operation is also one of the companies recommended for the cancellation of MPSA of its wholly owned subsidiary, BNMI. Currently, the Mining Industry Coordinating Council (MICC), which is co-chaired by the Department of Finance (DOF) and the DENR, is pursuing a technical review of the closure orders issued by the DENR.

The Company and BNMI elevated to the Office of the President (OP) the matter of the unlawful suspension/cancellation orders of the DENR which they filed an Appeal Memorandum to the OP. The appeal is pending resolution.

- b. The Company's mining operations are subject to environmental laws and regulations which should be adhered to. Non-compliance or failure to comply may delay mining operations or could result in suspension of operation or imposition of substantial fines and penalties. To ensure compliance, the Company puts a great amount of effort and invests a substantial amount of resources into environmental protection and rehabilitation in the areas of operations. As a manifestation of its commitment to responsible and sustainable mineral resource development, the gold and nickel operations of the Company has adopted an environmental policy statement which is consistent with ISO:14001's Certification on Environmental Management System (EMS). While the Company believes it is in substantial compliance with all material environmental regulations, it can give no assurance that changes in these regulations will not occur in the future which may impede the Company's current and future business activities and negatively impact the profitability of operations.
- c. A decline in metal prices will also affect future operations and recoverability of the Company's investment in the mining business. The Company has experienced, and expects to continue to experience, significant fluctuations in operating results due to a variety of factors, including among others peso-to-dollar exchange rate, ore grades, and mineable ore reserves. Fluctuations in metal prices affect the Company's financial condition and also require reassessments of feasibility and operational requirements of a project. The Company principally competes in selling its nickel ores outside the Philippines. The method of competition is basically in price. However, the Company believes it can effectively compete in price with other companies due to lower operating cost and proximity of the mine to major buyers/users in Asia and China.
- d. The Company's exploration, development and exploitation of mineral properties entail significant operating risks. There is no certainty that the activities of the Company, which by the character of its business involve substantial expenditures and capital investments, in the exploration and development of its resource properties will result in the discovery of mineralized materials in commercial quantities and thereafter in a viable commercial operation. The indecisive stance of some government bureaus to approve and issue much-needed permits and licenses may also cause delays in the exploration, mining and operating activities. The Company tries to temper its exposure to these risks by prudent management and the use of up-to-date technology. The Company provides full cooperation with the regulators to comply with governmental requirements in ensuring safety and environment protection in all aspects of operations.
- e. The Company faces competition from large metal producers who have greater financial and technical resources (resulting to lower production cost) thereby flooding the market with cheaper metal produce. This competitive pressure could result not only in sustained price reductions, but also in a decline in sales volume, which would have a material adverse effect on the Company's business, operating results and financial condition. In nickel there is competition among nickel mining companies while in gold, there is no competition among gold mining companies. One can produce product as much gold and the gold can be sold without any problem. To mitigate these risks, the Company constantly monitor its production and operating costs to attain efficient use of working capital.

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

MINING OPERATION/PROJECT	AREA (Has.)	STATUS OF THE APPLICATION / AGREEMENT & WORK PERFORMED
Benguet Gold Operation, Antamok Gold Operation,	2,645.00	MPSA Application denominated as Application for Processing Sharing Agreement (APSA) No. 009 CAR.

Ampucao Copper-Gold Project		BC is the applicant. BC's Motion for Reconsideration on the denial of the MPSA application is undergoing evaluation by the MGB Central Office.
Pantingan Epithermal Gold Project	1,410.25	MPSA No. 154-2000-III. BC is under a Royalty Agreement with Option to Purchase with the MPSA Contractor, Balanga Bataan Minerals Corporation (BBMC). The prospect is in exploration period.
Zamboanga Gold Prospect	399.03	MPSA application denominated as Application for Processing Sharing Agreement (APSA) No. IX-015. BC holds an operating agreement with the MPSA applicant, Orelina Mining Corporation. The Appeal on the denial of the APSA is undergoing evaluation by the MGB Central Office.
Surigao Coal Project	12,000	BC holds a coal operating agreement with the Department of Energy. Six (6) coal blocks were extensively explored by way of mapping, trenching, drilling, geophysics, electrical logging and topographic surveying. The Company is awaiting issuance of its permit from the DOE for a continuing exploration work program.
Ilocos Norte Prospect	21,513.37	BC is the applicant on the FTAA denominated as AFTA-000003-1 and underground evaluation by MGB Central Office. BC had already negotiated and signed four-(4) out of the five-(5) required Memoranda of Agreement (MOA) with the Indigenous People (IP) of Ilocos Norte and is now awaiting confirmation from the National Commission on Indigenous Peoples (NCIP) of the Free, Prior, and Informed Consent (FPIC) process.

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

## ITEM 2. PROPERTIES

Parent Company: - The Company owns patented lands where its mill plants, mill and mining equipment, support and mining facilities for its gold operations are located in Itogon, Benguet Province as follows: Antamok Group- 328.2807 hectares, Acupan Group- 136.5832 hectares, Calhorr Group- 18.0000 hectares, Hartwell Group- 87.4093 hectares, Kelly Group- 36.0000 hectares.

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

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

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

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



BenguetCorp Laboratories, Inc. (BCLI), a wholly owned subsidiary of the Company owns various medical instruments, medical furniture/fixtures/appliances, office equipment and laboratory equipment for its MedCentral Clinics and MedCentral Oncology Clinic operations. BCLI continues to lease for its business operation occupancies in SM Baguio City at ₱280,444 per month; in Central Mall, Baguio City at ₱86,614 per month; in San Fernando, Pampanga at ₱88,200 per month; and in Taytay, Rizal at ₱200,713 per month, renewable yearly.

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

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

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

### ITEM 3. LEGAL PROCEEDINGS

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

Title of Case	Nature of Case
<p>Concerned Citizens of Sta. Cruz, Zambales, et al (Petitioners) vs, Hon. Ramon J.P. Paje of DENR, BNMI, et al (Respondents), CA G.R. SP No. 00032 (G.R. No. 224375) for Writ of Kalikasan and Write of Continuing Mandamus with Temporary Environmental Protection Order (TEPO) Court of Appeals, Manila, 14<sup>th</sup> Division.</p>	<p>On May 16, 2016, a petition for issuance of Writ of Kalikasan and Writ of Continuing Mandamus with TEPO was filed by Concerned Citizens of Sta. Cruz, Zambales represented by their chairperson, Dr. Benito E. Molino before the Supreme Court, Manila against Hon. Ramon JP Paje, et al., docketed as G.R. No. 224375. At the hearing of the court en banc, it issued a Resolution dated June 21, 2016 referring the case to the Court of Appeals (CA) for hearing and resolution. During the first hearing at the CA for the pre-trial, the parties were given the chance to explore settlement. After several meetings by the parties to consider the compromise options, no common ground for settlement was reached. At the scheduled hearing on February 28, 2017, the parties including the Office of the Solicitor General (OSG) manifested that the issuance of MPSA cancellation orders by the DENR which has effectively rendered the petition moot and academic and therefore the Petition of Issuance of Writ of Kalikasan should already be dismissed. The CA directed the parties to submit their respective memorandum which BNMI did on March 20, 2017. Case is pending resolution with the CA.</p>
<p>Benguet Corporation (BC) vs. Baguio Water District (BWD), Civil Case No. 6638-R</p>	<p>On August 16, 2005, the Board of Directors of the Baguio Water District (BWD) issued to the Company a Notice of Award of the Bulk Water Supply Project. The Company's proposal is to convert its Antamok mined-out Open Pit into a water reservoir with the capacity to supply at least 50,000</p>

	<p>cubic meters of treated potable water per day to Baguio City.</p> <p>On September 7, 2007, the BWD issued Board Resolution No. 30-2007 which resolved to terminate the bulk water supply contract negotiation and to scrap the project. The resolution cited as grounds the irreconcilable differences of the parties on the contract provisions of parametric formula and rate rebasing, among others. The Company filed a Request for Reconsideration on September 13, 2007 which was denied by BWD in its Board Resolution dated November 29, 2007. On February 26, 2008, the Company filed a civil case for Mandamus against BWD, with the Regional Court of Baguio City. The case is now with the Court of Appeal for a Petition for Certiorari under Rule 65. On February 16, 2017, BC filed its Memorandum for Petitioner, pursuant to the Court's Resolution dated January 11, 2017.</p>
<p>In Re: Confirmation of Existing Title Over Certain Parcels of Private Land situated in the Municipality of Itogon, Province of Benguet and registration thereof under the provisions of the property registration decree, Benguet Corporation, Petitioner. (Land Registration Case No. 97-AD-0588, Regional Trial Court, Branch 9, Benguet</p>	<p>On December 19, 1997, the Company filed a Land Registration Case at the Regional Trial Court of Benguet for protection of incomplete titles. Pending submission of certain requirements, the case has been archived.</p>
<p>National Grid Corporation of the Philippines (NGCP) vs. Consolidated Mines, Inc. (CMI) and Benguet Corporation (BC), Civil Case No. R-QZN-13-04310, RTC Branch 100, Quezon City</p> <p>NGCP vs. BC, CA-G.R. SP No. 138053, Sixth Division, Court of Appeals</p> <p>Civil Case No. R-QZN-13-04310, RTC Branch 96, Quezon City</p>	<p>On October 23, 2013, a collection case filed in RTC Quezon City by NGCP against CMI and BC for unpaid transmission services/charges in the amount of P18M for Masinloc Chromite Operation (MCO).</p> <p>RTC Branch 96, Quezon City issued Orders dated July 18, 2014 and September 18, 2014, granting private respondent's (BC) Motion to Dismiss and denied the Motion for Reconsideration filed by NGCP and CMI.</p> <p>NGCP filed a Petition for Certiorari to Court of Appeals. On July 3, 2015, the Sixth Division issued a Decision to set aside the RTC dismissal order and reinstated BC in the collection case. The case is now assigned to RTC Branch 100, Quezon City</p>
<p>Benguet Corporation vs. Dominador Aytona, et. al., Civil Case No. Q-04-077, Regional Trial Court, Branch 90, Quezon City</p>	<p>Intra-corporate case in Pantukan Minerals Corporation (PMC). Violation of stockholders rights under Section 38 of the Corporation Code and the Articles of Incorporation and By-Laws. The Company, as stockholder of PMC, filed the case on January 14, 2004 against other stockholders/officers of PMC, questioning the legality of the increase of PMC's capitalization which resulted to decrease of its shareholdings because: (a) BC was denied the right to participate and exercise its voting rights in the proposal to increase the authorized capital stock of PMC; and (b) it was deprived of its pre-emptive rights to subscribe to additional shares in proportion to its 45% holdings in PMC. The</p>

	<p>unlawful acts of defendants resulted into dilution of BC's shareholdings from 45% to 9.47% in PMC. The case is pending before Regional Trial Court of Quezon City.</p>
<p>Social Security System (SSS) vs. Benguet Corporation (BC) – SSS Case No. 8-18036-07</p>	<p>On August 16, 2007, a case was filed before the Social Security Commission, Makati City against BC. The Company was assessed by SSS with unpaid SSS contributions of some 700 Acupan Contract Mining Project (ACMP) miners working for the following contractors of the Company, - Camado Clan Association Incorporated, Balbalio Acay Association, Pines Green Gold Association, Dapong Bubon Small Association Inc., 4J Construction, Kias Gold Hunters Association, NDB, Official Mining Venture and RMG, on the ground that the above-stated miners are direct employees of the Company.</p> <p>On February 5, 2008, the Company filed its Answer to the Petition. A preliminary hearing was held on July 25, 2008. For failure of the parties to arrive at a settlement, both parties were ordered to file their respective Position Paper which the Company submitted on October 2, 2008. On December 2, 2013, an Order was issued by the Social Security Commission directing both parties to submit their respective Memoranda. The Company submitted its Memoranda on May 31, 2014.</p> <p>In a series of meetings with representatives of SSS-Central Office and SSS-Baguio, the Company apprised the SSS of the history and nature of the ACMP which is a community based partnership with small scale mining associations accredited by the Mines Geosciences Bureau (MGB), contracted to do underground mining on metal (production) sharing system. The contractors' miners are not its employees. The Company manifested its willingness to assist in requiring its contractors to comply with SSS obligations without the Company admitting to any monetary liability. SSS have declared willingness to accept registration of the ACMP miners on voluntary basis. Case is awaiting Resolution by the Social Security Commission.</p>
<p>NPS No. 1-05-INV-11H-775 entitled, "Benguet Mining Corporation" vs. Ramon Balolang, et al."</p> <p>Criminal Case No. R-1944(11), People of the Philippine vs. Ramon Balolang, et al.</p> <p>DOJ Case entitled, "Benguet Mining Corporation vs. Ramon Balolang, et al."</p>	<p>Criminal case for Theft of Minerals filed by the Company against Ramon Balolang, et al., for committing acts punishable under Section 103, RA No. 7942, otherwise known as the Philippine Mining Act.</p> <p>On November 8, 2011, the Provincial Prosecutor filed the Information dated October 26, 2011 before the Municipal Trial Court of Itogon, Benguet, and docketed as Criminal Case No. R-1944(11), (People of the Philippines vs. Ramon Balolang, et al). Case is pending before the Municipal Trial Court of Itogon, Benguet.</p> <p>Balolang et al, filed a Petition for Review dated November 25, 2011 with the Office of the Regional State Prosecutor to assail the Resolution of the Provincial Prosecutor. The Regional State Prosecutor issued the Resolution dated June 19, 2012, reversing the Resolution of the Provincial</p>

<p>Special Civil Action No. 12-CV-2892, "Ramon Balolang, et al. vs. Benguet Corporation, Honorable Municipal Trial Court of Itogon, Benguet and Honorable Jose S. Encarnacion, in his capacity as the Presiding Judge of the Honorable Municipal Trial Court of Itogon, Benguet"</p> <p>CA-G.R. S.P. No. 132678, Ramon Balolang, et al. vs. Benguet Corporation, et al,</p>	<p>Prosecutor and directing the latter to withdraw the Criminal Information. The Municipal Trial Court denied the motion to withdraw the case filed by the Prosecutor. Further, Benguet Corporation filed a Petition for Review with the Department of Justice on the resolution of the Regional State Prosecutor. Awaiting the resolution of the Secretary of Justice.</p> <p>In the meantime, Balolang, et al. filed a Petition for Certiorari dated November 12, 2012 before the Regional Trial Court of La Trinidad, Benguet Branch 63 challenging the Orders of the Municipal Trial Court not to allow withdrawal of case. The case was docketed as Special Civil Action No. 12-CV-2892. The RTC in its Order dated May 24, 2013 denied the Petition for Certiorari.</p> <p>On November 5, 2013, Balolang, et al. filed a Notice of Appeal. The Court of Appeals took cognizance of the case and eventually ruled in favor of Benguet Corporation in CA-G.R. S.P. No. 132678 in its Decision dated September 15, 2014.</p>
<p>Various Water Permit Protest (Water Use Conflict) to the Water Permit Application of the Company.</p>	<p>Ongoing hearing at Legal NWRB, Quezon City</p>

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

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

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

### **PART II – OPERATIONAL AND FINANCIAL INFORMATION**

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

##### **Market Information**

The Company has three classes of share, two of which (the Common Class A with a par value of P1.00 per share and Convertible Preferred Class A shares with a par value of P3.43 per share) can be owned only by Philippine nationals and the other class of the Company's share is its Common Class B with a par value of P1.00 per share which may be owned by anyone regardless of nationality. On July 29, 2016, the SEC approved the amendment of Article Seventh of the amended Articles of Incorporation and Article 1, Section 1 of the amended By-laws of the Company on the change in Par Value of both Common Class A and Class B shares from P3.00 to P1.00 per share. The shares are traded in the Philippine Stock Exchange (PSE) under the trading symbol of "BC" for Common Class "A"; "BCB" for Common Class "B"; and "BCP" for Convertible Preferred Class "A" shares.

In 2008, the Company's voluntarily deregistered its Class "B" shares in the United States Securities & Exchange Commission (U.S. SEC) hence, the trading of its U.S. registered class "B" shares (BENGF) in the Over-The-Counter (OTC) Pink Sheets was suspended. To address the concerns of U.S. stockholders for lack of trading venue in the U.S., the Company continuously took steps to have its U.S. registered

Class “B” shares converted into Philippine registry. In the Annual Stockholders’ Meeting of the Company held on June 29, 2011 and May 29, 2012, it sent out notices along with the annual report and proxy materials to its U.S. stockholders, informing them of the option to convert their U.S. registered Class “B” shares to Philippine registered Class “B” shares so they can trade their shares in the Philippine Stock Exchange (PSE) in Manila. The Company’s Class “B” shares are listed and traded in the PSE under the trading symbol of “BCB”.

As of December 31, 2016, the Company’s public float is 44.28% and the equity ownership of foreign stockholders totaled 95,187,637 Class “B” shares or 15.46% of the total outstanding shares.

As of April 19, 2017, the closing price in the PSE of the Company’s Class A share is ₱1.79 per share, ₱2.00 per share for Class B share and ₱12.02 per share for Convertible Preferred Class A as of last trading day on June 23, 2016.

a) The high and low prices of the Company’s shares in the PSE for the first quarter 2017 are as follows:

	<u>High Price</u>	<u>Low Price</u>
Common Class A	₱2.25/share	₱1.75/share
Common Class B	2.35/share	1.79/share
Convertible Preferred Class A	- No trading (last trading day is on June 23, 2016)	

b) The high and low prices of the Company’s shares for each quarter of 2016 and 2015 are as follows:

	1 <sup>ST</sup> QUARTER		2 <sup>ND</sup> QUARTER		3 <sup>RD</sup> QUARTER		4 <sup>TH</sup> QUARTER	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>CONVERTIBLE PREFERRED CLASS A*</b>								
Highest Price Per Share	<b>₱44.55</b>	₱ -	<b>₱44.55</b>	₱39.35	₱ -	₱ -	₱ -	₱18.50
Lowest Price Per Share	<b>13.20</b>	-	<b>12.02</b>	20.30	-	-	-	18.50
<b>COMMON CLASS A</b>								
Highest Price Per Share	<b>15.90</b>	9.26	<b>10.00</b>	8.98	<b>2.97</b>	7.50	<b>2.40</b>	6.49
Lowest Price Per Share	<b>3.77</b>	6.97	<b>6.87</b>	6.70	<b>1.88</b>	3.50	<b>2.02</b>	3.50
<b>COMMON CLASS B</b>								
Highest Price Per Share	<b>15.48</b>	8.50	<b>9.99</b>	8.50	<b>2.90</b>	8.00	<b>2.55</b>	5.91
Lowest Price Per Share	<b>3.20</b>	6.98	<b>6.90</b>	5.11	<b>2.01</b>	5.50	<b>2.01</b>	5.50

(\*) There were no trading transactions in the first & third quarters of 2015 and third & fourth quarters of 2016.

**Holders** - As of December 31, 2016, the Company’s number of shareholders is 16,905 and the list of top 20 stockholders for Common Class “A”, Common Class “B” and Convertible Preferred Class “A” shares are as follows:

A. Common Class “A” Share

Name	Number of Shares Held	Percent to Total Outstanding Per Class
PCD Nominee Corporation (Filipino)	175,447,538	47.39%
Palm Avenue Holding Company, Inc.	65,624,727	17.72%
Palm Avenue Holdings Company and/or Palm Avenue Realty Corporation	63,920,490	17.26%
Palm Avenue Holdings Company and/or Palm Avenue Realty Corporation	30,834,375	08.32%
House of Investment, Inc.	8,545,911	02.31%
FEBTC TA 4113-000204-5 (ESPP)	5,100,000	01.38%
FEBTC TA 4113-00204-5	2,725,599	00.74%
Cynthia Manalili Manalang	1,500,000	00.40%
RP Land Development Corporation	960,000	00.26%
Sysmart Corporation	868,956	00.23%
Paredes, Gabriel M. or Paredes, Marianne G.	564,900	00.15%

Pan Malayan Management and Investment Corporation	431,844	00.12%
RCBC TA #74-034-9	363,129	00.10%
Western Guaranty Corporation	359,400	00.10%
Sun Hung Kai Sec. A/C# YUO34	356,625	00.10%
Marilex Realty Development Corporation	331,200	00.09%
FEBTC TA 4113-00204-5	291,024	00.08%
Enrique T. Yuchengco, Inc.	257,376	00.07%
Luis Juan L. Virata	234,003	00.06%
Franciso M. Vargas	219,000	00.06%

B. Common Class "B" Share

Name	Number of Shares Held	Percent to Total Outstanding Per Class
PCD Nominee (Filipino)	101,310,000	41.38%
Palm Avenue Realty and Development Co.	43,680,000	17.84%
PCD Nominee (Non-Filipino)	29,173,683	11.92%
David L. Sherman	2,961,747	01.21%
Kingson Uy Shiok Sian	1,490,400	00.61%
Michael Vozar TOD Sharon K. Vozar Sub To Sta Tod Rules	736,260	00.30%
National Financial Services	504,033	00.20%
Fairmount Real Estate, Inc.	484,257	00.20%
Independent Realty Corporation	483,441	00.20%
Richard Soltis & Veronica T. Soltis JT Ten	396,000	00.16%
Arthur H. Runk TTEE of Arthur H. Runk Liv Tr U/A dtd 08/17/1990	354,000	00.14%
Edmund S. Pomon	300,000	00.12%
William David Courtright	300,000	00.12%
William T. Coleman	300,000	00.12%
Garry A. Gil TTEE FBO Arthur Weir Gill Rev Tr	300,000	00.12%
Sanford E. Halperin	251,364	00.10%
Vince S. Chiamonte & Mary W. Chiamonte JTTen	216,600	00.09%
Nick Floros	210,000	00.08%
Orald L. Stewart TTE for the Orald Stewart TR dtd U/A 10/23/08	210,000	00.08%
Walter C.Scott TTEE For Scott Family Trust	184,986	00.07%

C. Convertible Preferred Class "A" Share

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

**Dividends** – The Company has not declared any dividends in the two (2) most recent fiscal years 2016 and 2015 due to restrictions provided for in the Company’s loan agreements with creditor banks. The dividend rights and restrictions of the Company’s Convertible Preferred Class A, Common Class A and Common Class B stocks are contained in the Amended Articles of Incorporation of the Company, to wit:

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

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

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

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

- a. Under the present implementation of the Company’s Amended Stock Option Plan (the “Plan”), as of December 31, 2016, a total of 42,600 shares common class “A” at option price of ₱16.50 per share and 28,285 shares common class “B” at option price of ₱17.50 per share both with Par Value of P3.00 per share were exercised by the optionees in the May 3, 2011 stock option awards. In the September 7, 2012 stock option awards, 360,000 shares common class “A” at option price of P1.69 per share and 240,000 shares common class “B” at option price of P1.91 per share both with Par Value of P1.00 per share were exercised by the optionees. The shares granted under the Plan are exempted from registration under SEC Resolution No. 084 dated March 31, 2008 and the listing of the shares was approved by the PSE.
- b. On August 23, 2013, the Company’s Board of Directors approved the private placement of RYM Business Management Corporation (RBMC) where RBMC shall infuse additional capital of up to ₱250 Million in exchange for equivalent number of shares (27,777,777 common shares) of the Company at the mutually agreed price of ₱9.00 for both Class A and Class B shares with par value of P3.00 per share. The subscription or placement is divided into two transactions. The first transaction was completed on March 20, 2014 upon full payment of ₱162 Million on September 20, 2013 by RBMC to the Company for which RBMC subscribed 18,000,000 common shares (consisting of 7,169,003 Class A and 10,830,997 Class B common shares) and the listing of the subscribed shares was approved by the PSE on March 19, 2014. The securities sold came entirely from the unissued capital stock of the Company which have been previously registered with the Securities and Exchange Commission (SEC) on September 20, 1989 per SEC-BED Order No. 748, Series of 1989.

The shares transaction is exempted from the registration requirements under SEC Memorandum Circular No. 9, Series of 2008.

- c. Pursuant to the Second Transaction of the Memorandum of Agreement (MOA) on the private placement dated August 23, 2013 and Stock Subscription Agreement dated February 9, 2015, RYM Business Management Corporation (RBMC) has advanced to the Company the full subscription price of ₱88 million for future subscription of 9,777,777 common shares consisting of 5,866,697 Class A common shares at P9.00 per Class A share and 3,911,080 Class B common shares at P9.00 per Class B share. The subscription shall be effective when the Company obtained approval from the Securities and Exchange Commission (SEC) of the increase of its authorized capital stock, from where the additional subscription will be sourced. The Company has obtained approval by the SEC of the increase of its authorized capital stock on September 28, 2015 and filed a Notice of Exempt Transaction under SEC Form 10.1 on October 8, 2015. The listing of the shares was also approved by the PSE. The sale of shares under the said transaction is an exempt transaction under the Securities Regulation Code (SRC) and SEC Memorandum Circular No. 9, Series of 2008.

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

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

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes as of December 31, 2016 and 2015 prepared in conformity with PFRS hereto attached in the Exhibits.

The financial information for the three years ended December 31, 2016, 2015 and 2014 are as follows:

#### **A. FOR THE YEARS ENDED DECEMBER 31, 2016 VERSUS. 2015**

##### **CONSOLIDATED RESULTS OF OPERATIONS**

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

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

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

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

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

Other expense of ₱156.3 million in 2016 was mainly due change in estimate of provision for mine rehabilitation (₱32.2 million), loss on write-off of receivables (₱23.3 million) and sale of investment



property amounting to ₱18.7 million, penalties (₱21.4 million), Foreign currency exchange loss (₱18.7 million), disallowed input VAT (₱16.7 million) and retrenchment pay of ₱10.5 million. The other expense of ₱102.7 million in 2015 was mainly due to loss on disallowed input VAT (₱78.8 million) and loss on write-off of receivables amounting to ₱28.2 million.

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

## **FINANCIAL POSITION**

### **Assets**

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

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

Trade and other receivables decreased by ₱84.3 million or 10% to ₱723 million from ₱808 million mainly from collection of nickel ore shipped in 2015 and advances to contractor and employees.

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

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

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

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

### **Liabilities**

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

Trade and other payables increased by ₱166 million mainly due to mining and hauling services used in the operations of nickel in Sta. Cruz, Zambales.

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

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

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

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

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

#### Equity

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

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

#### Consolidated Cash Flow

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

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

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

#### Key Performance Indicators

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

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

*Tons Milled and Ore Grade-* Tons milled and ore grade determine gold production and sales volume. The higher the tonnage and ore grade, the more gold are produced and sold. Tons milled in 2016 were 40,156 with average grade of 7.71 grams per ton of gold. Gold sold in 2016 were 9,166 ounces. In 2015, tons milled were 84,421 with average grade of 5.38 grams per ton of gold. Gold sold in 2015 were 12,940 ounces.

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

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

#### Known Trends, Events or Uncertainties

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

Within the ensuing twelve months, the Company anticipates changes in the number of employees due to retirement of employees and DENR's closure order of mining operations in AGP and BNMI.

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

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

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

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

## **B. FOR THE YEARS ENDED DECEMBER 31, 2015 VERSUS 2014**

### **CONSOLIDATED RESULTS OF OPERATIONS**

For the year 2015, the Company registered a consolidated net income of ₱200.7 million, 106% higher than ₱97.2 million in 2014. The increase in net income was the net effect of the following:

The Company generated consolidated revenues of ₱3.258 billion for the year 2015, 8% higher than ₱3.018 billion in 2014. Despite the decline in metal prices, revenues increased due to bigger volume of nickel ore shipped. In 2015, BNMI shipped 29 boatloads totaling 1.547 million tons at an average price of US\$33.55 per ton if based on original price, US\$34.51 if with adjustment in grade and moisture compared to 20 boatloads totaling 1.064 million tons last year at an average price of

US\$39.69 per ton, if based on original contract (US\$41.55 per ton if with adjustment in grade and moisture).

Cost and operating expenses increased to ₱2,819.9 million in 2015 from ₱2,677.7 million in 2014 mainly due to increase in cost of mine products sold and services as a result of higher tonnage of nickel ore sold in 2015.

Interest expense significantly decreased to ₱37.7 million from ₱86.1 million in 2014. The decrease is mainly due to the settlement of the Amsterdam Trade Bank (ATB) loan and regular principal loan payment of Malayan Bank and PhilExim loans.

Other expense of ₱102.7 million in 2015 was mainly due to losses of ₱137.2 million on disallowed input VAT, write-off of receivables and disposal of barge equipment partly offset by gain on revaluation of investment property amounting to ₱42.9 million and gain on sale of AFC property in Valenzuela amounting to ₱5.7 million. The other expense of ₱142.7 million in 2014 was mainly due to demurrage amounting to ₱96.2 million with the suspension of BNMI operation

Provision for income tax in 2015 amounted to ₱96.8 million, higher than ₱13.9 million in 2014. The increase is mainly due to income tax expense of BenguetCorp Nickel Mines, Inc. (₱92.7 million), Arrow Freight Corporation (₱9.8 million) and Keystone Port Logistics and Management Services Corporation (₱5.4 million).

## **FINANCIAL POSITION**

### **Assets**

The Company's consolidated total assets as of December 31, 2015 stood at ₱ 6.7 billion, lower than ₱7.1 billion in 2014. The decline is the net effect of the following:

Cash and cash equivalents decreased by ₱110.6 million mainly due to cash used by operating activities, equipment purchases for expansion of the Acupan Gold Project and settlement of bank loan and other obligations.

Trade and other receivables decreased by ₱180 million or 18% to ₱808 million from ₱988 million mainly from collection of nickel ore shipped in 2014 and 2015.

Inventories increased by ₱41 million or 43% to ₱136 million from the 2014 level of ₱95 million mainly due to increase in production of beneficiated nickel ore.

The decline in Assets classified as held for sale pertains to the disposal of land and property, plant and equipment of Arrow Freight Corporation (AFC) in Valenzuela City.

Property, plant and equipment at cost decreased to ₱1,301.7 million in 2015 from ₱1,402.4 million in 2014. The decrease is mainly due to the disposal of barge equipment and reclassification of deferred mine exploration cost to mining properties and mine development cost.

Increase of investment property by 26% to ₱209.6 million from ₱166.7 million in 2014 pertains to the gain of ₱42.9 million from the revaluation of the investment property conducted by an independent appraiser on September 18, 2015.

Deferred mine exploration cost slightly decreased to ₱544 million from ₱573 million in 2014 due to reclassification of deferred mine exploration project to mining properties and mine development cost.

### **Liabilities**

Total consolidated liabilities as of December 31, 2015 amounted to ₱2.8 billion, 22% lower than last year. The decrease was due to the following:

Trade and other payables decreased by ₱531 million or 38% mainly due to repayment to various contractor and suppliers of BNMI and Acupan Gold Project.

Loans payable decreased by ₱124 million or 14% mainly due to the settlement of Amsterdam Trade Bank (ATB) loan and regular servicing of PhilExim loan.

Deferred income tax liabilities slightly decreased to ₱733 million from ₱750 million in 2014 mainly due to decrease in capitalized interest

Liability for mine rehabilitation decreased by ₱13 million or 26% due to adjustment on capitalized cost based on the revised estimate of the mine rehabilitation and decommissioning cost.

Pension liability slightly increased to ₱76.8 million from ₱73.0 million in 2015 due to additional personnel hired during the year.

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

Decrease in noncurrent liabilities to ₱331 million from P389 million in 2015 pertains to repayment of advances to nickel off-take buyers.

#### Equity

Stockholders Equity at year-end amounted to ₱3,813.7 million 9% higher than ₱3,501.8 million in 2014. The increase is attributed to the following:

Capital Stock and Capital surplus increased by ₱29.3 million and ₱74.3 million, respectively, due to the private placement of RYM Business Management Corporation (RBMC) pursuant to the Memorandum of Agreement on August 23, 2013, representing the second tranche of the private placement in the Parent Company.

Retained earnings increased by ₱253 million or 14% to ₱2.1 billion from ₱1.8 billion in 2014 mainly due to the net income of ₱200.7 million this year.

#### Consolidated Cash Flow

The net cash inflow from operating activities in 2015 amounted to ₱20 million, lower than net cash flow of ₱497 million in 2014. The net cash generated by operation this year was used in the settlement of various trade and income tax liabilities.

In 2015, the Company invested ₱56 million in various mine equipment for the expansion of its Acupan Gold Project and Sta. Cruz Nickel Operation

With the improved results of operation, additional investment from RYM Business Management and new loan obtained from Trans Middle East Phils Equities, the Company was able to reduced debt by ₱332 million.

#### 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, 2015, the Company's current ratio is 1.04:1 versus 0.91:1 in 2014.

*Metal Price-* The market price of gold in the Bangko Sentral ng Pilipinas which is based on 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\$1,162 per ounce in 2015 and US\$1,271.40 per ounce in 2014.

*Tons Milled and Ore Grade-* Tons milled and ore grade determine gold production and sales volume. The higher the tonnage and ore grade, the more gold are produced and sold. Tons milled in 2015 were 84,421 with average grade of 5.38 grams per ton of gold. Gold sold in 2015 were 12,940 ounces. In 2014, tons milled were 119,554 with average grade of 4.38 grams per ton of gold. Gold sold in 2014 were 14,257.92 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, 2015, the peso to dollar exchange rate was at ₱47.06 higher as compared to ₱44.72 in 2014.

*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 2015 is ₱0.34, 100% higher compared to earnings per share of ₱10.17 in 2014.

#### Known Trends, Events or Uncertainties

The Company does not foresee within the next twelve months any cash flow or liquidity problems. AGP to continue increase gold production due to ongoing exploration and drilling programs to upgrade its capacity, ILP maintains steady market of quicklime and BNMI has assured market for high and low grade nickel ores under its off-take agreements with Bright Mining & Resource Company Ltd., and LS Networks Company, Ltd.

Within the ensuing twelve months, the Company anticipates changes in the number of employees due to retirement of employees of its Acupan Gold Project in Itogon, Benguet and Sta. Cruz Nickel Project in Zambales.

There is no known event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation that have not been booked although, the Company could be contingently liable for lawsuits and claims arising from the ordinary course of business which are not presently determinable. The Parent Company's outstanding principal debt subject to the 1992 Restructuring Agreement was reduced to ₱120.6 million. The Company remains committed to a final and comprehensive settlement of all the old debt or to arrange a suitable restructuring of the remaining obligations.

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

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

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

- Material changes in the financial statements of the Company from the year ended December 31, 2015 to December 31, 2014.

#### **ITEM 7. FINANCIAL STATEMENTS**

The audited financial statements of the Company for the period ended December 31, 2016 is presented in Part V, Exhibits and Schedules, which said audited financial statements form part of this report (SEC Form 17-A).

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

The Company's independent public accountants, Sycip Gorres Velayo and Company (SGV) was re-appointed by the Board of Directors and approved/ratified by the stockholders of the Company on May 28, 2015 and June 1, 2016, respectively. Audit services of SGV for the calendar year ended December 31, 2016 included the examination of the parent and consolidated financial statements of the Company, assistance in the preparation of annual income tax return and other services related to filing of reports made with the Securities and Exchange Commission (SEC).

The Company is compliant with SRC Rule 68, paragraph (3)(b)(iv) requiring the rotation of external auditors or engagement partners who have been engaged by the Company for a period of five (5) consecutive years. The engagement partner who conducted the audit for Calendar Years 2012, 2013, 2014, 2015 and 2016 is Mr. Jaime F. Del Rosario, SEC accredited auditing partner of SGV. This is Mr. Del Rosario's fifth year as engagement partner for the Company. No event that occurred where SGV and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosures, or auditing scope or procedures.

For the last two fiscal years, the aggregate audit fees inclusive of VAT and out-of-pocket expenses billed by SGV & Company are ₱5.0 million for 2016 and ₱5.16 million for 2015. There are no other services rendered by the external auditor other than the usual audit services as mentioned above.

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

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

### **PART III – CONTROL AND COMPENSATION INFORMATION**

#### **ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER**

**A. Directors** – In the June 1, 2016 Annual Stockholders' Meeting, no election was held because the Temporary Restraining Order (TRO) enjoining the holding of election of directors remained in force. Thus, the present set of directors of the Company continued to remain in office on hold-over capacity until their successors are elected and qualified.

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

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

**DANIEL ANDREW G. ROMUALDEZ**, 57 years old, Filipino, has been the incumbent Chairman of the

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

Directorship in other Listed Companies in the Philippines - None

**MARIA REMEDIOS R. POMPIDOU**, 50 years old, Filipino, has been a Director of the Company since October 25, 2000 to present. She is the Chairman of BenguetCorp Laboratories, Inc., a wholly owned subsidiary of the Company (2013 to present) and member of Investment Committee of the Company; Trustee of Doña Remedios Trinidad Romualdez Medical Foundation Inc., Dr. V. Orestes Romualdez (DVOR) Educational Foundation Inc., and RTR Foundation for Scientific Research and Development Inc.; and Director of Sequioa Business Management Corporation, Perea Realty and Development Corporation and Red Palmtree Realty and Development Corporation.

Directorship in other Listed Companies in the Philippines - None

**LUIS JUAN L. VIRATA**, 63 years old, Filipino, has been a Director of the Company since August 8, 1995 to present. He is a Member of the Investment Committee of the Company. Mr. Virata is the Chairman and Chief Executive Officer of CLSA Exchange Capital, Inc., an investment banking joint venture formed in 2011 between CLSA Emerging Markets of Hong Kong and Exchange Capital of Manila. Exchange Capital was founded in 1987, formerly with Jardine Fleming of Hong Kong. He is also the Chairman of Exchange Properties Resources Corporation, a Shareholder and Director of Rio Tuba Nickel Mining Corporation. Director and major Shareholder of Amber Kinetics, Inc., a battery storage company in California. His other activities include being a Member of the Huntsman Foundation, Wharton School of the University of Pennsylvania, Member, Board of Trustee of De La Salle University, Dasmariñas (Honorary Doctorate in Humanities) and Founder, Trustee of Asia Society Philippine Foundation and the Metropolitan Museum of Manila. Other previous positions include President, Acting CEO and Director of Philippine Airlines, President and Director of NSC Properties, Inc., Member of the Philippine Stock Exchange and Makati Stock Exchange, Director of Group 4 Securitas. Mr. Virata received an MBA degree from the Wharton School of the University of Pennsylvania, USA in 1979 and a BA/MA in Economics from Trinity College, Cambridge University, UK in 1976.

Directorship in other Listed Companies in the Philippines

1. Nickel Asia Corporation

**CESAR C. ZALAMEA**, 88 years old, Filipino, has been a Director of the Company by appointment on October 9, 2013 in replacement of Mr. Dennis R. Belmonte, who resigned as Director effective October 8, 2013. He is also a Member of the Stock Option Committee of the Company. Mr. Zalamea was a former Director of the Company and became Chairman of Benguet Corporation from 1984 to 1986. Currently, he is Chairman of Marcventures Holdings, Inc., a Publicly Listed Company which owns a Nickel Mining Subsidiary, Marcventures Mining & Development Corporation, where he is also Chairman. He is Chairman of Bright Kindle Resources & Investments, Inc. (BKR), a Listed Financial and Investments Holding Company and Focus Range International Limited, a HongKong based company. He was formerly a member of the Advisory Board of Campbell Lutyas, an Investment Advisory Company based in London. Formerly, he was Chairman of Manila Electric Co., AIG Global Investment Group, Beijing C. V. Starr Investment Advisors Limited and Philippine American Life Insurance Company. He served as a Director in numerous AIG member and investee companies in Southeast Asia, including American International Assurance Company, Ltd., and Nan Shan Life



Insurance Company, Ltd. He was also special envoy of the President to the People's Republic of China for investments until 2015.

Directorship in other Listed Companies in the Philippines

1. Marcventure Holdings, Inc.
2. Bright Kindle Resources & Investments, Inc.

**MACARIO U. TE**, 87 years old, Filipino, has been elected by the Board as Director on March 27, 2015. He is a member of the Management Advisory Board of the Company. Mr. Te is also a Director of publicly-listed companies, Marcventures Holdings, Inc., and Bright Kindle Resources & Investments Inc. Formerly, he was the President of Macte International Corporation and Linkwealth Construction Corporation, Chairman of Autobus Industries Corporation, CEO of M.T. Holdings Inc., and Director in the following companies: Bulawan Mining Corp., PAL Holdings Inc., Philippine National Bank, Oriental Petroleum and Minerals Corp., Gotesco Land Inc., PNB Capital and Investment Corp., PNB General Insurers Co. Inc., PNB Holdings Corp., PNB Remittance Center, PNB Securities Inc., PNB-IFL, PNB Italy SPA, Balabac Resources and Holdings, Nissan North EDSA, Beneficial- PNB Life and Insurance Co., Inc., Waterfront Phils., Fontana Golf Club Inc. Baguio Gold Holding Corp., Traders Royal Bank, Traders Hotel, PACIFIC Rim Oil Resources Corp., Link World Construction Development Corp., Suricon Resources Corp., Alcorn Petroleum & Mineral Corp., Associated Devt. Corp., and Palawan Consolidated Mining Corporation.

Directorship in other Listed Companies in the Philippines

1. Marcventures Holdings, Inc.
2. Bright Kindle Resources and Invesments, Inc.

#### **DIRECTORS REPRESENTING HOLDERS OF COMMON CLASS B STOCK:**

**BENJAMIN PHILIP G. ROMUALDEZ**, 55 years old, Filipino, has been the incumbent Vice Chairman of the Board of Directors since July 21, 2011 and President/Chief Executive Officer of the Company since June 25, 1998. He first became a Director of the Company on May 26, 1992 and elected to the Board as Chairman (August 8, 1995-October 22, 2002) / (January 9, 2009-July 20, 2011). He is the Chairman of the Executive Committee, Investment Committee, Nomination Committee and a Member of the Property Development Committee and Salary (Compensation) Committee of the Company. He is also the Chairman of Benguet Management Corporation (2009 to present); Benguetcorp Nickel Mines, Inc. (2011 to present); Benguet Pantukan Gold Corporation (2011 to present); Acupan Gold Mines, Inc. (2012 to present); BenguetCorp International Limited (Hongkong) (1998 to present); and Vice Chairman of BenguetCorp Laboratories, Inc.(2012 to present), the wholly owned subsidiaries of the Company. He also holds, among others, the following positions: Chairman, MST Management, Inc. (Nov. 2014-present); Trustee, Albert del Rosario (ADR) Institute, Inc.; President, Chamber of Mines of the Philippines (2004-present); President, Oxford University and Cambridge University Club of the Philippines (Jan. 2006-present); Director, Philippine Mine Safety and Environment Association (2004-present); Director, Philippine-Australia Business Council (PABC) (March 2006-April 2014); Director/Chairman, Best Practices Global Response Solutions, Inc. (2014-present); Trustee/Chairman, Invictus Microfinance, Inc. (2014-present); Trustee/Vice President, Doña Remedios Trinidad Romualdez Medical Foundation, Inc. (1984-present); Trustee/Vice President, Dr. Vicente Orestes Romualdez (DVOR) Educational Foundation, Inc. (1995-present); and Trustee/Treasurer, RTR Foundation for Scientific Research and Development Inc.; formerly, Director of Philippine Chamber of Commerce and Industry (PCCI) (Jan. 2010-Dec. 2013); PCCI Vice President-Industry (Jan. 2010-Dec. 2013) and Chairman of PCCI Mining Committee (Feb. 2014-Dec. 2015).

Directorship in other Listed Companies in the Philippines - None

**ANDRES G. GATMAITAN**, 76 years old, Filipino, first became a Director of the Company by appointment on February 10, 1987. He is also the Chairman of Salary (Compensation) Committee and Stock Option Committee and a Member of the Executive Committee, Audit Committee, Corporate

Governance and Risk Management Committee of the Company. He also holds, among others, the following positions: Senior Counsel of SyCip Salazar Hernandez & Gatmaitan Law Office which is the outside counsel of the Company; Chairman, JVS Asia, Inc.; President, United Holdings and Development, Inc., and St. Agen Holding, Inc.; Director, Benguetcorp Nickel Mines, Inc. (2011 to present) the wholly owned subsidiary of the Company, Suprallex Asia Ventures Corporation, Triumph International (Philippines) Inc., Maybank Philippines, Inc., JVS Worldwide, Inc., Star Performance Philippines, Inc., Unicharm Philippines, Inc., AMI Philippines, Inc.

Directorship in other Listed Companies in the Philippines - None

**BERNARDO M. VILLEGAS**, 76 years old, Filipino, first became a Director by appointment on June 25, 1998. He was designated Independent Director of the Company in 2002 up to present, although he has been a Director prior to the issuance of SEC Circular No. 16 dated November 29, 2002. He is also the Chairman of the Audit Committee and Corporate Governance Committee and a Member of the Salary (Compensation) Committee, Stock Option Committee, Investment Committee, Property Development Committee and Nomination Committee of the Company. He also holds, among others, the following positions: Independent Director of Benguetcorp Nickel Mines, Inc. (2012 to present), a wholly owned subsidiary of the Company; Director and Consultant, Insular Life, Transnational Diversified, Inc. (1998 to present); Member of the Boards of Dualtech Foundation (1998 to present); Director and Consultant of Alaska (1999 to present); and Columnist, Manila Bulletin (1964 to present). Formerly, he was Director of Makati Business Club (1981-2010); Director, Phinma Foundation (1995-2001); Director, Pilipinas Shell Foundation (1995-2001); Senior Vice President, University of Asia and the Pacific (2004-2006); Chairman, Center for Research and Communication (1995); President, Philippine Economic Society (1972-1974); Chairman, Department of Economics-De La Salle University Manila (1964-1969), Committee on the National Economy & Patrimony (1986); Director, Economic Research Bureau and Graduate School of Business-De La Salle University Manila (1967-1968); Project Director, Philippine Economic History under the National Historical Commission (1969-1972); Member, Preparatory Commission for Constitutional Reforms and Constitutional Commission (1999); Consultant, Productivity Development Center-National Economic Council and Program Implementation Agency (1968-1969).

Directorship in other Listed Companies in the Philippines - None

**ISIDRO C. ALCANTARA, Jr.**, 63 years old, Filipino, has been a Director since November 14, 2008 and concurrently Executive Director of the Company since April 2, 2014 to present. He is also Vice Chairman of the Management Advisory Board of the Company and a member of the Executive Committee, Investment Committee, Audit Committee, Risk Management Committee, Property Development Committee and Corporate Governance Committee of the Company. He also holds among others the following positions in the Company's wholly owned subsidiaries: Chairman of Batong Buhay Mineral Resources Corp.; Vice Chairman of BenguetCorp Nickel Mines, Inc.(2014 to present), Benguet Management Corporation (2014 to present) and Acupan Gold Mines (2015 to present); and Director of Balatoc Gold Resources Corporation (2009 to present) and BenguetCorp Laboratories, Inc.(2014 to present). Currently, he is the President of Marcventures Holdings, Inc. (MHI), a Publicly Listed Company which owns a Nickel Mining Subsidiary, Marcventures Mining & Development Corporation (MMDC) where he is Vice Chairman. He is also the President of Bright Kindle Resources and Investments, Inc. (BKR), a Listed Financial and Investments Holding Company. He is the President and CEO of a Financial Consulting Firm, Financial Risk and Resolution Advisory, Inc. (FRRA), engaged in Advisory and Arranger Services for M&As, Equity and Debt Fund Raising, and General Financial Advisory. Post his banking career, he has been involved in several M & As, Distressed Debt Settlements, Fund-raising for Corporates and Asset Recovery Work-outs. He was formerly Executive Vice President in charge of Corporate Banking of PCIBank and the Equitable PCIBank where he managed a Third of the Bank's Assets. He was the President/CEO of the Philippine Bank of Communications (PBCom) where he successfully led the Rehabilitation and Transformation of the Bank into a healthy Financial Institution. He worked briefly with the HSBC (Manila) as Senior Vice President and Head of Corporate and Institutional Banking. He also served as a Director of the Bankers Association of the Philippines from 2000-2004. He graduated Magna

Cum Laude from the De la Salle University and has Degrees in Economics and Accounting and is a Certified Public Accountant. He also took special studies in International Banking at the Wharton School of Finance, University of Pennsylvania and at the Institute of Independent Certified Directors and is a Certified Independent Director.

Directorship in other Listed Companies in the Philippines

1. Marcventures Holdings, Inc.
2. Bright Kindle Resources and Investment, Inc.

**ARSENIO K. SEBIAL**, 61 years old, Filipino has been a Director of the Company by appointment on August 31, 2016. He is a member of the Management Advisory Board and is the Officer-In-Charge of the Company since August 15, 2014. He is also the current President and CEO of Marcventures Mining and Development Corporation (MMDC), a fully owned subsidiary of Marcventure Holdings, Inc., and also the President of Bright Green Resources Development Corp. He graduated from Mapua Institute of Technology with a degree in Mining Engineering. He is a past President of the Philippine Society of Mining Engineers. Engr Sebial also currently holds various positions in the following subsidiaries of the Company: Chairman and President of Berec Land Resources, Inc.; Chairman of BMC Forestry Corp., Balatoc Gold Resources Corporation and Pillars of Exemplary Consultants, Inc.; Director and President of Benguet Pantukan Gold Corporation, and Acupan Gold Mines, Inc.; and Director of the BenguetCorp Nickel Mines Inc., Benguet Management Corporation, BenguetCorp Laboratories, Inc., Batong Buhay Mineral Resources Corp., Ifaratoc Mineral Resources Corp. and Agua de Oro Ventures Corp. Mr. Sebial has almost 40 years of mining experience, the longest of which was with Benguet Corporation where he rose to Division Manager for Mining and Engineering and worked in Benguet Antamok Gold Project and the highly successful Benguet-Dizon Copper Mines.

Directorship in other Listed Companies in the Philippines - None

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

**DANIEL ANDREW G. ROMUALDEZ**, 57 years old, is the Chairman of the Board of Directors of the Company since July 21, 2011.

**BENJAMIN PHILIP G. ROMUALDEZ**, 55 years old, is the President & Chief Executive Officer of the Company since June 25, 1998 and he is also Vice Chairman of the Company since July 21, 2011.

**ISIDRO C. ALCANTARA, Jr.**, 63 years old, is the Executive Director of the Company since April 2, 2014.

**ARSENIO K. SEBIAL**, 61 years old, is the Officer-In-Charge of the Company since August 15, 2014.

**LEOPOLDO S. SISON III**, 58 years old, Filipino, has been the Senior Vice President, Nickel Operations of Benguet Corporation and appointed also as President and CEO of the Company's wholly owned subsidiary, Benguetcorp Nickel Mines, Inc. (BNMI) since September 5, 2014 to present. Prior to his promotion, he was Vice President for Logistics Management (February 2012-September 2014) and Vice President for Project Planning & Business Development (2002-2012) of the Company. He also holds various positions and directorship in the following subsidiaries of the Company: Concurrent President/Chief Operating Officer/Director of Pillars of Exemplary Consultants, Inc. (1999-present); Chairman and President of Sagittarius Alpha Realty Corporation, Calhorr 1 Marine Services Corp. and Ifaratoc Mineral Resources Corp.; Chairman of Keystone Port Logistics & Management Services Corp., Calhorr 2 Marine Services Corp., Agua de Oro Ventures Corp., and BC Property Management, Inc.; Director and President of Benguettrade, Inc.; and Director of Benguet Management Corporation, BenguetCorp Nickel Mines, Inc., Batong Buhay Mineral Resources Corp.,

Berec Land Resources, Inc. (2005-Present), Arrow Freight Corporation (1998-Present) and BMC Forestry Corporation (1995-Present). Formerly, he was Director, BenguetCorp Nickel Mines Inc. (2009-2011); President/Gen. Manager of BMC Forestry Corp. (1995-1998) and Arrow Freight Corporation (1992-1995); President, Capitol Security and Allied Services, Inc. (1984-1985); Production Supervisor, CDCP-Systemas (1980-1983).

**REYNALDO P. MENDOZA**, 60 years old, Filipino, has been the Senior Vice President for Public Affairs and Legal of the Company since August 25, 2006 to present and Assistant Corporate Secretary (2002 to present). He is also President/Director of Batong Buhay Mineral Resources Corp.; Director of Pillars of Exemplary Consultants, Inc. and Benguetrade, Inc. and Corporate Secretary of the following subsidiaries of the Company: Arrow Freight Corporation, Benguet Management Corporation, Sagittarius Alpha Realty Corporation, (1997 to present), Agua de Oro Ventures Corporation (1998 to Present) and Keystone Port Logistic & Management Services Corp (2009 to present). Before joining Benguet Corporation, he was Staff Lawyer of PDCP (1987-1988) and Malayan Insurance Company (1986-1987); Associate Lawyer, Castro, Villamor & Associate (1985-1986); Legal Assistant/Apprentice Lawyer, Gono Law Office (1985).

**LINA G. FERNANDEZ**, 52 years old, Filipino, has been the Senior Vice President for Finance and Marketing Officer since November 9, 2015 to present. Prior to her present position, she was Vice President for Corporate Planning, Chief of Staff and Assistant Treasurer of the Company since August 25, 2006. She is also the Risk Management Officer (March 2011-present) and the Compliance Officer for Corporate Governance (Dec 2016-present) of the Company. She also holds various positions and directorship in the following subsidiaries of the Company: Concurrent Vice President-Marketing of Benguetcorp Nickel Mines, Inc. (2014-present); Director and President of Benguet Management Corporation and Calhorr 2 Marine Services Corp.; Chairman and Treasurer of Arrow Freight Corporation; Director and Treasurer of Balatoc Gold Resources Corp. and Benguetrade, Inc.; Director and Asst. Treasurer of Sagittarius Alpha Realty Corporation; Director of BC Property Management, Inc., Benguet Pantukan Gold Corporation, Batong Buhay Mineral Resources Corporation, Berec Land Resources, Inc., Pillars of Exemplary Consultants, BMC Forestry Corp., Calhorr 1 Marine Services Corp. and Keystone Port Logistics and Management Services Corporation (2013 to present); and Treasurer of Aqua de Oro Ventures Corporation. Formerly, she was Director of Benguetcorp Nickel Mines Inc. (2009-2011) and Kingking Copper-Gold Corp. (2008-2011).

**MA. MIGNON D. DE LEON**, 60 years old, Filipino, has been the current Chief of Staff to the Officer-In-Charge (OIC) since August 2014 and Vice President – Compliance for Comrel & Enviro of the Company since February 2014. Prior to her present position, she was Vice President for Community Relations (June 2012 – January 2014) and the Vice President for the Benguet District Administration and Property Management (October 2002 – May 2012). She is also the Director and President of BC Property Management Inc.; Director and General Manager of Benguetrade, Inc. and Director of the following subsidiaries of the Company: Keystone Port Logistics and Management Corp., Ifaratoc Mineral Resources Corp., Benguet Pantukan Gold Corporation, Berec Land Resources, Inc., Acupan Gold Mines, Pillars of Exemplary Consultant Inc., Sagittarius Alpha Realty Corp., Arrow Freight Corp., BMC Forestry Corp., Benguet Management Corporation and BenguetCorp Laboratories Inc. She was Board Member (Management Representative) to the Regional Tripartite Wages and Productivity Board – Cordillera Administrative Region (1995 – 2006); Board Member representing Women's Sector to the Peoples Law Enforcement Board of the Municipality of Itogon, Province of Benguet (2005-2010); Past Chairman (1984 – 1995) and Adviser (1996 to 2006) to the Regional Mining Industry Training Board – Technical working Group of the Cordillera Administrative Region; Past President (1989 – 1993) and Adviser (1994 to 2012) to the People Management Association of the Philippines, Baguio-Benguet Chapter; Board Member, Benguet Province Visitor's Bureau (2008 – 2009); Past Vice Chairman of the Cordillera Tourism Council (2006 – 2008); Past President of the Benguet Provincial Tourism Council (2001 – 2006). At present, she is also the Large Scale Mining Representative appointed by the Chamber of Mines to the Provincial Mining Regulatory Board of the Province of Benguet.

**MAX D. ARCEÑO**, 55 years old, Filipino, has been the Vice President for Accounting and Treasurer of the Company since March 1, 2013 to present. He was formerly Assistant Vice President for Treasury (July 2011-February 2013) prior to his promotion on March 1, 2013. He also holds various positions in the following subsidiaries of the Company: concurrent Treasurer of BenguetCorp Laboratories, Inc. (Feb. 2013 to present), Batong Buhay Mineral Resources Corporation, BenguetCorp Nickel Mines, Inc., Pillars of Exemplary Consultants, Inc., and BMC Forestry Corp.; Chairman of Benguetrade, Inc.; Director and Treasurer of Keystone Port Logistics and Management Services Corp., Benguet Pantukan Gold Corp., Berek Land Resources, Inc., Acupan Gold Mines, Inc., Benguet Management Corporation, Calhorr 1 Marine Services Corp., Calhorr 2 Marine Services Corp. and BC Property Management Inc. and Director of Ifaratoc Mineral Resources Corp., Balatoc Gold Resources Corp., Sagittarius Alpha Realty Corp., Agua de Oro Ventures Corp and Arrow Freight Corporation. Mr. Arceño graduated from the University of the East (Batch 1983) with a degree in BSBA-Accounting and passed the board examination for Certified Public Accountant in 1984. He joined the Company in 1985 as Accounting Staff I, where he rose from the ranks.

**ANA MARGARITA N. HONTIVEROS**, 49 years old, Filipino, has been the Vice President – Healthcare of the Company since May 28, 2015 and concurrently President and Director of BenguetCorp Laboratories, Inc., since January 16, 2013 to present. Prior to her present position, she is Vice President for Special Projects of the Company (Jan. 2013-May 27, 2015). She graduated with a degree in BS Legal Management from the Ateneo De Manila University (1988). Currently, she is President-BP Global Inc./Invictus MicroFinance Inc. (Tacloban City); GoNegosyo PSR/Regional Co-Chair MSME Council Eastern Visayas; GoNeogosyo Coordinator Sulu; and Mission Director/Mancom – RTR Foundation/Mission Tacloban. Her previous work experiences include: Senior Assistant Vice President, Marketing (Republic Surety and Insurance Co., Inc., March 2010-January 2013); Consultant (Lapanday Group of Companies, 2005-2007: Manager (Bulgari Philippines, Jan. 2000-2005); Chief Operating Officer (World Partners Finance Corporation/World Partners Insurance Brokerage Corporation, Sept. 1997-1998); Vice President (Macondray Finance Corp. (MFC) (Lapanday Group), Oct. 1991-1996); President (People's Credit Network Inc. (Subsidiary of MFC), Oct. 1991-1996); Senior Manager (First Active Capital Corporation, 1990-1991); Senior Officer (First Active Capital Corporation, 1990-1991); and Marketing Officer (Urban Bank, April 1988-1990).

**DALE A.TONGCO**, 52 years old, Filipino, has been the Assistant Vice President for Internal Audit of the Company since August 1, 2015 to present. A Certified Public Accountant, he graduated with a degree in Commerce major in Accounting from Ateneo de Davao University. Prior to joining with the Company, he worked for Habitat for Humanity Philippines as Controller and Internal Control and Risk Management Head, and was a Partner Consultant, Audit and Advisory of C.P. De Guzman & Company. His previous work experiences include: Deputy Head/ Assistant Vice President-Enterprise Risk Management at PhilAm Life-AIA Philippines (2010-2011); Senior Manager-Financial Advisory of Deloitte Philippines(2008-2010), and KPMG Philippines (2006-2008); Head-Budget/MIS, Rizal Commercial Banking Corporation (1997-2005); Manager-Business Systems Analysis, Equitable Banking Corporation (1996-1997); Section Head-Methods and Procedures, China Banking Corporation (1990-1995); and In-charge- Banking Audit Group, SGV & Company (1986-1989).

**PAMELA M. GENDRANO**, 50 years old, Filipino, is the Assistant Vice President for Environmental Compliance since February 20, 2012. Ms. Gendrano is a Masteral Degree holder of Environmental Studies and Community Development from the University of the Philippines at Los Baños where she gained it in 1992 and a Bachelor's Degree in Forestry from the same university in 1988. Her previous work experiences include: Freelance Environment Consultant (2008-2011); Technical Operations Manager/Senior Environment Management Specialist (GEOSPHERE Technologies, Inc., (2005-2008); Technical Operations Manager (Geographic Management Services Company (2002-2004); Senior Project Officer (BOI, JICA Study in Environmental Management w/ Public and Private Ownership (2002); Environment Management Specialist (Tetra Tech. Environmental Management, Inc. (1999-2001); EIA/IEE Consultant (1999); Project/Program Evaluator, Philippine-Canada Development Fund (1999); Section Chief, Strategic Coordination and Special Projects Section, DENR/EMB (1994-1999); Project Officer, Institute of Environment Science and Management-CIDA/Research Associate, UPLB-College of Forestry-JICA (1991-1995); Research Forester, DENR-

Policy Planning Division (1987). Ms. Gendrano is also one of the seven (7) Filipinos accredited by the Environmental Protection Agency (EPA) of the United States of America to undertake Environmental Compliance Monitoring and Enforcement Trainings and an accredited Environmental Impact Assessment Study Preparer by the DENR-Environmental Management Bureau (EMB).

**MA. ANNA G. VICEDO-MONTES**, 39 years old, Filipino, has been the Assistant Vice President for Corporate Communications and Special Projects of the Company since May 28, 2015 to present. Prior to her present position, she is Assistant Vice President, Deputy Head- Business Development (Feb. 2013-May 27, 2015). She is also Director of Agua de Oro Ventures Corporation, Calhorr 1 Marine Services Corporation, Calhorr 2 Marine Services Corporation and BC Property Management, Inc.. She is a graduate of BS Business Economics from the University of the Philippines (Batch 1999). Her previous work experiences include: Corporate Planning Manager, (ABS-CBN Corporation, 2007-2012); Strategic Planner, Manager-Sales and Product Application, Trade Promotions and Relations Manager-Food Service Marketing, (San Miguel Pure Foods Company, Inc., 2003-2007); Senior Team Leader, (The Thomson [Philippines] Corporation – Banking and Brokerage, 1999-2003).

**ANTONINO L. BUENAVIDA**, 57 years old, Filipino, has been the Assistant Vice President/Officer-In-Charge – Resident Manager for Benguet District Operations of the Company since November 9, 2015 to present. Mr. Buenavista has been with the Company since 1986 and has held various positions and directorship in the following subsidiaries of the company: concurrent Director and President of BMC Forestry Corporation and Agua de Oro Ventures Corporation; Director and Treasurer of Sagittarius Alpha Realty Corporation and Ifaratoc Mineral Resources Corp and Director of Benguet Management Corporation. He is a Certified Public Accountant and has undergone Management Program at Asian Institute of Management in 1995. Prior to his employment with Benguet Corporation, he worked with SGV & Company from 1981 to 1985.

**HERMOGENE H. REAL**, 61 years old, Filipino, has been the Corporate Secretary of the Company since October 25, 2000 to present. She is also Director of Philippine Collectivemedia Corporation (2008 to present); Director/Assistant Corporate Secretary, Bright Kindle Resources and Investment, Inc. (2014 to present); Director, Brightgreen Resources Corporation (2014 to present); Director/Assistant Corporate Secretary, AG Finance, Incorporated (2017/2014 to present) Director, Southern Alluvial Minerals and Alumina Resources Inc. (2017); Director, Brightgreen Resources Holdings, Inc. (2017); Corporate Secretary, Universal Re Condominium Corporation (1997 to 2009, 2010 to present); Corporate Secretary, Benguetcorp Nickel Mines, Inc. (2014 to present); Corporate Secretary, Best Practices Global Response Solutions, Inc. (2014 to present); Corporate Secretary, Invictus Micro Finance, Inc. (2014 to present); Assistant Corporate Secretary of Doña Remedios Trinidad Romualdez Medical Foundation, Inc. (1996 to present); and Practicing Lawyer, D.S. Tantuico and Associates (1998 to present).

#### **Resignation of Director/Officer**

The following officers of the Company cited personal reasons for their resignation: Ms. Mary Jean G. Alger, AVP-Budget and Cost Control effective September 1, 2016; Ms. Chuchi C. del Prado, VP-HRA and Compliance Officer for Corporate Governance effective October 1, 2016; and Mr. Nilo Thaddeus P. Rodriguez, VP-Project Control and Corporate Services and Compliance for Corporate Governance effective December 2, 2016. Mr. Alberto C. Agra resigned as Independent Director of the Company effective November 15, 2016 because he was appointed by President Rodrigo R. Duterte to head the Philippine Reclamation Authority.

#### **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 siblings, no other relationship within the third degree of consanguinity or affinity exists between and among the executive officers and directors of the Company.

### Involvement in Certain Legal Proceedings

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

### ITEM 10. EXECUTIVE COMPENSATION

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

<u>Name</u>	<u>Principal Position</u>
1. Benjamin Philip G. Romualdez	- President & Chief Executive Officer
2. Ma. Mignon D. De Leon	- Vice President, Compliance for Comrel & Enviro and Chief of Staff to the OIC
3. Lina G. Fernandez	- Sr. Vice President, Finance, Nickel Marketing and Compliance Officer for Corporate Governance
4. Leopoldo S. Sison III	- Sr, Vice President, Nickel Operations
5. Ana Margarita N. Hontiveros	- Vice President, Healthcare

	Year	Salary (In-Million)	Bonus (In-Million)	Other Annual Compensation
All above-named officers as a group	2017*	₱35.2	₱2.9	₱1.1
	2016**	33.5	2.8	1.1
	2015**	32.1	3.2	1.0
All other directors and officers as a group unnamed	2017*	40.8	1.5	2.4
	2016**	39.7	1.5	2.2
	2015**	41.2	4.1	0.3

(\*) - Estimate      (\*\*) – Actual

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

### Compensation of Directors

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

### Incentive Bonus Plan

Since 1980, the Company maintained an Incentive Bonus Plan. The purposes of the Plan are: (1) to attract, employ and retain management personnel of outstanding competence, and (2) to motivate its management personnel to deliver superior performance in pursuing the goals and business interests of the Company. The Plan provides for a bonus award, calculated on the basis of net income, to top operating executives, managers and members of the Board of Director. Bonus awards are either paid in full directly to the awardees or are transferred to a trust fund and are payable to the awardees in three installments generally over a period of two years. Bonus awards for any year shall be paid in cash, or in

common stock. Either Common Class A or Common Class B shares may be issued under the Plan subject to the legal limitations on ownership of Common Class A shares which can be owned only by Philippine citizens. From 1995 to 2016, there was no amount set aside for payment of bonuses in accordance with the Plan.

#### **Retirement Plan**

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

#### **Warrants and Options Outstanding**

Since 1975, the Company has a Stock Option Plan (the "Plan") for its selected staff employees, directors and consultants and its subsidiaries. The purpose in granting options are: (1) to encourage stock ownership in the Company, and thereby generate an interest in the Company and its subsidiaries, (2) to promote its affairs, and (3) to encourage its staff employees, directors and consultants to remain in the employ of the Company. The Plan had been amended several times. The latest amendment was approved by the Board of Directors on March 23, 2012 and by the stockholders of the Company on May 29, 2012, extending the termination date of granting stock options for another five (5) years or until May 31, 2018.

In a regular meeting held on August 31, 2016, the Board of Directors ("Board") of the Company approved the following changes in the stock option grants due to change in par value of both Class A and B shares from P3.00 to P1.00 per share as follows: (a.) Change in the total number of unexercised shares on the May 3, 2011, September 7, 2012 and May 28, 2014 grants and corresponding change in the exercise price; (b.) Change in the maximum number of shares per grant: from 500,000 to 1,500,000 shares; and (c.) Repricing of the unexercised options in the May 3, 2011, September 7, 2012 and May 28, 2014 grants. The exercised price (net of 25% discount) is P1.69 per share for Class "A" and P1.91 per share for class "B". (The exercised price is based on closing price of August 18, 2016: Class A – P2.25 and Class B – P2.55 less 25% discount pursuant to the provisions of the Plan of the Company) The repricing was brought about by the low turn-out in the availment of the grant due to high exercise price compared to market price. Availments under May 3, 2011, September 7, 2012 and May 28, 2014 grants are 31%, 0% and 0% respectively. The last availment was on November 5, 2012.

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

- a. On April 6, 2006, under the Plan, the Company granted a stock option of 21,012,000 common shares with a par value of P1.00 per share consisting of 12,607,200 class "A" shares and 8,404,800 class "B" shares (*7,004,000 common shares with a par value of P3.00 per share consisting of 4,202,400 class "A" common shares at an exercise price of ₱8.50 per share and 2,801,600 class "B" common shares at an exercise price of ₱29.07 per share*) to qualified participants. These shares are exempted from registration under SEC's Resolution No. 084 dated March 31, 2008 and the listing was approved by the PSE. The options expired on April 6, 2016 pursuant to the provisions of the Plan that no option is exercisable after ten (10) years from the date of the grant. Cancelled options totaled to 2,976,363 common shares and expired options totaled to 5,510,640 common shares or a total of 8,487,003 common shares available for future grant.
- b. On May 3, 2011, under the Plan, the Company granted stock option to officers, directors, managers and consultants of the Company. The option grants of 6,600,996 common shares with a par value of P1.00 per share consisting of 3,960,597 class "A" shares at an exercise price of P1.69 per share and 2,640,399 class "B" shares at an exercise price of P1.91 per share (*2,200,332 common shares with a par value of P3.00 per share consisting of 1,320,199 class "A" common shares at an exercise price of ₱16.50 per share and 880,133 class "B" common shares at an exercise price of ₱17.50 per share*) came entirely from the unissued/cancelled stock options under the previous implementation of the Plan. These



unissued/cancelled shares came from the option grants of 21,012,000 common shares granted on April 6, 2006 stock option award, which shares are exempted from registration under SRC rules and the listing was approved by the PSE. As of December 31, 2016, the number of options granted to, exercised, and unexercised by the Chief Executive Officer, four (4) other most highly compensated executive officers and all other officers and directors of the Company under this grant are as follows:

	Option Grants		Option Exercise Price/Share		Options Exercised		Options Unexercised		Options Cancelled (Due to resignation, retirement, death & retrenchment)	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
BPG Romualdez Pres/CEO	No Options Granted									
Four Highest Paid Named Exe. Officers:										
Ma. Mignon D. De Leon	99,000	66,000	₱1.69	₱1.91	-	-	-	-	-	-
Lina G. Fernandez	99,000	66,000	₱1.69	₱1.91	-	-	-	-	-	-
Leopoldo S. Sison III	99,000	66,000	₱1.69	₱1.91	-	-	-	-	-	-
AMN Hontiveros	-	-	-	-	-	-	-	-	-	-
All Officers & Directors as a Group Unnamed	1,299,600	866,400	₱1.69	₱1.91	37,800	25,200	918,000	612,000	640,800	427,200

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

- c. On September 7, 2012, under the amended Plan, the Company granted stock option to officers, directors/members of the stock option committee and independent directors. The option grants of (828,000 common shares with a par value of P3.00 per share consisting of 496,800 class "A" common shares at an exercise price of ₱17.96 per share and 331,200 class "B" common shares an exercise price of ₱17.63 per share) came entirely from the current balance of unissued / cancelled stock options under the present implementation of the Plan. As of December 31, 2016, the number of options granted to, exercised, and unexercised by the Chief Executive Officer, four (4) other most highly compensated executive officers and all other officers and directors of the Company under this grant are as follows:

	Option Grants		Option Exercise Price/Share		Options Exercised		Options Unexercised		Options Cancelled (Due to resignation, retirement, death & retrenchment)	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
BPG Romualdez Pres/CEO	540,000	360,000	₱1.69	₱1.91	360,000	240,000	180,000	120,000	-	-
Four Highest Paid Named Exe. Officers:										
Ma. Mignon De De Leon	-	-	-	-	-	-	-	-	-	-
Lina G. Fernandez	-	-	-	-	-	-	-	-	-	-
Leopoldo S. Sison III	-	-	-	-	-	-	-	-	-	-
AMN Hontiveros	-	-	-	-	-	-	-	-	-	-
All Officers & Directors as a Group Unnamed	583,200	388,800	₱1.69	₱1.91	360,000	240,000	666,000	444,000	97,200	64,800

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

- d. On May 26, 2014, under the amended Plan, the Company granted stock option to certain directors in recognition of their long years of service to the Company. The option grants of 600,000 common

shares (consisting of 360,000 class “A” common shares at an exercise price of ₱7.13 per share and 240,000 class “B” common shares an exercise price of ₱7.13 per share) came entirely from the current balance of unissued / cancelled stock options under the present implementation of the Plan. As of March 31, 2016, the number of options granted to, exercised, and unexercised by the Chief Executive Officer, four (4) other most highly compensated executive officers and all other officers and directors of the Company under this grant are as follows:

	Option Grants		Option Exercise Price/Share		Options Exercised		Options Unexercised		Options Cancelled (Due to resignation, retirement, death & retrenchment)	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
BPG Romualdez Pres/CEO	-	-	-	-	-	-	-	-	-	-
Four Highest Paid Named Exe. Officers:										
Ma. Mignon D. De Leon		-	-	-	-	-	-	-	-	-
Lina G. Fernandez		-	-	-	-	-	-	-	-	-
Leopoldo S. Sison III		-	-	-	-	-	-	-	-	-
AMN Hontiveros		-	-	-	-	-	-	-	-	-
All Officers & Directors as a Group Unnamed	1,080,000	720,000	₱1.69	₱1.91	-	-	1,080,000	720,000	-	-

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

#### ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

**Security Ownership of Certain Beneficial Owners** - The following table sets forth certain information about persons (or “groups” of persons) known by the Company to be the directly or indirectly the record or beneficial owner of more than five percent (5%) of any class of the Company’s outstanding stocks as of December 31, 2016.

Title of Class	Name, Address of Record Owner And Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	Number of Shares Held	Percent Perf Class
	PCD Nominee Corporation (Filipino), G/F MSE Bldg., Ayala Avenue, Makati City. (Stockholder)	( see note <sup>1</sup> )	Filipino	175,447,538	47.387%
	Palm Ave. Holding Company, Inc. 3F Universal Re-Building, 106 Paseo de Roxas, Makati City (Stockholder)	( see note <sup>2</sup> )	Filipino	65,624,727	17.724%

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

<sup>2</sup> The Company is not aware of who is/are the direct or indirect beneficial owner/s of the stocks issued to Palm Avenue Holdings Company, Inc. and Palm Avenue Realty and Development Corporation (the “Palm Companies”). The nominee of Palm Companies in the Board of Director is Mr. Benjamin Philip G. Romualdez, Vice Chairman, President/CEO. On June 1, 2016 Annual Stockholders’ Meeting of the Company, the Palm Companies issued a proxy in favor of its legal counsels, Attys. Otilia Dimayuga-Molo/Andrea Rigonan-Dela Cueva, to vote in all matters to be taken up in the stockholders’ meeting.

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 <sup>2</sup> )	Filipino	63,920,490	17.264%
	Palm Avenue Holdings Company and/or Palm Avenue Realty Corporation, Metro Manila, Philippines. Sequestered by the Republic of the Philippines thru PCGG under E.O. Nos. 1 & 2 and reverted to Palm Avenue as sequestered shares per Supreme Court Entry of Judgment dated March 15, 1993 in G.R. No. 90667 entitled Republic of the Philippines vs. Sandiganbayan, Palm Avenue Realty Development Corp. and Palm Avenue Holdings Company c/o PCGG, IRC Bldg., #82 EDSA Mandaluyong City. (Stockholder)	( see note <sup>2</sup> )	Filipino	30,834,375	8.328%
Class A Convertible Preferred	PCD Nominee Corporation (Filipino), G/F MSE Bldg., Ayala Avenue, Makati City. (Stockholder)	( see note <sup>1</sup> )	Filipino	64,780	29.844%
	Fairmount Real Estate c/o PCGG 6 <sup>th</sup> Floor, PhilComcen Bldg., Ortigas Avenue cor. San Miguel Avenue, Pasig City (Stockholder)	( see note <sup>3</sup> )	Filipino	59,262	27.302%
Class B Common	PCD Nominee Corporation (Filipino), G/F MSE Bldg., Ayala Avenue, Makati City. (Stockholder)	( see note <sup>1</sup> )	Filipino	101,310,000	41.382%
	Palm Ave. Realty & Devt. Corporation, 3F Universal Re-Building, 106 Paseo de Roxas, Makati City (Stockholder)	( see note <sup>2</sup> )	Filipino	43,680,000	17.842%
	PCD Nominee Corporation (Non-Filipino), G/F MSE Bldg., Ayala Avenue, Makati City. (Stockholder)	( see note <sup>1</sup> )	American	29,173,683	11.916%

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

The following are PCD's participants who hold five percent (5%) or more of any class of the Company's outstanding capital stocks as of December 31, 2016:

Title of Class	Name of PCD's Participants	Number of Shares Held	Percent Per Class
Class A Common	Lucky Securities, Inc.	68,349,345	18.460%
	Maybank ATR Kim Eng Securities, Inc.	16,998,281	4.591%
Class A Convertible Preferred	Abacus Securities Corporation	37,866	17.445%
Class B Common	Lucky Securities, Inc.	60,371,241	24.660%
	Citibank N.A.	20,499,929	8.373%
	Maybank ATR Kim Eng Securities, Inc.	13,260,966	5.417%

**Security Ownership of Management** - The following table sets forth certain information as of December 31, 2016, as to each class of the Company's securities owned by the Company's directors and officers.

<sup>3</sup> Sequestered shares which is presently in trust by PCGG and the record owner of which is Fairmount Real Estate. The Company is not aware of who is/are the director or indirect beneficial owner/s of the stocks issued to Fairmount Real Estate.

The Company is not aware of any indirect beneficial ownership of Directors and Executive Officers of the Company.

Title of Class	Name of Beneficial Owner	Citizenship	Amount and nature of beneficial ownership	Percent Per Class
A	Benjamin Philip G. Romualdez	Filipino	360,069	0.097%
B			241,653	0.099%
A	Andres G. Gatmaitan	Filipino	456	0.000%
B			3	0.000%
A	Macario U. Te	Filipino	3	0.000%
A	Isidro C. Alcantara, Jr.	Filipino	3,853,200	1.041%
B			3	0.000%
A	Arsenio K. Sebial, Jr.	Filipino	3	0.000%
B			3	0.000%
A	Luis Juan L. Virata	Filipino	234,003	0.063%
B			69,600	0.028%
A	Daniel Andrew G. Romualdez	Filipino	21	0.000%
A	Maria Remedios R. Pompidou	Filipino	15	0.000%
B	Bernardo M. Villegas	Filipino	3	0.000%
A	Cesar C. Zalamea	Filipino	3	0.000%
A	Reynaldo P. Mendoza	Filipino	6,666	0.002%
A	Leopoldo S. Sison III	Filipino	95,106	0.026%
A	Ma. Mignon D. De Leon	Filipino	30,000	0.008%
A	Lina G. Fernandez	Filipino	114,066	0.031%
A	Max D. Arceño	Filipino	1,533	0.000%
A	Antonino L. Buenavista	Filipino	21,468	0.006%
A	Hermogene H. Real	Filipino	53,100	0.014%
B			300	0.000%

**As a Group**

Class A Convertible Preferred	Filipino	59,262 shares <sup>4</sup>	27.302%
Class A Common	Filipino	165,149,304 shares <sup>5</sup>	44.605%
Class B Common	Filipino	43,991,565 shares <sup>6</sup>	17.970%

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

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

**ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

- a) The Company declares that during the last two years, to its knowledge, there are no other transactions in which the Company and any directors, executive officers, any nominee for election as director, any security holder, or member of their immediate families, are a party and the amount of which exceeds ₱500,000.00.
- b) Benguet Corporation has no parent company and there were no transactions with promoters since the Company was organized far beyond the five (5) years period requirement.
- c) The Company provides and receives unsecured non-interest bearing cash advances to its subsidiaries for working capital requirements, which are settled in cash.

<sup>4</sup> Include 59,262 shares, the record owner of which is Fairmount Real Estate which is presently in trust by PCGG.

<sup>5</sup> Include 30,834,375 and 63,920,490 sequestered shares, the record owners of which are Palm Avenue Holdings Company (PAHC) and/or Palm Avenue Realty Corporation (PARC) and presently held in trust by PCGG. Also included is 65,624,727 shares, the record owner of which is Palm Avenue Holding Co., Inc.

<sup>6</sup> Include 43,680,000 shares, the record owner of which is Palm Avenue Realty and Development Corporation.

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

Category	Year	Amount/ Volume	Outstanding balance	Terms	Conditions
<i>Amounts owed by related parties:</i>					
BNMI	<b>2016</b>	<b>₱42,997</b>	<b>₱113,595</b>	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2015	₱–	₱70,598		

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

Category	Year	Amount/ Volume	Outstanding balance	Terms	Conditions
<i>Amounts owed to related parties:</i>					
AFC	<b>2016</b>	<b>₱968</b>	<b>₱25,732</b>	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2015	₱3,743	₱24,764		
BLRI	<b>2016</b>	–	<b>8,444</b>	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2015	7,725	8,444		
BTI	<b>2016</b>	–	<b>49,192</b>	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2015	12,680	49,736		
<b>Total</b>	<b>2016</b>	<b>₱968</b>	<b>₱83,368</b>		
<b>Total</b>	<b>2015</b>	<b>₱24,148</b>	<b>₱82,944</b>		

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

Category	Year	Amount/ Volume	Outstanding balance	Terms	Conditions
<i>Amounts owed by related parties:</i>					
Balatoc Gold Resources Corporation	<b>2016</b>	<b>₱–</b>	<b>₱93,728</b>	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2015	₱26,825	₱269,543		
BLI	<b>2016</b>	–	<b>79,037</b>	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2015	3,932	81,229		
BCPMI	<b>2016</b>	<b>149</b>	<b>29,827</b>	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2015	163	29,678		
BPGC	<b>2016</b>	<b>40</b>	<b>29,457</b>	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2015	40	29,417		
Media Management Corporation	<b>2016</b>	–	<b>22,184</b>	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2015	–	22,184		
Calhorr 1 Marine Services Corporation	<b>2016</b>	<b>70</b>	<b>520</b>	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2015	–	450		
Agua De Oro Ventures Corporation	<b>2016</b>	<b>162</b>	<b>11,008</b>	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2015	129	10,846		

Category	Year	Amount/ Volume	Outstanding balance	Terms	Conditions
KPLMSC	<b>2016</b>	<b>12,114</b>	<b>18,387</b>	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2015	962	6,273		
BBMRC	<b>2016</b>	<b>50</b>	<b>2,353</b>	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2015	594	2,303		
BIL	<b>2016</b>	<b>366</b>	<b>2,730</b>	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2015	875	2,364		
AFC	<b>2016</b>	<b>–</b>	<b>691</b>	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2015	512	1,285		
PECI	<b>2016</b>	<b>41</b>	<b>577</b>	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2015	40	536		
BMC	<b>2016</b>	<b>–</b>	<b>–</b>	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2015	–	4,212		
BLRI	<b>2016</b>	<b>–</b>	<b>–</b>	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2015	–	9,622		
IMRC	<b>2016</b>	<b>29,740</b>	<b>29,740</b>	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2015	–	–		
<b>Total</b>	<b>2016</b>	<b>42,732</b>	<b>320,239</b>		
Total	2015	₱34,072	₱469,942		

Category	Year	Amount/ Volume	Outstanding balance	Terms	Conditions
<i>Amounts owed to related parties:</i>					
BNMI	<b>2016</b>	<b>₱269</b>	<b>₱600,335</b>	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2015	₱–	₱600,066		
BTI	<b>2016</b>	<b>–</b>	<b>46,826</b>	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2015	–	47,244		
BMC Forestry Corporation (BFC)	<b>2016</b>	<b>6,360</b>	<b>22,639</b>	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2015	2,928	16,279		
SARC	<b>2016</b>	<b>2</b>	<b>3,054</b>	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2015	202	3,052		
AGMI	<b>2016</b>	<b>–</b>	<b>2,231</b>	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2015	–	2,272		
Calhorr 2 Marine Services, Inc.	<b>2016</b>	<b>–</b>	<b>1,924</b>	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2015	–	1,924		
BLRI	<b>2016</b>	<b>36,872</b>	<b>36,872</b>	Payable on demand; non-interest bearing	Unsecured; no guarantees;
	2015	–	–		

Category	Year	Amount/ Volume	Outstanding balance	Terms	Conditions
IMRC	2016	–	–	Payable on demand; non-interest bearing	no impairment
	2015	–	2,214		Unsecured; no guarantees; no impairment
BMC	2016	20,218	20,218	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2015	–	–		no impairment
<b>Total</b>	<b>2016</b>	<b>P63,721</b>	<b>P734,099</b>		
Total	2015	P3,130	P673,051		

#### Compensation of Key Management Personnel

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

	2016	2015
Salaries and short-term benefits	<b>P73,226</b>	P73,317
Retirement benefits	<b>7,588</b>	8,632
	<b>P80,814</b>	P81,949

## PART IV – CORPORATE GOVERNANCE

### ITEM 13. CORPORATE GOVERNANCE

The Company remains focused in insuring the adoption of systems and practices of good corporate governance in enhancing value for its shareholders and other stakeholders. It utilizes various means to measure the level of compliance to its existing 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 compliance with the leading practices and principles on good corporate governance which include, among others: i) participated annually in the PSE's Corporate Governance Guidelines Disclosure Survey (CGGDS); and ii.) submitted to SEC/PSE the consolidated changes/updates of its 2016 Annual Corporate Governance Report (2016 ACGR). For transparency and easy access and reference of its shareholders and other stakeholders, the Company regularly posts on its website corporate disclosures and reports submitted to SEC and PSE.

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. To aid in the compliance with the principles of good corporate governance, it constituted various Board-level committees. These committees were comprised of an 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, the Risk Management Committee and Management Advisory Board. Members of the foregoing committees are expected to serve for a term of one (1) year. A Compliance Officer for Corporate Governance was also appointed.

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

Pursuant to SEC Memo Circular 20, Series of 2016, publicly-listed companies shall not be required to post on their websites the Consolidated Changes in the 2016 ACGR on or before January 10, 2017. Likewise, they shall not be required to attach the same to their 2016 Annual Report (SEC Form 17-A).

## PART V – EXHIBITS AND SCHEDULES

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

#### (A) Exhibits and Schedules

1. Benguet Corporation & Subsidiaries - Audited Consolidated Financial Statements for fiscal year ended December 31, 2016

- Statement of Management’s Responsibility for Consolidated Financial Statements
- Independent Auditors’ Report
- Audited Consolidated Financial Statements & Notes for the year ended December 31, 2016
- Independent Auditors’ Report on Supplementary Schedules
  - Schedule I : Reconciliation of Retained Earnings Available for Dividends Declaration
  - Schedule II : Schedule of Financial Soundness Indicators
  - Schedule III: Chart Showing Ownership and Relationship between the Parent Company and its Subsidiaries
  - Schedule IV: Schedule of All Effective Standards and Interpretations
  - Schedule V: Schedule as Required by SRC Rule 68, as Amended
- Schedule A. Financial Assets
- Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
- Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
- Schedule D. Intangible Assets – Other Assets (Deferred Mine Exploration Costs and Other Noncurrent Assets)
- Schedule E. Long Term Debt
- Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)
- Schedule G. Guarantees of Securities of Other Issuers
- Schedule H. Capital Stock

2. Benguet Corporation (Parent) Audited Financial Statements for fiscal year ended December 31, 2016.

- Statement of Management’s Responsibility for Financial Statements
- Independent Auditors’ Report
- Audited Financial Statements & Notes for fiscal year ended December 31, 2016
- Independent Auditors’ Report on Supplementary Schedules
  - Schedule I: Reconciliation of Retained Earnings Available for Dividends Declaration
  - Schedule II: Schedule of All Effective Standards and Interpretations

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

Date of SEC Form 17-C	Description of Disclosure
04.06.17	Press Release – Lopez Wrong on BenguetCorp Zambales Mine Rehab
03.17.17	Board Approval on the following: -Postponement of Annual Stockholders’ Meeting to November 9, 2017 as tentative reset date for the annual meeting; -2016 BC Audited Financial Statements (Parent & Consolidated); -New grant of stock option awards to directors, officers, employees and consultants and extension of termination date of granting of stock options; and



	-MOA for the development and operation of the Engineering Sanitary Landfill (ESL) Project with a Waste to Energy Component (WEC) in Antamok mine.
02.22.17	BenguetCorp and BNMI filed Notice of Appeal to the Office of the President
02.22.17	Certification from MGB regarding the status of mining tenements/claims of the Company
02.22.17	BenguetCorp and BNMI Letter to Stakeholders.in connection with the Order of Cancellation from the DENR
02.15.17	Reply to PSE re: Request for clarification in the news article entitled "DENR Cancels 75 Mining Contracts"
02.14.17	DENR Cancellation Order to BenguetCorp's cancelling its mining operations under the Patent Claim (PC-ACMP-002-CAR)
02.14.17	DENR Cancellation Order to BNMI cancelling its MPSA No. 226-2005-III
02.03.17	Reply to PSE letter in re: "DENR announces closure to 14 mining operations"
02.02.17	Press Release – DENR result of BNMI's mine audit review
12.21.16	Show Cause letter from the DENR regarding the tailings spill incident last October 27, 2016 in Antamok mine
11.29.16	Resignation of Mr. Nilo Thaddeus P. Rodriguez, Vice President for Project Control & Corporate Services and Compliance Officer for Corporate Governance effective December 2, 2016. Appointment of Atty. Lina G. Fernandez as Compliance Officer for Corporate Governance
11.15.16	Certificate of Attendance of training seminar on corporate governance attended by the Directors and Officers of the Company
11.15.16	Resignation of Independent Director, Mr. Alberto C. Agra
11.02.16	Press Release - BenguetCorp's Antamok mine tailings leak has been put under control
10.28.16	Press Release on the reported mine tailings leak in Antamok mine
10.28.16	BenguetCorp received the Mine Audit Report of its Acupan Mine from the DENR
10.26.16	Press Release – re: BNMI suspension order dated July 8, 2016 from DENR suspending its nickel mining operations
10.19.16	BNMI received the Mining Audit Report from the DENR.
09.28.16	Changes in the number of issued and outstanding shares of the Company due to exercise of stock option grant.
09.27.16	Press Release – BenguetCorp Clarifies Suspension Due to Open Pit
08.31.16	Board Approval on change in the exercise price of stock option grants, appointment of new director, Mr. Arsenio K. Sebial, Jr. and resignations of Ms. Mary Jean G. Alger, AVP for Budget and Cost Control effective September 1, 2016 and Ms. Chuchi C. Del Prado, VP for Human Resource and Administration and Compliance Officer for Corporate Governance effective October 1, 2016.
08.09.16	Reply to PSE's letter re: Reasons of delayed procedure for the issuance of a replacement stock certificate due to change in par value Class A & B share to P1.00/share
08.02.16	Report on SEC approval of BC amendments to Article of Incorporation and By-Laws
07.08.16	Reply to PSE's letter re: BNMI suspension of mining operation
06.02.16	Sworn Certification of Qualifications of Independent Directors of the Company
06.01.16	Results of June 1, 2016 Annual Stockholders' Meeting and Organizational Board Meeting.

**SIGNATURES**

Pursuant to the requirement of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on April \_\_\_, 2017.

**BENGUET CORPORATION**  
(Issuer)

By:

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

**ARSENIO K. SEBIAL, Jr.**  
Officer-In-Charge  
Principal Operating Officer

**LINA G. FERNANDEZ**  
Senior Vice President, Finance,  
Nickel Marketing & Compliance Officer for  
Corporate Governance  
Principal Financial/Comptroller/Acctng Officer

**HERMOGENE H. REAL**  
Corporate Secretary

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

APR 25 2017

SUBSCRIBED AND SWORN to before me this \_\_\_ day of April, 2017 at Makati City, Affiants exhibited to me their identifications to wit: Mr. Benjamin Philip G. Romualdez with Social Security System No. 33-5830866-8, Atty. Lina G. Fernandez with Social Security System No. 03-7537025-8, Atty. Hermogene H. Real with Social Security System No. 03-3865936-9 and Arsenio K. Sebial, Jr. with Social Security System No. 06-0555463-9, all are issued by the Office of the Social Security System, Philippines.

Doc. No. 335  
Page No. 68  
Book No. XXI  
Series of 2017.

**MA. ESMERALDA R. CUNAMAN**  
Notary Public  
Until December 31, 2017  
Appt. No. M-28 (2016-2017) Attorney's Roll No. 24562  
MCLE Compliance No. V-0010463/9-18-2015  
PTR No. 5906979/1-3/2017/Makati City  
IBP Lifetime Member Roll No. 05413  
Ground Level, Dela Rosa Carpark  
Dela Rosa St. Legaspi Village,  
Makati City