BenguetCorp

PSE Code MI – 020

April 29, 2019

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:

In compliance with the reportorial requirements of the Philippine Stock Exchange (PSE), we submit hereto copy of Benguet Corporation's (BC) Annual Report 2018 under SEC Form 17-A with the following attachments - (a.) Benguet Corporation and its Subsidiaries Audited Consolidated Financial Statements for fiscal year ended December 31, 2018; and (c.) Benguet Corporation's (Parent) Audited Financial Statements for fiscal year ended December 31, 2018.

Please note that on April 10, 2019, the Company requested for extension of period to submit its Annual Report 2018 (SEC Form 17-A).

We trust that you will find everything in order.

Very truly yours,

BENGUET CORPORATION
By:

REYNALDO P. MENDOZA
OIC / Sr. Vice President, Legal
and Public Affairs

Attchs. a/s
/file.

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

COVER SHEET

SEC Registration Number

BENGUET CORPORATION

(Group's Full Name)

7tH Floor, UnivErsal Re Building,
106 Paseo de ROxas, Makati City

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

Mr. Reynaldo P. Mendoza
(Contact Person)

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

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

17-A
(Form Type)

Month *Day*
(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Article Third
Amended Articles Number/Section

Total Amount of Borrowings

16,931
Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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SEC FORM 17-A

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

1. For the fiscal year ended ....**DECEMBER 31, 2018**..............................

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

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

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

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

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

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

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

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

Title of Each Class		Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding (as of December 31, 2018)
Convertible Preferred Class A	₱3.43 par value	217,061 shares
Common Class A Stock	₱1.00 par value	370,739,961 shares*
Common Class B Stock	₱1.00 par value	245,031,222 shares*

(*) – Net of Treasury Shares

Total consolidated outstanding principal loans payable as of December 31, 2018 – ₱292.9 Million

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

    Yes [**X**]   No [ ]

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

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

12. Check whether the issuer:

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

Yes [**X**]   No [ ]

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

Yes [ ]   No [**X**]

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

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

COMPANY PROFILE

Benguet Corporation (the "Company") pioneered modern mining in the Philippines. It was established on August 12, 1903, and its 115 years of existence is a testament to its adaptability and resiliency in the highs and lows brought about by global events, natural phenomena, economic conditions, and industry trends.

The Company started mining gold in 1903, chromite in 1934 and copper in 1971. It produced gold from the Benguet Gold Operations (BGO), Paracale Gold Operation (PGO) and Benguet Antamok Gold Operation (BAGO); chromite from the Masinloc Chromite Operation (MCO); and copper concentrates (significant gold and silver by products) from the Dizon Copper-Gold Operation (DCO). In the 1990s, as the Philippine mining industry went through a difficult period, the Company likewise suffered a decline. The 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; the Company decided to transfer its remaining interest in DCO in 1997; and it turned over MCO to the claim owner in July 2007 due to expiration of the operating contract.

The Company is currently engaged in the mining of gold, nickel, and other metallic and nonmetallic mineral products, in exploration, research and development of natural resource projects. It produces and markets gold (silver by-product) from the Acupan Gold Project (AGP), nickel laterite ore from the Benguetcorp Nickel Mines, Inc. (BNMI) and quicklime and hydrated lime from the Irisan Lime Project (ILP). It also continues to hold interests in the Ampucao Copper-Gold, Pantingan Copper-Gold, Zamboanga Gold, Surigao Coal, the Ilocos Norte and Apayao FTAA prospects, all in the Philippines, and gold/silver mining properties in Royston Hills, Nevada, USA. Aside from mining and mineral exploration, the Company is also into healthcare and diagnostics services through subsidiary Benguetcorp Laboratories, Inc.(BCLI); logistics services through Arrow Freight Corporation (AFC); trading of construction materials, equipment and supplies through Benguetrade, Inc. (BTI); port and shipping services through Keystone Port Logistics and Management Services Corporation (KPLMSC); and real estate development and lime kiln operation through BMC Forestry Corporation (BFC).

The Company's Gold operations in Benguet Province and Nickel project in Zambales Province have been awarded the ISO 14001:2015 Certification on Environment Management System on March 17, 2016 by an accredited certifying body TUV Rheinland®. They are the first mining operations in the Philippines to be certified under the 2015 version of the ISO Environment Management System. The certification makes the Company's gold and nickel operations fully compliant with the requirement of DENR DAO No. 2015-07 which mandates existing mining firms to secure ISO certification on environmental management on or before May 2016.

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

MINING OPERATIONS

Benguet Gold Operation (BGO) in Itogon, Benguet Province:

In 2002, the Company reopened a part of BGO on a limited scale through the Acupan Contract Mining Project (ACMP) now being renamed as the Acupan Gold Project (AGP). ACMP is a community-based mining operation in partnership with the small-scale miners who were organized into groups and accredited by the Mines and Geosciences Bureau (MGB)-Cordillera Administrative Region (CAR) 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. The project has been issued ISO 14001:2015 Certification on Environment Management System in March 2016 by an accredited certifying body TÜVRheinland®.The certification makes AGP fully compliant with the requirement of DENR Administrative Order No. 2015-07 which requires ISO rating of mining companies as seal of approval on environmental compliance. Subsequent surveillance audits conducted by TUVR in 2017 and 2018 saw AGP passing them with zero (0) non-conformities or non-compliances.

During the year in review, AGP's revenues decreased to ₱616.5 million from ₱691.2 million in 2017 and ₱542.2 million in 2016 due to lower volume of milling tonnage resulting to lower production of gold. As a result, AGP incurred net loss of ₱137.6 million, as compared with the results of operation in 2017 when AGP generated net earnings of ₱10.9 million and net loss of ₱72.5 million in 2016. Tons milled for this year is 44,073 tons of ore grading 6.50 grams of gold per ton, producing 9,216 ounces of gold, compared to 53,893 tons of ore milled grading 6.83 grams gold per ton, producing 10,923 ounces of gold in 2017 and 40,156 tons of ore milled grading 7.71 grams gold per ton, producing 9,166 ounces of gold in 2016. AGP ended the year with average milling rate of 121 tons per day (tpd), compared to average milling rate of 148 tpd in 2017 and 112 tpd in 2016. Gold was sold at an effective average price of US$1,275 per ounce this year versus effective average price of US$1,260 per ounce in 2017 and US$1,250 per ounce in 2016, respectively.

The Company implemented an increase in milling cost for the first time since 2012 from ₱2,925/ton Au to ₱3,332/ton Au to reflect the effects of the increase in excise tax from 2% to 4% under the Tax Reform for Acceleration and Inclusion (TRAIN) Act, as well as increases in costs of raw materials. The Company has committed to continue developing its vein ore body to improve the viability of the project.

The DENR Cancellation Order dated February 8, 2017 cancelling the Company's authority to undertake mining operation under the Patent Claim PC-ACMP-002-CAR has been appealed to the Office of the President (OP) on February 22, 2017 and implementation of the appealed order is stayed pending decision of the OP.

Sta. Cruz Nickel Project (SCNP) in Sta. Cruz, Zambales Province:

In 2007, the Company developed the Sta. Cruz Nickel Project (SCNP) a surface nickel mining operated by its wholly owned subsidiary, Benguetcorp Nickel Mines, Inc. (BNMI). Starting in 2017, BNMI has remained suspended pending the results of the audit conducted by the Mining Industry Coordinating Council (MICC). The regulatory agencies have allowed BNMI to haul and ship its remaining ore in inventory to avoid environmental risks which the stockpiles may pose during the rainy season. BNMI was able to export 218,635 tons of nickel ore ranging from 1.3% to 1.4% Ni grade this year, lower compared to 530,690 tons of nickel ore ranging from 1.3% to 1.4% Ni grade in 2017 and 778,485 tons of nickel ore ranging from 1.5% to 1.8% Ni grade in 2016. Nickel ore was sold at an effective average price of US$20.50/ton this year, lower as compared to the effective average price of US$21.83/ton in 2017 and US$23.05/ton in 2016. The decline in sales volume and price resulted to net loss of ₱169.3 million this year, higher compared to the net loss of ₱146.8 million in 2017 and ₱118.4 million net loss in 2016.

BNMI has continued to implement environmental rehabilitation programs including the Temporary Revegetation Program (TRP) of the Department of Environment and Natural Resources (DENR) under its Department Administrative Order (DAO) 2018-19. BNMI undertook on June 6-7, 2018 the ISO surveillance audit conducted by TUVR. ISO 14001:2015 Certification with scope of Stockpile Nickel Laterite Ore Transport and Port Loading was issued on July 31, 2018. With the end of the rainy season, it is preparing to resume marketing of saleable ores from stockpiles at mine site for next year.

The DENR Cancellation Order dated February 8, 2017 cancelling BNMI's Mineral Production Sharing Agreement No. 226-2005-111 has been appealed to the Office of the President (OP) on February 22, 2017 and implementation of the appealed order is stayed pending decision of the OP.

Irisan Lime Project (ILP) in Baguio City:

ILP is engaged in the production and trading of quicklime and hydrated lime. ILP generated net income of ₱15.5 million this year, higher than the ₱14.5 million in 2017 and ₱13.8 million in 2016 mainly due to increase in selling price from P7,838/metric ton in 2017 to P10,233/metric ton this year. Sales volume in 2018 aggregated to 8,923 tons, lower from 9,522 tons in 2017 and 9,445 tons in 2016.

ILP has been granted a 5 years Mineral Processing Permit (MPP) by the Mines and Geosciences Bureau (MGB) valid until September 2022. Under its new Environmental Compliance Certificate (ECC), it has been allowed to increase volume of production from 9,500 tons per year to 19,420 tons per year. ILP continues to develop a 5 hectares limestone property located in Bo. Sabangan, Alaminos, Pangasinan. The property has been granted on May 12, 2016 a Limestone Quarry Permit for 8.434 million tons.

Benguet Antamok Gold Operation (BAGO) in Itogon, Benguet Province:

The Company has formally submitted for approval of the MGB the Antamok Final Mine Rehabilitation and Decommissioning Plan (FMRDP). Operations were suspended in 1998 after several attempts to mine did not prove viable. The aim of the FMRDP is principally to mitigate environmental risks, regulate the activities of small scale miners which has proliferated in the area, and provide a sustainable final land use for the community. In 2018, The Company has spent a total of ₱6.8 million for the rehabilitation of some of the major infrastructure in Antamok based on the submitted plans in the FMRDP proposal. Aside from revegetation, repair, and stabilization of the infrastructures, the FMRDP also includes long-term programs such as the Ecological Solid Waste Management Park Project with the Temporary Residual Containment Area (TRCA), and Waste to Energy (WtE) facilities; the Eco-tourism Water Park Project; and the Minahang Bayan (MB). Last December 27, 2018, the Provincial Mining Regulatory Board (PMRB) of the Cordillera Administrative Region (CAR) has declared the Company's proposed area as Minahang Bayan after getting clearance from the DENR. This now allows the organizations of small-scale miners to apply for small-mining contracts in the Minahan Bayan area. Once approved, small-scale mining in the area will now be subject to the compliance measures implemented by the regulatory agencies.

In the aftermath of typhoon "Ompong" on September 15, 2018, Benguet Corporation (BC) has been cleared of liability by MGB on the deadly landslide that occurred in the Company's Ucab area in Antamok. DENR Secretary Roy A. Cimatu directed the Provincial Mining Regulatory Board (PMRB) to issue Stoppage Order dated September 28, 2018 to all Small-Scale Miners (SSM)/operators in entire CAR for safety and environmental reasons. Illegal mining activities of SSM in BC's Antamok, Acupan as well as its Kelly patented mining claims have either voluntarily stopped or ordered stopped by the National Task Force Mining Challenge. PMRB was ordered to fast track the approval of BC's proposed Minahan Bayan. The LGU, PNP and BC Claims personnel implemented the demolition of illegal structures and shanties of SSM in Ucab area, Antamok.

<u>**EXPLORATION, RESEARCH AND DEVELOPMENT**</u>

- **Balatoc Tailings Project (BTP) in Itogon, Benguet Province:**
  With the expiration and non-renewal of Mineral Processing Permit (MPP), BTP was reconveyed from Balatoc Gold Resources Corporation (BGRC) to BenguetCorp as viability of the reprocessing project will be enhanced if made as an integral part of the Acupan Gold Project.

- **Ampucao Copper-Gold Prospect in Itogon, Benguet Province:**
  The Ampucao is a viable prospect for the discovery of deep-seated porphyry copper-gold deposit corresponding to surface and underground initial geological evaluation done by Geologists of the Company. Copper bearing formation hosted by intensely silicified quartz diorite was delineated in outcropping 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 resolution of the Application for Production Sharing Agreement (APSA). The Company is awaiting decision on its appeal filed on the APSA denial under DMO No. 2010-04 (DENR Use it, Lose it Policy).

- **Pantingan Gold Prospect in Bagac, Bataan Province:**
  The Pantingan gold prospect is covered by Mineral Production Sharing Agreement (MPSA) No. 154-2000-III with an aggregate area of 1,410.25 hectares. The Company signed a Royalty Agreement with Option to Purchase in March 1996 with the claimowner, Balanga Bataan Mineral Corporation (BBMC). 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. The Company is in the process of talking to interested parties for possible joint venture which will allow the conduct of a comprehensive drilling program.

  On the other hand, recent geological works in Pantingan property conducted by the Company's geologists has identified block areas hosting good sources of mountain rock deposit for high-quality rock aggregate materials. Results of the initial geological evaluation and physical laboratory tests of samples indicated that the identified andesite and andesitic clasts of volcanic agglomerate rocks are good sources of rock aggregate materials that can be used in all types of construction. The location of the potential mountain rock deposits for rock aggregates is at the northern-half portion of the Pantingan's MPSA tenement and outside the watershed area.

- **Zamboanga Gold Prospect (BOLCO) in R.T. Lim Zamboanga del Sur:**
  The Company has an operating agreement with Oreline Mining Corporation to explore and operate the property comprising of 399.03 hectares. 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 continuing Free, Prior and Informed Consent (FPIC) activities this year in coordination with the National Commission on Indigenous People (NCIP).

- **Surigao Coal Project in Lianga, Surigao del Sur:**
  Benguet Corporation (BC) acquired a coal property in Surigao del Sur under a Royalty Agreement with Diversified Mining Company in 1981. The property consist of 12-coal blocks measuring total area of 12,000 hectares. Six-(6) coal blocks were extensively explored by way of mapping, trenching, drilling, electrical logging and topographic surveying. The ground evaluation works of the Company resulted the delineation of seven-(7) coal seams of lignitic to sub-bituminous coal quality (steam grade). The Company at present has submitted all the requirements for the renewal and extension of its Coal Operating Contract (COC) with the Department of Energy (DOE).

- **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 in MGB. 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 People (NCIP) of the Free, Prior and Informed Consent (FPIC) requirement.

<u>SUBSIDIARIES AND AFFILIATES</u>

A. <u>LOGISTICS</u>

- **Arrow Freight Corporation (AFC**), a logistics company, reported a net loss of ₱12.5 million this year, as compared to the net income of ₱6.6 million in 2017 and net loss of ₱2.5 million in 2016 due to suspension of mining activities of its major client, BNMI. AFC was able to firm up its expanded services outside of nickel through aggregates and vibro-sand truck delivery. It is currently undertaking lahar sand hauling activity in Pampanga with G24 Construction.

- **Keystone Port Logistics Management & Services Corporation (KPLMSC),** the port and barging services provider of the Company reported a net loss of ₱40.2 million this year, as compared to the net income of ₱6.8 million in 2017 and ₱1.9 million net income in 2016.The loss this year includes ₱41.6 million provision for expected credit loss. For 2018, Keystone handled a total volume shipped out of 267,994 wet metric tons (wmt), lower as compared to the 530,690 wmt total volume in 2017 and 778,485 wmt total volume in 2016.

B. REAL ESTATE

- **BMC Forestry Corporation (BFC)** manages the lime kiln operation of Irisan Lime Project and real estate project. BFC continuous to develop and sell subdivision lots in its real estate project in Rosario, La Union, Woodspark Subdivision which reported a net income of ₱0.3 million this year, as compared to the net income of ₱0.3 million in 2017 and net income of ₱1.4 million in 2016.

C. HEALTHCARE

- **BenguetCorp Laboratories Inc. (BCLI)** continued to serve its core customers and the HMOs (Health Maintenance Organization) in all of its clinics in Baguio, Taytay, and San Fernando-Pampanga. Total revenues in 2018 driven by this segment plus corporate accounts, and others reached ₱42.9 million, lower than 2017 revenues of ₱64.2 million and ₱78.2 million in 2016 due to challenges in sales operations. As a result, BCLI reported a net loss of ₱34.9 million, higher as compared to the net losses of ₱14.8 million in 2017 and ₱11.0 million in 2016. A robust sales drive and increasing sales volumes for the next year is expected to improve BCLI's bottomline.

2. BUSINESS OF ISSUER

<u>Products or Services/Sales</u> – The Company currently produces and markets gold (silver by-product), nickel laterite ore, and quicklime and hydrated lime 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. The Company's wholly owned subsidiary and operator, Benguetcorp Nickel Mines, Inc. (BNMI) has off-take agreements with trading companies for the sale 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 past three years are as follows:

	2018 (% to total revenue)			2017 (% to total revenue)			2016 (% to total revenue)		
	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total
Gold	61%	-	61%	47%	-	47%	35%	-	35%
Lime	10%	-	10%	6%	-	6%	5%	-	5%
Nickel	-	22%	22%	-	41%	41%	-	53%	53%
Logistics & Others	7%	-	7%	6%		6%	7%	-	7%

The Company has no new products or service introduced in 2018 whether prototypes that are existing or in planning stage.

Competition – The gold produced by the Company are readily marketable. The gold is sold to Banko Sentral Ng Pilipinas and the market price is based on world spot market prices from the London Metal Exchange. The price of gold is currently at historically above average level but there is no assurance that the upward trend will continue. Because of the high demand for gold, there is virtually no competition in the industry and gold producers may easily sell their products. For nickel, the Company's wholly owned subsidiary, BNMI principally exports its nickel ore. The method of competition is basically on price and nickel ore grade. The prices are dictated by world market forces.

Sources of Raw Materials and Supplies - The ore mines from the Company's mining properties in Benguet Gold Operations (BGO) is the raw material for gold (silver by-product) produced, while in Sta. Cruz Nickel Project (SCNP) of the Company, the nickel laterite ore actually mined is directly exported/sold to foreign buyers. The limestone ore is the basic raw material of quicklime and hydrated lime produced by ILP.

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

Labor is generally provided by the Company's regular employees, augmented by contractors for certain activities and projects of BNMI. The Company also engaged the services of accredited mining contractors to do large scale underground mining in AGP.

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

Transactions with and/or Dependence on Related Parties – In the normal course of business, the Company has transactions with its subsidiaries which principally include: (a) Purchase of materials and supplies and services needed in its mining operations which are consummated at competitive prices, (b) Sales of mine products, (c) Rental of office space and certain machinery and equipment, and (d) Other transactions comprising of non-interest bearing cash advances for working capital requirements. The Company has dealings with its subsidiaries as follows:

a. On August 8, 2011, the Company was appointed as the exclusive marketing agent of its wholly owned subsidiary BNMI for a marketing fee per ton of nickel ore shipped, inclusive of value added tax (VAT).
b. In 2011, Arrow Freight Corporation (AFC), a wholly-owned subsidiary of BMC, started providing equipment services to the Company and operation of BNMI.

Terms and Expiration Dates of Royalty Contracts –The Company does not own or possess patents, trademarks or franchises on products and processes, but the Company has Operating Agreement with the claimowners, Balanga Bataan Minerals Corporation (BBMC) for its Pantingan Gold Prospect in Bagac, Bataan and Oreline Mining Corporation (OMC) for its Zamboanga Gold Prospect (BOLCO) in R.T. Lim, Zamboanga del Sur. Duration is up to end of mine life. The Company's healthcare services subsidiary, BenguetCorp Laboratories, Inc., is currently operating three (3) clinics under the trade name of Benguet Laboratories and MedCentral.

Government Regulations and Approval – All necessary business licenses and permits required for the continuous operation, production and sale of Company's products have been secured by the Company, including new licenses or permits as well as those that have to be renewed periodically. The following Mineral Production Sharing Agreement (MPSA) applications of the Company are under evaluation and approval by the Mines and Geosciences Bureau (MGB):

a) The Mineral Production Sharing Agreement (MPSA) application denominated as Production Sharing Agreement (APSA) No. 009 CAR for the Company's Benguet Gold Operation, Antamok

Gold Operation and Ampucao Copper-Gold Prospect in Itogon, Benguet and MPSA application denominated as APSA No. IX-015 for the Company's Zamboanga Gold Prospect in R.T. Lim Zamboanga del Sur are undergoing evaluation and pending resolution of appeal by the Mines Geosciences Bureau (MGB); and

b) The Foreign Technical Assistance Agreements (FTAA) in Ilocos Norte (AFTAA- 003) is undergoing Free, Prior and Informed Consent (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. In the case of probable government regulations, the effect or impact of such probable governmental regulations on the Company's operations could only be determined upon their passage and implementation.

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
2018	₱0.8	0.1%
2017	₱ 6	0.4%
2016	₱72	4.7%

Costs and Effects of Compliance with Environmental Laws – The Company's nickel and gold mining operations are ISO 14001:2015 certified or have an effective environmental management system in place to ensure all environmental impacts and risks are effectively managed and mitigated. The Company guided by the standards of the ISO 14001:2015 has continuously implemented environmental mitigation and enhancement programs, not only to meet compliance requirements but also to address community environmental issues, protection and sustainability for its mining operations. A total of ₱42.7 million was spent for the Company's Environmental Protection and Enhancement Program (AEPEP) in 2018. AEPEP includes the construction, enhancement and desilting of settling ponds, silt traps and drainage canals; maintenance of its wash bays; 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 and maintenance of all other critical environmental infrastructures were given priority. Regular water and air quality tests were conducted making sure the company passes the DENR standards required. During the year in review, the Company propagated 411,399 of various seedlings in its owned nurseries and planted about 360,595 seedlings of various endemic species rehabilitating about 166.03 hectares in compliance to the Company's progressive rehabilitation program and DENR's National Greening Program.

Employees – As of December 31, 2018, the Company has 675 employees, of whom are:

a.) 140 Administrative;
b.) 13 Clerical;
c.) 308 Exploration/operation; and
d.) 214 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 Resources and Development Policy Manual. Among the benefits provided by the Company are the following: free housing for managers at mine site, free 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 of 2019, the Company anticipates a reduction in workforce in its Acupan Gold Project (AGP) in Itogon, Benguet Province and Sta. Cruz Nickel Project in

Zambales Province due to retirement of some employees and the effect of pending decision by the Office of the President (OP) on the appeal filed by the Company regarding the DENR Cancellation Order of mining operations issued on February 8, 2017.

Business Risks – The Company is subject to Philippine laws and regulations governing environmental safety and other regulatory concerns and it is exposed to a range of potential risks from its mining business activities such as among others:

a. Non-compliance or failure to comply with environmental laws could affect the Company's mining activities. It 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:14001:2015 Certification on Environmental Management System (EMS). The certification makes the Company's gold and nickel operations fully compliant with the requirement of DENR DAO No. 2015-07. 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.

b. The Company's revenues are directly affected by the prices of the metal it produces, which are gold and nickel ore. A decline in metal prices will also affect financial condition, 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 appreciation of the Philippine Peso against the US dollar, ore grades, and mineable ore reserves.

c. 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.

d. The Company can face 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 in the long term on the Company's business, operating results and financial condition. This is true in nickel where there is price and grade competition among nickel mining companies. But this not true in gold, where there is no competition in the industry and gold producers may easily sell their product.

e. Mining activities in our country are monitored and highly regulated by the DENR. New government regulations could affect the Company's exploration or mining activities and entail additional costs. Under the present administration of the government, the DENR ordered the audit of all operating mines in the country. The gold mining operation of the Company was one of those recommended by DENR for the cancellation of authority to undertake mining operation under its Patent Claim PC-ACMP-002-CAR and its wholly owned subsidiary, BNMI's nickel mining operation was also recommended for the cancellation of its MPSA for violation of mining and environmental laws, rules and regulations. The Cancellation Orders have been appealed to the Office of the President (OP) and implementation of the appealed orders are stayed pending resolution of the cases by the OP.

Additional Requirements as to Certain Issues or Issuers – The Parent Company's outstanding principal debt subject to the 1992 Restructuring Agreement was reduced to ₱85.06 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.

Certain parcels of land of the Company was used as collateral to secure loan. Information on loan payable is presented in Note 14 of the Notes to 2018 Audited Consolidated Financial Statements under "Secured Loans".

ITEM 2. PROPERTIES

Parent Company: - The Company owns patented lands in Itogon, Benguet Province where its mine plants, mill and mining equipment, support and other facilities for its gold operations are located as follows: a) Acupan Group- 136.5832 hectares and b) Hartwell Group- 87.4093 hectares, It also owns investment properties in Itogon, Benguet Province such as: a) Antamok Group- 328.2807 hectares, b) Calhorr Group- 18.0000 hectares, and c) Kelly Group- 36.0000 hectares. It also owned various artworks and vehicles.

The Company continues to lease a unit at the Universal ReBuilding, 106 Paseo de Roxas, Makati City where its Corporate Head Office is situated. Rental is ₱63,175.00 per month 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 used as Citrus Plantation. After the Mt. Pinatubo eruption in 1991, the property was abandoned and most of the land was covered by lahar. The area with enormous lahar deposit is prospective for sand quarry while the slightly elevated land is potential for livestock, agriculture and farming business.

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 owns various vehicles for its operations. BNMI continues to lease ₱70,950,000 per month for office occupancy and ₱34,897 per month for two (2) staff houses occupancy in Sta. Cruz, Zambales. The lease is 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 operations. BCLI continues to lease for its business operation occupancies in SM Baguio Cyberzone at ₱271,656 per month; in Central Mall, Baguio City at ₱106,951 per month; in San Fernando, Pampanga at ₱108,909 per month; and in Taytay, Rizal at ₱235,253 per month. The lease is inclusive of VAT and 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 Monterraza 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 3rd 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 industrial purposes. It also owns 8 dump trucks and various vehicles for logistics operation.

The Company and its subsidiaries have no intention at present to acquire any significant property in the next 12 months.

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. The following are identified material legal proceedings which are pending litigation involving the Company, including its subsidiaries:

Title of Case	Nature of Case
DENR Order of Cancellation O.P. Case No. 17-B-040	The DENR Order of Cancellation dated February 8, 2017 cancelling BNMI's Mineral Production Sharing Agreement No. 226-2005-III (MPSA No. 226-2006-III) for violation of certain provisions of mining and environmental laws, rules and regulations was appealed to the Office of the President (OP) on February 22, 2017 and implementation of the appealed order is stayed. Case is awaiting resolution by the OP.
DENR Order of Cancellation O,P. Case No. 17-B-047	On February 14, 2017, the Company received an Order of Cancellation dated February 8, 2017 from the Department of Environment and Natural Resources (DENR) cancelling its authority to undertake mining operation under the Patent Claim (PC-ACMP-002-CAR) in Itogon, Benguet Province for violation of certain provisions of mining and environmental laws, rules and regulations. The Cancellation Order has been appealed to the Office of the President (OP) on February 22, 2017 and implementation of the appeared order is stayed. Case is awaiting resolution by the OP.
Benguet Corporation (BC) vs. Baguio Water District (BWD), Civil Case No. 6638-R / CA-GR-SP #146605	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 cubic meters of treated potable water per day to Baguio City. 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 and the CA rendered a decision on July 7, 2017 denying the Petition. The Company filed a Motion for Reconsideration.

	On May 31, 2018, the Company filed a manifestation that it is not pursuing the present petition, instead it decided to file a separate civil action for damages against BWD. This is in line with the BC MOA with Manila Water for the sale of Labong River water permit. In the MOA, the Company undertook not to compete in similar project or withdraw any pending legal actions against BWD to ensure that there are no legal obstacles to Manila water project. The Company also executed a Deed of Assignment of water rights to Manila water, which, after posting and hearing, the NWRB approved the transfer of water permit.
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 NGCP vs. BC, CA-G.R. SP No. 138053, Sixth Division, Court of Appeals BC vs. NGCP/Hon. Judge RTC 100 CA-GR SP No. 158031. Petition for Prohibition	On October 23, 2013, a collection case was 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). 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. 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. On October 22, 2018, BC filed a Petition for Prohibition to prohibit the RTC from enforcing the August 8, 2018 Decision. Pending the petition and MR filed by CMI, the RTC 100 issued a Writ of Execution on November 9, 2018. A subsequent petition for issuance of TRO and Writ of Execution, injunction was filed on November 22, 2018. On November 29, 2018, several UCBP accounts were garnished pursuant to the Writ of Execution. On January 23, 2019, the CA promulgated a Resolution denying the petition filed. An MR was filed on February 15, 2019 which is pending resolution. On January 25, 2019, a Sheriff return was issued by the OCC-RTC, Quezon City, stating that the Writ of Execution was duly implemented in full satisfaction of the judgment award.
Social Security System (SSS) vs. Benguet Corporation (BC) – SSS Case No. 8-18036-07	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. 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. 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. The SSS Commissioner issued a Resolution dated October 24, 2018, finding BC liable for unremitted SSS contributions of the miners belonging to the contactor. On January 30, 2019, BC filed a Motion for Reconsideration of the said Resolution, which is still pending resolution.

The Company and its subsidiaries are 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 business.

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

In the November 8, 2018 Annual Stockholders' Meeting of the Company, no election of directors was held because the 1993 Supreme Court Temporary Restraining Order (TRO) enjoining the holding of elections of directors, has not been lifted. Since no election of directors was held, the Company's incumbent directors (the composition of the Board of Directors is presented in Item 9 of this report) remained in office on hold-over capacity until their successors shall have been duly elected and qualified.

All matters taken up and voted upon at the annual meeting including tabulation of votes in person and by proxy for approval, against and abstention to each matter and the results of annual stockholders' meeting were disclosed to the SEC and PSE under SEC Form 17-C. The disclosure has been posted at the Company's website

Except for the matters taken up in the November 8, 2018 Annual Stockholders' Meeting of the Company, 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 shares, two of which (the Common Class A with a par value of ₱1.00 per share and Convertible Preferred Class A shares with a par value of ₱3.43 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 ₱1.00 per share which may be owned by anyone regardless of nationality. The Company's shares are listed on the Philippine Stock Exchange (PSE) and traded on the PSE under the trading symbol of "BC" for Common Class A; "BCB" for Common Class B; and "BCP" for Convertible Preferred Class A shares.

As of April 23, 2019, the closing price of the Company's Class A share in the PSE is ₱1.28 per share and Class B share is ₱1.20 per share. The closing price of the Company's Convertible Preferred Class A on the last trading day of June 23, 2016 is ₱12.02 per share.

a) The high and low prices of the Company's shares in the PSE for the first quarter 2019 are as follows:

	High Price	Low Price
Common Class A	₱1.50/share	₱1.12/share
Common Class B	₱1.57/share	₱1.11/share
Convertible Preferred Class A	- No trading (last trading day is June 23, 2016)	

b) The high and low prices of the Company's shares for each quarter of 2018 and 2017 are as follows:

	1ST QUARTER		2ND QUARTER		3RD QUARTER		4TH QUARTER	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
CONVERTIBLE PREFERRED CLASS A*								
Highest Price Per Share	**₱ -**	**₱ -**	**₱ -**	**₱ -**	**₱ -**	₱ -	**₱ -**	**₱ -**
Lowest Price Per Share	**-**	-	**-**	-	**-**	-	**-**	-
COMMON CLASS A								
Highest Price Per Share	**₱1.99**	₱2.25	**₱1.70**	₱2.61	**₱1.70**	₱2.10	**₱1.55**	₱2.01
Lowest Price Per Share	**1.61**	1.75	**1.45**	1.70	**0.97**	1.83	**1.00**	1.69
COMMON CLASS B								
Highest Price Per Share	**₱1.96**	₱2.35	**₱1.84**	₱2.61	**₱1.70**	₱2.24	**₱1.50**	₱2.18
Lowest Price Per Share	**1.60**	1.79	**1.41**	1.65	**0.87**	1.82	**0.90**	1.65

(*) No trading transactions in 2018 and 2017.

Holders – As of December 31, 2018, the Company's public float is 45.44% and of the Company's 16,931 shareholders with 615,988,244 outstanding shares (consisting of 370,739,961 common Class A, 245,031,222 common class B and 217,061 Convertible Preferred Class A shares) of which 91,338,657 common class B shares or 14.82% of the total outstanding shares of the Company are owned by foreign nationals and institutions.

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)	176,065,274	47.49%
Palm Avenue Holding Company, Inc.	65,624,727	17.70%
Palm Avenue Holdings Company and/or Palm Avenue Realty Corporation	63,920,490	17.24%
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)	5,067,846	01.37%
FEBTC TA 4113-00204-5	3,016,623	00.81%
Cynthia Manalili Manalang	1,500,000	00.40%
RP Land Development Corporation	960,000	00.26%
Sysmart Corporation	868,956	00.23%
Pan-Asia Securities Coporation	590,400	00.16%
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%
Sun Hung Kai Sec. A/C# YUO34	356,625	00.10%
Marilex Realty Development Corporation	331,200	00.09%
Enrique T. Yuchengco, Inc.	257,376	00.07%
Luis Juan L. Virata	234,003	00.06%
Franciso M. Vargas	219,000	00.06%
The First National Investment Company	188,130	00.05%

B. Common Class “B” Share

Name	Number of Shares Held	Percent to Total Outstanding Per Class
PCD Nominee (Filipino)	104,803,839	42.77%
Palm Avenue Realty and Development Co.	43,680,000	17.90%
PCD Nominee (Non-Filipino)	32,970,044	13.45%
Cede & Co	29,674,860	12.11%
David L. Sherman	2,961,747	01.21%
Pan Malayan Management & Investment Corporation	2,100,000	00.86%
Michael Vozar TOD Sharon K. Vozar Sub To Sta Tod Rules	736,260	00.30%
Charles F. Carroll TTEE, UA 05/24/95 FBO Carroll Family Trust 1	543,000	00.22%
National Financial Services	504,033	00.21%
Fairmount Real Estate, Inc.	484,257	00.20%
Independent Realty Corporation	483,441	00.20%
Evelyn B. Stephanos TR US 05/12/11 Elizabeth Bakas Irrev Trust	450,000	00.18%
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	00.15%
HSBC Private Bank (Suisse) SA 9-17 Quai Des Bergues	303,795	00.12%
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%

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%
Evengeline Alave	1,720	00.79%
Maverick Marketing Corporation	1,720	00.79%
Jayme Jalandoni	1,380	00.64%
Rosendo U. Alanzo	1,376	00.63%
Romelda E. Asturias	1,376	00.63%
Rosalina O. Ariacho	1,324	00.61%
CMS Stock Brokerage Inc.	1,324	00.61%
Luisa Lim	1,238	00.57%
Delfin GDN Jalandoni	1,118	00.52%
Ventura O. Ducat	1,032	00.48%
Conchita Arms	1,000	00.46%
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 2018 and 2017 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 per centum (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 Stock Option Plan (the "Plan"), as of December 31, 2018, the following options were exercised in the May 3, 2011 stock option grant:

   a) 42,600 Class "A" shares at option price of ₱16.50/share with par value of ₱3.00/share;
   b) 28,285 Class "B" shares at option price of ₱17.50/share with par value of ₱3.00/share;
   c) 313,500 Class "A" shares at option price of ₱1.69/share with par value of ₱1.00/share; and
   d) 94,800 Class "B" shares at option price of ₱1.91/share with par value of ₱1.00/share.

   In the September 7, 2012 stock option grant the following were exercised:

   a) 540,000 Class "A" shares at option price of ₱1.69/share with par value of ₱1.00/share; and
   b) 360,000 Class "B" shares at option price of ₱1.91/share with par value of ₱1.00/share

   The shares granted under the Company's Plan were exempted from registration under SEC Resolution No. 084 dated March 31, 2008 and the listing of the shares was approved by the PSE.

b. Pursuant to the Stock Subscription Agreement dated February 9, 2015, RYM Business Management Corporation (RBMC) 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 ₱9.00 per Class A share and 3,911,080 Class B common shares at ₱9.00 per Class B share, both with par value of ₱3.00/share. The subscription shall be effective when the Company obtained approval from the SEC of the increase of its authorized capital stock, from where the additional subscription will be sourced. On September 28, 2015, the Company obtained approval from the SEC of the increase of its authorized capital stock. On October 8, 2015, the Company filed a Notice of Exempt Transaction under SEC Form 10.1 and also, it had obtained approval from the PSE the listing of the subscribed shares. The sale of shares 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, 2018 and 2017 prepared in conformity with PFRS hereto attached in the Exhibits.

The financial information for the three years ended December 31, 2018, 2017 and 2016 are as follows:

A. FOR THE YEARS ENDED DECEMBER 31, 2018 VERSUS. 2017

CONSOLIDATED RESULTS OF OPERATIONS

Consolidated net income for 2018 amounted to ₱119.1 million, significantly higher than the net income of ₱21.5 million in 2017. The increase/decrease in net income was the net effect of the following:

Revenues
The Company registered consolidated revenues of ₱1,008.7 million for 2018, 31% lower than ₱1,462.9 million in 2017. The negative variance is due to lower shipment of nickel ore and gold production. BNMI sold 4 boatloads of nickel ore ranging from 1.3% to 1.4% aggregating 218,635 tons at an average price of US$20.50/ton versus 10 boatloads of 1.3% to 1.4% nickel ore aggregating 530,690 tons at an average price of US$21.83/ton in 2017. Gold production for 2018 decline to 9,216 ounces from 10,923 ounces in 2017. The decline is due to lower tons milled. The Acupan Gold Project (AGP) milled 44.1 million tons this year compared to 53.9 million tons last year.

Operating and Other Expenses
Cost and operating expenses decreased by 19% to ₱1,209.1 million from ₱1,492.9 million in 2017 mainly due to lower shipment tonnage of nickel ore this year.

Other income this year increased by 316% to ₱337.7 million versus ₱81.2 million in 2017. The increase was attributable mainly from the ₱605.8 million revaluation gain on investment property partly offset by impairment losses booked this year. Other income last year was attributable to the ₱45.6 million gain on sale of equipment and ₱38.6 million gain on write-off of loans.

Provision for income tax of ₱13.4 million for this year pertains to the minimum corporate income tax of the BC (Parent company), Benguetcorp Nickel Mines, Inc. (BNMI) and Keystone Port Logistics and Management Services Corporation (Keystone).

FINANCIAL POSITION

Assets
The Company's consolidated total assets as of December 31, 2018 slightly increase to ₱6.63 billion from the ₱6.57 billion in 2017. The slight increase is the net effect of the following:

Cash and cash equivalent increased by ₱237.6 million mainly from the ₱326.6 million tax refund obtained from the Bureau of Internal Revenue.

Receivables decreased to ₱210.9 million from ₱761.7 million, mainly from collection of nickel ore sold in the previous year, impairment losses and reclassification to other noncurrent assets.

Inventories decreased by 23% to ₱129.0 million from ₱167.3 million mainly from the 218,635 tons of nickel ore sold this year.

Property, plant and equipment at revalued amount increased to ₱1,236.5 million from ₱1,070.3 million mainly due to the revaluation land as determined by an independent appraiser.

Property, plant and equipment at cost decreased by 13% to ₱964.2 million from ₱1,108.8 million in 2017 mainly due to the disposal of some equipment.

Financial assets measured at fair value through other comprehensive income (FVOCI) pertains to the AFS financial assets consisting of UITF quoted shares.

Asset classified as held for sale of ₱4.1 million in 2018 pertains to the land situated in San Pedro Laguna owned by Arrow Freight Corporation.

Investment properties increased by 38% to ₱2,217.6 million from ₱1,611.7 million in 2017 mainly from the ₱605.8 million revaluation gain booked this year.

Decrease in deferred mine exploration costs to ₱539.0 million from ₱621.7 million is due to the provision for impairment losses of ₱72.1 million provided this year and write-off of deferred mine exploration cost amounting to ₱11.5 million.

Deferred tax assets increased to ₱73.6 million from ₱69.4 million in 2017 mainly due to increase in unrealized foreign exchange loss and impairment of inventories.

Other noncurrent assets increased to ₱307.2 million from ₱159.2 million mainly due to the reclassification of some nontrade receivables.

Liabilities
Total consolidated liabilities as of December 31, 2018 decreased to ₱2,689.4 million from ₱2,860.7 million as of December 31, 2017. The decreased was due to the following:

Trade and other payables, mainly payables to suppliers and contractors, decreased to ₱858.6 million from ₱1,028.0 million.

Decreased in loans payable is mainly due to the settlement of loans from Malayan Savings Bank

Decreased in Income tax payables is attributable to the repayment of ₱22.9 million payables in 2017.

Liability for mine rehabilitation slightly decreased to ₱90.3 million from ₱100.9 million in 2017.

Pension liability increased to ₱54.1 million from ₱46.4 million last year mainly due to the additional service earned by employee this year.

Equity
Stockholders Equity at year-end amounted to ₱3,938.1 million, higher than the ₱3,704.6 million in 2017. The increase is mainly attributable to the income earned this year.

Consolidated Cash Flow
The net cash from operating activities for 2018 amounted to ₱269.9 million attributable mainly from the ₱326.6 million tax refund obtained from the Bureau of Internal Revenue and collection of nickel ore sold last year compared to the ₱40.2 million cash used last year.
During the year, the Company generate ₱3.6 million from the sale of some disposable equipment. The company invested ₱0.85 million in exploration activities and ₱8.2 million in mining equipment for the expansion of its Acupan Gold Project.

In 2018, the Company obtained ₱10.0 million loan from a local company. The amount was used in the repayment of outstanding loan with Malayan Savings Bank.

B. FOR THE YEARS ENDED DECEMBER 31, 2017 VERSUS 2016

CONSOLIDATED RESULTS OF OPERATIONS

Consolidated net income for 2017 amounted to ₱21.5 million, a turnaround from the net loss of ₱167.4 million in 2016. The increase/decrease in net income was the net effect of the following:

The Company registered consolidated revenues of ₱1,462.9 million for 2017, 5% lower than ₱1,534.2 million in 2016. The negative variance is due to lower shipment of nickel ore partly offset by increase in gold production. BNMI sold 10 boatloads of 1.3% to 1.4% nickel ore aggregating 530,690 tons at an average price of US$21.83/ton this year versus 15 boatloads ranging from 1.5% to 1.8% aggregating 778,485 tons at an average price of US$23.05/ton for the same period in 2016. The decline in nickel shipment is mainly attributed to suspension of BNMI mining operation. On the other hand, gold production for 2017 increased to 10,923 ounces versus 9,166 ounces in 2016. The increased production enabled AGP to generate revenue of ₱691.2 million this year, 30% higher versus ₱542.2 million last year.

Cost and operating expenses in 2017 decreased by 7% to ₱1,492.9 million from ₱1,608.1 million in 2016 mainly due to lower shipment tonnage of nickel ore this year.

Decrease in interest expense in 2017 is mainly due to the repayment of Malayan Savings Bank loan.

Other income in 2017, mainly from gain on sale of equipment and gains on write-off of loans, amounted to ₱81.2 million, in contrast to other expense of ₱156.3 million in 2016.

Provision for income tax of ₱25.2 million in 2017 pertains to the regular corporate income tax of BC (Parent Company), Benguetcorp Nickel Mines, Inc. (BNMI) and Keystone Port Logistics and Management Services Corporation (Keystone).

FINANCIAL POSITION

Assets
The Company's consolidated total assets as of December 31, 2017 slightly increased to ₱6.57 billion from the ₱6.56 billion in 2016. The slight increase is the net effect of the following:

Cash and cash equivalent increased by ₱21.9 million mainly from cash provided by operation and proceeds from sale of mine equipment.

Receivables increased to ₱761.7 million from ₱723.1 million, mainly from nickel ore sold this year.

Inventories decreased by 30% to ₱167.3 million from ₱238.2 million mainly from the 10 boatloads of nickel ore sold this year.

Property, plant and equipment at cost decreased by 5% to ₱1,108.8 million from ₱1,171.2 million in 2016 mainly due to the sale of idle equipment and scrap materials.

Deferred tax assets increased to ₱69.4 million from ₱34.5 million last year mainly due to increase in NOLCO and Minimum Corporate Income Tax (MCIT).

Liabilities
Total consolidated liabilities as of December 30, 2017 decreased to ₱2,860.7 million from ₱2,901.5 million as of December 31, 2016. The decrease was due to the following:

Trade and other payable, mainly payables to suppliers and contractors, slightly increased to ₱1,028.0 million from ₱1,023.4 million.

Decrease in loans payable is partly attributed to the settlement of loans from Malayan Savings Bank and partial payment of loan obtained thru tripartite off-take agreement for the sale of nickel ore.

Decrease in obligations under finance lease is attributed to the full repayment of loan with BDO leasing.

Increase in income tax payable pertains to income tax due to BenguetCorp..

Liability for mine rehabilitation in 2017 slightly increased to ₱100.8 million from ₱95.9 million in 2016.

Pension liability decreased to ₱46.4 million from ₱78.6 million mainly due to retirement of some personnel directly paid by the Company.

Equity
Stockholders Equity at year-end 2017 amounted to ₱3,704.6 million, higher than ₱3,657.1 million in 2016. The increase is partly attributed to the income earned this year.

Consolidated Cash Flow
The net cash flow from operating activities for 2017 amounted to ₱55.0 million compared to the ₱40.2 million cash used in 2016. In 2017, the Company received the full payment of ₱2.4 million from the sale of idle equipment and scrap materials. The Company invested ₱5.6 million in exploration activities and ₱20.3 million in mining equipment for the expansion of its Acupan Gold and Sta. Cruz Nickel Projects.

In 2017, the Company obtained ₱70.0 million loan from a local bank. The amount was used in operations.

C. <u>Key Performance Indicators</u>

The Company's considered the following top five 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, 2018, the Company's current ratio is 0.92:1 versus 1.11:1 in 2017 and 1.09:1 in 2016.

Metal Price –
The Company's revenue is largely dependent on the world market prices for gold and nickel. The favorable metal prices will also have a favorable impact on the Company's revenue. The market price of gold in the Bangko Sentral ng Pilipinas which is based from world spot market prices provided by the London Metal Exchange for gold is the key indicator in determining the Parent Company's revenue level. The average market prices for gold sold were at US$1,274.67 per ounce in 2018, US$1,260 per ounce in 2017 and US#1,250 per ounce in 2016. Nickel ore was sold at average price of US$20.50/ton this year versus US$21.83/ton in 2017and US$23.05/ton in 2016.

Tons Milled and Ore Grade –
Tons milled and ore grade is a key measure of operating efficiency. A lower unit production cost both in ore milled and smelting operation will result in the Company meeting, if not exceeding, its profitability targets. Tons milled totaled 44,073 in 2018 with average ore grade of 6.54 grams per ton of gold, compared with 53,893 tons in 2017 with average ore grade of 6.83 grams per ton of gold and 40,156 tons in 2016 with average grade of 7.71 grams per ton of gold. Gold sold in 2018 were 9,263 ounces versus 10,923 ounces sold in 2017 and 9,166 ounces sold in 2016. BNMI sold nickel ore this year with an aggregate volume of 218,635 tons ranging from 1.3% to 1.4% Ni grade versus in 2017 of 530,690 tons of nickel ore ranging from 1.3% to 1.4% Ni grade and in 2016 of 778,485 tons of nickel ore ranging from 1.5% to 1.8% Ni grade.

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, 2018, the peso to dollar exchange rate was at ₱52.58 higher as compared to ₱49.93 in 2017 and ₱49.72 in 2016.

Earnings Per Share –
The earnings per share ultimately reflects the Company's financial and operational growth as a result of its performance in cost management, productivity and will provide investors comparable benchmarks relative to similar companies. The reported Company earnings per share in 2018 is ₱0.19, compared with the earnings per share of ₱0.03 in 2017 and loss per share of ₱0.27 in 2016.

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

The Company foresees cash flow or liquidity concerns over the next twelve (12) months due to continuing suspension of BNMI's mining operation resulting from regulatory issues which DENR has not yet resolved. No nickel mining was conducted during the year. The continued gold production from AGP, steady market of ILP's quicklime, disposal of non-performing assets, tax refunds from the Bureau of Internal Revenue (BIR) and borrowing under the available credit facilities will generate adequate cash for the Company to meet its minimum operating cash requirement. Given favorable market price, the Company is confident that its wholly owned subsidiary, BNMI will continue to market its saleable stockpiled nickel ores. On July 31, 2018, BNMI has been issued ISO 14001:2015 Certification with scope of Stockpile Nickel Ore Transport and Port Loading which allowed it to remove and sell the existing stockpiles at mine site. BNMI will resume hauling of saleable stockpiles from the mine site in 2019.

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 ₱85.06 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 (including contingent obligations), and other relationship of the Company with unconsolidated entities of other persons created 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:

- 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;

- Material changes in the financial statements of the Company from the year ended December 31, 2018 to December 31, 2017; and

- Seasonal aspects that had a material impact on the Company's financial condition or results of operations.

ITEM 7. FINANCIAL STATEMENTS

The audited consolidated financial statements (Benguet Corp & Subsidiaries) and audited financial statement (Parent) for the period ended December 31, 2018 is presented in Part V, Exhibits and Schedules, which said audited financial statements form part of this annual 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 August 16, 2018 and November 8, 2018, respectively. Audit services of SGV for the calendar year ended December 31, 2018 included the examination of the parent and consolidated financial statements of the Company, assistance in the preparation of annual income tax return and other services related to filing of reports made with the Securities and Exchange Commission (SEC).

The Company is in compliance 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 2017 and 2018 is Mr. Alexis C. Zaragoza, SEC accredited auditing partner of SGV. This is Mr. Zaragoza's second year as engagement partner for the Company. No event has 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 ₱5.5 million for 2018 and ₱5.4 million for 2017. 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 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. BOARD ATTENDANCE

Board	Name	Date of Election	No. of Meetings Held During the Year 2018	No. of Meetings Attended	%
Chairman	Daniel Andrew G. Romualdez	Nov. 8, 2018	4	4	100%
Member	Maria Remedios R. Pompidou	Nov. 8, 2018	4	3	75%
Member	Luis Juan L. Virata	Nov. 8, 2018	4	2	50%
Independent	Bernardo M. Villegas	Nov. 8, 2018	4	4	100%
Independent	Rhodora L. Dapula	Nov. 8, 2018	4	3*	100%
Independent	Reginald S. Velasco	Nov. 8, 2018	4	2**	100%
Member	Edgar Dennis A. Padernal	Nov. 8, 2018	4	2**	100%
Member	Jose Raulito E. Paras	Nov..8, 2018	4	2**	100%
Member	Jennelyn F. Go	Nov. 8, 2018	4	2**	100%
Member	Jesse Hermogenes T. Andres	Nov..8, 2018	4	2**	100%

(*) Three (3) board meetings were held after her appointment as Independent Director effective August 16, 2018.

(**) Two (2) board meetings were held after their appointment as member of the board of directors on August 16, 2018.

B. DIRECTORS

The Directors of the Company are elected at the Annual Stockholders' Meeting to hold office until the next succeeding annual meeting or until their respective successors have been elected and qualified. In the November 8, 2018 Annual Stockholders' Meeting, no election was held because the Temporary Restraining Order (TRO) issued by the Supreme Court enjoining the election of directors remained in force. The incumbent directors of the Company continued to remain in office on holdover capacity. Below are their ages, citizenship, brief descriptions of 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, 59 years old, Filipino citizen
Mr. Romualdez has been the Chairman of the Board of Directors since July 21, 2011. He first became a Director of the Company by appointment on October 22, 2002 and has served as Vice Chairman of the Board of Directors (January 9, 2009-July 20, 2011). He is also Chairman of the Executive Committee 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 Balamotis 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, 52 years old, Filipino citizen
Ms. Pompidou first became a Director of the Company by appointment on October 25, 2000. She is currently the Chairman of BenguetCorp Laboratories, Inc., a wholly owned subsidiary of the Company (2013 to present); member of the Executive 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, 65 years old, Filipino citizen
Mr. Virata first became a Director of the Company by appointment on August 8, 1995. He is member of the Related Party Transactions Committee of the Company. He is currently the Chairman and Chief Executive Officer of CLSA Exchange Capital, Inc., an investment banking joint venture formed in 2001 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 President of Exchange Properties Resources Corporation; a major Shareholder and Director of Nickel Asia Corporation; Chairman of Cavitex Holdings Inc.; and 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 of Wharton School of the University of Pennsylvania, and Founder, Trustee of Asia Society Philippine Foundation and the Metropolitan Museum of Manila. Other previous positions he held include Director and interim President of Philippine Airlines. 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

JOSE RAULITO E. PARAS, 46 years old, Filipino citizen
Atty. Paras first became a Director of the Company by appointment on August 16, 2018. He is Member of Salary (Compensation), Nomination and Board Risk Oversight Committees of the Company. He is currently a partner at the Andres Padernal & Paras Law Offices since 2004. He obtained his Bachelor of Laws degree from the San Beda University (*class valedictorian*). After placing 5th in the 1997 Bar Exams, he started as an associate of the PECABAR law firm. He then joined the Lepanto Consolidated Mining Company and affiliates as General Counsel until 2003. He completed his Masters of Laws in Environmental Law at the University of Sydney. Currently, he is Director of Zeus Holdings, Inc., a publicly listed company.

Directorship in other Listed Companies in the Philippines
1. Zeus Holdings, Inc.
2. Manila Mining Corporation (as of April 16, 2019)

REGINALD S. VELASCO, 67 years old, Filipino citizen
Mr. Velasco first became as Independent Director of the Company by appointment on August 16, 2018. Mr. Velasco is the Secretary General of National Unity Party since 2013. He graduated MA Political Science and candidate for Doctor of Philosophy in Political Science at the University of the Philippines. He also took special study in Investment Negotiation Course at the Georgetown University Washington, D.C. USA. Formerly, he was Director of U.S. Section-Office of American Affairs (1991-1992) and Office of Asean Affairs of the Department of Foreign Affairs (Manila) in 1992-1993. His other professional experience includes, Appointment as Lecturer at the University of the Philippines (Manila) in 1973-1974 & 1981-1982 and Lyceum of the Philippines (Manila) in 1973-1974; Chief – International Division, Policy Coordination Staff of the National Economic and Development Authority (Manila) in 1978-1982; Second Secretary & Consul & Chief of Economic Section of the Philippine Embassy Washington, D.C. USA in 1989-1991; Vice President for Project Financing, Venture Industries Management (Makati City) and Development Corporation (1993-1994); and Public and Media Relations Consultant, Micron Public Affairs, Inc. (Makati City) in 1994-1995.

Directorship in other Listed Companies in the Philippines - None

RHODORA L. DAPULA, 41 years old, Filipino citizen
Atty. Dapula first became as Independent Director of the Company by appointment on August 16, 2018. She is chairman of the Nomination Committee and member of Audit and Corporate Governance Committees of the Company. She is a partner in Dapula, Dapula and Associates Law Offices since August 2007; and President/CEO of G.D. Brains and Castles Inc., and Proficientlink Realty Corporation since 2017. She is a CPA-Lawyer, Professional Regulation Commission (PRC) Licensed Real Estate Broker, PRC Licensed Real Estate Appraiser, PRC Licensed Environmental Planner and Licensed Life and Variable Life Financial Advisor. She is a PRC accredited lecturer for Real Estate Service Seminars and Trainings.

Directorship in other Listed Companies in the Philippines - None

Representing Holders of Common Class B Stock of the Company:

JENNELYN F. GO, 41 years old, Filipino citizen
Atty. Go first became a Director of the Company by appointment on August 16, 2018 and member of Stock Option and Audit Committees of the Company. Atty. Go is a CPA-Lawyer. She is a Partner and accredited CPA in Commerce and Industry Practice for D.S. Tantuico & Associates; Director II, Cashiering Service of the House of Representatives since March 18, 2019; Director of Universal Re Condominium Corporation since 2016; Corporate Secretary of Kagitingan Printing Press, Inc., and Kamahalan Publishing Corporation since 2010; and Assistant Corporate Secretary of Philippine Manila Standard Publishing, Inc. since 2016. Formerly, she was Advertising Services Manager of Philippine Journalists, Inc. (2006-2012).

Directorship in other Listed Companies in the Philippines - None

JESSE HERMOGENES T. ANDRES, 52 years old, Filipino citizen
Atty. Andres first became a Director of the Company by appointment on August 16, 2018 and chairman of Salary (Compensation) Committee of the Company. He is a litigation lawyer and a partner in Andres Padernal & Paras Law Offices. He obtained his Bachelor of Laws in 1990 and his Bachelor of Arts in Economics (Dean's List) in 1984, from the University of Philippines-Diliman. He was admitted to the Bar in 1991. His professional experience includes: In November 1990, he joined the Ponce Enrile Reyes & Manalastas Law Offices (PECABAR) as an associate, and in July 1996 he became a partner. He became Co-Head of PECABAR's litigation department in 1998-2001; and he served as Trustee and Chairman of the GSIS Corporate Governance Committee from 2004-2010. He has attended international seminars on Alternative Dispute Resolution Methods, Corporate Governance and Risk Management.

Directorship in other Listed Companies in the Philippines - None

EDGAR DENNIS A. PADERNAL, 60 years old, Filipino citizen
Atty. Padernal first became a Director of the Company by appointment on August 16, 2018. He is chairman of Stock Option Committee of the Company. He is a litigation lawyer and a partner in Andres Padernal & Paras Law Offices. He obtained Bachelor of Laws in 1984 from Ateneo College of Law, and his Bachelor of Arts in History-Political Science in 1980 from De La Salle University. He was admitted to the Bar in 1985. Right after law school, he worked with the Supreme Court at the Office of the Chief Justice, Felix V. Makasiar, and then at the Office of the Court Administrator. He then worked in the Trenas Law Offices, the Acaban Corvera del Castillo Law Offices, and the Lagustan and Mabasa Law Offices. In 1996, he joined the Ponce Enrile Reyes & Manalastas Law Offices (PECABAR) and became a partner of PECABAR in July 1998-March 2004.

Directorship in other Listed Companies in the Philippines - None

BERNARDO M. VILLEGAS, 80 years old, Filipino citizen
Mr. Villegas first became a Director of the Company 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, Corporate Governance and Related Party Transactions Committees and member of the Salary (Compensation), Stock Option, Executive, Nomination and Board Risk Oversight Committees 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; He is Director and Consultant of Transnational Diversified, Inc. (1998 to present) and Alaska (1999 to present). Member of the Boards of Dualtech Foundation (1998 to present); and Columnist, Manila Bulletin (1964 to present). Formerly, he was Director of Makati Business Club (1981-2010); Director, Phinma Foundation (1995-2001); Director, Pilipinas Shell Foundation (1995-2001); Senior Vice President, University of Asia and the Pacific (2004-2006); Chairman, Center for Research and Communication (1995); 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

C. EXECUTIVE OFFICERS

None of the executive officers of the Company are government employees. The executive officers of the Company are appointed or elected annually to a one-year term (subject to removal) by the Board of Directors immediately following the Annual Stockholders' Meeting. The following are the present executive officers of the Company, and their respective ages, citizenships, positions held in the Company and its subsidiaries and brief description of business experience are presented below.

REYNALDO P. MENDOZA, 61 years old, Filipino citizen
He is the Senior Vice President for Legal & Public Affairs of the Company since August 25, 2006 and Assistant Corporate Secretary (2002 to present). He is also Chairman and Acting President of Acupan Gold Mines, Inc.; Acting Chairman of BenguetCorp Nickel Mines, Inc., Agua de Oro Ventures, Inc., Ifaratoc Mineral Resources Corp. and Pillars of Exemplary Consultants, Inc.; Acting Chairman and President of Sagittarius Alpha Realty Corporation; Director and President of Batong Buhay Mineral Resources Corp.; Director and Acting President of Benguet Pantukan Gold Corporation and Berec Land Resources, Inc.; Director of BenguetCorp Laboratories, Inc., BMC Forestry Corporation, Balatoc Gold Resources Inc. Benguetrade, Inc. and BC Property Management; Director and Corporate Secretary of Benguet Management Corporation, Arrow Freight Corporation and Keystone Port Logistics and Management Services Corp. 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, 54 years old, Filipino citizen
She is the Senior Vice President for Finance & Controller, Nickel Marketing, Logistics & Other Services since March 21, 2018. She is also the Compliance Officer for Corporate Governance of the Company since June 1, 2018. Formerly, she was Senior Vice President for Finance & Treasurer, Nickel Marketing Officer (November 2015-March 2018); Vice President for Corporate Planning, Chief of Staff and Assistant Treasurer (August 2006-November 2015); Risk Management Officer (March 2011-March 2018) and the Compliance Officer for Corporate Governance of the Company (Dec 2016-March 2018). She also holds various positions and directorship in the following subsidiaries of the Company: Concurrent Vice President-Marketing and Director of BenguetCorp Nickel Mines, Inc. (2014-present); Chairman of Arrow Freight Corporation and Batong Buhay Mineral Resources Corporation; Acting Chairman/President of Benguet Management Corporation; Acting Chairman/Acting President of BC Property Management, Inc.; Acting Chairman of Keystone Port

Logistics and Management Services Corporation, BMC Forestry Corporation, Benguet Pantukan Gold Corporation and Berec Land Resources Inc; Acting Chairman/Treasurer of Balatoc Gold Resources Corporation and Benguetrade, Inc.; Director/Acting President of Ifaratoc Mineral Resources Corporation; Director, President and COO of Pillars of Exemplary Consultants, Inc.; Director/Treasurer of Agua de Oro Ventures Inc.; and Director of BenguetCorp Laboratories Inc., Sagittarius Alpha Realty Corporation and Acupan Gold Mines, Inc. Formerly, she was Director of BenguetCorp Nickel Mines Inc. (2009-2011) and Kingking Copper-Gold Corp. (2008-2011).

MAX D. ARCEÑO, 57 years old, Filipino citizen
He is the Vice President for Finance, Treasurer & Taxation/Materials of the Company since March 21, 2018. Formerly, he is Vice President for Accounting and Treasurer (March 2013-March 2018) and Assistant Vice President for Treasury (July 2011-February 2013). He also holds various positions of the following subsidiaries of the Company. He is concurrent Treasurer of BenguetCorp Laboratories, Inc. (Feb. 2013 to present); Director/President and GM of Arrow Freight Corporation and Benguetrade, Inc.; Director and President of Keystone Port Logistics and Management Services Corp., Director/Treasurer of BenguetCorp Nickel Mines, Inc., Benguet Management Corporation, BMC Forestry Corporation, Berec Land Resources, Inc. BC Property Management, Inc. Batong Buhay Mineral Resources Corp., Acupan Gold Mines, Inc. and Pillars and Exemplary, Inc. Director/VP and Treasurer of Benguet Pantukan Gold Corporation; and Director of Balatoc Gold Resources Corp., Sagittarius Alpha Realty Corp., Agua de Oro Ventures, Inc. and Ifaratoc Mineral Resources Corp. 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, 51 years old, Filipino citizen
She is the Vice President, Healthcare Operations 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). Her previous work experiences include: Senior Assistant Vice President, Marketing (Republic Surety and Insurance Co., Inc., March 2010-January 2013); Consultant (Lapanday Group of Companies, 2005-2007: Manager (Bvlgari Philippines, Jan. 2000-2005); Chief Operating Officer (World Partners Finance Corporation/World Partners Insurance Brokerage Corporation, Sept. 1997-1998); Vice President (Macondray Finance Corp. (MFC) (Lapanday Group), Oct. 1991-1996); President (People's Credit Network Inc. (Subsidiary of MFC), Oct. 1991-1996); Senior Manager (First Active Capital Corporation, 1990-1991); Senior Officer (First Active Capital Corporation, 1990-1991); and Marketing Officer (Urban Bank, April 1988-1990).

DALE A. TONGCO, 54 years old, Filipino citizen
He is the Assistant Vice President for Audit and Risk, Risk Management Officer and ISO since March 21, 2018. Formerly, he was Assistant Vice President for Internal Audit of the Company (August 2015-March 2018). 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, 52 years old, Filipino citizen
She is the Assistant Vice President for Environmental Compliance - BNMI 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, 41 years old, Filipino citizen
She is the Assistant Vice President for Corp Planning, Corp Communications, Business Development/Special Projects of the Company since March 21, 2018. Formerly, she was Assistant Vice President for Business Development, Corporate Communications and Special Projects (May 2015-March 2018) and Assistant Vice President, Deputy Head- Business Development (Feb. 2013-May 27, 2015). She is also Director of BMC Forestry Corporation, Arrow Freight Corporation, Agua de Oro Ventures 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).

ANTONIO L. BUENAVISTA, 59 years old, Filipino Citizen
He is the Assistant Vice President/Resident Manager-Benguet District Operations of the Company since March 21, 2018. Formerly, he was Assistant Vice President/Officer-In-Charge – Resident Manager for Benguet District Operations (November 2015-March 2018). 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, Balatoc Gold Resources Corporation and Agua de Oro Ventures Corporation; and Director/ VP 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 Development 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, 63 years old, Filipino citizen
She is the Corporate Secretary of the Company since October 25, 2000. She is currently Director of publicly-listed Company, Bright Kindle Resources and Investment, Inc., where she is also Assistant Corporate Secretary (2014 to present). She is also Director of Arrow Freight Corporation; Director of Philippine Collectivemedia Corporation (2008 to present); Director, Brightgreen Resources Corporation (2014 to present); Director, Southern Alluvial Minerals and Alumina Resources Inc. (2017 to present); Director, Brightgreen Resources Holdings Inc. (2017 to present); Director, Strong Mighty Steel, Inc. (2017 to present); Director/Assistant Corporate Secretary, Mairete Asset Holdings Inc. (2017 to present); Corporate Secretary, Universal Re Condominium Corporation (1997 to 2009, 2010 to present); Corporate Secretary, Benguetcorp Nickel Mines, 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).

Retirement/Resignation of Directors and Officers

a) Ms. Ma. Mignon D. De Leon retired as Vice President, Compliance for Enviro and Comrel and Compliance for Corporate Governance of the Company effective June 1, 2018.

b) Mr. Macario U. Te resigned as Director of the Company effective June 1, 2018.
c) Mr. Isidro C. Alcantara, Jr. resigned as Executive Director and as member of the board of directors of Company and its subsidiaries effective June 28, 2018.
d) Mr. Cesar C. Zalamea resigned as Director of the Company effective August 16, 2018.
e) Mr. Leopoldo S. Sison III, retired as President of the Company and resigned as member of the board of directors of the Company and its subsidiaries effective October 1, 2018.

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 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 President / Chief Executive Officer, four most highly compensated executive officers and all other directors and officers of the Company as a group are as follows:

	Name	Principal Position
1.	Leopoldo S. Sison III	President *(retired effective October 1, 2018)*
2.	Reynaldo P. Mendoza	Officer-In-Charge / Sr. Vice President, Legal & Public Affairs
3.	Lina F. Fernandez	Officer-In-Charge / Sr. Vice President, Finance & Controller
4.	Ana Margarita N. Hontiveros	Vice President, Healthcare Operations
5.	Max D. Arceño	Vice President, Finance & Treasurer

	Year	Salary (In-Million)	Bonus (In-Million)	Other Annual Compensation
All above-named officers as a group	2019*	₱16.6	₱1.4	₱1.2
	2018**	18.8	1.3	1.6
	2017**	28.2	1.4	1.5
All other directors and officers as a group unnamed	2019*	₱13.5	₱1.1	₱0.8
	2018**	14.3	1.0	0.8
	2017**	33.9	1.7	2.4

(*) - Estimate (**) – Actual

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

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

Incentive Bonus Plan

Since 1980, there is an Incentive Bonus Plan of the Company. 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 2018, 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, there is an existing Stock Option Plan (the "Plan") for its selected staff employees, directors and consultants of the Company 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 have been amended several times and among others, there have been several amendments to extend the termination date of granting stock options. The latest amendment was approved by the Board of Directors on March 17, 2017 and by the stockholders of the Company during the November 8, 2018 annual stockholders' meeting, extending the termination date of granting stock options under the Plan until May 31, 2023.

The following changes in the stock option grants was approved by the Board in its meeting held on August 31, 2016 and by the stockholders during the November 8, 2019 Annual Stockholders' Meeting due to change in par value of both Class A and B shares from ₱3.00 to ₱1.00 per share: (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 ₱1.69 per share for Class "A" and ₱1.91 per share for class "B". (The exercised price is based on closing price of August 18, 2016: Class A – ₱2.25 and Class B – ₱2.55 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.

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

a. On May 3, 2011, under the Plan, the Company granted stock option to its officers, directors, managers and consultants totaling 2,200,332 common shares with a par value of ₱3.00 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. Due to change in par value of both Class A and B shares from ₱3.00 to ₱1.00 per share and change of exercise prices from ₱16.50 to ₱1.69 per share for Class "A" and ₱17.50 to ₱1.91 per share, the total number of unexercised shares were adjusted to 6,600,996 common shares consisting of 3,960,597 class "A" shares and 2,640,399 class "B" shares. The granted stock option came entirely from the unissued/cancelled shares of the April 6, 2006 option grant consisting of 7,004,000 common shares with par value of ₱3.00 per shares (adjusted to 21,012,000 common shares with par value of P1.00 per share) under the current implementation of the amended Plan. The shares are exempted from registration under SRC rules and the listing was approved by the PSE. As of December 31, 2018, the number of options granted to, exercised, and unexercised by the President, 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
LS Sison III	99,000	66,000	₱1.69	₱1.91			99,000	66,000		
Four Highest Paid Named Exe. Officers:										
RP Mendoza	108,000	72,000	₱1.69	₱1.91	-	-	108,000	72,000	-	-
LG Fernandez	99,000	66,000	₱1.69	₱1.91	88,500	-	10,500	66,000	-	-
ANM Hontiveros	-	-	-	-	-	-	-	-	-	-
MD Arceño	86.999	58,000	₱1.69	₱1.91	-	-	86,999	58,000	-	-
All Other Officers and Directors as a Group Unnamed	617,999	412,000	₱1.69	₱1.91	18,000	12,000	500,999	334.000	99.000	66,000

The options are non-transferable and 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.

b. 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. Due to change in par value of both Class A and B shares from ₱3.00 to ₱1.00 per share and change of exercise prices from ₱17.96 to ₱1.69 per share for Class "A" and ₱17.63 to ₱1.91 per share, the total number of unexercised shares were adjusted to 1,872,000 common shares consisting of 1,123,200 class "A" shares and 748,800 class "B" shares. As of December 31, 2018, the number of options granted to, exercised, and unexercised by the President, 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
LS Sison III	-	-	-	-	-	-	-	-	-	-

Four Highest Paid Named Exe. Officers:										
RP Mendoza	-	-	-	-	-	-	-	-	-	-
LG Fernandez	-	-	-	-	-	-	-	-	-	-
ANM Hontiveros	-	-	-	-	-	-	-	-	-	-
MD Arceño	-	-	-	-	-	-	-	-	-	-
All Other Officers and Directors as a Group Unnamed	396,000	264,000	₽1.69	₽1.91	-	-	396.000	264,000	-	-

Under the amended Plan, options are non-transferable and 100% exercisable. Options 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.

c. On May 28, 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 with Par Value of ₽3.00 per 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. Due to change in par value of both Class A and B shares from ₽3.00 to ₽1.00 per share and change of exercise prices from ₽7.13 to ₽1.69 per share for Class "A" and ₽7.13 to ₽1.91 per share, the total number of unexercised shares were adjusted to 1,800,000 common shares consisting of 1,080,000 class "A" shares and 720,000 class "B" shares. As of December 31, 2018, the number of options granted to, exercised, and unexercised by the President, 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		OptionsCancelled (Due to resignation, retirement, death & retrenchment)	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
LS Sison III	-	-	-	-	-	-	-	-	-	-
Four Highest Paid Named Exe. Officers:										
RP Mendoza	-	-	-	-	-	-	-	-	-	-
LG Fernandez	-	-	-	-	-	-	-	-	-	-
ANM Hontiveros	-	-	-	-	-	-	-	-	-	-
MD Arceño	-	-	-	-	-	-	-	-	-	-
All Other Officers and 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 100% exercisable. Options 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, 2018.

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
Class A Common	PCD Nominee Corporation (Filipino), G/F MSE Bldg., Ayala Avenue, Makati City. (Stockholder)	(see note[1])	Filipino	176,035,631	47.48%
	Palm Ave. Holding Company, Inc. 3F Universal Re-Building, 106 Paseo de Roxas, Makati City (Stockholder)	(see note[2])	Filipino	65,624,727	17.70%
	Palm Avenue Holdings Company and/ or Palm Avenue Realty Corporation, Metro Manila, Phil. Sequestered by the Republic of the Philippines, Presidential Commission on Good Government under Executive Order Nos. 1 & 2 c/o PCGG, IRC Bldg., #82 EDSA, Mandaluyong City. (Stockholder)	(see note[2])	Filipino	63,920,490	17.24%
	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[2])	Filipino	30,834,375	8.32%
Class A Convertible Preferred	PCD Nominee Corporation (Filipino), G/F MSE Bldg., Ayala Avenue, Makati City. (Stockholder)	(see note[1])	Filipino	64,780	29.84%
	Fairmount Real Estate c/o PCGG 6th Floor, PhilComcen Bldg., Ortigas Avenue cor. San Miguel Avenue, Pasig City (Stockholder)	(see note[3])	Filipino	59,262	27.30%
Class B Common	PCD Nominee Corporation (Filipino), G/F MSE Bldg., Ayala Avenue, Makati City. (Stockholder)	(see note[1])	Filipino	104,118,014	42.48%
	Palm Ave. Realty & Devt. Corporation, 3F Universal Re-Building, 106 Paseo de Roxas, Makati City (Stockholder)	(see note[2])	Filipino	43,680,000	17.82%
	PCD Nominee Corporation (Non-Filipino), G/F MSE Bldg., Ayala Avenue, Makati City. (Stockholder)	(see note)	American	32,429,219	13.23%

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

[2] *The Company is not aware of who is/are the direct or indirect beneficial owner/s of the stocks issued to Palm Avenue Holdings Company, Inc. and Palm Avenue Realty and Development Corporation (the "Palm Companies). In the November 8, 2018 Annual Stockholders' Meeting of the Company, the Palm Companies issued a proxy in favor of its legal counsels, Attys. Otilia Dimayuga-Molo/Andrea Rigonan-Dela Cueva, to vote in all matters to be taken up in the stockholders' meeting.*

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

	CEDE & CO. (Non-Filipino), P.O. Box 20, Bowlig Green Stn. New York NY 10274	(see note[4])	American	29,673,866	12.11%

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 participants under the account of PCD Nominee who hold five percent (5%) or more of any class of the Company's outstanding capital stocks as of December 31, 2018:

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 Per Class
Class A Common	RYM Business Management Corporation, Universal Re Building, 106 Paseo de Roxas, Makati City (Stockholder)	(see note[5])	Filipino	62,930,820	16.97%
Class B Common		(see note[5])	Filipino	60,108,441	24.53%

Security Ownership of Management - The following table sets forth certain information as of December 31, 2018, as to each class of the Company's securities owned by the Company's directors and officers. 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	Daniel Andrew G. Romualdez	Filipino	21	0.000%
A	Maria Remedios R. Pompidou	Filipino	15	0.000%
A	Leopoldo S. Sison III	Filipino	95,106	0.026%
A	Rhodora L. Dapula	Filipino	1	0.000%
A	Jose Raulito E. Paras	Filipino	1	0.000%
A	Reginald S. Velasco	Filipino	1	0.000%
A	Luis Juan L. Virata	Filipino	234,003	0.063%
B			69,600	0.028%
B	Jennelyn F. Go	Filipino	1	0.000%
B	Jesse H.T. Andres	Filipino	1	0.000%
B	Bernardo M. Villegas	Filipino	3	0.000%
B	Edgar Dennis A. Padernal	Filipino	1	0.000%
A	Reynaldo P. Mendoza	Filipino	6,666	0.002%
A	Lina G. Fernandez	Filipino	114,066	0.031%
A	Max D. Arceño	Filipino	1,533	0.000%
A	Antonio L. Buenavista	Filipino	21,468	0.006%
A	Hermogene H. Real	Filipino	53,100	0.014%
B			300	0.000%

[4] *Cede & Co is the registered owner of the shares in the books of the Company's transfer agent. Cede & Co operates as a subsidiary of Depository Trust Company (DTC) a New York City-based central securities depository, the securities holding bank for most stock brokerages, shares of stock that are held in brokerage accounts. During stockholders' meeting, DTC provides an Omnibus Proxy as soon as possible after the record date. The Omnibus Proxy assign Cede & Co. consenting on voting rights to Cede's participants to whom account securities are credited on the record date. To the best knowledge of the Company, there are no participants under the Cede & Co account who own more than 5% of the Company's voting securities. Cede & Co. and DTC, the securities holding bank for most stock brokerages in U.S., is not in any way related to the Company.*

[5] *The Company is not aware of who is/are the direct or indirect beneficial owner/s of the stocks issued to RYM Business Management Corporation. In the November 8, 2018 Annual Stockholders' Meeting of the Company, the RYM Business Management Corporation issued a proxy in favor of its legal counsel, Atty. Remegio C. Dayandayan, Jr., and/or its Corporate Secretary, Minda P. De Paz, to vote in all matters to be taken up in the stockholders' meeting.*

As a Group

Class A Convertible Preferred	Filipino	59,262 shares[6]	27.302%
Class A Common	Filipino	223,836,393 shares[7]	60.375%
Class B Common	Filipino	103,858,347 shares[8]	42.385%

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

b) There were no transactions with promoters since the Company was organized far beyond the five (5) years period requirement.

c) The Company has no parent company.

d) Intercompany transactions are eliminated in the consolidated financial statements. Items eliminated are separately disclosed in a schedule in accordance with Philippine SEC requirements under SRC Rule 68, as Amended (2011). Information regarding related party disclosure is discussed and presented on Note 28 – Related Party Disclosures of the Notes to 2018 Audited Consolidated Financial Statements of the Company.

   The intercompany transactions are discussed and presented on Note 24 – Related Party Disclosures of the Notes to Parent's 2018 Audited Financial Statements.

PART IV – CORPORATE GOVERNANCE

ITEM 13. CORPORATE GOVERNANCE

The Company continues to improve its systems and processes to be in compliance with principles and practices of good corporate governance. To ensure adherence to the adopted leading practices in good governance, the Board of Directors (the "Board") had formalized policies on good governance practices by approving the Board Charter, Board Diversity Policy, Related Party Transaction Charter, Insider Trading Policy, Salary Charter and Privacy Data Manual. The Company updated its previous Manual on Corporate Governance (the "Manual") in compliance with the new Code of Corporate Governance for

[6] *Include 59,262 shares, the record owner of which is Fairmount Real Estate which is presently in trust by PCGG. In the past stockholders' meetings of the Company, the shares of Fairmount Real Estate were not voted by any person or proxies. The Company is not aware of who is/are the direct or indirect beneficial owner/s of the stocks issued to Fairmount Real Estate.*

[7] *Include 30,834,375 and 63,920,490 sequestered shares, the record owners of which are Palm Avenue Holdings Company and/or Palm Avenue Realty Corporation 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. and 62,930,820 shares, the record owner of which is RYM Business Management Corporation (PCD Nominee).*

[8] *Include 43,680,000 shares, the record owner of which is Palm Avenue Realty and Development Corporation and 60,108,441 shares, the record owner of which is RYM Business Management Corporation (PCD Nominee).*

Publicly Listed Companies (CG Code for PLC) under SEC Memorandum Circular No. 19, Series of 2016. The new Manual was adopted to institutionalize the principles of good corporate governance in the entire organization. It define the framework of rules, systems and processes that governs the performance of the Board and management and it established the structure by which the Company executes and carries out its corporate governance practices. In May 2018, the Company submitted the SEC mandated reportorial on Integrated Annual Corporate Governance Report (I-ACGR). The I-ACGR is an assessment or evaluation process to measure the level of compliance of the Company's Board, management and employees with the new Manual and corporate governance policies and practices.

The directors, officers and employees substantially adhere to the leading practices and principles of good corporate governance. There have been no findings relating to any significant deviation from the Company's Manual requiring disclosure as to the person/s and sanction/s imposed. Nonetheless, when warranted, the Company has disclosure mechanisms for such deviation and sanction. For transparency and easy access and reference of its stockholders and investing public, the Company regularly posts in its website corporate disclosures and reports submitted to SEC and PSE.

Pursuant to SEC Memorandum Circular 20 Series of 2016, publicly-listed companies shall not be required to attach the I-ACGR to their Annual Report (SEC Form 17-A). The Company will submit its I-ACGR 2018 to SEC and PSE on or before May 30, 2019.

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, 2018
   - Statement of Management's Responsibility for Consolidated Financial Statements
   - Independent Auditors' Report
   - Audited Consolidated Financial Statements & Notes for the year ended December 31, 2018
   - Independent Auditors' Report on Supplementary Schedules

     Schedule I : Reconciliation of Retained Earnings Available for Dividends Declaration
     Schedule II : Schedule of Financial Ratios
     Schedule III: Map Showing the Relationship of the Companies within the Group
     Schedule IV: Schedule of 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, 2018.
   - Statement of Management's Responsibility for Financial Statements
   - Independent Auditors' Report

- Audited Financial Statements & Notes for fiscal year ended December 31, 2018
- 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 2018 and the last six months period covered by this report are as follows:

Date of SEC Form 17-C	Description of Disclosure
03.21.19	Board approval on the postponement of 2019 Annual Stockholders' Meeting (ASM) of the Company from May 28, 2019 as set in the Company's By-Laws to a later date in November 2019 (to be fixed by the Board). Board approval on the 2018 Audited Financial Statements [Audited Consolidated Financial Statements (ACFS) and Audited Parent Financial Statements (APFS)] of the Company as of year ended December 31, 2018. The Board also approved and authorized the issuance of the Company's 2018 ACFS and APFS as audited by Sycip Gorres Velayo and Company.
11.21.18	Sworn certification of Messrs. BM Villegas, RS Velasco, and Ms. RLDapula that they possess all the qualifications and none of the disqualifications for independent director.
11.08.18	Results of Annual Meeting of the Stockholders and Organizational Meeting of the Board of Directors held on 08 November 2018, 3:00 p.m. at the 4th Floor, JV Del Rosario, Rooms 2-5, JV Del Rosario Building, AIM Conference Center Manila, Benavidez cor. Trasierra Streets, Legaspi Village, 1229 Makati City.
11.08.18	Board approval to change the schedule of the regular annual stockholders' meeting of the Company from last Tuesday of May of each year or on such other day in May as may be determined by the Board of Directors to the First Wednesday of November of each year or on such other day in November as may be determined by the Board of Directors. Board approval on the retirement of Mr. Leopoldo S. Sison III as President and his resignation as member of the board of directors of the Company effective October 1, 2018. Board approval on the designation of the Senior Vice Presidents Atty. Reynaldo P. Mendoza, SVP for Public Affairs, Legal and Assistant Corporate Secretary and Atty. Lina G. Fernandez, SVP for Finance and Controller, Nickel Marketing, Logistics and other services and Compliance Officer for Corporate Governance as the Officer-In-Charge of the Company.
09.18.18	Press Release entitled "Benguet Corporation Never Allowed Illegal Mining in the Landslide Area"
08.16.18	The Board ratified the appointment of Atty. Rhodora L. Dapula as Independent Director. She was appointed in a Board's referendum on August 16, 2018 prior to the Board meeting. The Board accepted and approved the resignation of Macario U. Te as member of the Board of Directors of the Company effective August 16, 2018. Mr. Te has been unable to attend past several Board meetings due to his illness. The Board took up and approved the resignation of Mr. Cesar C. Zalamea as member of the Board of Directors effective August 16, 2018. Mr. Zalamea's resignation letter dated July 30, 2018 gave as reason for his resignation the need to personally focus on other urgent business concerns.

	The Board appointed the following members of the Board of Directors of the Company for the remainder of the 2018 term: a. Mr. Reginald S. Velasco as Independent Director representing Common Class "A" and Convertible Preferred Class "A" shares of the Company. He replaced Mr. Cesar C. Zalamea, who resigned as Director; b. Atty. Jennelyn F. Go as Director representing Common Class "B" share of the Company. She replaced Mr. Isidro C. Alcantara, Jr., who resigned as Director. c. Atty. Jose Raulito E. Paras as Director representing Common Class "A" and Convertible Preferred Class "A" shares of the Company. He replaced Mr. Macario U. Te, who resigned as Director. d. Atty. Jesse H. T. Andres as Director representing Common Class "B" share of the Company. He replaced Mr. Arsenio K. Sebial who retired. e. Atty. Edgar Dennis A. Padernal as Director representing Common Class "B" share of the Company. He replaced deceased Director Andres G. Gatmaitan.
08.16.18	Board approval on the change of venue of the reset November 8, 2018 Stockholders' Meeting from Manila Golf and Country Club, Inc., in Harvard Road, Forbes Park, Makati City to AIM Conference Center (AIM), Paseo de Roxas, Makati City. AIM is the preferred venue because it is near the Makati Corporate Office of Benguet Corporation.
07.30.18	Death of Company's Director, Atty. Andres G. Gatmaitan
06.28.18	Resignation of Mr. Isidro C. Alcantara, Jr., as Executive Director and as member of the Board of Directors of the Company for health reasons, effective June 28, 2018. He also resigned as Director in the Company's subsidiaries such as BenguetCorp Nickel Mines, Inc. (BNMI), BenguetCorp Laboratories, Inc. (BCLI), and others.
05.30.18	Retirement of Ms. Maria Mignon D. De Leon, Vice President, Compliance for Enviro and Comrel/Compliance Officer for Corporate Governance effective June 1, 2018.

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 ___, 2019.

BENGUET CORPORATION
(Issuer)
By:

LINA G. FERNANDEZ
Officer-In-Charge /
Sr. Vice President, Finance & Controller

REYNALDO P. MENDOZA
Officer-In-Charge /
Sr. Vice President, Legal and Public Affairs

MAX D. ARCEÑO
Vice President, Finance & Treasurer

HERMOGENE H. REAL
Corporate Secretary

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

SUBSCRIBED AND SWORN to before me this 30 APR 2019 day of April, 2019 at Makati City, Affiants exhibited to me their identifications to wit: Atty. Lina G. Fernandez with Social Security System No. 03-7537025-8, Atty. Reynaldo P. Mendoza with Social Security System No. 03-3865936-9; Atty. Hermogene H. Real with Social Security System No. 03-3865936-9 and Max D. Arceño, with Social Security System No. 03-8205668-8, all are issued by the Office of the Social Security System, Philippines.

Doc. No. 40
Page No. 9
Book No. XXV
Series of 2019.

MA. ESMERALDA R. CUNANAN
Notary Public
Until December 31, 2019
Appt. No. M-41 (2018-2019) Attorney's Roll No. 34552
MCLE Compliance No. V1-0008196/4-23-2018
PTR No. 7333751/1-3-2019/Makati City
IBP Lifetime Member Roll No. 05413
Ground Level, Dela Rosa Carpark I
Dela Rosa St. Legaspi Village,
Makati City

BenguetCorp

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Benguet Corporation (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2018, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

REYNALDO P. MENDOZA
Officer-In-Charge / Sr. Vice President-
Legal & Public Affairs

LINA G. FERNANDEZ
Officer-In-Charge / Sr. Vice President-
Finance & Controller

BUREAU OF INTERNAL REVENUE
RECEIVED
APR 29 2019
EXCISE LT REGULATORY DIVISION

Signed this ____ day of April, 2019.

Republic of the Philippines)
City of Makati : s.s.

SUBSCRIBED AND SWORN to before me this 10 APR 2019 th day of April, 2019 at Makati City, affiants exhibited to me their identifications, to wit: Mr. Reynaldo P. Mendoza with Social Security System No. 03-3865936-9 and Ms. Lina G. Fernandez with SSS No. 03-75370258, both issued by the Office of the Social Security System, Philippines.

MA. ESMERALDA R. CUNANAN
Notary Public
Until December 31, 2019
Appt. No. M-41 (2018-2019) Attorney's Roll No. 34562
MCLE Compliance No. V1-0008196/4-23-2018
PTR No. 7332751/1-3-2019/Makati City
IBP Lifetime Member Roll No. 05413
Ground Level, Dela Rosa Carpark I
Dela Rosa St. Legaspi Village,
Makati City

Doc. No. 178
Page No. 37
Book No. XXI
Series of 2019.

Consulate General of the Republic of the Philippines
NEW YORK

reign Service of the Philippines)
nsulate General of the Philippines)
w York, New York) S.S.
ited States of America)

CERTIFICATE OF AUTHENTICATION

I, **TANYA FAYE O. RAMIRO**, Vice Consul of the Republic of the Philippines, nd for the Consular District of New York, duly commissioned and qualified in the es of New York, Connecticut, Delaware, Maine, Massachusetts, New Hampshire, Jersey, Pennsylvania, Rhode Island, and Vermont, do hereby certify that

*** ANDREW CASINO ***

at the time he/she signed and affixed his/her official seal to the annexed certificate,

NOTARY PUBLIC
STATE OF NEW YORK

hat full faith and credit ought to be given to his/her official act.

This Consulate General assumes no responsibility for the contents of the ned document.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of nsulate General of the Philippines to be affixed this 27th day of March 2019.

TANYA FAYE O. RAMIRO
Vice Consul

oc. No.
Service No. 117-128
Series of 2019
Fee: $25.00

* This document is not valid if it is altered in any way whatsoever *
dity of this certification is for five (5) years, unless specified by the attached document. *

556 Fifth Avenue, New York, NY 10036
Tel. No.: (+1) 212 7641330 / Fax: (+1) 212-3821146
email: newyork.pcg@dfa.gov.ph • www.newyorkpcg.org

BenguetCorp

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Benguet Corporation (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2018, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Daniel Romualdez

DANIEL G. ROMUALDEZ
Chairman of the Board

Signed this 27 day of March, 2019.

ACKNOWLEDGMENT

STATE OF NEW YORK}
NEW YORK CITY } SS.

SUBSCRIBED AND SWORN to before me this 27 th day of March, 2019 at New York City, New York, personally appeared DANIEL G. ROMUALDEZ with his Philippine Passport Number P1741994A expiring on January 24, 2022 as identification, known to me to be the person who executed the foregoing document titled Statement of Management's Responsibility for Consolidated Financial Statements and he acknowledged to me that the signature affixed to the document is his true signature, and that such is his own free and voluntary act and lawful deed.

WITNESS MY HAND AND SEAL.

ANDREW CASINO
Notary Public, State of New York
No. 02CA6073875
Qualified in Queens County
Commission Expires April 29, 2022

Andrew Casino

Notary Public

Universal Re-Building, 106 Paseo de Roxas, 1226 Makati City Philippines
MCPO Box 3488 . Phone: +632.812.1380 . Fax: +632.7520717

Benguet Corporation and Subsidiaries

Consolidated Financial Statements
as at December 31, 2018 and 2017
and Years Ended December 31, 2018,
2017 and 2016

and

Independent Auditor's Report

SGV
Building a better working world

A member firm of Ernst & Young Global Limited

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Benguet Corporation

Opinion

We have audited the consolidated financial statements of Benguet Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Valuation of Land at Fair Value

The Group accounts for its land as investment properties and as property, plant and equipment using the fair value model. As at December 31, 2018, land classified as investment properties amounts to ₱2,217.6 million and represents 33% of the consolidated assets while land classified as property, plant and equipment amounts to ₱1,215.1 million represents 18%. The determination of the fair values of these properties involves significant management judgment and estimations. The valuation also requires the assistance of external appraisers whose calculations also depend on certain assumptions, such as sales and listing of comparable properties registered within the vicinity and adjustments to sales price based on internal and external factors. Thus, we considered the valuation of investment properties as a key audit matter.

The disclosures relating to investment properties are included in Note 11 while those relating to property, plant and equipment are included in Note 10 of the consolidated financial statements.

Audit Response

We evaluated the competence and capabilities of the external appraiser by considering their qualifications, experience and reporting responsibilities. We involved our internal specialist in the review of the methodology and assumptions used in the valuation of land. We assessed the methodology adopted by reviewing the appropriateness of the valuation model and the relevant information supporting the sales and listings of comparable properties.

Estimation of Ore Reserves

Reserves are key inputs to depletion, decommissioning provisions and impairment estimates. The Group's mine and mining properties amounting to ₱783.5 million as at December 31, 2018, are depleted using the units of production method. Under the units of production method, cost is amortized based on the ratio of the volume of actual ore extracted during the year over the estimated volume of mineable ore reserves for the remaining life of the mine. This matter is significant to our audit because the estimation of ore reserves for mining projects located in Benguet and Zambales, for the entire life of the mines, requires significant estimation from management.

The disclosures relating to ore reserves are included in Note 10 to the consolidated financial statements.

Audit Response

We evaluated the competence, capabilities and objectivity of the management's specialists who performed an independent assessment of the Group's ore reserves. We reviewed the specialists' report and obtained an understanding of the nature, scope and objectives of their work, and basis of the estimates, including any changes in the ore reserves during the year. In addition, we tested the ore reserves estimates applied to the relevant areas of the consolidated financial statements including depletion, decommissioning provisions and impairment estimates.

Recoverability of Deferred Mine Exploration Costs

As at December 31, 2018, the carrying value of the Group's deferred mine exploration costs amounted to ₱539.0 million. These deferred exploration costs pertain to the expenditures incurred by the Group for the mining properties located in Benguet and Zambales. Under PFRS 6, *Exploration and Evaluation of Mineral Resources*, these deferred exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amounts exceed the recoverable amounts. The ability of the Group to recover its deferred mine exploration costs would depend on the (a) status of each mine exploration project and plans on exploration and evaluation activities; (b) validity of the licenses, permits and correspondences related to each mine exploration project; (c) plans to abandon existing mine areas and plans to discontinue exploration activities; and (d) availability of information suggesting that the recovery of expenditure is unlikely. We considered this is a key audit matter because of the materiality of the amount involved and the significant judgment required in assessing whether there is any indication of impairment.

The Group's disclosures in relation to deferred exploration costs are included in Note 12 to the consolidated financial statements.

Audit Response

We obtained management's assessment on whether there is any indication that deferred mine exploration costs may be impaired. We inquired the status of each exploration project as of December 31, 2018, as certified by the Group's technical group head and compared it with the disclosures submitted to regulatory agencies. We reviewed contracts and agreements, and budgets for exploration and development costs. We inspected the licenses, permits and correspondences of each mine exploration project to determine that the period for which the Group has the right to explore in the specific areas has not expired, will not expire in the near future, and will be renewed accordingly. We also inquired about the existing concession areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas.

Recoverability of Property, Plant and Equipment

The Group is adversely affected by the status of its mining operations and the continued volatility in gold and nickel prices in the market. In the event that an impairment indicator is identified, the assessment of the recoverable amount of property, plant and equipment requires significant judgment and involves estimation and assumptions about future production levels and costs, as well as external inputs such as commodity prices, discount rate, and foreign currency exchange rates. Hence, such assessment is a key audit matter in our audit.

The disclosure in relation to property, plant and equipment are included in Note 10 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include the expected life of the mining project, forecasted production levels and cost as well as external inputs such as forecasted average commodity prices, discount rates and foreign currency exchange rates. We compared the key assumptions used against the mine life based on the ore reserve reports, production reports from the operations departments, forecasted average market price of gold and nickel, discount rate based on industry weighted average capital cost, and foreign currency exchange rates of various financial institutions. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of property, plant and equipment.

Suspension of Nickel Mining Operations

Benguetcorp Nickel Mines, Inc. (BNMI) was registered primarily to carry on the business of operating mineral properties, mines and of prospecting, exploration and of mining. On July 8, 2016, BNMI received from the regional offices of Department of Environment and Natural Resources (DENR), Mines and Geosciences Bureau (MGB) and Environmental Management Bureau (EMB), a joint suspension order, which suspended its mining operations. Subsequently, BNMI was only allowed to haul and sell its existing stockpile, which was mined before the suspension took effect, in order to avoid any adverse impact on the environment. We consider this as a key audit matter because the Group's assessment on the potential outcome of the suspension order and impact on the Group's operations, financial position and performance requires a significant level of judgment.

The Group's disclosures about the suspension of BNMI's nickel mining operations are included in Note 1 to the consolidated financial statements.

Audit Response

We evaluated management's assessment on the potential outcome of the suspension order by reviewing publicly available information on the results of the MICC-commissioned review of BNMI's mine site operations, discussing with management its planned action steps to address the findings, and the feasibility of management's plans. We also obtained an understanding of management's legal position and basis on this matter. We obtained and evaluated management's assessment of the potential impact on the Group of the continued suspension of BNMI's mining operations, including the cashflow projections prepared by management (see audit response to the key audit matter on impairment of property, plant and equipment for further discussion on the review of the methodology and key assumptions used).

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Alexis Benjamin C. Zaragoza III.

SYCIP GORRES VELAYO & CO.

Alexis Benjamin C. Zaragoza

Alexis Benjamin C. Zaragoza III
Partner
CPA Certificate No. 109217
SEC Accreditation No. 1627-A (Group A),
April 4, 2017, valid until April 3, 2020
Tax Identification No. 246-663-780
BIR Accreditation No. 08-001998-129-2017,
February 9, 2017, valid until February 8, 2020
PTR No. 7332637, January 3, 2019, Makati City

March 21, 2019

BENGUET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱302,118**	₱64,528
Trade and other receivables (Note 5)	**210,872**	761,707
Inventories (Note 6)	**128,999**	167,274
Other current assets (Note 7)	**632,107**	919,287
Total Current Assets	**1,274,096**	1,912,796
Asset classified as held for sale (Note 9)	**4,130**	–
	1,278,226	1,912,796
Noncurrent Assets		
Property, plant and equipment (Note 10)		
At revalued amount	**1,236,471**	1,070,256
At cost	**964,211**	1,108,810
Financial assets measured at fair value through other comprehensive income (FVOCI) (Note 8)	**10,798**	–
Available-for-sale (AFS) financial assets (Note 8)	–	11,441
Investment properties (Note 11)	**2,217,566**	1,611,746
Deferred mine exploration costs (Notes 1 and 12)	**538,998**	621,671
Deferred tax assets - net (Note 30)	**73,591**	69,397
Other noncurrent assets (Note 13)	**307,616**	159,246
Total Noncurrent Assets	**5,349,251**	4,652,567
TOTAL ASSETS	**₱6,627,477**	₱6,565,363
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 15)	**₱858,586**	₱1,028,034
Loans payable (Note 14)	**530,670**	577,893
Income tax payable	**28**	22,888
Total Current Liabilities	**1,389,284**	1,628,815
Noncurrent Liabilities		
Liability for mine rehabilitation (Note 16)	**90,329**	100,871
Pension liability (Note 29)	**54,127**	46,423
Deferred tax liabilities - net (Note 30)	**725,721**	665,811
Other noncurrent liabilities (Note 17)	**429,953**	418,799
Total Noncurrent Liabilities	**1,300,130**	1,231,904
Total Liabilities	**2,689,414**	2,860,719
Equity		
Capital stock (Note 18)	**616,863**	616,863
Capital surplus (Note 18)	**376,964**	375,726
Retained earnings	**2,029,559**	1,910,135
Other components of equity (Note 18)	**922,693**	809,936
	3,946,079	3,712,660
Treasury shares (Note 18)	**(8,016)**	(8,016)
Total Equity	**3,938,063**	3,704,644
TOTAL LIABILITIES AND EQUITY	**₱6,627,477**	₱6,565,363

See accompanying Notes to Consolidated Financial Statements.

BENGUET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share)

	Years Ended December 31		
	2018	2017	2016
REVENUE (Note 20)	**₱1,008,704**	₱1,462,893	₱1,534,244
COSTS AND OPERATING EXPENSES			
Costs of mine products sold (Note 21)	**(688,362)**	(859,143)	(811,235)
Costs of services and other sales (Note 22)	**(67,980)**	(96,543)	(101,549)
Selling and general expenses (Note 23)	**(407,618)**	(480,666)	(627,624)
Excise taxes and royalty fees (Note 20)	**(45,163)**	(56,533)	(67,702)
	(1,209,123)	(1,492,885)	(1,608,110)
INTEREST EXPENSE (Notes 14 and 35)	**(4,828)**	(4,556)	(13,564)
OTHER INCOME (EXPENSES) - net (Note 26)	**337,690**	81,195	(156,300)
INCOME (LOSS) BEFORE INCOME TAX	**132,443**	46,647	(243,730)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)	**13,401**	25,175	(76,353)
NET INCOME (LOSS)	**₱119,042**	₱21,472	(₱167,377)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE (Note 31)	**₱0.24**	₱0.17	(₱0.27)

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2018	2017	2016
NET INCOME (LOSS)	**₱119,042**	₱21,472	(₱167,377)
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Items to be reclassified to profit or loss in subsequent periods:			
Translation adjustment on foreign subsidiaries	**(127)**	(277)	2,226
Unrealized gain on changes in fair value of AFS financial assets (Note 8)	**–**	203	139
Realized gain on disposal of AFS financial asset (Note 8)	**–**	(10)	(154)
	(127)	(84)	2,211
Items not to be reclassified to profit or loss in subsequent periods:			
Revaluation of land (Note 10)	**119,241**	–	1,239
Remeasurement gains (loss) on pension liability (Note 29)	**(5,073)**	20,845	4,237
Unrealized gain on equity instruments designated at FVOCI (Note 8)	**336**	–	–
Revaluation of artworks (Note 10)	**–**	3,399	–
	114,504	24,244	5,476
OTHER COMPREHENSIVE INCOME, NET OF TAX	**114,377**	24,160	7,687
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱233,419**	₱45,632	(₱159,690)

See accompanying Notes to Consolidated Financial Statements.

BENGUET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

(Amounts in Thousands)

				Other comprehensive income - net of deferred tax effect								
	Capital stock (Note 18)	Capital surplus (Note 18)	Cost of share-based payment (Notes 18 and 19)	Revaluation increment on land and artworks (Note 10)	Cumulative translation adjustment on foreign subsidiaries (Note 18)	Remeasurement gain on pension liability (Note 29)	Unrealized gain on AFS financial assets (Note 8)	Unrealized gain on financial assets at FVOCI (Note 8)	Total other comprehensive income (Note 18)	Retained earnings	Treasury shares (Note 18)	Total
Balances at January 1, 2016	**₱615,555**	**₱344,106**	**₱54,441**	**₱716,298**	**₱30,899**	**₱4,192**	**₱881**	**₱–**	**₱752,270**	**₱2,055,314**	**(₱8,016)**	**₱3,813,670**
Stock options vested (Notes 18 and 19)	–	–	1,843	–	–	–	–	–	–	–	–	1,843
Stock options exercised (Notes 18 and 19)	600	4,184	(3,717)	–	–	–	–	–	–	–	–	1,067
Expiration and forfeiture of stock options (Note 18)	–	19,572	(19,572)	–	–	–	–	–	–	–	–	–
Realized revaluation increment on sale of land (Note 10)	–	–	–	(508)	–	–	–	–	(508)	508	–	–
Deferred tax liability pertaining to realization of revaluation increment (Note 10)	–	–	–	–	–	–	–	–	–	218	–	218
Net loss	–	–	–	–	–	–	–	–	–	(167,377)	–	(167,377)
Other comprehensive income (loss)	–	–	–	1,239	2,226	4,237	(15)	–	7,687	–	–	7,687
Total comprehensive income (loss)	–	–	–	1,239	2,226	4,237	(15)	–	7,687	(167,377)	–	(159,690)
Balances at December 31, 2016	**616,155**	**367,862**	**32,995**	**717,029**	**33,125**	**8,429**	**866**	**–**	**759,449**	**1,888,663**	**(8,016)**	**3,657,108**
Stock options vested (Notes 18 and 19)	–	–	660	–	–	–	–	–	–	–	–	660
Stock options exercised during the year (Notes 18 and 19)	708	5,123	(4,587)	–	–	–	–	–	–	–	–	1,244
Expiration of stock options (Note 18)	–	2,741	(2,741)	–	–	–	–	–	–	–	–	–
Net income	–	–	–	–	–	–	–	–	–	21,472	–	21,472
Other comprehensive income (loss)	–	–	–	3,399	(277)	20,845	193	–	24,160	–	–	24,160
Total comprehensive income (loss)	–	–	–	3,399	(277)	20,845	193	–	24,160	21,472	–	45,632
Balances at December 31, 2017	**616,863**	**375,726**	**26,327**	**720,428**	**32,848**	**29,274**	**1,059**	**–**	**783,609**	**1,910,135**	**(8,016)**	**3,704,644**
Effect of adoption of PFRS 9	–	–	–	–	–	–	(1,059)	1,059	–	–	–	–
Balances at December 31, 2017 (restated)	**616,863**	**375,726**	**26,327**	**720,428**	**32,848**	**29,274**	**–**	**1,059**	**783,609**	**1,910,135**	**(8,016)**	**3,704,644**
Cancellation of stock options (Notes 18 and 19)	–	1,238	(1,238)	–	–	–	–	–	–	–	–	–
Transfer of fair value reserve on disposed financial assets at FVOCI	–	–	–	–	–	–	–	(382)	(382)	382	–	–
Net income	–	–	–	–	–	–	–	–	–	119,042	–	119,042
Other comprehensive income (loss)	–	–	–	119,241	(127)	(5,073)	–	336	114,377	–	–	114,377
Total comprehensive income (loss)	–	–	–	119,241	(127)	(5,073)	–	336	114,377	119,042	–	233,419
Balances at December 31, 2018	**₱616,863**	**₱376,964**	**₱25,089**	**₱839,669**	**₱32,721**	**₱24,201**	**₱–**	**₱1,013**	**₱897,604**	**₱2,029,559**	**(₱8,016)**	**₱3,938,063**

See accompanying Notes to Consolidated Financial Statements.

BENGUET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱132,443**	₱46,647	(₱243,730)
Adjustments for:			
Provision for impairment losses on other noncurrent assets (Note 13)	**95,374**	–	–
Depreciation and depletion (Notes 10 and 25)	**83,130**	124,075	159,720
Provision for impairment losses on deferred mine exploration costs (Note 12)	**72,059**	–	–
Change in estimate of liability for mine rehabilitation (Notes 16 and 26)	**(8,226)**	(5,771)	32,174
Accretion expense (Notes 16 and 26)	**4,940**	4,267	1,128
Interest expense (Notes 14 and 35)	**4,828**	4,556	13,564
Movements in pension liability	**457**	(2,407)	7,854
Interest income (Notes 4, 13 and 26)	**(261)**	(264)	(629)
Stock option expense (Notes 19 and 24)	**–**	660	1,843
Loss (gain) on:			
Revaluation gain on investment property (Note 11)	**(605,820)**	(5,167)	–
Retirement of property, plant and equipment (Note 10)	**60,404**	–	–
Write-off of deferred mine exploration costs (Note 12)	**11,462**	–	–
Legal settlement (Notes 13 and 26)	**9,425**	–	–
Net foreign exchange	**7,083**	(726)	10,560
Disposal of property, plant and equipment (Notes 10 and 26)	**(1,507)**	(45,573)	(674)
Write-off of loans (Notes 14 and 26)	**–**	(38,644)	–
Disposal of financial assets at FVOCI and AFS financial assets (Note 8)	**–**	(15)	(230)
Sale of investment property (Notes 11 and 26)	**–**	–	18,040
Operating income (loss) before working capital changes	**(134,209)**	81,638	(380)
Decrease (increase) in:			
Other current assets	**287,180**	(42,779)	(153,352)
Trade and other receivables	**276,210**	(38,646)	84,301
Inventories	**38,275**	70,897	(102,045)
Increase (decrease) in trade and other payables	**(165,868)**	4,594	165,972
Cash flows generated from (used in) operations	**301,588**	75,704	(5,504)
Income taxes paid	**(29,006)**	(48,441)	(20,856)
Interest expense paid	**(4,828)**	(4,544)	(14,483)
Interest received	**261**	264	629
Net cash flows from (used in) operating activities	**268,015**	22,983	(40,214)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of:			
Property, plant and equipment (Note 10)	**3,551**	46,554	2,279
Financial assets at FVOCI and AFS financial assets (Note 8)	**1,928**	1,115	25,170
Investment properties (Note 11)	**–**	–	191,518
Additions to:			
Property, plant and equipment (Note 10)	**(8,235)**	(56,234)	(35,906)
Financial assets at FVOCI and AFS financial assets (Note 8)	**(949)**	(1,500)	(23,767)
Deferred mine exploration costs (Note 12)	**(848)**	(5,551)	(72,100)
Decrease in other noncurrent assets	**18,258**	14,498	46,117
Net cash flows from (used in) investing activities	**13,705**	(1,118)	133,311
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Loans payable (Note 14)	**(57,223)**	(58,339)	(93,738)
Obligations under finance lease (Note 35)	**–**	(2,427)	(13,783)
Proceeds from:			
Availment of loans (Note 14)	**10,000**	70,000	–
Employees' exercise of stock options (Note 18)	**–**	1,244	1,067
Increase (decrease) in other noncurrent liabilities (Note 34)	**3,077**	(10,341)	(1,386)
Net cash flows from (used in) financing activities	**(44,146)**	137	(107,840)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**237,574**	22,002	(14,743)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**16**	(61)	385
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**64,528**	42,587	56,945
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱302,118**	₱64,528	₱42,587

See accompanying Notes to Consolidated Financial Statements.

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

1. **Corporate Information, Status of Business Operations and Authorization for the Issuance of the Consolidated Financial Statements**

Corporate Information
Benguet Corporation (the Parent Company) was incorporated on August 12, 1903 in the Philippines and was listed in the Philippine Stock Exchange (PSE) on January 4, 1950.

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

The Parent Company's registered office address is 7th Floor Universal Re Building, 106 Paseo de Roxas, 1226 Makati City.

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

	Prior to quasi-reorganization	*Effect of quasi-reorganization*	*After quasi-reorganization*
Capital surplus	₱1,153,579	(₱1,153,579)	₱–
Revaluation increment	1,561,048	(1,010,848)	550,200
Deficit	(2,164,427)	2,164,427	–

For purposes of dividend declaration, the retained earnings of the Parent Company shall be restricted to the extent of the deficit wiped out by the revaluation increment amounting to ₱1.0 billion until the asset to which the revaluation increment relates is disposed.

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

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

After the quasi-reorganization, the Parent Company made an additional deposit for future stock subscriptions in BMC amounting to ₱160.0 million.

Of the ₱40.8 million retained earnings of BMC as at December 31, 2018, the amount of ₱11.8 million, which represents the remaining revaluation increment that was offset against the deficit, cannot be declared as dividend.

Significant developments in the Parent Company's and its subsidiaries' (collectively, the Group) operations follow:

a. Mining Projects

Benguet Gold Operations (BGO)

The Group produces gold from the Benguet mines, consisting of the Acupan and Kelly underground mines, were suspended in 1992, following the 1991 earthquake, which flooded the said underground mines. BGO was initially conceived as a community based underground mining project, which started commercial operations in January 2003. In 2004, BGO resumed operations and production is carried out through independent mining contractors.

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

The related feasibility study for BGO was approved in 2013 and the Parent Company is still raising the necessary funds to start the execution of the project.

On March 11, 2016, TUV Rheinland, an independent evaluation and certification service body, issued to BGO the ISO 14001:2015, which is an internationally accepted certification and standard for environmental management system. The issuance of the said certification, which is valid until March 10, 2019, makes BGO fully compliant with the requirement of DENR DAO No. 2015-07. Currently, BGO is undergoing re-certification of its ISO compliance.

On October 28, 2016, the Parent Company received from the DENR the mine audit report dated October 21, 2016, which was conducted pursuant to DENR Memorandum Circular No. 2016-01 regarding audit of all operating mines and moratorium on new mining projects recommending the suspension of the Parent Company's mining operations and requires the Parent Company to submit an explanation thereof within seven days from the date of receipt.

On November 1, 2016, the Parent Company submitted an explanation to the DENR stating that there are no legal and factual bases to recommend the suspension of the Parent Company's operations due to the following reasons:

- Based on the mine audit report, there are no significant findings of violations that would warrant the suspension order.
- None of the alleged violations found pose imminent danger or threat to the community that would justify the suspension of operation.
- The deficiencies cited, which are mostly permitting issues or operational concerns, can easily be remediated without need of suspending the Parent Company's operation.

On February 14, 2017, the Parent Company received from DENR a cancellation order dated February 8, 2017 cancelling its authority to undertake mining operations under Patent Claim (PC-ACMP-002-CAR) in Itogon, Benguet for violation of certain provisions of mining and environmental laws, rules and regulations such as the following:

- RA No. 6969, otherwise known as the 'Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990'
- DAO No. 2013-22 or the 'Revised Procedures and Standards for the Management of Hazardous Wastes'

- RA No. 7942, otherwise known as 'The Philippine Mining Act of 1995'
- DAO No. 2010-21 or the 'Revised Implementing Rules and Regulations of RA No. 7942'

On February 22, 2017, the Parent Company filed a Notice of Appeal before the Office of the President, which staged the execution of the cancellation order. On March 22, 2017, the Parent Company submitted to the Office of the President the actual Appeal Memorandum. As of March 21, 2019, the Office of the President has not yet responded to the said appeal.

Sta. Cruz Nickel Project (SCNP)
On December 10, 2010, the Parent Company and Benguetcorp Nickel Mines, Inc. (BNMI) entered into a Deed of Exchange, whereby the Parent Company transferred its interest in the nickel laterite mine in Sta. Cruz, Zambales. The transfer covers Mineral Production Sharing Agreement (MPSA) No. 226-2005-III, mine technical data and all related environmental and other permits of the nickel laterite mine. BNMI issued 1.0 billion ordinary shares to the Parent Company, with par value of ₱1 per share, as consideration for the transfer. In line with the transfer, BNMI applied for an increase in authorized capital stock from 10.0 million shares to 2.0 billion shares, with par value of ₱1 per share. The transfer of the MPSA was approved by the Mines and Geosciences Bureau (MGB) on January 16, 2012.

On March 11, 2016, TUV Rheinland, an independent evaluation and certification service body, issued to BNMI the ISO 14001:2015, which is an internationally accepted certification and standard for environmental management system. The issuance of the said certification, which is valid until March 10, 2019, makes BNMI fully compliant with the requirement of Department of Environment and Natural Resources (DENR) Department Administrative Order (DAO) 2015-07. Currently, BNMI is undergoing re-certification of its ISO compliance.

On July 8, 2016, BNMI received from the regional offices of the DENR, MGB, and Environmental Management Bureau (EMB) a joint suspension order, which suspended the mining operations of the SCNP subject to conditions such as the resolution of issues arising from tree-cutting and earth-balling operations, rehabilitation of mined out areas and construction of an exclusive mine haul road.

The suspension order is based on the following grounds:

- The Writ of Kalikasan issued by the Supreme Court in the case filed by the Concerned Citizens of Sta. Cruz, Zambales
- The pronounced Executive Order No. 1 issued by the provincial government of Zambales suspending the mining operations in the said province in view of violation of the mining and environmental laws
- Continuing complaints of various groups against alleged adverse impact of mining operations

The Supreme Court referred the Writ of Kalikasan case to the Court of Appeals for trial proceeding.

On October 18, 2016, BNMI received the mining audit report on the SCNP dated October 3, 2016. The report states that BNMI violated several conditions of its Environmental Compliance Certificate and the provisions of several other laws and regulations.

On October 22, 2016, BNMI filed before the Pampanga Regional Trial Court, a petition for certiorari with injunction to assail the joint suspension order issued by the MGB, EMB and DENR on the SCNP.

BNMI replied to the DENR that it takes strong exception to the mine audit report particularly on the recommendation to maintain the status quo of the suspension order issued by the DENR on July 7, 2016, on grounds summarized as follows:

- The conduct of the audit was irremediably flawed.
- The transparency and fairness of the audit report is under question because the audit team failed to follow its own protocol.
- Assuming the mine audit report was regularly conducted, it is very apparent that none of the findings of deficiencies therein were serious enough (even if taken collectively) to warrant the imposition or the continuance of the suspension order.
- The recommendation of status quo of the suspension order in the mine audit report will have far-reaching effect on its business, employees and the community.

On February 13, 2017, BNMI received from the DENR an order cancelling its MPSA. The cancellation shows that BNMI's operations has impaired the functions of the watershed in the area and was issued on the grounds that BNMI has violated certain provisions of several laws and regulations, majority of which were previously raised in the mine audit report.

On February 22, 2017, BNMI filed a Notice of Appeal before the Office of the President to reverse the cancellation order received. BNMI is operating within the Zambales Chromite Mineral Reservation, a mineral reservation which has been excluded from government declared watersheds. BNMI's nickel project is operated outside of any known critical or declared watershed. BNMI filed before the Office of the President the actual appeal memorandum on March 21, 2017. As of March 21, 2019, the Office of the President has not yet responded to the appeal filed by BNMI.

On March 28, 2017, the local government of Zambales issued a Manifestation of Consent which allows BNMI to proceed with hauling and shipment of its nickel ore inventory, which was mined before the suspension took effect, to avoid any adverse impact on the environment.

On May 22, 2017, the Court of Appeals denied the petition for the Writ of Kalikasan case. Thereafter, the petitioners filed a Motion for Reconsideration.

On December 14, 2017, the Court of Appeals denied the Motion for Reconsideration. Accordingly, the prohibitory injunctive provisional Writ of Kalikasan issued by the Supreme Court is lifted.

In 2018, the Mining Industry Coordinating Council (MICC) conducted its initial review of the mine audit results of BNMI and revealed that BNMI earned an acceptable level of performance on four out of five aspects of the review, which leaves the social aspect as the only remaining deficiency. As of date, BNMI has not yet received the formal results from MICC and is currently addressing the said deficiency. Meanwhile, MICC announced that it will conduct a second round of review to run from March to June 2019.

Given that BNMI is currently the subject of two suspension orders, resulting in temporary cessation of its mining operations starting July 2016, the management has made an assessment on BNMI's ability to continue as a going concern entity and is satisfied that BNMI has sufficiently improved and remediated the deficiencies mentioned in the mine audit report and has timely appealed the foregoing suspension orders, thereby impeding these orders to become final and operative, and that BNMI will address the deficiency based on MICC's initial review and it will still be able to generate sufficient cash from the sale of its remaining nickel ore stockpile.

Irisan Lime Project (ILP)
The Parent Company's ILP in Irisan, Baguio is engaged in the production and trading of quicklime. ILP produced 9,820 tons, 9,374 tons and 9,408 tons of quicklime in 2018, 2017 and 2016, respectively. On September 4, 2017, the Mineral Processing Permit (MPP) for the ILP was renewed for a period of five years or until September 3, 2022.

Benguet Antamok Gold Operation (BAGO)
The Parent Company's BAGO in Itogon, Benguet has been suspended since August 1998. BAGO has an estimated resource of about 12.4 million tons, averaging 3.45 grams of gold per ton, at the end of 1999. Pursuant to DAO No. 2010-04, the Parent Company's Application for Mineral Production Sharing Agreement (APSA) No. 009-Cordillera Administrative Region (CAR) was denied on February 8, 2011. Subsequently, the Parent Company filed an appeal on April 15, 2011 in MGB Central Office.

On November 23, 2016, the Parent Company received from DENR a letter requiring the Parent Company to show cause why its operation should not be suspended and/or mining contract be cancelled in view of the October 2016 tailings spill, which affected the Liang River.

On December 26, 2016, the Parent Company argued that there was no negligence because the incident is due to force majeure and the leak was immediately remediated. The Parent Company also emphasized that it has no existing mining operations in BAGO as it has long been suspended. The BAGO open pit mine and the BAGO underground mine have not operated since 1998 and 1989, respectively. The Parent Company contested that it has been under care and maintenance since then up to the present. On January 1, 2017, the case was elevated to Pollution Adjudication Board (PAB) from the EMB out of which the Parent Company submitted a position paper on May 8, 2017.

On May 9, 2017 a technical conference hearing was held in PAB regarding the case and as a result, the Parent Company submitted a supplemental motion on June 9, 2017. As of March 21, 2019, the Parent Company is still awaiting the decision of PAB.

Masinloc Chromite Operation (MCO)
From 1934 to 2007, the Parent Company managed the Coto mines under an operating agreement with its claimowner, Consolidated Mines, Inc. (CMI). With the expiration of the operating agreement last July 8, 2007, the Parent Company has transferred back the operating rights to CMI. As at March 21, 2019, the Parent Company is still engaged in discussion with CMI over the liquidation of MCO's assets.

b. Exploration, Research and Development Projects
Balatoc Tailings Project (BTP)
The Parent Company's Board of Directors (BOD) approved an initial ₱10.0 million research and development fund for the Balatoc Tailings Project (BTP) in Itogon, Benguet for the study on the feasibility of reprocessing 16.7 million tons of tailings resource with an average of 0.69 grams gold per ton and is estimated to contain 371,000 ounces of gold. A core research and development team, together with the Beijing Geological Research Institute of Mining and Metallurgy, has done the analysis toward the preparation and completion of the bankable feasibility study.

On October 21, 2009, the Group appointed ATR Kim Eng Capital Partners, Inc. as financial advisor to raise additional development capital for the BTP.

On the same date, the Parent Company entered into a processing agreement with Balatoc Gold Resources Corporation (BGRC), a subsidiary, to implement the BTP. The Parent Company has completed the bankable feasibility study of the BTP and engaged external Competent Persons to prepare and review reports as required under the Philippine Mineral Reporting Code modeled after the Joint Ore Reserve Committee of Australia.

On September 2010, the Parent Company signed a Deed of Assignment with BGRC, to transfer, subject to approval by the DENR, MPP No. 13-2010-Cordillera Administrative Region covering the BTP. The MPP allows reprocessing of the impounded mill tailings from the Acupan mines for recovery of residual gold. In November 2011, the transfer of the MPP was approved by the DENR-MGB.

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

On January 17, 2013, the Parent Company's BOD authorized and approved the deed of exchange between the Parent Company and BGRC covering all of the Parent Company's rights and interest in BTP in exchange of BGRC's shares.

Since 2014, minimal costs were incurred on the BTP because BGRC is largely in the process of obtaining funds for the said project.

Following the expiration of MPP No. 13-2010-CAR, BGRC reconveyed to the Parent Company on March 16, 2016, all rights and interest in BTP, including liabilities to third parties, so that the reprocessing of tailings can be made part of the Acupan operation once more. The reconveyance was approved by the DENR-MGB on May 31, 2016.

Antamok Tailings Project (ATP)
The ATP, which targeted the BAGO mill tailings pond, was conceived as a possible additional resource that could be developed similar to BTP. The BAGO tailings pond, located a few hundred meters downstream from the BAGO open pit mine, contains some 7.64 million tons of tailings produced from the BAGO milling operations. In addition, a considerable tonnage of extraneous materials, estimated at about 1.95 million tons washed from the BAGO pit over the years from the Otek marginal grade material dump and from the numerous illegal miners' workings, found its way into the pond and is now resting on top of the tailings deposit. A preliminary sampling of these extraneous materials showed that these can be considered for exploitation together with the original tailings in the pond. More core drilling, however, may be required to firm up the resource estimate of these impounded materials.

The Parent Company has approved an initial ₱7.5 million research fund for the ATP for the feasibility study on the reprocessing. The Parent Company is conducting a feasibility study on the reprocessing of tailings from the BAGO, which are impounded in the tailings pond downstream of the old BAGO mill. The initial drilling conducted to test the impounded materials indicates a grade of 4.0 grams of gold per ton.

As at December 31, 2018, the Parent Company intends to transfer to Benguet-Pantukan Gold Corporation (BPGC), a wholly-owned subsidiary of BMC, the planned ATP.

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

As at December 31, 2018, the Parent Company plans to transfer the SCP to Batong Buhay Mineral Resources Corporation (BBMRC), a subsidiary, when the said prospect materializes.

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

Pantingan Copper Gold Prospect (PGP)
The PGP in Balanga, Bataan consists of 1,410 hectares covered by MPSA No. 154-2000-III. The property is under an operating agreement with Option to Purchase, with Balanga Bataan Minerals Corporation, signed in March 1996. Surface mineralization consists of quartz and clay veins, ranging from 0.70 meters to 10 meters wide, with values as much as 1.0 gram of gold and 9.60 grams of silver. As at December 31, 2018, the PGP is currently in exploration period.

Zamboanga Gold Prospect (ZGP)
The ZGP in R.T. Lim, Zamboanga Sibugay consists of 340.3 hectares of land area and is under an operating agreement with Oreline Mining Corporation (OMC). A drilling program to evaluate the gold potential of the main structure at depth has been put on-hold pending the resolution of the APSA No. 000015- IX of OMC. The APSA which was denied on May 12, 2010 and has an appeal filed on January 30, 2013, is still pending evaluation by the DENR.

Financial or Technical Assistance Agreement (FTAA) Application
The Parent Company and its subsidiary, Sagittarius Alpha Realty Corporation (SARC), have two pending FTAA applications consisting of land area totaling 72,806,291 hectares. The Parent Company's FTAA application in Ilocos Norte (denominated as AFTA-000003-I) is undergoing Free, Prior and Informed consent requirement through the Regional Office of the National Commission on Indigenous Peoples while SARC's FTAA application in Apayao (denominated as AFTA No. 033-CAR) is pending with the MGB-CAR. Exploration work for the two areas will be undertaken as soon as the applications have been approved by the Philippine government.

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

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

On November 29, 2007, the BWD issued a Board Resolution denying the Parent Company's request for reconsideration. The Parent Company has filed a case against BWD with the Regional Trial Court.

Water Rights of Agua de Oro Ventures Corporation (ADOVC)
ADOVC, a wholly-owned subsidiary of BMC, has water permits in various locations in Tuba, Benguet: Kairuz Spring granted on September 12, 2001, Amliang Spring granted on October 17, 2002, and Kias Creek granted on August 13, 2004.

The water permits give ADOVC water access to these water sources, except for Kairuz Spring. The owner sold the water source on August 2012. The new owner denied ADOVC to access the water source. No formal action nor complaint has been filed by ADOVC as of December 31, 2018. The diversion of the water shall be from the source and for the purpose indicated in the permit and in no case should said use exceed the quantity and period indicated therein.

As at December 31, 2018 and 2017, the cost and accumulated amortization of the water rights amounted to ₱4.6 million. The Company paid water permit fees amounting to ₱0.03 million in 2018 and 2017.

d. Land Development Project
Kelly Special Economic Zone (KSEZ)
The Parent Company has approved an initial ₱4.9 million budget for the feasibility study covering the KSEZ and the potential of other real estate project of the Group. The Parent Company plans to transfer the said properties to BC Property Management, Inc. (BCPMI), a wholly-owned subsidiary of BMC. The capital expenditures related to the implementation of the project will then be infused as equity of the Parent Company in BCPMI. As at December 31, 2018, the said project has not yet materialized.

e. Logistics Services
On August 31, 2017, the BOD approved the dissolution of Calhorr 1 Marine Services Corporation (CMSC) and Calhorr 2 Marine Services Inc. (CMSI), wholly owned subsidiaries of KPLMSC, by shortening their corporate term until September 30, 2017. CMSC and CMSI are awaiting the clearance letter from the Bureau of Internal Revenue (BIR) before it could apply for liquidation with the SEC. Final liquidation will take place after the SEC's approval of the said application. As at March 21, 2019, CMSC and CMSI have not yet received the clearance letter.

f. Health Care Services
The Parent Company spun off its Benguet Laboratories (BL) Division on September 19, 2012 through its wholly owned subsidiary, Benguetcorp Laboratories, Inc. (BLI), to undertake the expansion of BL into a distinct operating unit that can raise the necessary development funds and create value for the Group. BLI operates two full-fledged tertiary multi-specialty facilities in Baguio under the trade name Benguet Laboratories. BLI operates another facility under the trade name MedCentral in San Fernando City, Pampanga and Taytay, Rizal which started its operations on December 2012 and December 2013, respectively. On April 2014, BLI opened its branch and started its operations in Makati City under the trade name Oncology.

On a regular meeting of the BOD of BLI on January 27, 2016, the President informed the BOD that the Department of Health (DOH) license and Philhealth accreditation for a free standing chemo infusion was not yet obtained. The management then suspended the operations of Oncology.

Recovery of Deferred Exploration Costs
The Group's ability to realize its deferred exploration costs with carrying value amounting to ₱539.0 million and ₱621.7 million as at December 31, 2018 and 2017, respectively (see Note 12), depends on the success of exploration and development work in proving the viability of its mining properties to produce minerals in commercial quantities, and the success of converting the Group's exploration permits to new mineral agreements, which cannot be determined at this time. The consolidated financial statements do not include any adjustment that might result from these uncertainties.

Authorization for the Issuance of the Consolidated Financial Statements
The consolidated financial statements of the Group as at December 31, 2018 and 2017 and for each of the three years ended December 31, 2018, 2017 and 2016, were authorized for issuance by the BOD on March 21, 2019.

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

Basis of Preparation and Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with the Philippine Financial Reporting Standards (PFRSs) as issued by the Financial Reporting Standards Council (FRSC).

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for land and artworks classified as property, plant and equipment, which have been measured at revalued amounts, and financial assets at FVOCI, AFS financial assets and investment properties, which have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency under PFRSs. All values are rounded to the nearest thousands (₱000), except when otherwise indicated.

Basis of Consolidation and Group Information

As at December 31, 2018 and 2017, the consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

	Nature of business	Country of incorporation	Effective percentage of ownership
Berec Land Resources Inc. (BLRI)*	Exploration and development	Philippines	100.00
BNMI	Exploration and development	Philippines	100.00
BMC*	Foundry	Philippines	100.00
BMC's Subsidiaries:			
AFC	Logistics	Philippines	100.00
Benguetrade, Inc. (BTI)*	Trading	Philippines	100.00
BMC Forestry Corporation (BFC)	Real estate	Philippines	100.00
ADOVC*	Selling of treated and untreated water	Philippines	100.00
BPGC*	Exploration and development	Philippines	100.00
BCPMI*	Management services	Philippines	100.00
KPLMSC	Logistics	Philippines	100.00
KPLMSC's Subsidiaries:			
CMSC**	Logistics	Philippines	100.00
CMSI**	Logistics	Philippines	100.00
Media Management Corporation (MMC)*	Management services	Philippines	100.00
BenguetCorp International Limited (BIL)*	Holding company	Hong Kong	100.00
BIL Subsidiaries:			
Benguet United States of America (USA), Inc.*	Exploration and development	USA	100.00
Pillars of Exemplary Consultants, Inc. (PECI)*	Professional services	Philippines	100.00
SARC*	Real estate holding	Philippines	100.00
SARC's Subsidiary:			
BGRC*	Exploration and development	Philippines	100.00
BBMRC*	Exploration and development	Philippines	100.00
Ifaratoc Mineral Resources Corporation (IMRC)*	Exploration and development	Philippines	100.00
Acupan Gold Mines Incorporation*	Exploration and development	Philippines	100.00
BLI	Health services	Philippines	100.00

* *Non-operating*
** *In process of liquidation*

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Parent Company's voting rights and potential voting rights

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intercompany balances, transactions, unrealized gains and losses resulting from the intercompany transactions and dividends are eliminated in full.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Parent Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2018. Adoption of these pronouncement did not have any significant impact on the Group's financial position or performance, unless otherwise indicated.

- Amendments to PFRS 2, *Share-based Payment - Classification and Measurement of Share-based Payment Transactions*
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

  The Group has no cash-settled share-based payments and share-based payment with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group's consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts - Applying PFRS 9, Financial Instruments, with PFRS 4*

- PFRS 9, *Financial Instruments*
  The Group has adopted PFRS 9 with a date of initial application of January 1, 2018. PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

  The Group chose not to restate comparative figures as permitted by the transitional provisions of PFRS 9, thereby resulting in the following impact:
  - Comparative information for prior periods will not be restated. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures required in PFRS 7, *Financial Instruments: Disclosures* will be retained for the comparative periods. Accordingly, the information presented for 2017 does not reflect the requirements of PFRS 9.

- The Group will disclose the accounting policies for both the current period and the comparative periods, one applying PFRS 9 beginning January 1, 2018 and one applying PAS 39 as of December 31, 2017.
- The difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application will be recognized in the opening retained earnings or other component of equity, as appropriate.
- As comparative information is not restated, the Group is not required to provide a third statement of financial information at the beginning of the earliest comparative period in accordance with PAS 1, *Presentation of Financial Statements*.

(a) Classification and measurement
Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss (FVPL), amortized cost, or FVOCI. The classification is based on two criteria: the business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding.

The assessment of the Group's business model was made as at the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of PFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under PAS 39. The following are the changes in the classification of the Group's financial assets.

- Trade and other receivables previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortized cost.
- Unit investment trust fund (UITF) previously classified as AFS financial assets are now classified and measured as at FVOCI. The Group elected to classify irrevocably its UITF under this category as it intends to hold these investments for the foreseeable future. There were no impairment losses recognized in profit or loss for these investments in prior periods.
- Unquoted equity instruments previously classified as AFS financial assets are now classified and measured as at FVOCI. The Group elected to classify irrevocably its unquoted equity investments under this category as it intends to hold these investments for the foreseeable future. There were no impairment losses recognized in profit or loss for these investments in prior periods.
- Quoted equity investments previously classified as AFS financial assets are now classified and measured as at FVOCI. The Group elected to classify irrevocably its quoted equity investments under this category as it intends to hold these investments for the foreseeable future.

The Group has not designated any financial liabilities as at FVPL. There are no changes in classification and measurement for the Group's financial liabilities.

In summary, upon the adoption of PFRS 9, the Group had the following required or elected classifications as at January 1, 2018.

		PFRS 9 Measurement Categories		
PAS 39 Categories	Balances	FVPL	Amortized cost	FVOCI
Loans and receivables				
Trade and other receivables	₱501,902	₱–	₱501,092	₱–
Loan receivables	49,763	–	49,763	–
Advances under other noncurrent asset	93,683	–	93,683	–
UITF	9,947	–	–	9,947
Quoted shares	893	–	–	893
Unquoted shares	601	–	–	601
	₱656,789	₱–	₱644,538	₱11,441

(b) *Impairment*
The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to recognize an allowance for ECLs for all debt instruments not held at FVPL and contract assets.

Upon adoption of PFRS 9, the Group did not recognize any allowance for ECLs. The change to a forward-looking ECL approach did not have a material impact on the Group's financial assets at amortized cost.

- PFRS 15, *Revenue from Contracts with Customers*
PFRS 15 supersedes PAS 11 *Construction Contracts*, PAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers.

  The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the PFRS 15 requires extensive disclosures.

  The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at January 1, 2018.

  The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 11, PAS 18 and related interpretations.

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended December 31, 2018 as a result of the adoption of PFRS 15. The adoption of PFRS 15 did not have material impact on consolidated statement of comprehensive income, or the Company's operating, investing and financing cash flows. The first column shows amounts prepared under PFRS 15 and the second column shows what the amounts would have been had PFRS 15 not been adopted:

Consolidated statement of financial position as at December 31, 2018	Amounts prepared under PFRS 15	Amounts prepared under previous PFRS	Increase (decrease)
Current liabilities			
Contract liabilities (a), (b)	₱1,451	₱–	₱1,451
Advances from customers (b)	–	1,451	(1,451)
Noncurrent liabilities			
Contract liabilities	348,745	–	348,745
Advances from customers	–	247,689	(247,689)
Loan Payable (a)	–	101,056	(101,056)
Liabilities	**₱350,196**	**₱350,196**	**₱–**

Consolidated statement of income for the year ended December 31, 2018	Amounts prepared under PFRS 15	Amounts prepared under previous PFRS	Increase (decrease)
Revenue from contracts with customers (c), (d), (e)	₱1,006,776	₱–	₱1,006,776
Sale of mine products	–	938,009	(938,009)
Sale of services	–	53,792	(53,792)
Trucking services	–	7,647	(7,647)
Others	–	6,206	(6,206)
Revenues	**1,006,776**	**1,005,654**	**1,122**
Despatch (d)	–	2,865	(2,865)
Demurrage (d)	–	(1,300)	1,300
BSP refining charges (e)	–	(443)	443
Other income	**–**	**1,122**	**(1,122)**
Income for the year	**₱1,006,776**	**₱1,006,776**	**₱–**

The reasons for the significant changes in the consolidated statement of financial position as at December 31, 2018 and consolidated statement of income for the year ended December 31,2018 are described below:

(a) *Loan Payable*
Loan payable pertains to the Nickel-Off-take-Agreements. It involves a tri-partite-off-take agreement between BNMI, the Parent Company and a Chinese trading Company. Under PFRS 15, on a group level, the Group recognized the loan as contract liability since BNMI and the Parent Company are viewed as a single economic entity and treats the loan as advances from customers.

(b) *Advances from customers*
Advances from customers pertain to cash advances from BNMI's customers, which can be settled through future nickel ore shipments to the said customers. Before adoption of PFRS 15, the advances from customers are presented separately in the consolidated statement of financial position. Upon adoption of PFRS 15, the advances from customers are presented as contract liability since payment is made before the goods is transferred to the customer.

(c) *Revenue from contracts with customers*
PFRS 15 requires an entity to disclose revenue recognized from contracts with customers separately from its other sources of revenue.

(d) *Despatch/Demurrage*
Despatch is earned when shipment is loaded earlier than the allowable lay time while demurrage is incurred when shipment is not loaded on time. Before adoption of PFRS 15, despatch is recognized as other income while demurrage is recognized as other expenses, and both are presented separately in the consolidated statement of income. Under PFRS 15, despatch/demurrage is added/deducted from revenue to arrive at revenue from contracts with customers since it does not result in any additional goods and services being provided to the customer.

(e) *BSP refining charges*
BSP refining charges are necessary expenses incurred by BSP in determining the final gold content. Before adoption of PFRS 15, revenue is presented at gross amounts and the related BSP refining charges are presented separately on the consolidated statement of income. Under PFRS 15, BSP refining charges are deducted from revenue to arrive at revenue from contracts with customers since these are treated as consideration paid or payable to a customer.

- Amendments to Philippine Accounting Standard (PAS) 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

- Amendments to PAS 40, *Investment Property - Transfers of Investment Property*
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation based on International Financial Reporting Interpretations Committee (IFRIC) 22, *Foreign Currency Transactions and Advance Consideration*

Standards issued but not yet effective
Pronouncements issued but not yet effective are listed below. The Group does not expect the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements, unless otherwise indicated. The Group intends to adopt the following pronouncements when these become effective.

Effective January 1, 2019
- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

- PFRS 16, *Leases*
PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, Leases. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and

an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting this standard in 2019.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments are not expected to have any impact on the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Effective beginning on or after January 1, 2020
- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

Effective beginning on or after January 1, 2021
- PFRS 17, *Insurance Contracts*

Deferred effectivity
- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Summary of Significant Accounting Policies

Presentation of Consolidated Financial Statements
The Group has elected to present all items of recognized income and expense in two statements: a consolidated statement of income and a consolidated statement of comprehensive income.

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification. An asset as current when it is:
- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purposes of trading
- Expected to be realized within 12 months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Cash and Cash Equivalents
Cash consists of cash on hand and in banks. Cash in banks earns interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term investment rates.

Financial instruments - Initial Recognition and Subsequent Measurement (prior to adoption of PFRS 9)
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of recognition
The Group recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Initial recognition and classification of financial instruments
The Group determines the classification of financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at the end of the reporting period.

All financial instruments are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of all financial instruments, except for financial instruments measured at FVPL.

Financial assets
Financial assets within the scope of PAS 39 are classified in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market.

The Group's financial assets are in the nature of loans and receivables. The Group has no financial assets classified as financial assets at FVPL, HTM investments and derivatives designated as hedging instruments in an effective hedge as at December 31, 2017.

Subsequent Measurement
The subsequent measurement of financial instruments depends on their classification as follows:

Loans and Receivables
This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified as 'financial assets held for trading', designated as 'AFS financial assets' or 'financial asset designated at FVPL'. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The amortization, if any, is included as interest income in the other income (expenses) - net caption in the consolidated statement of income. The losses arising from impairment of receivables, if any, are recognized as provision for impairment loss under selling and general expenses in the consolidated statement of income.

The Group's loans and receivables include trade receivables, loans receivables, and receivables from lessees of bunkhouses (see Note 5).

AFS Financial Assets
AFS financial assets include equity investments and UITF. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses arising from the fair valuation of AFS financial assets being reported as unrealized gain (loss) on AFS financial assets under other components of equity of the consolidated statement of financial position until the investment is derecognized. These are also reported as OCI in the consolidated statement of comprehensive income. Interest earned while holding AFS financial assets is reported as interest income using the EIR method. Any dividend earned on holding AFS financial assets is recognized in the consolidated statement of income when the right of payment has been established.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for a foreseeable future.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to consolidated statement of income over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of income.

Financial Instruments - Initial Recognition and Subsequent Measurement (upon adoption of PFRS 9)
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL.

Contractual cash flow characteristics
The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Business model
The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include trade receivables, lessees from bunkhouses, loans receivable and nontrade advances under Other Noncurrent Assets (see Notes 5 and 13).

Financial assets designated at FVOCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to consolidated statement of income. Dividends are recognized as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in consolidated statement of comprehensive income. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its UITF and quoted shares under this category (see Note 8).

Financial liabilities (prior to and upon adoption of PFRS 9)
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Payables
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations (e.g., accounts payable, accrued liabilities). Payables are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

This accounting policy applies to the Group's trade payables and accrued expenses, and equity of claim owners on contract operations under other noncurrent liabilities.

Loans and borrowings
After initial measurement, loans and borrowings are measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral part of the EIR.

This category generally applies to the Group's loans payable (see Note 14).

<u>Derecognition of Financial Assets and Liabilities (prior to and upon adoption of PFRS 9)</u>
Financial Assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is primarily derecognized (i.e., removed from the Group's statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset in measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

<u>Impairment of financial assets (prior to adoption of PFRS 9)</u>
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event recurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other income in the consolidated statement of income.

AFS Financial Assets
For AFS financial assets, the Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

In case of equity investments classified as AFS, this would include a significant or prolonged decline in the fair value of the investments below its cost. Significant is evaluated against the original cost of the investment and prolonged against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income - is removed from OCI and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit of loss; increases in their fair value after impairment are recognized in OCI.

The determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost. The Group treats significant generally as 20% or more of the original cost of investment, and prolonged as greater than 12 months.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Impairment of Financial Assets (upon adoption of PFRS 9)
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral on the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognized a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle the liability simultaneously, or to realize the asset and the liability simultaneously.

The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Fair Value Measurement
An analysis of the fair values of financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed and further details as to how they are measured are provided in the following notes:

- Disclosures on significant judgments and estimates — Note 3
- AFS financial assets — Note 8
- Land and artworks — Note 10
- Investment properties — Note 11

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

<u>Inventories</u>
Inventories are valued at the lower of cost or net realizable value (NRV).

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Materials and supplies	-	at purchase price less purchase discount, returns and rebates on a first-in, first-out method
Beneficiated nickel ore	-	at cost on a moving average production method during the year exceeding a determined cut-off grade
Subdivision lots	-	at land costs, amounts paid to contractors for costs incurred in the development and improvement of the properties (planning and design costs, cost of site preparation, professional fees, property taxes, construction overheads and other related costs)

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

<u>Other Current Assets</u>
Other current assets include various prepaid expenses, input value-added tax (VAT), creditable withholding taxes (CWTs) and deferred input VAT.

Prepaid Expenses
Prepaid expenses pertain to advance payments for insurance, rent, other services and tax credit certificates (TCC) granted by the BIR to the Group. These are stated at the estimated NRV.

VAT
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

Deferred Input VAT
Deferred input vat arises from the Groups unsettled purchase of services.

CWT
CWTs are amounts withheld from income of the Group subject to expanded withholding taxes. CWTs can be utilized as payments for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules of Philippine income taxation. CWTs are stated at the estimated NRV.

<u>Deferred Mine Exploration Costs</u>
Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:
- Researching and analyzing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

License costs paid in connection with a right to explore in an existing exploration area are capitalized and amortized over the term of the permit.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to consolidated statement of income as incurred, unless the Group concludes that a future economic benefit is more likely than not to be realized. These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalized, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

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

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

When a project is abandoned, the related deferred mine exploration costs are written off. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

Assets Classified as Held for Sale
Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment, once classified as held for sale, are not depreciated or amortized.

Property, Plant and Equipment
Property, plant and equipment, except land and artworks, are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, depletion and amortization and accumulated impairment in value, if any. Such cost includes the cost of replacing part of such property, plant and equipment if the recognition criteria are met.

When significant parts of property, plant and equipment are to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates, depletes and amortize them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of income when incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Construction in progress (CIP) is recorded at cost. This includes costs of construction and other direct costs. CIP is not depreciated until such time that the relevant asset is completed, transferred to the appropriate account and put into operational use.

Land is carried at revalued amount less any impairment in value. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

Artworks, which the Group holds for aesthetic purposes, are also stated at revalued amount less any accumulated depreciation and accumulated impairment in value. Depreciable amount is determined after considering the residual value. The initial cost of artworks includes purchase consideration, the fair value in the case of vested assets, and those costs that are directly attributable to bringing the asset to its location and condition necessary for its intended purpose.

The increment from valuation of land and artworks, net of deferred tax liability, resulting from the revaluation is credited to revaluation increment under the other components of equity caption included in the equity section in the consolidated statement of financial position. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in the consolidated statement of income, the increase is recognized in consolidated statement of income. A revaluation deficit is recognized in the consolidated statement of income, except to the extent that it offsets an existing surplus on the same asset recognized in the revaluation increment. Upon derecognition of the revalued property, the relevant portion of the revaluation increment realized in respect of previous valuations is released from the revaluation increment directly to retained earnings.

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

Category	Number of years
Port facilities	25
Land improvements	3-25
Buildings	5-20
Machinery, tools and equipment	2-15

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

The estimated useful lives, residual values and depreciation and amortization method are reviewed periodically to ensure these are consistent with the expected pattern of economic benefits from items of property, plant and equipment. The useful lives and residual values are reviewed at the end of each reporting period and adjusted prospectively, if appropriate.

Fully depreciated assets are retained in the accounts until these are no longer in use. No further depreciation is charged to current operation for these items.

The carrying values of property, plant, and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

Mine and Mining Properties
Capitalized expenditure is assessed for impairment and is transferred from deferred exploration costs to mine development costs when it has been established that a mineral deposit is commercially mineable, development sanctioned, and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit).

After transfer of the deferred exploration costs, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized in mine development costs. Development expenditure is net of proceeds from the sale of ore extracted during the development phase to the extent that it is considered integral to the development of the mine. Any costs incurred in testing the assets to determine if they are functioning as intended, are capitalized, net of any proceeds received from selling any product produced while testing. If these proceeds exceed the cost of testing, any excess is recognized in the consolidated statement of income.

No depletion is charged during the mine development phases.

When the Group has already achieved commercial levels of production, mine development costs are moved to mine and mining properties. Commercial production is deemed to have commenced when management determines that the completion of operational commissioning of major mine and plant components is completed, operating results are being achieved consistently for a period of time and that there are indicators that these operating results will be continued.

The carrying value of mine and mining properties represents total expenditures incurred to date on the area of interest, less accumulated depletion and any impairment.

When a mine construction project moves into the production phase, the capitalization of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.

Mine and mining properties are subject to depletion, which is computed using the units-of production method based on the economically recoverable reserves. Mine and mining properties include the initial estimate of provision for mine rehabilitation and decommissioning, for which the Group is constructively liable.

Investment Properties
Investment properties pertain to properties, which are held to earn rentals or for capital appreciation or both.

Investment properties is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment properties is recognized in the consolidated statement of income in the period in which these arise. Fair values are determined based on the revaluation performed by an accredited external independent appraiser. Upon derecognition of the investment property, the portion of the revaluation increment realized in respect of previous valuation is released from the revaluation increment directly to retained earnings.

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

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

If an owner-occupied property becomes an investment property that will be carried at fair value, the Group shall apply PAS 16, *Property, Plant and Equipment*, up to the date of change in use. The Group shall treat any difference at that date between the carrying amount of the property and its fair value in the same way as a revaluation in accordance with PAS 16. On subsequent disposal of the investment property, the revaluation surplus included in equity shall be transferred to retained earnings. As of December 31, 2018, the revaluation surplus related to the Group's investment property amounted to ₱1,102,265 of which ₱579,873 was transferred to retained earnings in 2011 due to quasi-reorganization.

Impairment of Nonfinancial Assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

• Disclosures on significant judgments and estimates	Note 3
• Nonfinancial receivables	Note 5
• Inventories	Note 6
• Other current assets	Note 7
• Property, plant and equipment	Note 10
• Deferred mine exploration costs	Note 12
• Nonfinancial other noncurrent assets	Note 13

The Group assesses, at the end of each reporting period, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable value is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the consolidated statement of income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to consolidated statement of comprehensive income. For such properties, the impairment is recognized in consolidated statement of comprehensive income up to the amount of any previous revaluation.

For assets, an assessment is made at each end of the reporting period to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, depletion or amortization, had no impairment loss been recognized for that asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase.

Deferred Mine Exploration Costs
The Group assesses whether facts and circumstances suggest that the carrying amount of deferred mine exploration costs may exceed its recoverable amount. Below are some of the facts and circumstances, which the Group considers in determining whether there is impairment on deferred mine exploration costs:
- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area, and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the deferred mine exploration costs is unlikely to be recovered in full from successful development or by sale

Full provision is made for the impairment unless it is probable that such costs are expected to be recouped through successful exploration and development of the area of interest, or alternatively, by its sale. If the project does not prove to be viable or is abandoned, all revocable cost associated with the project and the related impairment provisions are written off.

Recovery of impairment losses recognized in prior years is recorded if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The recovery is recorded in the consolidated statement of income.

Provisions
General
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of the provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as interest expense in the consolidated statement of income.

Liability for Mine Rehabilitation
Mine rehabilitation costs will be incurred by the Group either while operating, or at the end of the operating life of, the Group's facilities and mine and mining properties. The Group assesses its mine rehabilitation provision at each reporting date. The Group recognizes a rehabilitation provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The nature of these restoration activities includes: dismantling and removing structures; rehabilitating mines and tailings dams; dismantling operating facilities; closing plant and waste sites; and restoring, reclaiming and re-vegetating affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the mining operation's location. When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred as a result of the development or construction of the mine. Any rehabilitation obligations that arise through the production of inventory are recognized as part of the related inventory item. Additional disturbances that arise due to further development or construction at the mine are recognized as additions or charges to the corresponding assets and rehabilitation liability when these occur. Costs related to restoration of site damage (subsequent to start of commercial production) that is created on an ongoing basis during production are provided for at their net present values and recognized in the consolidated statement of income as extraction progresses.

Changes in the estimated timing of rehabilitation or changes to the estimated future costs are dealt with prospectively by recognizing an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates, if the initial estimate was originally recognized as part of an asset measured in accordance with PAS 16.

Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the consolidated statement of income.

If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If, for mature mines, the estimate for the revised mine assets net of rehabilitation provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of income as part of interest expense.

For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of income.

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

Capital Stock and Capital Surplus
Common and preferred shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds. The excess of proceeds from issuance of shares over the par value of shares less any incremental costs directly attributable to the issuance, net of tax, is credited to capital surplus.

Deposits for Future Stock Subscriptions
Deposits for future stock subscriptions represent advance payments of stockholders for subscriptions of shares to be issued in the future but for which the Group has no sufficient unissued authorized capital stock.

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

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract
- There is BOD approval on the proposed increase in authorized capital stock (for which a deposit was received by the Parent Company)
- There is stockholders' approval of said proposed increase and
- The application for the approval of the proposed increase has been presented for filing or has been filed with the Philippine SEC

Otherwise, these are recognized as noncurrent liabilities.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend declarations, prior period adjustments, effect of changes in accounting policies and other capital adjustments.

Dividend Distribution
Dividend distribution to the Parent Company's stockholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are declared and approved by the BOD.

Other Components of Equity
The 'Other components of equity' caption in the consolidated statement of financial position consists of:

- Revaluation increment - net of deferred tax
- Cost of share-based payment
- Cumulative translation adjustment on foreign subsidiaries - net of deferred tax
- Remeasurement gain on pension liability - net of deferred tax
- Unrealized gain on FVOCI and AFS financial assets

Treasury Shares
Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in capital surplus under the equity section of the consolidated statement of financial position.

<u>Revenue Recognition (prior to adoption of PFRS 15)</u>
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

Sale of Mine Products
Revenue is recognized when the significant risks and rewards of ownership have transferred to the buyer, which is normally at the time of shipment, and the selling prices are known or can be reasonably estimated.

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

Trucking Services
Revenue is recognized when services are rendered and can be reasonably estimated.

Rental Income and Others
Included under this caption are rental income, sale of real estate, sale of goods, interest and other income.

Rental income arising from operating leases is accounted for on a straight-line basis over the lease term and is included in revenue in the consolidated statement of income.
Revenue from the sale of real estate, which pertains to the sale of subdivision lots, is recognized on an installment basis and when the collectibility of the sales price is reasonably assured.

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods and the amount of revenue can be measured reliably. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

<u>Revenue Recognition (upon adoption of PFRS 15)</u>
The Group is principally engaged in the business of producing gold and nickel ore. Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group has generally concluded that it is the principal in its revenue contracts because it typically controls the goods or services before transferring them to the customer.

Sale of Mine Products
Revenue from sale of mine products is recognized at the point in time when the control of the asset is transferred to the customer which is normally at the time of shipment, and the selling prices are known or can be reasonably estimated. Revenue from sale of gold is measured at the prevailing international gold buying price and prevailing Philippine peso to United States dollar buying rate set by the BSP Treasury department on a daily basis and is recognized based on the initial weight and assay tests, which represent the best estimate. Revenue from sale of nickel ore is measured based on contract at the prevailing price at Ferro Alloy and prevailing Philippine peso to United States dollar buying rate and is recognized based on the initial weight and assay tests, which represent the best estimate. Subsequent adjustments to revenue due to quantity and/or quality changes are recognized upon determination of the final weight and assay tests.

BSP Refining Charges
BSP refining charges are deducted from revenue to arrive at revenue from contracts with customers since BSP refining charges are necessary expenses by BSP in determining the final gold content.

Despatch/Demurrage
Despatch/demurrage is added/deducted from revenue to arrive at revenue from contracts with customers. Despatch is earned when shipment is loaded earlier than the allowable lay time while demurrage is incurred when shipment is not loaded on time.

Medical and Dental Services
The Group has contracts with customers to provide medical and dental services. Each individual service is either sold separately or bundled together with other medical services. In determining the transaction price for the sale of medical and dental services, the Group considers the effects of variable consideration.

Revenue from medical and dental services are recognized over the period in which the medical and dental services are provided.

Trucking services
The Group provides trucking services for the transportation of mining materials and construction supplies.

Revenue from trucking services is computed as actual delivered cubic meters multiplied by the contract price. The Group has concluded that revenue from trucking services is recognized over time since the customers simultaneously benefits as the Group performs the services.

Port Services
Revenue from port service is recognized over time upon loading of ores to the vessel.

<u>Contract balances</u>
Contract Assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

The Group does not have any contract asset as of December 31, 2018.

Trade Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract Liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

<u>Interest Income</u>
For all financial instruments measured at amortized cost and interest-bearing financial assets, interest income is recorded using the EIR. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in other income (expenses) - net in the consolidated statement of income.

Other income not directly related to the Group's normal operations is recognized when the earnings process is virtually complete. These are classified under other income (expense) - net in the consolidated statement of income.

Cost and Expense Recognition

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

Cost of Mine Products Sold

Cost of mine products sold is incurred in the normal course of business and is recognized when incurred. It comprises mainly of outside services, materials and supplies, depreciation, depletion and amortization, personnel expenses, power and utilities and others, which are recognized as expenses in the period when the mine products are delivered.

Cost of Services and Other Sales

Cost of services and other sales incurred in the normal course of business are recognized when the services are rendered, the goods are delivered or the earnings process is virtually complete.

Included under this caption is the cost of real estate sold. Cost of real estate sold is recognized when the control over the subdivision lots have been transferred to the buyer. This includes land cost, costs of site preparation, professional fees for legal services, property transfer taxes, and other related costs. The cost of real estate sold recognized in consolidated income statement on disposal is determined with reference to the specific costs incurred on the subdivision lot and an allocation of any non-specific costs based on the relative size of the subdivision lot.

Selling and General Expenses

Selling and general expenses pertain to costs associated in the marketing and general administration of the day-to-day operations of the Group. These are generally recognized when incurred.

Excise Taxes and Royalty Fees

Excise taxes and royalty fees pertain to the taxes paid or accrued by the Group arising from the production of gold and nickel ore. These taxes and royalties are recognized once revenue from the sale of the related mine product is recognized.

OCI

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

Leases

Determination of Whether an Arrangement Contains a Lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of the specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A reassessment is made after the inception on the lease only if one of the following applies:
(a) There is a change in contractual terms, other than a renewal or extension of the arrangement
(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset or
(d) There is a substantial change to the asset

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

Group as a Lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the consolidated statement of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as operating expenses in the consolidated statement of income on a straight-line basis over the lease term.

Group as a Lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

Pension and other post-employment benefits
The Parent Company and AFC have separate, noncontributory, defined benefit pension plans, covering all permanent, regular and full-time employees.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains or losses, the effect of the ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in the net interest on the net defined benefit liability), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which these occur. Remeasurements are not reclassified to consolidated statement of income in subsequent periods.

Past services costs are recognized in the consolidated statement of income on the earlier of:
- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group recognizes the following changes in the net defined benefit obligation under costs of mine products sold, costs of services and selling and general expenses in the consolidated statement of income:
- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Share-based Payment Transactions

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

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, in employee benefits expense.

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit and loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits.

No expense is recognized for awards that do not ultimately vest, except for equity settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense computed based on the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the Group or by the counterparty, any remaining element of the fair value of the award is expensed immediately in the consolidated statement of income.

When the terms of an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.
Where an equity-settled award expires or is cancelled, its cost is transferred to capital surplus.

Forfeitures revise the expense to reflect the best available estimate of the number of equity instruments expected to vest.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Transactions and Balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in consolidated statement of income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to consolidated statement of income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss on translation of non-monetary items measured at fair value of the item is treated in line with the recognition of the gain or loss arising on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or consolidated statement of income are also recognized in OCI or consolidated statement of income, respectively).

Foreign Subsidiaries
On consolidation, the assets and liabilities of foreign operations are translated into Philippine peso at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the average exchange rates for the year. The exchange differences arising on the translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in the consolidated statement of income.

<u>Income Taxes</u>
Current Income Tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted as of the end of the reporting period in the country where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income.

Deferred Tax
Deferred tax is provided using the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:
- Where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (tax loss)
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits from excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carry-over (NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences, excess MCIT and unused NOLCO can be utilized, except:
- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available, against which the temporary differences can be utilized

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

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

Deferred tax relating to items recognized outside consolidated statement of income is recognized outside consolidated statement of income. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

<u>Earnings Per Share (EPS)</u>
Basic EPS amount is calculated by dividing net income for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year.

Diluted EPS amount is calculated by dividing the net profit attributable to ordinary equity holders of the Parent Company (after deducting interest on the convertible cumulative preference shares) by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalization, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively. If these changes occur after the reporting period but before the financial statements are authorized for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares. The fact that per share calculations reflect such changes in the number of shares shall be disclosed. In addition, basic and diluted earnings per share of all periods presented shall be adjusted for the effects of errors and adjustments resulting from changes in accounting policies accounted for retrospectively.

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

Segment assets include operating assets used by a segment and consist principally of operating cash, trade and other receivables, inventories and property, plant and equipment, net of allowances and provisions.
Segment liabilities include all operating liabilities and consist principally of trade and other payables, accrued expenses and bank loans. Segment assets and liabilities do not include deferred taxes.

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

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

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

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRSs requires the Group to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the accompanying disclosures, and the disclosure of contingent liabilities. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties include capital management, financial risk management and policies and sensitivity analyses disclosures (see Note 33).

Judgments

In the process of applying the Group's accounting policies, management has made following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Going Concern

Management has made an assessment on the Group's ability to continue as a going concern and is satisfied based on its assumptions and cash flow projection that it has the resources to continue business for the foreseeable future.

Determining the Group's Business Model

The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

Assessing Provisions and Contingencies

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group assessed that these proceedings will not have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

Assessing the Potential Outcome of the Suspension Orders

BNMI received from the regional offices of DENR, MGB and EMB, a joint suspension order, which suspended its mining operations. The Group assessed its planned action steps to address the findings and the feasibility of management's plans, including the potential impact on the Group of the continued suspension of BNMI's mining operations. Management believes that the suspension will be lifted by 2020 and consequently, assessed that there is no impairment on the related property, plant and equipment items.

Distinction between Investment Property and Owner-Occupied Property

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property is not occupied substantially for use by, or in operations of the Group, not for sale in the ordinary course of business, but is held primarily to earn rental income or capital appreciation. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the production or supply process. Management concluded that some of its parcels of land at Irisan, Baguio City and Itogon, Benguet are investment properties.

Principal versus agent considerations (upon adoption of PFRS 9)
The Group enters into contracts with customers wherein the Group charges the customers for the services rendered. The Group determined that it does not control the goods or services before they are transferred to customers, and it does not have the ability to direct the use of the services or obtain benefits from the services. The following factors indicate that the Group does not control the services before they are being transferred to customers. Therefore, the Group determined that it is an agent in these contracts.

- The Group is not primarily responsible for fulfilling the promise to provide the professional services.
- The Group has no discretion in establishing the price for the services provided. The Group's consideration in these contracts is only based on the difference between the Group and the customer.

The Group determined that it is an agent with respect to the professional fees of its tenant doctors. Meanwhile, the Group concluded that it is the principal in all its other revenue streams.

Asset held for sale
In 2018, the Board of Directors (BOD) announced its decision to sell a parcel of land presented under Property, Plant and Equipment. The BOD considered the land to meet the criteria to be classified as held for sale for the following reasons:

- The land is available for immediate sale and can be sold to the buyer in its current condition
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification
- A potential buyer has been identified and negotiations as at the reporting date are at an advance stage
- The shareholders approved the plan to sell.

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year, are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when these occur.

Estimating Allowance for Impairment Losses on Trade and Other Receivables (prior to adoption of PFRS 9)
The Group evaluates specific accounts where the Group has information that certain customers are unable to meet their financial obligations. Factors, such as the Group's length of relationship with the customers and the customer's current credit status, are considered to ascertain the amount of reserves that will be recorded in the receivables account. In addition to specific allowances against individually significant accounts, the Group also makes a collective impairment assessment against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any past collection experiences, the current economic conditions, and average age of the group of receivables. Allowance is re-evaluated and adjusted as additional information is received.

Provision for impairment loss on trade and other receivables amounting to ₱1,368 was recognized in 2017 (see Notes 5 and 23). As at December 31, 2017, the carrying value of trade and other receivables amounted to ₱761,707, net of allowance for impairment losses of ₱114,993 as at December 31, 2017 (see Note 5).

Provision for expected credit losses on Trade and Other Receivables (upon adoption of PFRS 9)
The Group uses the general approach model as new impairment requirement of PFRS 9 about ECL, which replaced the PAS 39 incurred loss model. An assessment of the ECL relating to trade and other receivables is undertaken upon initial recognition and each financial year. The simplified general approach of the ECL impairment model involves exercise of significant judgment. Key areas of judgment include: defining default, determining assumptions to be used such as timing and amounts of expected net recoveries from defaulted accounts, determining debtor's capacity to pay, and incorporating forward looking information.

Provision for ECLs recognized in 2018 amounted to ₱66,623 (see Note 5 and 23). The carrying amount of trade and other receivables amounted to ₱210,872 as at December 31, 2018 (see Note 5).

Estimating Ore Reserves
Ore reserves estimates are, to a large extent, based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies. The Group estimates its ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The Group also makes estimates and assumptions regarding a number of economic and technical factors affecting ore reserves estimates, such as production rates, grades, foreign exchange rates, production and transport costs, and commodity prices.

These geological, economic and technical estimates and assumptions may change in the future in ways, which can affect the quality and quantity of the ore reserves. The Group reviews and updates estimates as required to reflect actual production, new exploration data or developments and changes in other assumptions or parameters. These estimates will change from time to time to reflect mining activities, analyses of new engineering and geological data, changes in ore reserve and mineral resource holdings, modifications of mining plans or methods, changes in nickel or gold prices or production costs, and other factors.

Changes in the ore reserves estimates may impact the carrying values of property, plant and equipment, provision for mine rehabilitation and decommissioning and depletion charges.

Assessing Recoverability of Deferred Mine Exploration Costs
The Group reviews the recoverability of deferred mine exploration costs when events or changes in circumstances indicate that the carrying amount of deferred mine exploration costs may exceed its estimated recoverable amount. The Group considers the following factors, among others, in its assessment:
- Status of each mine exploration project and plans on exploration and evaluation activities
- Validity of the licenses, permits and correspondences related to each mine exploration project
- Plans to abandon existing mine areas and plans to discontinue exploration activities
- Availability of information suggesting that the recovery of expenditure is unlikely

In 2018, the Group recognized provision for impairment losses on deferred mine exploration costs amounting to ₱72,059 and wrote off deferred mine exploration costs amounting to ₱11,462 (see Notes 12 and 26). As at December 31, 2018 and 2017, deferred mine exploration costs amounted to ₱538,998 and ₱621,671, respectively (see Note 12).

Estimating Recoverability of Property, Plant and Equipment
The Group assesses impairment on property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of the property, plant and equipment may not be recoverable.
The factors that the Group considers important which could trigger an impairment review include the following:

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

In determining the present value of estimated future cash flows expected to be generated from the continued use of the property, plant and equipment, the Group is required to make estimates and assumptions such as commodity prices, discount rates and foreign currency exchange rates, which can materially affect the consolidated financial statements. Commodity prices and foreign exchange rates are based on forecasts of various financial institutions while the discount rate is based on industry weighted average cost of capital.

An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, property, plant and equipment are grouped at the lowest levels for which there are separately identifiable cash flows. An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows. The Group did not recognize any impairment loss in 2018, 2017 and 2016 on property, plant and equipment.

As at December 31, 2018 and 2017, property, plant and equipment (at revalued amount and at cost) amounted to ₱2,200,682 and ₱2,179,066, respectively (see Note 10).

Estimating Allowance for Inventory Obsolescence
The Group maintains allowance for inventory losses at a level considered adequate to reflect the excess of cost of inventories over their NRV. NRV of inventories are assessed regularly based on prevailing estimated selling prices of inventories and the corresponding cost of disposal. Increase in the NRV of inventories will increase cost of inventories but only to the extent of their original acquisition costs. As at December 31, 2018 and 2017, the carrying value of inventories amounted to ₱128,999 and ₱167,274, respectively (see Note 6).

Assessing Impairment of Other Current and Noncurrent Assets
The Group provides allowance for impairment losses on other current and noncurrent assets when these can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for probable loss would increase recorded expenses and decrease other current and noncurrent assets.

Impairment loss amounting to ₱95,374 and nil was recognized in 2018 and 2017, respectively (see Notes 7, 13 and 26). The total carrying value of other current assets and other noncurrent assets amounted to ₱939,723 and ₱1,078,533 as at December 31, 2018 and 2017, respectively (see Notes 7 and 13).

Revaluation of property, plant and equipment and investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statement of income. In addition, it measures the land and artworks at revalued amounts, with changes in fair value being recognized in the consolidated statements of comprehensive income. The land, artworks and investment properties were valued using the sales comparison approach. The determination of the fair values of these properties involves significant management judgment and estimations. The valuation also requires the assistance of external appraisers whose calculations also depend on certain assumptions, such as sales and listing of comparable properties registered within the vicinity and adjustments to sales price based on internal and external factors. As at December 31, 2018 and 2017, the appraised value of land and artworks, and investment properties amounted to ₱3,454,037 and ₱2,682,002, respectively (see Notes 10 and 11).

Estimating Liability for Mine Rehabilitation
The Group estimates the costs of mine rehabilitation based on previous experience in rehabilitating fully mined areas in sections of the mine site. These costs are adjusted for inflation factor based on the average annual inflation rate as of adoption date or re-evaluation of the asset dismantlement, removal or restoration costs. Such adjusted costs are then measured at present value using the market interest rate for a comparable instrument adjusted for the Group's credit standing. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's liability for mine rehabilitation. The change in estimate for mine rehabilitation asset included under property, plant and equipment amounted to (₱7,256) and ₱6,428 as at December 31, 2018 and 2017, respectively (see Note 10). Liability for mine rehabilitation amounted to ₱90,329 and ₱100,871 as at December 31, 2018 and 2017, respectively (see Note 16).

Estimating Cost of Share-Based Payment
The Parent Company's Nonqualified Stock Option Plan grants qualified participants the right to purchase common shares of the Parent Company at a grant price. The ESOIP recognizes the services received from the eligible employees and an equivalent adjustment to the equity account over the vesting period. The Parent Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 19. While management believes that the estimates and assumptions used are reasonable and appropriate, significant differences in actual experience or significant changes in the estimates and assumptions may materially affect the stock compensation costs charged to operations. Cost of share-based payment amounted to ₱25,089 and ₱26,327 as at December 31, 2018 and 2017, respectively (see Notes 18 and 19).

Estimating Pension Benefits
The cost of defined benefit pension and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at the end of each reporting period. Net pension liability of the Parent Company amounted to ₱52,308 and ₱42,657 as at December 31, 2018 and 2017, respectively (see Note 29). Net pension liability of AFC amounted to ₱1,819 and ₱3,766 as at December 31, 2018 and 2017, respectively (see Note 29).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the Philippines and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the Philippines.

Further details about the assumptions used are provided in Note 29.

Assessing Realizability of Deferred Tax Assets
The Group reviews the carrying amounts of deferred tax assets at each end of the reporting period and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group recognized net deferred tax assets amounting to ₱77,074 and ₱71,237 as at December 31, 2018 and 2017, respectively. The Group has unused NOLCO, MCIT and deductible temporary differences amounting to ₱935,261 and ₱327,866, respectively, as at December 31, 2018 and 2017 for which deferred tax assets were not recognized as it is not probable that sufficient future taxable profits will be available against which the benefit of the deferred tax assets can be utilized (see Note 30).

4. Cash and Cash Equivalents

	2018	2017
Cash on hand and in banks	**₱302,060**	₱35,297
Short-term deposits	**58**	29,231
	₱302,118	₱64,528

Cash in banks earns interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term investment rates. Interest income from cash and cash equivalents amounted to ₱0.1 million, ₱0.1 million and ₱0.3 million in 2018, 2017 and 2016, respectively (see Note 26).

5. Trade and Other Receivables

	2018	2017
Trade	**₱137,305**	₱188,062
Nontrade	**29,047**	459,863
Advances to officers and employees	**50,640**	55,472
Employee stock ownership incentive plan (ESOIP; Note 27)	**58,416**	58,416
Loan receivable	**49,763**	49,763
Receivables from lessees of bunkhouses	**2,867**	39,215
Others	**25,673**	25,909
	353,711	876,700
Less allowance for impairment loss	**142,839**	114,993
	₱210,872	₱761,707

Trade receivables and receivables from lessees of bunkhouses are non-interest bearing and are generally collectible within a period of one year. Advances to officers and employees are non-interest bearing and are subject to liquidation.

Nontrade receivables pertain to advances made to suppliers by the Group relating to materials and supplies necessary in the Group's operation. These are non-interest bearing and will be realized through offsetting against future billings from suppliers or will be settled in cash.

Other receivables comprised of various receivable items from different debtors of the Group, while advances to officers and employees pertain to cash advances that are used in the operations of the Group.

Movements of allowance for impairment loss are as follows:

	2018							
	Trade receivables	**Nontrade Receivables**	**Advances to officers and employees**	**ESOIP (Note 27)**	**Receivables from lessees of bunkhouses**	**Loans receivable**	**Others**	**Total**
Balances at beginning of year	**₱5,798**	**₱11,732**	**₱2,157**	**₱58,416**	**₱35,079**	**₱–**	**₱1,811**	**₱114,993**
Provisions (Note 23)	**7,429**	**4,983**	**727**	**–**	**–**	**49,763**	**3,721**	**66,623**
Write-off	**–**	**(3,644)**	**–**	**–**	**(35,079)**	**–**	**(54)**	**(38,777)**
Balances at end of year	**₱13,227**	**₱13,071**	**₱2,884**	**₱58,416**	**₱–**	**₱49,763**	**₱5,478**	**₱142,839**

	2017						
	Trade receivables	Nontrade receivables	Advances to officers and employees	ESOIP (Note 27)	Receivables from lessees of bunkhouses	Others	Total
Balances at beginning of year	₱5,115	₱11,732	₱2,149	₱58,416	₱35,079	₱1,176	₱113,667
Provisions (Note 23)	725	–	8	–	–	635	1,368
Write-off	(42)	–	–	–	–	–	(42)
Balances at end of year	₱5,798	₱11,732	₱2,157	₱58,416	₱35,079	₱1,811	₱114,993

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

Loan Receivable
On March 3, 2010, MMC granted an unsecured loan facility to a third party amounting to ₱135.0 million with an interest rate of 9% per annum. Outstanding loans receivable, including accrued interest, amounted to ₱49.8 million, net of allowance amounting to ₱49.8 million and nil, as at December 31, 2018 and 2017, respectively.

6. Inventories

	2018	2017
Beneficiated nickel ore - at cost	**₱109,983**	₱141,615
Materials and supplies - at cost	**325,662**	311,302
Subdivision lots - at cost	**4,529**	5,509
	440,174	458,426
Less allowance for impairment loss on materials and supplies	**311,175**	291,152
	₱128,999	₱167,274

Movement in subdivision lots follows:

	2018	2017
Balances at beginning of year	**₱5,509**	₱5,843
Sales (recognized as cost of real estate sales; Note 22)	**(980)**	(334)
Balances at end of year	**₱4,529**	₱5,509

As at December 31, 2018 and 2017, the NRV of the Group's beneficiated nickel ore and subdivision lots is higher than the related cost.

The amount of beneficiated nickel ore inventory recognized as expense, included in the costs of mine products sold in the consolidated statements of income, amounted to ₱132.0 million, ₱270.3 million and ₱314.9 million in 2018, 2017 and 2016, respectively.

The aggregate cost of beneficiated nickel ore inventory that increased (decreased) cost of mine products sold amounted to ₱35.3 million, ₱63.4 million and (₱103.7 million) in 2018, 2017 and 2016, respectively (see Note 21).

The NRV of materials and supplies, amounted to ₱14.5 million and ₱20.2 million as at December 31, 2018 and 2017, respectively.

Movements of allowance for impairment loss on materials and supplies are as follows:

	2018	2017
Balances at beginning of year	**₱291,152**	₱291,055
Provision (Note 26)	**20,216**	97
Write-off	**(193)**	–
Balances at end of year	**₱311,175**	₱291,152

Materials and supplies amounting to ₱0.2 million and nil, which were already provided with allowance for impairment loss, were written off as the Group assessed that such can no longer be used.

Materials and supplies charged to current operations amounted to ₱143.2 million, ₱157.8 million and ₱151.3 million in 2018, 2017 and 2016, respectively (see Notes 21, 22 and 23). There are no purchase commitments related to inventories or inventories pledged as security for liabilities as at December 31, 2018 and 2017.

7. Other Current Assets

	2018	2017
Input VAT - net	**₱249,541**	₱274,912
CWTs	**204,658**	181,233
Prepaid expenses	**79,858**	335,294
Deferred input VAT	**79,152**	104,431
Advances to contractors	**52,373**	52,373
Others	**8,472**	12,991
	674,054	961,234
Less allowance for impairment	**41,947**	41,947
	₱632,107	₱919,287

Input VAT represents the VAT passed on from purchases of applicable goods and services, net of output tax liabilities.

CWTs are amounts withheld from income of the Group subject to expanded withholding tax.

Prepaid expenses include tax credit certificates (TCC), which can be utilized as payment for income taxes. These also include prepayments for insurance, rent and other services. In 2018, the Group received TCC refund amounting to ₱152.1 million and ₱105.3 million which it filed in 2017 and 2016, respectively. Remaining balance of TCC amounted to nil and ₱318.9 million as at December 31, 2018 and 2017, respectively. The BIR disallowed input VAT claims filed for TCC by BNMI and KPLMSC totaling ₱11.1 million, ₱4.5 million and ₱16.7 million in 2018, 2017 and 2016, respectively, and are recognized as other expenses (see Note 26).

Deferred input VAT represents tax on unpaid purchases of applicable services and will be claimed as input VAT upon payment.

Advances to contractors comprise mainly of advance payments made by the Group relating to services, materials and supplies necessary in the Group's operations. These are non-interest bearing and will be realized through offsetting against future billings from contractors.

Allowance for impairment losses amounting to ₱41.9 million was recognized as at December 31, 2018 and 2017, as the Group believes that the related advances to contractors may no longer be realized.

Others include security deposits which pertain to deposits to satisfy lease obligations of the Group. These are refundable at the end of the related lease term.

8. Financial Assets at FVOCI and AFS Financial Assets

	2018	2017
UITF	**₱10,278**	₱9,947
Quoted shares	**520**	893
Unquoted shares	–	601
	₱10,798	₱11,441

Movements in financial assets at FVOCI in 2018 and AFS financial assets in 2017 are as follows:

	2018	2017
Balances at beginning of year	**₱11,441**	₱10,766
Additions	**949**	1,500
Disposals	**(1,928)**	(1,115)
Change in fair value of financial assets at FVOCI and AFS financial assets	**336**	290
Balances at end of year	**₱10,798**	₱11,441

The unrealized gain representing the change in fair value of these financial assets amounting to ₱1.0 million and ₱1.1 million as at December 31, 2018 and 2017, respectively, is shown as part of the other components of equity in the consolidated statements of financial position and in the consolidated statements of changes in equity (see Note 18). The fluctuations in value of these investments are also reported as part of other comprehensive income (loss) in the consolidated statements of comprehensive income.

Movements in unrealized gain on financial assets at FVOCI and AFS financial assets, recognized as a separate component of equity are as follows (see Note 18):

	2018	2017
Balances at beginning of year	**₱1,059**	₱866
Unrealized gain on fair value change	**336**	203
Realized gain on sale of financial asset at FVOCI and AFS financial assets	**(382)**	(10)
Balances at end of year	**₱1,013**	₱1,059

In 2018, 2017 and 2016, the Group sold AFS financial assets with cost amounting to ₱1.5 million, ₱1.1 million and ₱25.0 million, respectively. Proceeds from these disposals amounted to ₱1.9 million, ₱1.1 million and ₱25.2 million, respectively, resulting in realized gain amounting to ₱0.4 million transferred directly to retained earnings in 2018 and ₱0.02 million and ₱0.2 million recycled to profit or loss in 2017 and 2016, respectively (see Note 26).

9. Asset Classified as Held for Sale

In 2018, the BOD resolved to dispose the land situated in San Diego Street, Veinte Reales, Valenzuela City and, therefore classified it from property, plant and equipment into an "Asset classified as held for sale". The Group assessed that the asset, which amounts to ₱4,130, met the criteria to be classified as held for sale due to the following reasons:

- the property is available for immediate sale and can be sold to a potential buyer in its current condition;
- there is an active programme to locate a buyer and a number of potential buyers already signified intent of buying the property; and
- the BOD expects the negotiations and the sale to be finalized in 2019.

10. Property, Plant and Equipment

a. Property, plant and equipment - at revalued amount

The Group's property, plant and equipment items carried at revalued amounts are as follows:

	2018	2017
Land	**₱1,215,134**	₱1,048,919
Artworks	**21,337**	21,337
	₱1,236,471	₱1,070,256

i. Land - at revalued amount

The Group adopted the revaluation model and engaged independent firms of appraisers to determine the fair value of its land and artworks classified under property, plant and equipment in the consolidated statements of financial position. The appraisers determined the fair value of the Group's land based on its market value in 2018 and is categorized under level 2. The assigned values were estimated using the sales comparison approach, which considers the sales of similar or substitute properties and their related market values, and establishes value estimates through processes involving comparisons.

In 2018, the Group recognized revaluation increment on land amounting to ₱170 million. Correspondingly, amount charged to consolidated statements of comprehensive income amounted to ₱119 million, net of deferred tax liability of ₱51 million.

	2018		
	Cost	**Revaluation increment**	**Total**
Balances at beginning of year	**₱39,486**	**₱1,009,433**	**₱1,048,919**
Change in fair value	**–**	**170,345**	**170,345**
Reclassification (Note 9)	**(4,130)**	**–**	**(4,130)**
Balances at end of year	**₱35,356**	**₱1,179,778**	**₱1,215,134**

	2017		
	Cost	Revaluation increment	Total
Balances at beginning of year	₱39,486	₱2,584,097	₱2,623,583
Reclassification (Note 11)	–	(1,574,664)	(1,574,664)
Balances at end of year	₱39,486	₱1,009,433	₱1,048,919

ii. Artworks - at revalued amount

Artworks owned by the Group are stated at revalued amounts. Independent revaluations are performed every three to five years by an independent appraiser. The latest appraisal was performed by Salcedo Auctions, Inc., an independent appraiser, on December 8, 2017 in which the fair value measurement is categorized under level 2. The assigned value was estimated using the sales comparison approach, which considers the sales of similar or substitute properties and related market values and establishes value estimates by processes involving comparisons. In general, a property being valued is compared with sales of similar properties that have been transacted in the open market. Listings and offerings may also be considered. As at December 31, 2018 and 2017, the revalued amount of the artworks amounted to ₱21,337. The artworks would have been recorded at ₱896 in the consolidated statement of financial position had these been carried at cost.

	2018		
	Cost	**Revaluation increment**	**Total**
Balances at beginning and end of year	**₱896**	**₱20,441**	**₱21,337**

	2017		
	Cost	Revaluation increment	Total
Balances at beginning of year	₱896	₱15,585	₱16,481
Change in fair value	–	4,856	4,856
Balances at end of year	₱896	₱20,441	₱21,337

In 2017, the Group recognized revaluation increment on artworks amounting to ₱4.9 million. Correspondingly, amount charged to consolidated statement of comprehensive income amounted to ₱3.4 million, net of deferred tax liability of ₱1.5 million.

The management assessed that the residual value of the artworks approximates the revalued amount as at December 31, 2018 and 2017, and therefore, no depreciation was recognized in both years.

b. Property, Plant and Equipment - at cost

2018

	Land improvements	Buildings	Machinery, tools and equipment	Mine and mining properties	Port facilities	CIP	Total
Cost:							
Beginning balance	**₱74,083**	**₱320,360**	**₱921,232**	**₱1,634,163**	**₱101,517**	**₱134,102**	**₱3,185,457**
Additions	**–**	**–**	**8,064**	**–**	**–**	**171**	**8,235**
Disposals	**–**	**–**	**(17,412)**	**–**	**–**	**–**	**(17,412)**
Change in estimate of the liability for mine rehabilitation (Note 16)	**–**	**–**	**–**	**(7,256)**	**–**	**–**	**(7,256)**
Retirements	**–**	**(10,659)**	**(5,725)**	**–**	**–**	**(56,109)**	**(72,493)**
Ending balance	**74,083**	**309,701**	**906,159**	**1,626,907**	**101,517**	**78,164**	**3,096,531**
Accumulated depreciation and depletion:							
Beginning balance	**64,915**	**291,438**	**873,408**	**827,976**	**18,910**	**–**	**2,076,647**
Depreciation and depletion (Note 25)	**1,874**	**7,703**	**53,844**	**15,473**	**4,236**	**–**	**83,130**
Disposals	**–**	**–**	**(15,368)**	**–**	**–**	**–**	**(15,368)**
Retirements	**–**	**(6,364)**	**(5,725)**	**–**	**–**	**–**	**(12,089)**
Ending balance	**66,789**	**292,777**	**906,159**	**843,449**	**23,146**	**–**	**2,132,320**
Net book values	**₱7,294**	**₱16,924**	**₱–**	**₱783,458**	**₱78,371**	**₱78,164**	**₱964,211**

2017

	Land improvements	Buildings	Machinery, tools and equipment	Mine and mining properties	Port facilities	CIP	Total
Cost:							
Beginning balance	₱73,798	₱326,833	₱1,615,230	₱1,602,054	₱100,637	₱139,343	₱3,857,895
Additions	285	10,659	18,693	25,681	–	916	56,234
Disposals	–	–	(714,278)	–	–	–	(714,278)
Change in estimate of the liability for mine rehabilitation (Note 16)	–	–	–	6,428	–	–	6,428
Reclassifications	–	3,658	1,619	–	880	(6,157)	–
Retirements	–	(20,790)	(32)	–	–	–	(20,822)
Ending balance	74,083	320,360	921,232	1,634,163	101,517	134,102	3,185,457
Accumulated depreciation and depletion:							
Beginning balance	63,089	298,582	1,502,251	808,050	14,719	–	2,686,691
Depreciation and depletion (Note 25)	1,826	13,646	84,486	19,926	4,191	–	124,075
Disposals	–	–	(713,297)	–	–	–	(713,297)
Retirements	–	(20,790)	(32)	–	–	–	(20,822)
Ending balance	64,915	291,438	873,408	827,976	18,910	–	2,076,647
Net book values	₱9,168	₱28,922	₱47,824	₱806,187	₱82,607	₱134,102	₱1,108,810

Proceeds totaling ₱3.6 million, ₱46.6 million and ₱2.3 million in 2018, 2017 and 2016, respectively, from the disposal of property, plant and equipment items resulted in net gain of ₱1.5 million in 2018, ₱45.6 million in 2017 and ₱0.7 million in 2016 (see Note 26).

The Group recognized loss on retirement of property, plant and equipment amounting to ₱60.4 million, nil and nil in 2018, 2017 and 2016, respectively.

The cost of fully depreciated property, plant and equipment still being used in the Group's operations amounted to ₱95.0 million and ₱77.0 million as at December 31, 2018 and 2017, respectively.

Movements in mine and mining properties in 2018 and 2017 are as follows:

	2018		
	Mine and mining properties	**Mine rehabilitation asset**	**Total**
Cost:			
Balances at beginning of year	**₱1,513,745**	**₱120,418**	**₱1,634,163**
Change in estimate of the liability for mine rehabilitation (Note 16)	–	**(7,256)**	**(7,256)**
Balances at end of year	**1,513,745**	**113,162**	**1,626,907**
Accumulated depletion:			
Balances at beginning of year	**797,192**	**30,784**	**827,976**
Depletion (Note 25)	**12,531**	**2,942**	**15,473**
Balances at end of year	**809,723**	**33,726**	**843,449**
Net book values	**₱704,022**	**₱79,436**	**₱783,458**

	2017		
	Mine and mining properties	Mine rehabilitation asset	Total
Cost:			
Balances at beginning of year	₱1,488,064	₱113,990	₱1,602,054
Additions	25,681	–	25,681
Change in estimate of the liability for mine rehabilitation (Note 16)	–	6,428	6,428
Balances at end of year	1,513,745	120,418	1,634,163
Accumulated depletion:			
Balances at beginning of year	780,862	27,188	808,050
Depletion (Note 25)	16,330	3,596	19,926
Balances at end of year	797,192	30,784	827,976
Net book values	₱716,553	₱89,634	₱806,187

11. **Investment Properties**

	2018	2017
Balances at beginning of year	**₱1,611,746**	₱31,915
Revaluation (Note 26)	**605,820**	5,167
Reclassification from property, plant and equipment (Note 10)	–	1,574,664
Balances at end of year	**₱2,217,566**	₱1,611,746

Investment properties include parcels of land located in Irisan, Baguio City with an area of 18,541 square meters and a cost of ₱31,915 million.

This was reclassified from property, plant and equipment in 2016 due to the change in use of the property from being an owner-occupied property to an investment property that is held for long-term capital appreciation. In 2017, the Group engaged an independent appraiser to assess the fair market value of this investment property. The market value of the investment property was estimated using the sales comparative approach, which considers the sales of similar or substitute properties and related market values and establishes value estimates by processes involving comparisons. In general, a property being valued is compared with sales of similar properties that have been transacted in the open market. Listings and offerings may also be considered.

Investment properties also include parcels of land located in Itogon, Benguet. The Parent Company no longer undertakes any operational activity in the said properties other than to hold these for capital appreciation. This resulted in reclassification from property, plant and equipment to investment property amounting to ₱1,574.7 million in 2017. In 2018, an independent firm of appraisers, Cuervo Appraisers, Inc, performed the appraisal of the land and determined its fair value based on its market value and is categorized under level 2. The market value of the investment properties was estimated using the sales comparative approach, which considers the sales of similar or substitute properties and related market values and establishes value estimates by processes involving comparisons. In general, a property being valued is compared with sales of similar properties that have been transacted in the open market. Listings and offerings may also be considered. As at December 31, 2018, the fair value of the Group's investment properties in Itogon, Benguet amounted to ₱2,217.6 million

The Group recognized revaluation gain amounting to ₱605,820, ₱5,167 and nil in 2018, 2017 and 2016, respectively, and were included as other income (see Note 26).

Certain parcels of land totaling to ₱237.1 million are used as collateral for the loan of the Parent Company (see Note 14).

On July 8, 2016, the Group sold investment property with a carrying value of ₱209.6 million for ₱191.5 million, resulting in a loss on sale of ₱18.0 million (see Note 26).

12. **Deferred Mine Exploration Costs**

Movements in deferred mine exploration costs are as follows:

	2018	2017
Balances at beginning of year	**₱621,671**	₱616,120
Additions	**848**	5,551
Write-off (Note 26)	**(11,462)**	–
	611,057	621,671
Less allowance for impairment losses	**72,059**	–
Balances at end of year	**₱538,998**	₱621,671

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

In 2018, 2017 and 2016, the Group recognized provision for impairment loss amounting to ₱72.1 million, nil and nil, respectively (see Note 26).

13. **Other Noncurrent Assets**

	2018	2017
Nontrade	**₱423,670**	₱152,955
MRF	**29,192**	51,352
Prepaid rent	**2,431**	2,890
Others	**2,377**	6,729
	457,670	213,926
Less allowance for impairment loss on other noncurrent assets	**150,054**	54,680
	₱307,616	₱159,246

Nontrade noncurrent assets pertain to advances and prepayments of the Group to its contractors and suppliers for exploration and other related activities and projects.

MRF pertains to accounts opened with local banks in compliance with the requirements of DAO No. 2010-21, otherwise known as The Revised Implementing Rules and Regulations of the Philippine Mining Act of 1995. The MRF shall be used for physical and social rehabilitation of areas and communities affected by the mine operations, and for research in the social, technical and preventive aspects of the mine's rehabilitation. The funds earn interest at the respective bank deposit rates. Interest income earned from MRF amounted to ₱0.2 million, ₱0.2 million and ₱0.3 million in 2018, 2017 and 2016, respectively (see Note 26).

In November 2018, the amount of ₱13.0 million was seized from the Company's fund as a result of an Order of Garnishment issued to some of the Group's MRF account. The issuance was due to a case with a private corporation for the Group's long-outstanding obligation, which resulted in a loss of ₱9.4 million in 2018 (see Note 26).

Prepaid rent represents the noncurrent portion of advance rentals made by the Group for various lease obligations.

Allowance for impairment losses amounting to ₱150.1 million and ₱54.7 million were recognized as at December 31, 2018 and 2017, as the Group believes that such noncurrent assets may no longer be recoverable. The Group recognized impairment loss amounting to ₱95.4 million in 2018 (see Note 26).

Others pertain to various assets of the Group, which are individually insignificant and are expected to be realized beyond 12 months after the reporting period.

14. **Loans Payable**

	2018	2017
Unsecured loans	**₱270,062**	₱270,062
Accrued interest and penalties	**237,831**	237,831
Secured loans	**22,777**	70,000
	₱530,670	₱577,893

a. Unsecured loans
In 2015, BNMI obtained an interest bearing loan from Trans Middle East Phils. Equities, Inc. amounting to ₱250.0 million. During the same year, BNMI paid ₱65.0 million of the outstanding principal balance, after which the parties agreed that the loan becomes due and demandable.

Outstanding principal amount of the loan amounted to ₱185.0 million as at December 31, 2018 and 2017.

The Parent Company has various loans, which are being renegotiated and are undergoing restructuring. Nominal interest rates vary from floating rate of 91-day Philippine PhP T-bill rate for peso loans and 3-month London Interbank Offered Rate (LIBOR) foreign loans, plus a margin of 3.5% for secured loans. Remaining balance related to these loans amounted to ₱85.1 million as at December 31, 2018 and 2017.

In 2017, the Parent Company wrote-off a loan payable to a creditor and realized a gain amounting to ₱38.6 million since the Parent Company can no longer locate the said creditor (see Note 26).

b. Secured loans
   The Parent Company has a revolving secured promissory note from a local bank to finance its working capital requirements. This loan facility has an outstanding balance of ₱22.8 million and ₱70.0 million as at December 31, 2018 and 2017, respectively.

   Certain parcels of land amounting to ₱237.1 million were used as collateral to secure the loan (see Note 11).

Total proceeds from these loans amounted to ₱10.0 million and ₱70.0 million in 2018 and 2017, respectively. Total principal payments for these loans amounted to ₱57.2 million and ₱58.3 million in 2018 and 2017, respectively.

Accrued interest and penalties represent cumulative interest and default charges as at December 31, 2018 and 2017. Total interest expense related to loans payable amounted to ₱4.8 million, ₱4.1 million and ₱13.4 million in 2018, 2017 and 2016, respectively.

15. Trade and Other Payables

	2018	2017
Trade	**₱608,712**	₱672,332
Nontrade	**127,291**	184,921
Output VAT	**79,988**	63,902
Accrued expenses:		
Professional fees and contracted services	**14,168**	21,974
Others	**14,859**	20,951
Excise taxes and royalties	**8,401**	7,243
Contract liabilities	**1,451**	–
Customer advances	–	17,465
Others	**3,716**	39,246
	₱858,586	₱1,028,034

Trade payables include import and local purchases of equipment, inventories and various parts and supplies used in the operations of the Group. These are non-interest bearing and are normally settled in 60 to 90 days' terms.

Nontrade payables represent other operating expenses that are payable to various suppliers and contractors and regulatory agencies.

Contract liabilities pertain to cash advances from BNMI's customers, which can be settled through future nickel ore shipments to those customers. Significant terms and conditions of the related off-take agreements are in Note 35d.

	2018	2017
Current	**₱1,451**	₱–
Noncurrent (Note 17)	**348,745**	100,736
	₱350,196	₱100,736

Payables to officers and employees include unclaimed wages, accrued vacation and sick leave credits and accrued payroll, which are payable within 30 days.

Excise taxes and royalties pertain to taxes payable by the Group for its legal obligation arising from the production of mine products.

Others represent individually insignificant payables, operating and administrative expenses.

16. Liability for Mine Rehabilitation

	2018	2017
Balances at beginning of year	**₱100,871**	₱95,947
Change in estimate:		
Recognized in profit or loss (Note 26)	**(8,226)**	(5,771)
Recognized as adjustment to the mine rehabilitation asset (Note 10)	**(7,256)**	6,428
Accretion (Note 26)	**4,940**	4,267
Balances at end of year	**₱90,329**	₱100,871

This provision is based on the Group's estimates. Assumptions based on the current economic environment have been made, which management believes are reasonable bases upon which to estimate the future liability.

The final rehabilitation costs are uncertain and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes and changes inflation rates (2.72% in 2018 and 3.14% in 2017) and changes in discount rates (7.01% in 2018 and 4.96% 2017).

These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for mine rehabilitation. As a result, there could be significant adjustments to the provision established that could affect future financial results.

The provision at the end of each reporting period represents management best estimate of the present value of the future rehabilitation cost required. This estimate is reviewed regularly to take into account any material changes in the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required, which will reflect market conditions at the relevant time. The timing of rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. This, in turn, will depend upon future ore prices, which are inherently uncertain.

17. **Other Noncurrent Liabilities**

	2018	2017
Contract liabilities (Note 15)	**₱348,745**	₱–
Customer advances	–	336,898
Equity of claimowners in contract operations	**49,136**	49,136
Deposit for future stock subscriptions	**32,000**	32,000
Others	**72**	765
	₱429,953	₱418,799

Contract liabilities of BNMI may be settled through future nickel ore shipments to its customers. The current portion of the said advances is presented as part of trade and other payables.

Nickel Off-take Agreements

a. On September 18, 2013 and April 11, 2014, BNMI entered into off-take agreements with a Korean trading company for a total amount of US$8.0 million in exchange for future shipments. The advances under the said offtake agreement are non-interest bearing and will be settled through deductions from the selling price of every shipment. On December 31, 2016, the first off-take agreement amounting to US$2.0 million became fully paid, which left only the April 11, 2014 off-take agreement amounting to US$6.0 million as outstanding. As at December 31, 2018, the remaining balance of the advances amounted to US$5.1 million.

b. On August 24, 2011, BNMI signed a tri-partite off-take agreement with the Parent Company and a Chinese trading company, for the sale of nickel ore. In accordance with the agreement, the Chinese trading company shall extend a loan of US$6.0 million to the Parent Company. BNMI will deliver and sell 1.8 million tons of 1.8% grade nickel ore over a period of 36 months at 0.6 million tons per 12 months, to start six months after signing of the agreement. The Chinese trading company will deduct US$3.33 per ton from the selling price of the nickel ore to be treated as repayment of the loan to the Parent Company.

   As at December 31, 2018 and 2017, the remaining advances amounted to $1.9 million.

Equity of claim owners in contract operations pertain to the outstanding liability of the Parent Company. Discussions on the settlement of said liability are still on-going as at December 31, 2018.

As at December 31, 2018 and 2017, deposit for future stock subscriptions received by BLI from Almega Management and Investment, Inc. amounted to ₱32.0 million. The related increase in authorized capital stock of BLI has been approved by BLI’s BOD and majority of its stockholders on March 16, 2016. As at March 21, 2019, the approval by the Philippine SEC of the increase in authorized capital stock is still pending.

Others pertain to payables of the Group not expected to be paid within 12 months after the reporting period.

18. **Equity**

Capital Stock

	2018		2017	
	No. of shares	**Amount**	No. of shares	Amount
Authorized				
Convertible Preferred Class A - ₱3.43 par value	**19,652,912**	**₱67,500**	19,652,912	₱67,500
Common Class A - ₱1 par value in 2018 and 2017 and ₱3 par value in 2016	**430,380,000**	**430,874**	430,380,000	430,874
Common Class B - ₱1 par value in 2018 and 2017 and ₱3 par value in 2016	**286,920,000**	**287,135**	286,920,000	287,135
	736,952,912	**785,509**	736,952,912	785,509
Issued				
Convertible Preferred Class "A"	**217,061**	**745**	217,061	745
Common Class "A"	**371,050,755**	**371,050**	371,050,755	371,050
Common Class "B"	**245,068,497**	**245,068**	245,068,497	245,068
Total shares issued and subscribed	**616,336,313**	**616,863**	616,336,313	616,863
Treasury Shares				
Convertible Preferred Class "A"	**–**	**–**	–	–
Common Class "A"	**310,794**	**7,158**	310,794	7,158
Common Class "B"	**37,275**	**858**	37,275	858
Total treasury shares	**348,069**	**8,016**	348,069	8,016
Outstanding				
Convertible Preferred Class "A"	**217,061**	**745**	217,061	745
Common Class "A"	**370,739,961**	**363,892**	370,739,961	363,892
Common Class "B"	**245,031,222**	**244,210**	245,031,222	244,210
Total outstanding shares	**615,988,244**	**₱608,847**	615,988,244	₱608,847

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

The convertible preferred shares are limited to Philippine nationals and convertible into Common Class A shares at a conversion premium of ₱6.02 per share. Each preferred share is convertible into 9.4875 Common Class A shares. The convertible preferred shares are also entitled to have one vote for each full share of Common Class A stock into which such share of convertible preferred stock is, at any stockholders' meeting, then convertible. It does not enjoy the same dividend right as the two classes of common stock but is entitled to a fixed cumulative dividend of 8% a year if there is surplus profit and when declared by the BOD.

On July 29, 2016, the Philippine SEC approved the amendment to the Article Seventh of the Amended Articles of Incorporation and Article 1, Section 1 of the Amended By-Laws of the Parent Company, which changed the par value of its Common Class A and Common Class B shares from ₱3.00 to ₱1.00 per share and increased the number of common shares by threefold. The reduction in par value essentially resulted in a stock split.

On March 21, 2018, the BOD approved the increase in the Group's authorized capital stock from ₱717,300 (consisting of 430,380,000 Common Class A shares and 286,920,000 Common Class B shares, both having a par value of ₱1 each) to ₱762,300 (consisting of 475,380,000 Common Class A shares and 286,920,000 Common Class B shares, both having a par value of ₱1 each). After the amendment, the total authorized capital stock of the Parent Company has increased from ₱785,509 to ₱830,509. The application for the increase was approved by the stockholders during the annual meeting held on November 8, 2018. As at March 21, 2019, the application with the Philippine SEC for the increase in authorized capital stock is still pending.

The following are the movements in the number of issued shares of the Parent Company:

2018	**Convertible Preferred Class A**	**Common Class A**	**Common Class B**
Issued shares at beginning and end of year	**217,061**	**371,050,755**	**245,068,497**

2017	Convertible Preferred Class A	Common Class A	Common Class B
Issued shares at beginning of year	217,061	370,557,255	244,853,697
Exercise of stock options (Note 19)	–	493,500	214,800
Issued shares at end of year	217,061	371,050,755	245,068,497

All issuances of capital stock made in 2018 and 2017 were exempted from the registration requirements of Securities Regulation Code (SRC) Rule 10.1 and 10.2. Total proceeds on the issuance of shares due to the exercise of stock options amounted to nil and ₱1.2 million in 2018 and 2017, respectively.

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

Date of Registration (SEC Approval)	Description	Number of shares	Par value per share	Total amount (in 000's)
June 18, 1956	Capital upon registration:			
	Common shares	18,000,000	₱1.00	₱18,000
November 25, 1960	Increase in number and par value of common shares:			
	Common shares	20,000,000	2.00	40,000
November 9, 1964	Increase in par value of common shares:			
	Common shares	20,000,000	3.00	60,000
October 22, 1968	Increase in number of common shares and introduction of preferred shares:			
	Common shares	50,000,000	3.00	150,000
	Preferred shares	6,000,000	5.00	30,000
March 12, 1974	Split of common share into two classes and change in number and par value and addition of conversion feature to the preferred shares:			
	Common class A	30,000,000	3.00	90,000
	Common class B	20,000,000	3.00	60,000
	Convertible preferred shares	19,652,912	3.43	67,500
July 27, 1989	Increase in number of common shares			
	Common class A	120,000,000	3.00	360,000
	Common class B	80,000,000	3.00	240,000
	Convertible preferred shares	19,652,912	3.43	67,500
September 28, 2015	Increase in number of common shares			
	Common class A	143,460,000	3.00	430,380
	Common class B	95,640,000	3.00	286,920
	Convertible preferred shares	19,652,912	3.43	67,500
July 29, 2016	Increase in number of common shares and reduction in par value			
	Common class A	430,380,000	1.00	430,380
	Common class B	286,920,000	1.00	286,920
	Convertible preferred shares	19,652,912	3.43	67,500
As at December 31, 2018:				
	Common class A	**430,380,000**	**₱1.00**	**₱430,380**
	Common class B	**286,920,000**	**₱1.00**	**₱286,920**
	Convertible preferred shares	**19,652,912**	**₱3.43**	**₱67,500**

As at December 31, 2018 and 2017, the Parent Company has 16,913 and 16,931 stockholders, respectively.

Other Components of Equity

	2018	2017
Revaluation increment - net of deferred tax	**₱839,669**	₱720,428
Cumulative translation adjustments of foreign subsidiaries - net of deferred tax	**32,721**	32,848
Cost of share based payment (Note 19)	**25,089**	26,327
Remeasurement gain on retirement obligation - net of deferred tax (Note 29)	**24,201**	29,274
Unrealized gain on FVOCI and AFS financial assets (Note 8)	**1,013**	1,059
	₱922,693	₱809,936

As at December 31, 2018 and 2017, the Parent Company has 0.3 million shares held in treasury amounting to ₱8.0 million at ₱23 per share.

Movements in cost of share-based payment are as follows:

	2018	2017
Balances at beginning of year	**₱26,327**	₱32,995
Stock options expired	**(1,238)**	(2,741)
Stock options exercised	–	(4,587)
Stock options vested	–	660
Stock options forfeited	–	–
Balances at end of year	**₱25,089**	₱26,327

Capital Surplus

	2018	2017
Balances at beginning of year	**₱375,726**	₱367,862
Expiration of stock options	**1,238**	2,741
Employees exercise of stock options	–	5,123
Cancellation of stock options	–	–
Balances at end of year	**₱376,964**	₱375,726

19. Stock Option Plan

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

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

As per amendments, there will be an increase in the maximum award per employee from 200,000 shares over the life of the plan to 500,000 shares per grant and an increase in the shares reserved for issuance under the Plan from the total of 9,906,661 to 22,000,000.

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

The options under the Plan are non-transferable and are exercisable to the extent of 30% after one year from the date of grant, 60% after two years from the date of grant, and 100% after three years from the date of grant. No option is exercisable after 10 years from the date of grant.

On July 29, 2016, the Philippine SEC approved the decrease in the par value of the Parent Company's Common Class A and Common Class B shares from ₱3.00 to ₱1.00 per share, which increased the number of common shares by threefold (see Note 18).

Unexercised share options per grant are as follows:

		Unexercised share options as at January 1, 2018	Expired in 2018	Unexercised share options as at December 31, 2018
Class A	- May 2011 Grant	2,001,297	(135,000)	1,866,297
	- September 2012 Grant	396,000	–	396,000
	- May 2014 Grant	1,080,000	–	1,080,000
Class B	- May 2011 Grant	1,448,745	(90,000)	1,358,745
	- September 2012 Grant	264,000	–	264,000
	- May 2014 Grant	720,000	–	720,000
Total		**5,910,042**	**(225,000)**	**5,685,042**

		Unexercised share options as at January 1, 2017	Exercised in 2017	Expired in 2017	Unexercised share options as at December 31, 2017
Class A	- April 2006 Grant	–	–	–	–
	- May 2011 Grant	2,483,997	(313,500)	(169,200)	2,001,297
	- September 2012 Grant	666,000	(180,000)	(90,000)	396,000
	- May 2014 Grant	1,080,000		–	1,080,000
Class B	- April 2006 Grant	–	–	–	–
	- May 2011 Grant	1,656,345	(94,800)	(112,800)	1,448,745
	- September 2012 Grant	444,000	(120,000)	(60,000)	264,000
	- May 2014 Grant	720,000	–	–	720,000
Total		**7,050,342**	**(708,300)**	**(432,000)**	**5,910,042**

On August 31, 2016, the Parent Company's BOD approved the following amendments to the Plan due to the effect of the share split on July 29, 2016:

- change in the exercise price of outstanding options
- change in the maximum number of shares per grant from 500,000 to 1,500,000
- repricing of the unexercised share options brought about by the low turn-out in the availment of the grant due to high exercise price compared to market price. The repricing was based on the closing price on August 18, 2016 of Class A and Class B common shares amounting to ₱2.25 and ₱2.55, respectively, less 25% discount pursuant to the provisions of the amended stock option plan of the Parent Company.

The exercise prices of outstanding options consider the effect of the stock split and the change in exercise prices, are as follows:

	At grant date	After effect of stock split	As modified
Class A - May 2011 Grant	₱16.50	₱5.50	₱1.69
- September 2012 Grant	17.96	5.99	1.69
- May 2014 Grant	7.13	2.38	1.69
Class B - May 2011 Grant	17.50	5.83	1.91
- September 2012 Grant	17.63	5.88	1.91
- May 2014 Grant	7.13	2.38	1.91

	2018	2017
Average exercise price per share	**₱–**	₱1.76
Shares available for future option grants	**33,574,698**	32,929,698

The change in exercise price of outstanding options is treated as a modification of the Plan terms, which resulted in an additional expense, measured as at the date of modification, for the increase in the total fair value of the outstanding share options. The table below shows the increase in fair value due to the change in the exercise price of each grant:

	Fair value after change in exercise price	Fair value before change in exercise price	Increase in fair value
Class A - May 2011 Grant	₱2,718	₱2,462	₱256
- September 2012 Grant	792	763	29
- May 2014 Grant	781	775	6
Class B - May 2011 Grant	2,075	1,920	155
- September 2012 Grant	604	587	17
- May 2014 Grant	593	591	2
Total	₱7,563	₱7,098	₱465

Stock option expense relating to the Plan recognized in 2018, 2017 and 2016 amounted to nil, ₱0.7 million and ₱1.8 million, respectively (see Note 24), and pertains to shares vested in the current year.

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

	2018	2017
Outstanding at beginning of year	**5,910,042**	7,050,342
Expiration	**(225,000)**	(432,000)
Exercised during the year (Note 18)	–	(708,300)
Outstanding at end of year	**5,685,042**	5,910,042
Exercisable at end of year	**5,685,042**	5,910,042

The Parent Company used the binomial options pricing model to determine the fair value of the stock options.

The following assumptions were used to determine the fair value of the stock options:

	Share price	Exercise price	Expected volatility	Option life	Expected dividends	Risk-free interest rate
May 3, 2011 Grant	16.5	16.5	91.20%	10 years	0.00%	6.46%
	17.5	17.5	155.57%	10 years	0.00%	6.46%
Sep 9, 2012 Grant	23.95	17.96	57.35%	10 years	0.00%	4.80%
	23.5	17.63	65.53%	10 years	0.00%	4.80%
May 26, 2014 Grant	9.5	7.13	77.28%	10 years	0.00%	3.90%
	9.5	7.13	84.29%	10 years	0.00%	3.90%

The expected volatility measured at the standard deviation of expected share price returns was based on the analysis of share prices for the past 365 days. The cost of share-based payment amounted to ₱25.1 million and ₱26.3 million as at December 31, 2018 and 2017, respectively (see Note 18).

20. **Revenue**

	2018	2017	2016
Sale of mine products	**₱939,131**	₱1,379,761	₱1,424,426
Sale of goods and services	**49,123**	68,358	100,597
Trucking services	**18,522**	11,740	5,564
Rental income and others	**1,928**	3,034	3,657
	₱1,008,704	₱1,462,893	₱1,534,244

Sale of mine products includes sales of nickel, gold, silver and lime, which are subject to 4% excise tax based on gross revenues in 2018 and 2% excise tax in 2017 and 2016.

As a requirement under DAO No. 2010-21, 'The Mining Act Implementing Rules and Regulations', BNMI pays royalty to the MGB for every shipment of nickel ore equivalent to 5% of the peso equivalent of the nickel ore shipped since the SCNP is within a Mineral Reservation.

Excise taxes and royalty fees related to the sale of mine products amounted to ₱45.2 million, ₱56.5 million and ₱67.7 million in 2018, 2017 and 2016, respectively (see Note 32).

Set out below is the disaggregation of the Group's revenue from contracts with customers in 2018:

Segments	**Mining**	**Health Services**	**Logistics**	**Others**	**Total**
Type of product:					
Gold	**₱614,775**	**₱–**	**₱–**	**₱–**	**₱614,775**
Nickel	**226,521**	**–**	**–**	**–**	**226,521**
Lime	**96,534**	**–**	**–**	**–**	**96,534**
Health services	**–**	**42,917**	**–**	**–**	**42,917**
Port and barge management services	**–**	**–**	**10,875**	**–**	**10,875**
Trucking	**–**	**–**	**7,647**	**–**	**7,647**
Sale of goods	**–**	**–**	**–**	**4,055**	**4,055**
Real estate sales	**–**	**–**	**–**	**2,151**	**2,151**
Silver	**1,301**	**–**	**–**	**–**	**1,301**
Total revenue from contracts with customers	**939,131**	**42,917**	**18,522**	**6,206**	**1,006,776**
Location of customer:					
Within the Philippines	**712,610**	**42,917**	**18,522**	**6,206**	**780,255**
Outside the Philippines	**226,521**	**–**	**–**	**–**	**226,521**
Total revenue from contracts with customers	**939,131**	**42,917**	**18,522**	**6,206**	**1,006,776**
Timing of revenue recognition:					
Transferred at a point in time	**939,131**	**6,178**	**10,875**	**6,206**	**962,390**
Transferred over time	**–**	**36,739**	**7,647**	**–**	**44,386**
Total revenue from contracts with customers	**₱939,131**	**₱42,917**	**₱18,522**	**₱6,206**	**₱1,006,776**

21. Costs of Mine Products Sold

	2018	2017	2016
Outside services	**₱262,493**	₱320,389	₱406,137
Materials and supplies (Note 6)	**114,908**	124,327	117,744
Contractor fees	**78,348**	139,434	190,382
Personnel expenses (Note 24)	**57,989**	58,140	62,320
Depreciation and depletion (Note 25)	**56,622**	65,703	68,013
Power, rent and utilities	**49,009**	41,892	32,631
Repairs and maintenance	**22,386**	22,755	21,451
Smelting, refining and marketing	**6,788**	7,062	6,160
Travel and transportation	**375**	369	55
Taxes and licenses	**41**	26	55
Others	**4,130**	15,649	9,940
	653,089	795,746	914,888
Net change in beneficiated nickel ore (Note 6)	**35,273**	63,397	(103,653)
	₱688,362	₱859,143	₱811,235

Outside services pertain to the amounts paid to contractors and consultants involved in the mining operations of the Group. Other expenses consist of various direct charges to cost of mine products, which are individually insignificant.

22. Cost of Services and Other Sales

	2018	2017	2016
Personnel expenses (Note 24)	**₱22,093**	₱29,234	₱29,264
Materials and supplies (Note 6)	**16,959**	17,615	13,105
Rent	**8,863**	8,906	10,778
Depreciation and depletion (Note 25)	**7,905**	11,422	16,098
Retainers and consultancy fees	**4,852**	1,645	2,541
Professional fees	**1,020**	22,237	20,647
Cost of real estate sold (Note 6)	**980**	334	623
Travel and transportation	**787**	1,400	6,523
Repairs and maintenance	**236**	709	659
Others	**4,285**	3,041	1,311
	₱67,980	₱96,543	₱101,549

Others consist of various direct charges, which are individually insignificant.

23. **Selling and General Expenses**

	2018	2017	2016
Personnel expenses (Note 24)	**₱100,609**	₱124,406	₱134,123
Provision for impairment loss on receivables (Note 5)	**66,623**	1,368	9,735
Outside services	**62,440**	76,917	99,153
Community development programs	**34,673**	38,597	61,556
Depreciation and depletion (Note 25)	**18,603**	46,950	75,609
Contract labor	**15,776**	25,833	27,371
Taxes and licenses	**15,501**	25,982	35,359
Representation	**14,413**	10,671	16,048
Rent	**14,298**	47,753	51,345
Communication, light and power	**13,067**	10,605	11,821
Materials and supplies (Note 6)	**11,307**	15,856	20,430
Transportation and travel	**6,581**	8,473	15,624
Repairs and maintenance	**4,634**	11,709	30,215
Professional fees	**3,390**	769	11,494
Wharfage fees	**2,037**	4,940	6,687
Insurance	**1,685**	166	2,644
Freight and handling	**15**	313	3,013
Others	**21,966**	29,358	15,397
	₱407,618	₱480,666	₱627,624

Others consist of various administrative expenses, which are individually insignificant.

24. **Personnel Expenses**

	2018	2017	2016
Salaries and wages	**₱155,044**	₱177,833	₱187,104
Benefits and allowances	**14,513**	19,240	21,790
Pension expense (Note 29)	**11,134**	14,047	14,970
Stock option expense (Note 19)	**–**	660	1,843
	₱180,691	₱211,780	₱225,707

Total personnel expenses were distributed as follows:

	2018	2017	2016
Selling and general expenses (Note 23)	**₱100,609**	₱124,406	₱134,123
Cost of mine products sold (Note 21)	**57,989**	58,140	62,320
Cost of services and other sales (Note 22)	**22,093**	29,234	29,264
	₱180,691	₱211,780	₱225,707

25. **Depreciation and Depletion**

Total depreciation and depletion is composed of the following (see Note 10):

	2018	2017	2016
Depreciation	**₱67,657**	₱104,149	₱136,251
Depletion	**15,473**	19,926	23,469
	₱83,130	₱124,075	₱159,720

Depreciation and depletion are broken down as follows:

	2018	2017	2016
Cost of mine products sold (Note 21)	**₱56,622**	₱65,703	₱68,013
Selling and general expenses (Note 23)	**18,603**	46,950	75,609
Cost of services and other sales (Note 22)	**7,905**	11,422	16,098
	₱83,130	₱124,075	₱159,720

26. **Other Income (Expenses) -** net

	2018	2017	2016
Gains on:			
Revaluation of investment property (Note 11)	**₱605,820**	₱5,167	₱–
Settlement of loans and other liabilities	**52,985**	–	–
Sale of property, plant and equipment (Note 10)	**1,507**	45,573	674
Disposal of AFS financial assets (Note 8)	**–**	15	230
Write-off of loans (Note 14)	**–**	38,644	–
Provision for impairment on:			
Other noncurrent assets (Note 13)	**(95,374)**	–	–
Deferred mine exploration cost (Note 12)	**(72,059)**	–	–
Input VAT	**(11,135)**	(4)	(7,508)
Losses on:			
Retirement of property, plant and equipment (Note 10)	**(60,404)**	–	–
Inventory obsolescence (Note 6)	**(20,216)**	(97)	–
Foreign currency exchange	**(15,598)**	(4,827)	(18,696)
Disallowed input VAT (Note 7)	**(11,147)**	(4,485)	(16,674)
Legal settlement (Note 13)	**(9,425)**	–	–
Sale of investment property - net (Note 11)	**–**	–	(18,040)
Write-offs:			
Deferred mine exploration cost (Note 12)	**(11,462)**	–	–
Receivables	**–**	–	(23,354)
Penalties	**(9,179)**	(1,010)	(21,432)
Change in estimate of provision for mine rehabilitation (Note 16)	**8,226**	5,771	(32,174)
Accretion on the liability for mine rehabilitation (Note 16)	**(4,940)**	(4,267)	(1,128)
Interest income (Notes 4 and 13)	**261**	264	629
Despatch (demurrage)	**–**	(13,891)	(1,860)
Retrenchment pay	**–**	–	(10,530)
Others - net	**(10,170)**	14,342	(6,437)
	₱337,690	₱81,195	(₱156,300)

In 2018, despatch and demurrage have been recognized under revenue from contracts with customers (see Note 20).

Others consist of various income and expenses, which are not directly related to the operations of the Group.

27. ESOIP

The ESOIP, as approved by the stockholders in 1986, allows employees of the Parent Company to buy up to 6,000,000 shares of the Common Class A shares of the Parent Company at either of two prices. If the shares are acquired by the Parent Company from a seller or are treasury shares, these can be bought at acquisition cost. If the shares are sourced from the authorized but unissued shares of the Parent Company, these can be bought at the average closing price quoted in the PSE on the last day that such shares were traded prior to the start of the purchase period. Payment for the shares purchased shall be advanced by the Parent Company on behalf of the employees and repaid through salary deduction without interest. The shares acquired by employees under the ESOIP may be subjected to a holding period from the date of purchase.

In January 1990, the BOD approved the Employees Stock Purchase Plan, which allows the employees of the Parent Company (but excluding directors of the Parent Company) to buy, basically under similar terms and conditions as that of the ESOIP, 2,000,000 shares of the Common Class A shares of the Parent Company.

The balance of the employees' stock ownership pursuant to the said plan shown as part of the trade and other receivables in the consolidated statements of financial position amounted to ₱58.4 million as at December 31, 2018 and 2017 and was provided an allowance for the same amount (see Note 5).

28. Related Party Disclosures

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group 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.

Compensation of Key Management Personnel of the Group
The Group considered all senior officers as key management personnel. Below are the details of compensation of the Group's key management personnel.

	2018	2017	2016
Short-term benefits	**₱33,127**	₱61,444	₱73,226
Post-employment benefits	**5,132**	6,940	7,588
	₱38,259	₱68,384	₱80,814

Employee benefits include net pension expense and stock compensation expense.

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

29. Pension Benefits Plans

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

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

Net pension expense

	2018	2017	2016
Parent Company			
Current service cost	**₱8,014**	₱9,517	₱10,381
Net interest cost	**2,406**	3,851	3,536
	10,420	13,368	13,917
AFC			
Current service cost	**503**	496	749
Net interest cost	**211**	183	304
	714	679	1,053
Net pension expense	**₱11,134**	₱14,047	₱14,970

Pension liability as at December 31, 2018 and 2017

	2018			2017		
	Parent Company	**AFC**	**Total**	Parent Company	AFC	Total
Present value of defined benefit obligation	**₱52,906**	**₱1,819**	**₱54,725**	₱47,673	₱3,766	₱51,439
Fair value of plan assets	**(598)**	**–**	**(598)**	(5,016)	–	(5,016)
Pension liability	**₱52,308**	**₱1,819**	**₱54,127**	₱42,657	₱3,766	₱46,423

Reconciliation of other comprehensive income:

	2018			2017		
	Parent Company	**AFC**	**Total** (Note 18)	Parent Company	AFC	Total (Note 18)
Balances at beginning of year	**(₱29,814)**	**₱540**	**(₱29,274)**	(₱9,389)	₱960	(₱8,429)
Loss (gain) on remeasurement of pension liability	**6,091**	**(1,018)**	**5,073**	(20,425)	(420)	(20,845)
Balances at end of year	**(₱23,723)**	**(₱478)**	**(₱24,201)**	(₱29,814)	₱540	(₱29,274)

Changes in the present value of defined benefits obligation follow:

	2018			2017		
	Parent Company	**AFC**	**Total**	Parent Company	AFC	Total
Balances at beginning of year	**₱47,673**	**₱3,766**	**₱51,439**	₱79,891	₱3,687	₱83,578
Interest cost	**2,689**	**211**	**2,900**	4,106	183	4,289
Current service cost	**8,014**	**503**	**8,517**	9,517	496	10,013
Actuarial losses (gains)	**8,416**	**(1,453)**	**6,963**	(29,387)	(600)	(29,987)
Benefits paid	**(13,886)**	**(1,208)**	**(15,094)**	(16,454)	–	(16,454)
Balances at end of year	**₱52,906**	**₱1,819**	**₱54,725**	₱47,673	₱3,766	₱51,439

Breakdown of actuarial gains (losses) on defined benefits obligation follows:

	2018			2017		
	Parent Company	AFC	Total	Parent Company	AFC	Total
Change in financial assumptions	(₱8,135)	(₱1,272)	(₱9,407)	₱2,404	₱207	₱2,611
Experience adjustments	16,551	(181)	16,370	26,983	393	27,376
	₱8,416	(₱1,453)	₱6,963	₱29,387	₱600	₱29,987

Fair value of plan assets of the Parent Company follows:

	2018	2017
Balances at beginning of year	₱5,016	₱4,969
Asset return in net interest cost	283	255
Benefits paid	(4,417)	–
Remeasurement	(284)	(208)
Balances at end of year	₱598	₱5,016

The plan assets of the Parent Company comprised mostly of cash in bank as at December 31, 2018 and 2017.

	2018	2017
Cash in bank	96.19%	96.19%
Investment in shares	1.92%	1.92%
Fixed income securities	1.89%	1.89%
	100.00%	100.00%

The Parent Company's plan assets are being managed by a trustee bank. The retirement fund includes time deposits, shares of stocks, which are traded in the PSE, and unquoted shares of stocks. The Parent Company has no transactions with its retirement fund and the retirement fund has no investments in shares of stocks of the Parent Company.

In 2018 and 2017, the Parent Company directly paid pension benefits amounting to ₱15.1 million and ₱16.5 million, which resulted in a net movement in pension liability of ₱7.7 million and ₱32.2 million, respectively.

The Parent Company expects to contribute ₱21.5 million to the defined benefits retirement plan in 2018.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2018:

	Expected benefit payments	
Plan Year	Parent Company	AFC
Less than 1 year	₱16,013	₱–
More than 1 year to 5 years	21,300	2,370
More than 5 years to 10 years	40,791	453
More than 10 years to 15 years	27,810	2,306
More than 15 years to 20 years	75,228	–
More than 20 years	489,660	4,358

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

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

	Parent Company		AFC	
	2018	2017	**2018**	2017
Discount rate	**7.36%**	5.64%	**7.12%**	5.61%
Salary increase rate	**5.00%**	5.00%	**11.00%**	11.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the pension liability as at the end of the reporting period, assuming if all other assumptions were held constant:

<u>Parent Company</u>

		December 31, 2018
	Increase (decrease)	**Present value of the defined benefit obligation**
Discount rates	**8.36% (+1.00%)**	**₱49,161**
	7.36% actual	**52,906**
	6.36% (-1.00%)	**57,334**
Salary increase rate	**6.00% (+1.00%)**	**₱57,165**
	5.00% actual	**52,906**
	4.00% (-1.00%)	**49,263**

		December 31, 2017
	Increase (decrease)	Present value of the defined benefit obligation
Discount rates	5.97% (+1.00%)	₱38,089
	4.97% actual	42,657
	3.97% (-1.00%)	48,173
Salary increase rate	12.00% (+1.00%)	₱47,881
	11.00% actual	42,657
	10.00% (-1.00%)	38,248

<u>AFC</u>

		December 31, 2018
	Increase (decrease)	**Present value of the defined benefit obligation**
Discount rates	**8.12% (+1.00%)**	**₱1,715**
	7.12% (actual)	**1,819**
	6.12% (-1.00%)	**1,936**
Salary increase rate	**12% (+1.00%)**	**₱1,924**
	11% (actual)	**1,819**
	10% (-1.00%)	**1,723**

		December 31, 2017
	Increase (decrease)	Present value of the defined benefit obligation
Discount rates	6.61% (+1.00%)	₱3,485
	5.61% (actual)	3,766
	4.61% (-1.00%)	4,101
Salary increase rate	12% (+1.00%)	₱4,065
	11% (actual)	3,766
	10% (-1.00%)	3,508

30. Income Taxes

The provision for (benefit from) current and deferred tax in 2018, 2017 and 2016 include the following:

	2018	2017	2016
RCIT	**₱4,765**	₱64,282	₱10,240
MCIT	**1,381**	6,675	10,951
Benefit from deferred taxes	**7,255**	(45,782)	(97,544)
	₱13,401	₱25,175	(₱76,353)

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

	Deferred tax assets - net		Deferred tax liabilities - net	
	2018	2017	**2018**	2017
Deferred tax assets on:				
NOLCO	**₱46,160**	₱46,160	**₱–**	₱–
MCIT	**16,785**	16,785	**–**	–
Unrealized foreign exchange loss	**4,570**	90	**–**	–
Allowance for inventory loss, impairment loss and others	**2,471**	1,355	**116,355**	128,352
Depletion of asset retirement obligation	**2,404**	2,404	**–**	–
Accrued pension liability	**2,432**	2,432	**25,860**	25,575
Accumulated accretion on liability for mine rehabilitation	**1,959**	1,615	**–**	–
Straight-line amortization of accrued rent	**293**	396	**–**	–
	77,074	71,237	**142,215**	153,927
Deferred tax liabilities on:				
Remeasurement gain on retirement liability	**(1,738)**	(1,302)	**(10,167)**	(12,778)
Unrealized foreign exchange gain	**(1,531)**	(324)	**–**	–
Revaluation increment on land	**(214)**	(214)	**(827,601)**	(776,490)
Cumulative translation adjustment of foreign subsidiaries	**–**	–	**(14,027)**	(14,079)
Capitalized interest	**–**	–	**–**	–
Revaluation increment on property, plant and equipment	**–**	–	**(10,009)**	(10,009)
Revaluation increment on artworks	**–**	–	**(6,132)**	(6,132)
Unrealized gain of AFS financial assets	**–**	–	**–**	(250)
	(3,483)	(1,840)	**(867,936)**	(819,738)
Net deferred tax assets (liabilities)	**₱73,591**	₱69,397	**(₱725,721)**	(₱665,811)

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

	2018	2017	2016
Allowance for inventory loss, impairment loss and others	**₱502,410**	₱16,216	₱24,537
NOLCO	**316,377**	185,070	206,114
Accumulated accretion on liability for mine rehabilitation	**53,259**	51,298	53,954
Share-based payment	**25,146**	26,327	32,995
Accumulated depletion on asset retirement obligation	**18,514**	38,294	18,368
Accrued expenses	**8,002**	8,662	8,733
Unrealized foreign exchange losses	**5,802**	925	7,723
MCIT	**5,252**	690	600
Straight-line amortization of accrued rent	**499**	384	343

As at December 31, 2018, the Group has NOLCO and MCIT that can be claimed against future taxable income and income tax due, respectively, as follows:

Movements of NOLCO follow:

	2018	2017	2016
Balances at beginning of year	**₱338,937**	₱252,651	₱177,818
Additions	**208,911**	150,758	116,354
Expirations	**(77,604)**	(58,693)	(41,521)
Application	**–**	(5,779)	–
Balances at end of year	**₱470,244**	₱338,937	₱252,651

Movements of MCIT follow:

	2018	2017	2016
Balances at beginning of year	**₱17,475**	₱11,057	₱168
Additions	**4,623**	6,675	10,951
Expirations	**(61)**	(45)	(62)
Application	**–**	(212)	–
Balances at end of year	**₱22,037**	₱17,475	₱11,057

The Group has NOLCO and MCIT that can be claimed as deduction from future taxable income and future tax due, respectively, as follows:

Year incurred	Year of expiration	NOLCO	MCIT
2016	2019	₱110,575	₱10,951
2017	2020	150,758	6,463
2018	2021	208,911	4,623
		₱470,244	₱22,037

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

	2018	2017	2016
Pretax income (loss) computed at statutory rate	**(₱39,733)**	₱13,994	(₱73,119)
Nontaxable income	**(199,891)**	(24,676)	(54,541)
Changes in unrecognized deferred tax assets and others	**195,922**	(7,587)	12,351
Nondeductible expenses	**33,546**	25,284	19,594
Expiration of NOLCO	**23,281**	17,608	12,456
Forfeiture and expiry of stock options	**354**	822	6,987
Interest income subject to final tax	**(78)**	(58)	(81)
Application of MCIT	–	(212)	–
	₱13,401	₱25,175	(₱76,353)

31. **Basic/Diluted EPS**

Basic EPS is calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of common shares on issue during the year, excluding any ordinary shares purchased by the Parent Company and held as treasury shares.

In computing for the 2018, 2017 and 2016 diluted EPS, the Parent Company did not consider the effect of stock options outstanding since these are anti-dilutive.

	2018	2017	2016
Net income (loss)	**₱119,042**	₱21,472	(₱167,377)

Number of shares for computation of EPS as a result of stock split:

	2018	2017	2016
Basic EPS			
Weighted average common shares issued	**616,119,252**	615,647,052	615,010,952
Less: treasury shares	**348,069**	348,069	348,069
Weighted average common shares outstanding	**615,771,183**	615,298,983	614,662,883
Diluted EPS			
Weighted average common shares issued	**616,119,252**	615,647,052	615,010,952
Less: treasury shares	**348,069**	348,069	348,069
	615,771,183	615,298,983	614,662,883
Convertible preferred shares	**2,059,366**	2,059,366	–
Stock options	–	–	–
Weighted average common shares outstanding	**617,830,549**	615,298,983	614,662,883
Basic EPS	**₱0.24**	₱0.17	(₱0.27)
Diluted EPS	**₱0.24**	₱0.17	(₱0.27)

32. Segment Information

PFRS 8, *Operating Segments*, requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, who is the Senior Vice President for Finance and Comptroller – Marketing, Logistics and other Services and Compliance Officer for Corporate Governance of the Parent Company.

For management purposes, the Group is organized into business units based on its products and services and has four reportable segments, as follows:

- The mining segment is engaged in exploration, nickel and gold mining operations.
- The health services segment is engaged in the business of offering medical and clinical diagnostic examinations and health care services on pre-employment.
- The logistics segment is engaged in logistics services to the supply-chain requirements of various industries.
- The other segments are comprised of aggregated operating segments of the Group who are engaged in research, development, real estate and water projects.

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

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. Intersegment revenues are eliminated upon consolidation and reflected in the 'eliminations' column. All other adjustments and eliminations are presented in the table below.

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

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

Business Segments

Segment reporting is consistent in all periods presented as there are no changes in the structure of the Group's internal organization that will cause the composition of its reportable segment to change.

2018	**Mining**	**Health services**	**Logistics**	**Others**	**Total**	**Eliminations**	**Consolidated**
Revenue							
External customers	**₱939,131**	**₱42,917**	**₱20,294**	**₱6,362**	**₱1,008,704**	**₱–**	**₱1,008,704**
Interest income	**199**	**6**	**1**	**55**	**261**	**–**	**261**
Inter-segment	**–**	**–**	**26,222**	**–**	**26,222**	**(26,222)**	**–**
Other income	**621,904**	**4**	**1,171**	**3,195**	**626,274**	**(7,500)**	**618,774**
	1,561,234	**42,927**	**47,688**	**9,612**	**1,661,461**	**(33,722)**	**1,627,739**
Cost and Expenses							
Interest expense	**4,822**	**–**	**–**	**6**	**4,828**	**–**	**4,828**
Direct costs	**642,541**	**37,631**	**18,891**	**3,554**	**702,617**	**(10,802)**	**691,815**
Selling and general expenses	**314,709**	**21,990**	**30,672**	**11,058**	**378,429**	**(39,179)**	**339,250**
Accretion expense	**4,940**	**–**	**–**	**–**	**4,940**	**–**	**4,940**
Impairment losses	**–**	**11,130**	**–**	**5**	**11,135**	**–**	**11,135**
Depreciation, depletion and amortization	**134,674**	**6,688**	**5,893**	**6,168**	**153,423**	**(70,292)**	**83,131**
Excise taxes and royalty fees	**45,163**	**–**	**–**	**–**	**45,163**	**–**	**45,163**
Other expenses	**284,563**	**265**	**8,890**	**21,316**	**315,034**	**–**	**315,034**
Income before tax	**129,822**	**(34,777)**	**(16,658)**	**(32,495)**	**45,892**	**86,551**	**132,443**
Provision for (benefit from) income tax	**12,819**	**66**	**122**	**394**	**13,401**	**–**	**13,401**
Net income (loss)	**₱117,003**	**(₱34,843)**	**(₱16,780)**	**(₱32,889)**	**₱32,491**	**₱86,551**	**₱119,042**
Operating assets	**₱9,825,627**	**₱38,357**	**₱609,429**	**₱919,991**	**₱11,393,404**	**(₱4,789,754)**	**₱6,603,650**
Operating liabilities	**(₱3,168,903)**	**(₱145,021)**	**(₱574,805)**	**(₱465,718)**	**(₱4,354,447)**	**₱2,340,990**	**(₱2,013,457)**
Other disclosure:							
Capital expenditure	**₱2,043**	**₱2,355**	**₱–**	**₱4,685**	**₱9,083**	**₱–**	**₱9,083**

2017	Mining	Health services	Logistics	Others	Total	Eliminations	Consolidated
Revenue							
External customers	₱1,379,761	₱64,215	₱15,883	₱3,034	₱1,462,893	₱–	₱1,462,893
Interest income	180	10	2	72	264	–	264
Inter-segment	–	–	72,445	–	72,445	(72,445)	–
Other income	263,631	–	351	5,199	269,181	(151,394)	117,787
	1,643,572	64,225	88,681	8,305	1,804,783	(223,839)	1,580,944
Cost and Expenses							
Interest expense	4,556	–	–	–	4,556	–	4,556
Direct costs	836,924	50,691	40,236	334	928,185	(49,626)	878,559
Selling and general expenses	578,987	19,038	19,003	7,116	624,144	(190,428)	433,716
Accretion expense	4,267	–	–	–	4,267	–	4,267
Impairment losses	4	–	–	–	4	–	4
Depreciation, depletion and amortization	163,312	15,132	6,468	5,830	190,742	(66,667)	124,075
Excise taxes and royalty fees	56,533	–	–	–	56,533	–	56,533
Other expenses	23,193	948	8,225	221	32,587	–	32,587
Income before tax	(24,204)	(21,584)	14,749	(5,196)	(36,235)	82,882	46,647
Provision for (benefit from) income tax	17,862	163	4,542	2,608	25,175	–	25,175
Net income (loss)	(₱42,066)	(₱21,747)	₱10,207	(₱7,804)	(₱61,410)	₱82,882	₱21,472
Operating assets	₱9,895,352	₱57,075	₱243,033	₱1,216,243	₱11,411,703	(₱4,915,737)	₱6,495,966
Operating liabilities	(₱3,354,724)	(₱135,841)	(₱491,008)	(₱200,647)	(₱4,182,220)	₱1,987,312	(₱2,194,908)
Other disclosure:							
Capital expenditure	₱53,000	₱8,245	₱281	₱259	₱61,785	₱–	₱61,785

2016	Mining	Health services	Logistics	Others	Total	Eliminations	Consolidated
Revenue							
External customers	₱1,424,426	₱78,223	₱27,938	₱3,657	₱1,534,244	₱–	₱1,534,244
Interest income	210	2	4	413	629	–	629
Inter-segment	–	–	401,939	–	401,939	(401,939)	–
Other income	217,861	–	678	23,376	241,915	(203,121)	38,794
	1,642,497	78,225	430,559	27,446	2,178,727	(605,060)	1,573,667
Cost and Expenses							
Interest expense	13,197	–	27	340	13,564	–	13,564
Direct costs	762,543	44,827	400,075	623	1,208,068	(379,395)	828,673
Selling and general expenses	694,758	25,664	23,379	18,651	762,452	(210,437)	552,015
Accretion expense	1,127	–	–	–	1,127	–	1,127
Impairment losses	7,508	–	–	–	7,508	–	7,508
Depreciation, depletion and amortization	179,242	18,224	8,174	19,795	225,435	(65,715)	159,720
Excise taxes and royalty fees	67,702	–	–	–	67,702	–	67,702
Other expenses	169,000	–	48	18,040	187,088	–	187,088
Income before tax	(252,580)	(10,490)	(1,144)	(30,003)	(294,217)	50,487	(243,730)
Provision for (benefit from) income tax	(25,929)	492	(374)	(50,542)	(76,353)	–	(76,353)
Net income (loss)	(₱226,651)	(₱10,982)	(₱770)	₱20,539	(₱217,864)	₱50,487	(₱167,377)
Operating assets	₱9,444,988	₱61,477	₱768,794	₱827,581	₱11,102,840	(₱4,578,699)	₱6,524,141
Operating liabilities	(₱2,776,969)	(₱122,246)	(₱507,670)	(₱411,276)	(₱3,818,161)	₱1,582,871	(₱2,235,290)
Other disclosure:							
Capital expenditure	₱103,119	₱1,070	₱3,817	₱–	₱108,006	₱–	₱108,006

Notes to operating segments:

a. Intersegment revenue, cost and expenses, assets and liabilities are eliminated on consolidation. These are accounted for under PFRSs.

b. Capital expenditures consist of additions to property, plant and equipment and deferred mine exploration costs.

c. Further information of the Group's revenue about products and services as well as geographical areas are presented in Note 20.

d. Gross revenues from each of the customers from the mining segment that exceeded 10% of the Group's revenue for the years ended December 31, 2018, 2017 and 2016 are presented below:

	2018	2017	2016
Customer 1	**₱614,775**	₱688,896	₱554,957
Customer 2	**171,436**	178,833	540,791
Customer 3	**–**	–	163,718
	₱786,211	₱867,729	₱1,259,466

33. Financial Risk Management Objectives and Policies

The Group's principal financial instruments pertain to unsecured and secured bank loans. The main purpose of these financial instruments is to fund the Group's operations. The Group has other financial instruments such as cash and cash equivalents, trade receivables, receivable from lessees of bunkhouses, loans receivable under trade and other receivables, advances under other noncurrent assets trade and accrued expenses under trade and other payables and obligations under finance lease, which arise directly from its operations. Other financial assets include FVOCI and AFS financial assets.

The significant risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. The BOD reviews and agrees policies for managing each of these risks and these are summarized below.

Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and availment of suppliers' credit. The long-term relationship of the Group to its suppliers gives it the advantage to negotiate the payment terms.

As part of its liquidity risk management, the Group has access to sufficient external funding (bank credit lines) and loans payable maturing within 12 months can be rolled over with existing lenders. It also continuously assesses conditions in the financial markets for opportunities to avail bank loans and capital market issues. Accordingly, its loan maturity profile is regularly reviewed to ensure availability of funding through an adequate amount of credit facilities with financial institutions.

As at December 31, 2018 and 2017, cash and cash equivalents may be withdrawn anytime while quoted FVOCI and AFS financial assets may be converted to cash by selling them during the normal trading hours in any business day.

The tables below summarize the aging analysis of the Group's financial assets and the maturity profile of the Group's financial liabilities as at December 31, 2018 and 2017.

2018	On demand	0-90 days	More than 90 days	More than one year	Total
Cash and cash equivalents					
Cash in banks	**₱300,878**	**₱–**	**₱–**	**₱–**	**₱300,878**
Short-term deposits	**58**	**–**	**–**	**–**	**58**
Trade and other receivables					
Trade	**137,305**	**–**	**–**	**–**	**137,305**
Receivables from lessees of bunkhouses	**–**	**–**	**2,867**	**–**	**2,867**
Loan receivable	**–**	**–**	**–**	**49,763**	**49,763**
Advances under other noncurrent assets	**–**	**–**	**–**	**422,988**	**422,988**
FVOCI					
UITF	**–**	**–**	**–**	**10,278**	**10,278**
Quoted shares	**–**	**–**	**–**	**520**	**520**
Total	**₱438,241**	**₱–**	**₱2,867**	**₱483,549**	**₱924,657**

2018	**On demand**	**0-90 days**	**More than 90 days**	**More than one year**	**Total**
Loans payable	**₱322,893**	**₱–**	**₱207,777**	**₱–**	**₱530,670**
Trade and other payables					
Trade	**283,818**	**–**	**324,894**	**–**	**608,712**
Accrued expenses	**14,859**	**–**	**23,843**	**–**	**38,702**
Other noncurrent liabilities					
Equity of claimowner in contract operations	**–**	**–**	**–**	**49,136**	**49,136**
Total	**₱621,570**	**₱–**	**₱556,514**	**₱49,136**	**₱1,227,220**

2017	On demand	0-90 days	More than 90 days	More than one year	Total
Cash and cash equivalents					
Cash in banks	₱34,435	₱–	₱–	₱–	₱34,435
Short-term deposits	29,231	–	–	–	29,231
Trade and other receivables					
Trade	188,062	–	–	–	188,062
Receivables from lessees of bunkhouses	–	–	39,215	–	39,215
Loan receivable	–	–	–	49,763	49,763
Nontrade	–	–	–	274,625	274,625
Advances under other noncurrent assets	–	–	–	93,683	93,683
AFS financial assets					
UITF	–	–	–	9,947	9,947
Quoted shares	–	–	–	893	893
Unquoted shares	–	–	–	601	601
Total	₱251,728	₱–	₱39,215	₱429,512	₱720,455

2017	On demand	0-90 days	More than 90 days	More than one year	Total
Loans payable	₱422,831	₱–	₱155,062	₱–	₱577,893
Trade and other payables					
Trade	348,576	–	323,756	–	672,332
Nontrade	25,843	–	25,369	–	51,212
Accrued expenses	36,882	–	20,843	–	57,725
Other noncurrent liabilities					
Equity of claimowner in contract operations	–	–	–	49,136	49,136
Total	₱834,132	₱–	₱525,030	₱49,136	₱1,408,298

Credit Risk

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

The Group trades only with recognized, creditworthy third parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

With respect to credit risk arising from other financial assets of the Group, which comprise of cash and cash equivalents, trade receivables, nontrade, receivables from lessees of bunkhouses and loans receivable under trade and other receivables, advances under other noncurrent assets, FVOCI and AFS financial assets, the Group’s exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognized third parties, there is no requirement for collateral.

The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position. The maximum exposure is shown at gross amount, before the effect of mitigation through the use of master netting and collateral agreements.

	2018	2017
Cash and cash equivalents		
Cash in banks	**₱300,878**	₱34,435
Short-term deposits	**58**	29,231
Trade and other receivables		
Trade	**137,305**	188,062
Nontrade	**–**	274,625
Receivables from lessees of bunkhouses	**2,867**	39,215
Loan receivable	**49,763**	49,763
Advances under other noncurrent assets	**422,988**	93,683
FVOCI		
UITF	**10,278**	9,947
Quoted shares	**520**	893
Unquoted shares	**–**	601
	₱924,657	₱720,455

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

	Neither past due nor impaired				
2018	**High-grade**	**Standard-grade**	**Past due but not impaired**	**Impaired**	**Total**
Cash and cash equivalents					
Cash in banks	**₱300,878**	**₱–**	**₱–**	**₱–**	**₱300,878**
Short-term deposits	**58**	**–**	**–**	**–**	**58**
Trade and other receivables					
Trade	**111,809**	**993**	**11,276**	**13,227**	**137,305**
Receivables from lessees of bunkhouses	**–**	**–**	**2,867**	**–**	**2,867**
Loan receivable	**–**	**–**	**–**	**49,763**	**49,763**
Advances under other noncurrent assets	**–**	**–**	**272,934**	**150,054**	**422,988**
FVOCI					
UITF	**10,278**	**–**	**–**	**–**	**10,278**
Quoted shares	**520**	**–**	**–**	**–**	**520**
Total credit risk exposure	**₱423,543**	**₱993**	**₱287,077**	**₱213,044**	**₱924,657**

	Neither past due nor impaired				
2017	High-grade	Standard-grade	Past due but not impaired	Impaired	Total
Cash and cash equivalents					
Cash in banks	₱34,435	₱–	₱–	₱–	₱34,435
Short-term deposits	29,231	–	–	–	29,231
Trade and other receivables					
Trade	67,380	66,527	48,357	5,798	188,062
Receivables from lessees of bunkhouses	–		4,136	35,079	39,215
Loan receivable	–	49,763	–	–	49,763
Nontrade	–	–	274,625	–	274,625
Advances under other noncurrent assets	–	–	93,683	–	93,683
AFS financial assets					
UITF	9,947	–	–	–	9,947
Quoted shares	893	–	–	–	893
Unquoted shares	–	601	–	–	601
Total credit risk exposure	₱141,886	₱116,891	₱420,801	₱40,877	₱720,455

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

a. Cash and cash equivalents are assessed as high-grade since these are deposited in reputable banks, which have a low probability of default.
b. Trade receivables, which pertain mainly to receivables from sale of nickel ore, were assessed as high-grade. Included in trade receivables are receivables from sales of services, some of which were assessed as other than high-grade. These were assessed based on past collection experience and the debtors' ability to pay.
c. UITF and quoted AFS financial assets were assessed as high-grade since these are instruments from companies with good financial condition and are operating in an industry, which has potential growth.
d. Other financial assets such as receivables from lessees of bunkhouses, loans receivables, advances under other noncurrent assets and unquoted shares were assessed as standard-grade, based on past collection experience and debtors' ability to pay.

Market Risks

Interest Rate Risk

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

As at December 31, 2018 and 2017, the Group's exposure to the risk for changes in market interest rate relates primarily to its secured bank loans and unsecured bank loans with floating interest rates. The Group regularly monitors its interest due to exposure from interest rates movements.

The Group's secured and unsecured loans payable are both payable on demand while other loans payable are payable within 3 years. Nominal interest rates vary from floating rate of 91-day Philippine PhP T-bill rate for peso loans and 3-month LIBOR foreign loans, plus a margin of 2.5% for unsecured loans and 3.5% for secured loans.

Equity Price Risk

Equity price risk is the risk to earnings or capital arising from changes in stock exchange indices relating to its quoted equity securities. The Group's exposure to equity price risk relates primarily to its financial assets at FVOCI.

The Group's policy is to maintain its risk to an acceptable level. Movement of share prices is monitored regularly to determine impact on the consolidated statement of financial position.

Management believes that its exposure to equity price risk is not material to the consolidated financial statements as a whole; thus, disclosure of equity price risk analysis was deemed unnecessary.

Fair Values of Financial Instruments

Fair value is defined as the amount at which a financial instrument can be exchanged in an orderly transaction between market participants at the measurement date.

Set out below is a comparison by category and class of carrying amounts and estimated fair values of the Group's significant financial assets and liabilities as at December 31, 2018 and 2017:

	Carrying amounts		Fair values	
	2018	2017	**2018**	2017
Financial Assets:				
FVOCI:				
UITF	**₱10,278**	₱9,947	**₱10,278**	₱9,947
Quoted	**520**	893	**520**	893
Unquoted	**–**	601	**–**	601
Financial Liabilities:				
Loans payable	**₱530,670**	₱577,893	**₱530,670**	₱577,893

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

Cash and Cash Equivalents, trade receivables and receivable from lessees of bunkhouses under Trade and Other Receivables, trade and accrued expenses under Trade and Other Payables, and equity of claimowner in contract operations under Other Noncurrent Liabilities

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

Loan Receivable
The fair value of loans receivable approximate their carrying amounts as of reporting date due to the short-term nature. Loans receivable are due and demandable.

Financial assets measured at FVOCI
The fair value of investments that are actively traded in organized markets is determined by reference to quoted market bid prices at the close of business on reporting date. The fair value of unquoted equity investments cannot be reliably measured and accordingly measured at cost, net of impairment.

As at December 31, 2018 and 2017, the Group had UITF and quoted FVOCI amounting to ₱10.8 million, carried at fair value in the consolidated statement of financial position. The quoted FVOCI are classified under Level 1 of the fair value hierarchy since these are based on quoted market prices or binding dealer price quotations. The Group has no financial instruments measured at fair value under Levels 2 and 3 of fair value hierarchy. There were no transfers between levels in 2018 and 2017.

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

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may obtain additional advances from stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2018, 2017 and 2016. The Group monitors capital using the parent company financial statements. As at December 31, 2018 and 2017, the Group has met its capital management objectives.

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

	2018	2017
Capital stock	**₱616,863**	₱616,863
Capital surplus	**376,964**	375,726
Retained earnings	**2,029,559**	1,910,135
Other components of equity	**922,693**	809,936
Treasury shares	**(8,016)**	(8,016)
	₱3,938,063	₱3,704,644

Further, the Group monitors capital using debt to equity ratio, which is total liabilities divided by total equity. Debt to equity ratios of the Group as at December 31, 2018 and 2017 are as follows:

	2018	2017
Total liabilities (a)	**₱2,689,414**	₱2,860,719
Total equity (b)	**3,938,063**	3,704,644
Debt-to-equity ratio (a/b)	**0.68:1**	0.77:1

34. **Changes in liabilities arising from financing activities**

Movements on the reconciliation of liabilities arising from financing activities are as follows:

	January 1, 2018	**Cash flows**	**Foreign exchange movement**	**Other**	**December 31, 2018**
Loans payable	**₱577,893**	**(₱47,223)**	**₱–**	**₱–**	**₱530,670**
Other noncurrent liabilities	**418,799**	**3,077**	**8,077**	**–**	**429,953**
	₱996,692	**(₱44,146)**	**₱8,077**	**₱–**	**₱960,623**

	January 1, 2017	Cash flows	Foreign exchange movement	Other	December 31, 2017
Loans payable	₱705,121	₱11,661	₱479	(₱38,632)	₱678,629
Obligations under finance lease	2,427	(2,427)	–	–	–
Other noncurrent liabilities	329,374	(10,341)	(970)	–	318,063
	₱1,036,922	(₱1,107)	(₱491)	(₱38,632)	₱996,692

Other includes the effect of accrued but not yet paid interest on loans payable. The Group classifies interest paid as cash flow from operating activities.

35. **Leases, Agreements, and Contingencies**

Lease Agreements

Operating Leases
The Group leases its office spaces up to June 30, 2020 and parcels of land on which its mine site offices are located for varying periods. These leases are renewable upon mutual agreement with the lessors. Total rental expense on these leases amounted to ₱5.7 million, ₱12.1 million and ₱12.5 million in 2018, 2017 and 2016, respectively.

Future minimum lease payments for the said operating leases are as follows:

	2018	2017
Lease payments due in:		
Less than one year	**₱4,523**	₱7,956
Between one and five years	**1,177**	10,243
More than five years	**–**	3,601
Future minimum lease payments	**₱5,700**	₱21,800

Finance Lease
In 2012, the Parent Company entered into a lease agreement with a leasing and finance company to finance the purchase of an item of property and equipment, the remaining obligation amounted to nil in 2018 and 2017 and ₱2.4 million in 2016.

Principal lease payments under the said finance lease amounted to nil, ₱2.4 million and ₱13.8 million in 2018, 2017 and 2016, respectively.

Interest expense recognized on the above finance lease obligations amounted to nil, ₱0.5 million and ₱0.2 million in 2018, 2017 and 2016, respectively.

Agreements and Contingencies

a. The Parent Company and certain subsidiaries are contingently liable for liabilities arising from lawsuits or claims (mostly labor, civil, mines administrative and ports related cases) filed by third parties, which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements.

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

c. On August 8, 2011, the Parent Company signed a Marketing Agreement to be the exclusive marketing agent of BNMI for its nickel ore sales. Through this arrangement, BNMI signed on August 24, 2011, a tri-partite off-take agreement with the Parent Company and a Chinese trading company for the sale of nickel ore. In accordance with the agreement, the Chinese trading company shall extend an advance of US$6.0 million to the Parent Company. BNMI will deliver and sell 1.8 million tons of 1.8% grade laterite nickel ore to the Chinese trading company over a period of 36 months at 0.6 million tons per 12 months, to start six months after signing of the agreement. The Chinese trading company will deduct US$3.33 per ton from the selling price of the nickel ore to be treated as repayment of the advance to the Parent Company. The advance bears an interest of 6% per annum to be computed on the unpaid balance based on the number of days that lapsed from signing of the agreement. The interest will also be deducted from the selling price of the nickel ore on each delivery date. As at December 31, 2018, the marketing agreement between the Parent Company and BNMI still holds as intended by both parties.

d. On September 18, 2013, BNMI entered into an off-take agreement with a Korean trading company, for the sale of nickel ore. In accordance with the agreement, the Korean trading company extended advances of US$2.0 million to BNMI in exchange for 10 future shipments. The advances are non-interest bearing and an amount of US$0.2 million will be deducted from the selling price of every shipment. On April 11, 2014, BNMI entered into another off-take agreement with the same Korean trading company. In conformity with the contract, the Korean trading Company extended advances totaling to US$6.0 million to BNMI in exchange for future shipments and is to be applied as follows; US$5.3 million as first advance payment to BNMI and the remaining US$0.7 million is to be paid to a technical service provider of Korean trading company pursuant to a separate contract between the Korean trading company and the technical service provider. The first advance payment shall be deducted at a rate of US$0.3 million from each shipment until the full amount is fully offset or paid to Korean trading company. As at December 31, 2017, the first off-take agreement amounting to US$2.0 million became fully paid, which left only the April 11, 2014 off-take agreement amounting to US$6.0 million as outstanding. As at December 31, 2018, the remaining balance amounts to US$4.3 million.

SGV
Building a better working world

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Benguet Corporation and its subsidiaries as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, included in this Form 17-A, and have issued our report thereon dated March 21, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, as Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Alexis Benjamin C. Zaragoza

Alexis Benjamin C. Zaragoza III
Partner
CPA Certificate No. 109217
SEC Accreditation No. 1627-A (Group A),
April 4, 2017, valid until April 3, 2020
Tax Identification No. 246-663-780
BIR Accreditation No. 08-001998-129-2017,
February 9, 2017, valid until February 8, 2020
PTR No. 7332637, January 3, 2019, Makati City

March 21, 2019

BENGUET CORPORATION AND SUBSIDIARIES

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE I
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
As at December 31, 2018

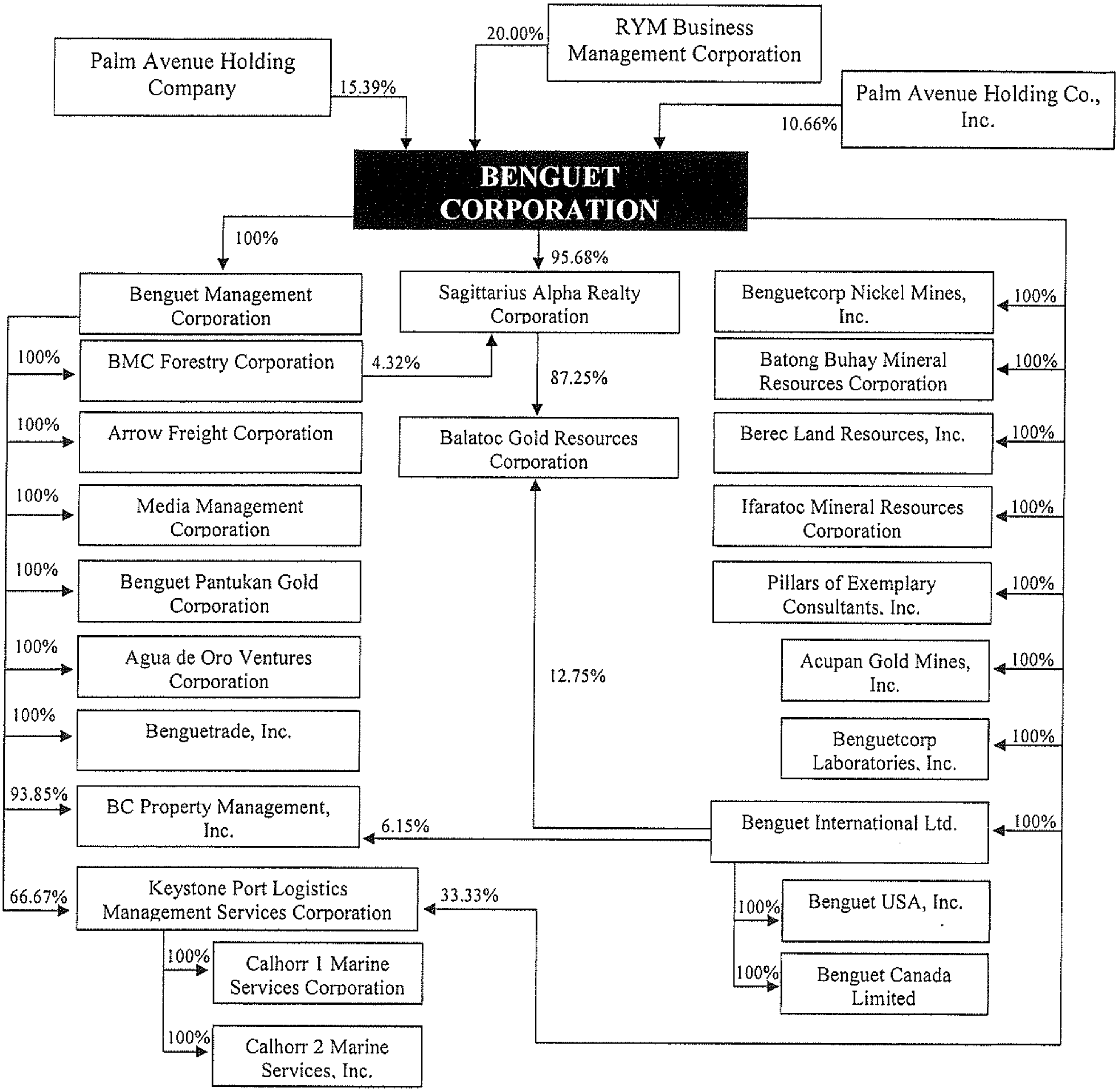
BENGUET CORPORATION
7th Floor Universal Re Building, 106 Paseo de Roxas, Makati City

Unappropriated Retained Earnings, beginning	**₱2,057,263**
Effect of quasi-reorganization on revaluation increment	(1,010,848)
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	**1,046,415**
Add: Net income actually earned/ realized during the period	
Net income during the period closed to Retained Earnings	119,042
Less: Non-actual/unrealized income net of tax	–
Equity in net income of associate/joint venture	–
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain	–
Fair value adjustment (mark-to-market gains)	–
Fair value adjustment of Investment Property resulting to gain	(605,820)
Adjustment due to deviation from PFRS/GAAP - gain	–
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRSs	(8,226)
Subtotal	(614,046)
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	–
Adjustment due to deviation from PFRS/GAAP - loss	–
Loss on fair value adjustment of investment property (after tax)	–
	–
Net income (loss) actually incurred during the period	**(495,004)**
Add (Less):	
Dividend declarations during the period	–
Appropriations of Retained Earnings during the period	–
Reversals of appropriations	–
Effects of prior period adjustments	–
Treasury shares	(8,016)
	(8,016)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND	**₱543,395**

SCHEDULE II
BENGUET CORPORATION AND SUBSIDIARIES
FINANCIAL RATIOS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2018

	2018	2017
Profitability Ratios:		
Return on assets	**1.80%**	0.33%
Return on equity	**3.12%**	0.58%
Gross profit margin	**25.02%**	34.67%
Operating profit margin	**19.87%**	2.05%
Net profit margin	**11.80%**	1.47%
Liquidity and Solvency Ratios:		
Current ratio	**0.92:1**	1.11:1
Quick ratio	**0.37:1**	0.48:1
Solvency ratio	**2.46:1**	2.30:1
Financial Leverage Ratios:		
Asset to equity ratio	**1.68:1**	1.77:1
Debt ratio	**0.41:1**	0.44:1
Debt to equity ratio	**0.68:1**	0.77:1
Interest coverage ratio	**28.43:1**	11.24:1

SCHEDULE III
BENGUET CORPORATION AND SUBSIDIARIES
A MAP SHOWING THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2018



SCHEDULE IV
BENGUET CORPORATION AND SUBSIDIARIES
SCHEDULE OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER THE PFRS PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2018

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as at December 31, 2018:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions	✓		
PFRS 3	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs			✓
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property	✓		
	Amendments to PAS 40, Transfers of Investment Property	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies	✓		
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration	✓		
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives			✓
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓

SCHEDULE A

BENGUET CORPORATION AND SUBSIDIARIES
FINANCIAL ASSETS
DECEMBER 31, 2018
(Amounts in Thousands)

Name of issuing entity and association of each issue	Number of shares or principal amounts of bonds and notes	Amount shown in the balances sheet (figures in thousands)	Income received and accrued
BDO Unit Investment Trust Fund (UITF) - Peso	₱6,224	₱6,773	₱–
BDO UITF - Dollar	2,023	3,505	–
TVI Pacific shares of stock	461	288	–
Philippine Long Distance Telephone Co.	401	232	–

SCHEDULE B

BENGUET CORPORATION AND SUBSIDIARIES
AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2018
(Amounts in Thousands)

Name and Designation of Debtor	Balance at beginning period	Additions	Amounts collected / settlements	Amounts written off	Current	Not current	Balance at end period
Max D. Arceno *VP Finance, Treasurer, Taxation/Materials*	₱2,739	₱–	₱1,196	₱–	₱1,543	₱–	₱1,543
Reynaldo P. Mendoza *SVP - Public Affairs, Asst.Corp.Sec. (Legal)*	767	500	–	–	1,267	–	1,267
Cynthia Lazaro *Sec. Mgr - Insurance (Treasury)*	560	–	–	–	560	–	560
Marcelo A. Bolano *SVP-Operation (CHO)*	526	–	–	–	526	–	526
Romy L. Tangalin *Legal Assistant (Legal)*	492	–	–	–	492	–	492
Sheena Irish Barra *Finance Manager (Accounting)*	251	–	–	–	251	–	251
Camilo Bernaldo *Section Mgr - Gov't Liaison (Legal)*	166	–	4	–	162	–	162
Hizon Fernando *Instrumentman (Eng'g & Projects)*	151	–	151	–	–	–	–
Leonila C. Villegas *Sec. Mgr - Administration (HR & Admin)*	140	–	140	–	–	–	–
Mario Ymbang *Division Mgr - Projects-Technical Grp (Eng'g & Projects)*	120	–	120	–	–	–	–
Maricel Ulep *Group Asst. for SVP-Finance & SVP- Nickel Op'n (Logistics)*	119	–	–	–	119	–	119
Julieta Rabina *Sec. Mgr - Accounting (Accounting)*	82	1	83	–	–	–	–
Lanolyn Pangilinan *Sec. Mgr - Programmer (Accounting)*	76	–	10	–	66	–	66

Name and Designation of Debtor	Balance at beginning period	Additions	Amounts collected / settlements	Amounts written off	Current	Not current	Balance at end period
Miriam San Pedro *Sec. Mgr - Accounting (Accounting)*	₱65	₱–	₱17	₱–	₱48	₱–	₱48
Eden Barcelona *Asst. to the Chief of Staff (Corplan)*	52	60	–	–	112	–	112
Ana Margarita Hontiveros *VP-Healthcare (Office of the President)*	46	–	–	–	46	–	46
Mary Jean Dalit *Accountant (Accounting)*	35	–	–	–	35	–	35
Pamela Gendrano *AVP - Environmental Compliance (Compliance)*	33	–	20	–	13	–	13
Marlene Villanuevaloa *Purchasing Asst (Materials)*	26	30	15	–	41	–	41
Lourdes O. Calub *Finance Manager (Finance)*	20	–	–	–	20	–	20
Harold Jacinto *Technical Asst. (Trade)*	15	–	–	–	15	–	15

SCHEDULE C

BENGUET CORPORATION AND SUBSIDIARIES
AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE
CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Amounts in Thousands)

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts collected/ settlements	Amounts Written off	Current	Not Current	Balance at end period
Benguetcorp Nickel Mines, Inc.	(₱479,143)	₱–	(₱156,065)	₱–	(₱635,208)	₱–	(₱635,208)
Balatoc Gold Resources Corporation	93,879	–	(14,177)	–	79,702	–	79,702
Benguetrade, Inc.	(46,905)	–	(253)	–	30,862	–	(47,158)
Benguetcorp Laboratories, Inc.	39,728	–	(8,866)	–	(47,158)	–	30,862
Berec Land Resources, Inc.	(36,551)	69	–	–	(36,482)	–	(36,482)
BC Property Management, Inc.	29,973	171	–	–	30,144	–	30,144
Ifaratoc Mineral Resources Corporation	29,801	–	(26)	–	29,775	–	29,775
Benguet-Pantukan Gold Corporation	29,500	55	–	–	29,555	–	29,555
BMC Forestry Corporation	(22,928)	–	(1,553)	–	(24,481)	–	(24,481)
Media Management Corporation	22,183	–	–	–	22,183	–	22,183
Arrow Freight Corporation	20,844	–	(21,364)	–	(2,147)	–	(520)
Benguet Management Corporation	(19,029)	598	–	–	(520)	–	(18,431)
Agua de Oro Ventures Corporation	11,294	355	–	–	11,649	–	11,649
Keystone Port Logistics Management Services Corporation	5,985	11,536	–	–	(18,431)	–	17,521
BenguetCorp International Limited	3,216	133	–	–	3,349	–	3,349
Sagittarius Alpha Realty Corporation	(3,149)	–	(2,673)	–	17,521	–	(5,822)
Batong Buhay Mineral Resources Corporation	2,379	28	–	–	(5,822)	–	2,407
Acupan Gold Mines, Inc.	(2,190)	43	–	–	2,407	–	(2,147)
Pillars of Exemplary Consultants, Inc.	619	43	–	–	662	–	662

SCHEDULE D

BENGUET CORPORTION AND SUBSIDIARIES
INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2018
(Amounts in Thousands)

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Deferred mine exploration costs	₱621,671	₱848	(₱11,462)	₱–	(₱72,059)	₱538,998

SCHEDULE E

BENGUET CORPORATION AND SUBSIDIARIES
LONG-TERM DEBT
DECEMBER 31, 2018
(Amounts in Thousands)

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under the caption 'Current Portion of long-term borrowings' in related balance sheet	Amount shown under the caption 'Long-term borrowings - net of current portion' in related balance sheet
Secured bank loans	₱107,839	₱107,839	₱–
Other loans	422,831	422,831	–
	₱530,670	₱530,670	₱–

SCHEDULE F

BENGUET CORPORATION AND SUBSIDIARIES
INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2018

Name of related party	Balance at beginning of period	Balance at end of period
	NOT APPLICABLE	

SCHEDULE G

BENGUET CORPORATION AND SUBSIDIARIES
GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2018

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

NOT APPLICABLE

SCHEDULE H

BENGUET CORPORATION AND SUBSIDIARIES
CAPITAL STOCK
DECEMBER 31, 2018

The Parent Company's authorized share capital is ₱785.5 million divided into 737.0 million shares consisting of 19.7 million Convertible Preferred Class A shares with par value of ₱3.43 each and 430.4 million Class A common shares and 286.9 million Class B common shares with par value of ₱1.00 each. As at December 31, 2018, shares issued and outstanding totaled 615,988,244 held by 16,913 shareholders.

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for option, warrants, conversions and other rights	No of shares held by: Affiliates	Directors and Officers	Others
Convertible Preferred Stock						
Class A	19,652,912	217,061	–	–	–	217,061
Common Stock						
Class A	430,380,000	371,050,755	–	–	431,094	370,619,661
Class B	286,920,000	245,068,497	–	–	69,906	244,998,591

BenguetCorp

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Benguet Corporation (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2018, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

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

REYNALDO P. MENDOZA
Officer-In-Charge / Sr. Vice President-
Legal & Public Affairs

LINA G. FERNANDEZ
Officer-In-Charge / Sr. Vice President-
Finance & Controller

BUREAU OF INTERNAL REVENUE
RECEIVED
APR 29 2019
EXCISE LT REGULATORY DIVISION

Signed this ____ day of April, 2019.

Republic of the Philippines)
City of Makati : s.s.

SUBSCRIBED AND SWORN to before me this 10 APR 2019 day of April, 2019 at Makati City, affiants exhibited to me their identifications, to wit: Mr. Reynaldo P. Mendoza with Social Security System No. 03-3865936-9 and Ms. Lina G. Fernandez with SSS No. 03-75370258, both issued by the Office of the Social Security System, Philippines.

MA. ESMERALDA R. CUNANAN
Notary Public
Until December 31, 2019
Appt. No. M-41 (2018-2019) Attorney's Roll No. 34562
MCLE Compliance No. V1-0008196/4-27-2018
PTR No. 7333751/1-3-2019/Makati City
IBP Lifetime Member Roll No. 05413
Ground Level, Dela Rosa Carpark I
Dela Rosa St. Legaspi Village,
Makati City

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Series of 2019.

Consulate General of the Republic of the Philippines
NEW YORK

reign Service of the Philippines)
nsulate General of the Philippines)
w York, New York) S.S.
ited States of America)

CERTIFICATE OF AUTHENTICATION

I, **TANYA FAYE O. RAMIRO**, Vice Consul of the Republic of the Philippines, nd for the Consular District of New York, duly commissioned and qualified in the es of New York, Connecticut, Delaware, Maine, Massachusetts, New Hampshire, v Jersey, Pennsylvania, Rhode Island, and Vermont, do hereby certify that

*** ANDREW CASINO ***

at the time he/she signed and affixed his/her official seal to the annexed certificate,

NOTARY PUBLIC
STATE OF NEW YORK

hat full faith and credit ought to be given to his/her official act.

This Consulate General assumes no responsibility for the contents of the ned document.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of nsulate General of the Philippines to be affixed this 27th day of March 2019.

TANYA FAYE O. RAMIRO
Vice Consul

c. No.
ervice No. 117-128
Series of 2019
Fee: $25.00

* This document is not valid if it is altered in any way whatsoever *
* dity of this certification is for five (5) years, unless specified by the attached document. *

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BenguetCorp

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Benguet Corporation (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2018, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

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

DANIEL G. ROMUALDEZ
Chairman of the Board

Signed this 27 day of March, 2019.

ACKNOWLEDGMENT

STATE OF NEW YORK}
NEW YORK CITY } SS.

SUBSCRIBED AND SWORN to before me this 27th day of March, 2019 at New York City, New York, personally appeared DANIEL G. ROMUALDEZ with his Philippine Passport Number P1741994A expiring on January 24, 2022 as identification, known to me to be the person who executed the foregoing document titled Statement of Management's Responsibility for Financial Statements and he acknowledged to me that the signature affixed to the document is his true signature, and that such is his own free and voluntary act and lawful deed.

WITNESS MY HAND AND SEAL.

ANDREW CAS. NO
Notary Public, State of New York
No. 02CA607387
Qualified in Queens County
Commission Expires April 2?, 2022

Notary Public

CERTIFIED ISO 14001:2015 ENVIRONMENTAL MANAGEMENT SYSTEM
ID NO: 9105086003

Universal Re-Building, 106 Paseo de Roxas, 1226 Makati City Philippines
MCPO Box 3488 . Phone: +632.812.1380 . Fax: +632.7520717

Benguet Corporation

Parent Company Financial Statements
December 31, 2018 and 2017

and

Independent Auditor's Report

SGV
Building a better working world

A member firm of Ernst & Young Global Limited

SGV
Building a better working world

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Benguet Corporation

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Benguet Corporation (the Company), which comprise the parent company statements of financial position as at December 31, 2018 and 2017, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

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

In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

The supplementary information required under Revenue Regulations No. 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of Benguet Corporation in a separate schedule. Revenue Regulations No. 15-2010 require the information to be presented in the notes to parent company financial statements. Such information is not a required part of the basic financial statements. The information is also not required by Securities Regulation Code Rule 68. Our opinion on the parent company financial statements is not affected by the presentation of the information in a separate schedule.

The engagement partner on the audit resulting in this independent auditor's report is Alexis Benjamin C. Zaragoza III.

SYCIP GORRES VELAYO & CO.

Alexis Benjamin C. Zaragoza

Alexis Benjamin C. Zaragoza III
Partner
CPA Certificate No. 109217
SEC Accreditation No. 1627-A (Group A),
April 4, 2017, valid until April 3, 2020
Tax Identification No. 246-663-780
BIR Accreditation No. 08-001998-129-2017,
February 9, 2017, valid until February 8, 2020
PTR No. 7332637, January 3, 2019, Makati City

March 21, 2019

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

APR 30 2019

RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱136,957**	₱56,800
Trade and other receivables (Note 5)	**384,091**	1,029,726
Inventories (Note 6)	**17,821**	19,891
Other current assets (Note 7)	**221,659**	213,374
Total Current Assets	**760,528**	1,319,791
Noncurrent Assets		
Investments in subsidiaries (Note 8)	**2,075,524**	2,068,204
Financial assets at fair value through other comprehensive income (FVOCI; Note 9)	**332**	–
Available-for-sale (AFS) financial assets (Note 9)	**–**	890
Property, plant and equipment (Note 10):		
At revalued amount – land	**1,098,626**	990,460
At cost	**547,075**	670,516
Investment properties (Note 32)	**2,180,484**	1,574,664
Deferred mine exploration costs (Note 11)	**464,385**	547,389
Other noncurrent assets (Note 12)	**283,953**	108,545
Total Noncurrent Assets	**6,650,379**	5,960,668
TOTAL ASSETS	**₱7,410,907**	₱7,280,459
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	**₱1,024,385**	₱1,105,954
Loans payable (Note 13)	**446,727**	493,630
Liability for mine rehabilitation (Note 16)	**9,881**	–
Total Current Liabilities	**1,480,993**	1,599,584
Noncurrent Liabilities		
Liability for mine rehabilitation - net of current portion (Note 16)	**59,463**	77,963
Pension liability (Note 26)	**52,308**	42,657
Other noncurrent liability (Note 15)	**49,136**	49,136
Deferred tax liabilities - net (Note 27)	**669,942**	628,273
Total Noncurrent Liabilities	**830,849**	798,029
Total Liabilities	**2,311,842**	2,397,613
Equity		
Capital stock (Note 17)	**616,863**	616,863
Capital surplus (Note 17)	**376,964**	375,726
Other components of equity:		
Unrealized gain on transfer of mining rights (Note 1)	**1,000,000**	1,000,000
Revaluation increment on land (Note 10)	**860,454**	784,738
Cost of share-based payment (Notes 17 and 18)	**25,089**	26,327
Remeasurement gain on pension liability (Note 26)	**23,724**	29,814
Unrealized loss on financial assets at FVOCI (Note 9)	**(411)**	–
Unrealized gain on AFS financial assets (Note 9)	**–**	131
Retained earnings	**2,204,398**	2,057,263
	5,107,081	4,890,862
Treasury shares (Note 17)	**(8,016)**	(8,016)
Total Equity	**5,099,065**	4,882,846
TOTAL LIABILITIES AND EQUITY	**₱7,410,907**	₱7,280,459

BUREAU OF INTERNAL REVENUE RECEIVED APR 29 2019 EXCISE LT REGULATORY DIVISION

See accompanying Notes to Financial Statements.

BENGUET CORPORATION

PARENT COMPANY STATEMENTS OF INCOME

(Amounts in Thousands)

	Years Ended December 31	
	2018	2017
REVENUE (Note 19)	**₱712,610**	₱775,970
OPERATING COSTS AND EXPENSES		
Cost of mine products sold (Note 20)	**567,113**	620,115
Selling, general and administrative (Note 21)	**206,155**	216,195
Taxes on sale of mine products (Note 19)	**24,917**	14,268
	798,185	850,578
INTEREST EXPENSE (Notes 13 and 32)	**4,083**	3,059
OTHER INCOME - net (Note 23)	**252,170**	223,080
INCOME BEFORE INCOME TAX	**162,512**	145,413
PROVISION FOR INCOME TAX (Note 27)	**15,661**	40,788
NET INCOME	**₱146,851**	₱104,625
BASIC AND DILUTED EARNINGS PER SHARE (Note 28)	**₱0.24**	₱0.17

See accompanying Notes to Financial Statements.

BENGUET CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31	
	2018	2017
NET INCOME	**₱146,851**	₱104,625
OTHER COMPREHENSIVE INCOME (LOSS) - NET OF TAX		
Item to be reclassified to profit or loss in subsequent periods:		
Unrealized gain on AFS financial assets (Note 9)	**–**	93
Items not to be reclassified to profit or loss in subsequent periods:		
Revaluation of land (Note 10)	**75,716**	–
Remeasurement gain (loss) on pension liability (Note 26)	**(6,090)**	20,425
Unrealized loss on financial assets at FVOCI (Note 9)	**(258)**	–
TOTAL OTHER COMPREHENSIVE INCOME	**69,368**	20,518
TOTAL COMPREHENSIVE INCOME	**₱216,219**	₱125,143

See accompanying Notes to Financial Statements.

BENGUET CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Amounts in Thousands)

				Other comprehensive income								
	Capital stock (Note 17)	Capital surplus (Note 17)	Unrealized gain from transfer of mining right (Note 1)	Revaluation increment on land (Note 10)	Cost of share-based payment (Notes 17 and 18)	Remeasurement gain on pension liability (Note 26)	Unrealized gain (loss) on financial assets at FVOCI (Note 9)	Unrealized gain on AFS financial assets (Note 9)	Total other comprehensive income	Retained earnings	Treasury stock (Note 17)	Total
Balances at January 1, 2017	**₱616,155**	**₱367,862**	**₱1,000,000**	**₱784,738**	**₱32,995**	**₱9,389**	**₱–**	**₱38**	**₱1,827,160**	**₱1,952,638**	**(₱8,016)**	**₱4,755,799**
Employees' exercise of stock options (Note 17)	708	5,123	–	–	(4,587)	–	–	–	(4,587)	–	–	1,244
Stock options expired (Note 17)	–	2,741	–	–	(2,741)	–	–	–	(2,741)	–	–	–
Stock options vested (Notes 17 and 18)	–	–	–	–	660	–	–	–	660	–	–	660
Net income for the year	–	–	–	–	–	–	–	–	–	104,625	–	104,625
Other comprehensive income for the year (Notes 9 and 26)	–	–	–	–	–	20,425	–	93	20,518	–	–	20,518
Total comprehensive income for the year	–	–	–	–	–	20,425	–	93	20,518	104,625	–	125,143
Balances at December 31, 2017	**616,863**	**375,726**	**1,000,000**	**784,738**	**26,327**	**29,814**	**–**	**131**	**1,841,010**	**2,057,263**	**(8,016)**	**4,882,846**
Effect of adoption of new accounting standards (Note 2)	–	–	–	–	–	–	131	(131)	–	–	–	–
Balances at December 31, 2017 (as restated)	**616,863**	**375,726**	**1,000,000**	**784,738**	**26,327**	**29,814**	**131**	**–**	**1,841,010**	**2,057,263**	**(8,016)**	**4,882,846**
Stock options expired (Note 17)	–	1,238	–	–	(1,238)	–	–	–	(1,238)	–	–	–
Sale of financial assets at FVOCI (Note 9)	–	–	–	–	–	–	(284)	–	(284)	284	–	–
Net income for the year	–	–	–	–	–	–	–	–	–	146,851	–	146,851
Other comprehensive income (loss) for the year (Notes 9, 10 and 26)	–	–	–	75,716	–	(6,090)	(258)	–	69,368	–	–	69,368
Total comprehensive income (loss) for the year	–	–	–	75,716	–	(6,090)	(258)	–	69,368	146,851	–	216,219
Balances at December 31, 2018	**₱616,863**	**₱376,964**	**₱1,000,000**	**₱860,454**	**₱25,089**	**₱23,724**	**(₱411)**	**₱–**	**₱1,908,856**	**₱2,204,398**	**(₱8,016)**	**₱5,099,065**

See accompanying Notes to Financial Statements.

BENGUET CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱162,512**	₱145,413
Adjustments for:		
Revaluation gain on investment properties (Notes 23 and 32)	**(605,820)**	–
Provision for expected credit losses (ECL) on other noncurrent assets (Notes 12 and 23)	**97,212**	–
Provision for impairment losses on deferred mine exploration costs (Notes 11 and 23)	**72,054**	–
Depreciation and depletion (Notes 10, 20 and 21)	**62,375**	89,208
Loss on write-off of property, plant and equipment (Notes 10 and 23)	**56,109**	–
Loss on write-off of deferred mine exploration costs (Notes 11 and 23)	**11,462**	–
Gain on sale of water rights (Note 23)	**(8,929)**	–
Unrealized foreign exchange losses - net	**5,292**	491
Interest expense (Notes 13 and 32)	**4,083**	3,059
Accretion expense (Notes 16 and 23)	**3,795**	3,116
Provision for impairment losses on investments in subsidiaries (Notes 8 and 23)	**3,630**	–
Change in estimate on liability for mine rehabilitation (Notes 16 and 23)	**(1,834)**	(5,771)
Movements in pension liability (Note 26)	**951**	(3,086)
Gain on sale of property, plant and equipment (Notes 10 and 23)	**(486)**	(48,093)
Interest income (Notes 4, 12 and 23)	**(117)**	(108)
Gain on write-off of loans payable (Notes 13 and 23)	**–**	(38,644)
Stock option expense (Notes 18 and 22)	**–**	660
Operating income (loss) before working capital changes	**(137,711)**	146,245
Decrease (increase) in:		
Trade and other receivables	**370,179**	(163,633)
Inventories	**2,070**	6,161
Other current assets	**(8,285)**	9,864
Increase (decrease) in trade and other payables	**(81,569)**	106,224
Net cash from operations	**144,684**	104,861
Interest paid (Note 13)	**(4,083)**	(3,046)
Income taxes paid	**(3,831)**	(51,620)
Interest received	**117**	108
Net cash from operating activities	**136,887**	50,290
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Water rights (Note 23)	**8,929**	–
Property, plant and equipment (Note 10)	**2,531**	48,564
Financial assets at FVOCI (Note 9)	**300**	–
Additions to:		
Investment in subsidiaries (Note 8)	**(10,950)**	(43,750)
Property, plant and equipment (Note 10)	**(1,276)**	(46,745)
Deferred mine exploration costs (Note 11)	**(512)**	(5,292)
Increase in other noncurrent assets	**2,836**	12,748
Net cash from (used in) investing activities	**1,858**	(34,475)
CASH FLOWS FROM FINANCING ACTIVITIES		
Settlement of loans (Note 13)	**(62,207)**	(58,339)
Availment of loans	**10,000**	70,000
Payment for mine rehabilitation costs (Note 16)	**(6,392)**	–
Lease payments under finance lease (Note 32)	**–**	(2,427)
Proceeds from issuance of shares (Note 17)	**–**	1,244
Net cash from (used in) financing activities	**(58,599)**	10,478
NET INCREASE IN CASH	**80,146**	26,293
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**11**	1
CASH AT BEGINNING OF YEAR	**56,800**	30,506
CASH AT END OF YEAR (Note 4)	**₱136,957**	₱56,800

See accompanying Notes to Financial Statements.

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

1. **Corporate Information, Status of Business Operations and Authorization for the Issuance of the Parent Company Financial Statements**

Corporate Information
Benguet Corporation (the Company) was incorporated on August 12, 1903, and was listed in the Philippine Stock Exchange (PSE) on January 4, 1950.

On June 18, 1956 and June 19, 2006, the Philippine Securities and Exchange Commission (SEC) approved the extension of the Company's corporate life for another 50 years. The Company is currently engaged in gold and other metallic and nonmetallic mineral production, exploration, research and development and natural resource projects.

The Company's registered office address is 7th Floor, Universal Re Building, 106 Paseo de Roxas, 1226 Makati City.

Status of Business Operations
Quasi-reorganization
On December 5, 2011, the Philippine SEC approved the application of the Company for quasi-reorganization to wipe out its deficit as at December 31, 2010 against its capital surplus and revaluation increment as follows:

	Prior to Quasi-reorganization	Effect of Quasi-reorganization	After Quasi-reorganization
Capital surplus	₱1,153,579	(₱1,153,579)	₱–
Revaluation increment	1,561,048	(1,010,848)	550,200
Deficit	(2,164,427)	2,164,427	–

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

On December 10, 2010, the Company and Benguetcorp Nickel Mines, Inc. (BNMI) entered into a Deed of Exchange, whereby the Company transferred its interest in the nickel laterite mine in Sta. Cruz, Zambales. The transfer covers Mineral Production Sharing Agreement (MPSA) No. 226-2005-III, mine technical data and all related environmental and other permits of the nickel laterite mine valued at a total of ₱1,000,000. BNMI issued 1.0 billion ordinary shares to the Company, with par value of 1 per share, as consideration for the transfer. The transfer of the MPSA was approved by the Mines and Geosciences Bureau (MGB) on January 16, 2012.

Business Operations
Significant developments in the Company's operations follow:

a. Mining Projects
Benguet Gold Operations (BGO)
The Company produces gold from the Benguet mines, consisting of the Acupan and Kelly underground mines, were suspended in 1992, following the 1991 earthquake, which flooded the said underground mines. BGO was initially conceived as a community based underground mining project, which started commercial operations in January 2003. In 2004, BGO resumed operations and production is carried out through independent mining contractors.

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

The related feasibility study for BGO was approved in 2013 and the Company is still raising the necessary funds to start the execution of the project.

On March 11, 2016, TUV Rheinland, an independent evaluation and certification service body, issued to BGO the ISO 14001:2015, which is an internationally accepted certification and standard for environmental management system. The issuance of the said certification, which is valid until March 10, 2019, makes BGO fully compliant with the requirement of DENR DAO No. 2015-07. Currently, BGO is undergoing re-certification of its ISO compliance.

On October 28, 2016, the Company received from the DENR the mine audit report dated October 21, 2016, which was conducted pursuant to DENR Memorandum Circular No. 2016-01 regarding audit of all operating mines and moratorium on new mining projects recommending the suspension of the Company's mining operations and requires the Company to submit an explanation thereof within seven days from the date of receipt.

On November 1, 2016, the Company submitted an explanation to the DENR stating that there are no legal and factual bases to recommend the suspension of the Company's operations due to the following reasons:
- Based on the mine audit report, there are no significant findings of violations that would warrant the suspension order.
- None of the alleged violations found pose imminent danger or threat to the community that would justify the suspension of operation.
- The deficiencies cited, which are mostly permitting issues or operational concerns, can easily be remediated without need of suspending the Company's operation.

On February 14, 2017, the Company received from DENR a cancellation order dated February 8, 2017 cancelling its authority to undertake mining operations under Patent Claim (PC-ACMP-002-CAR) in Itogon, Benguet for violation of certain provisions of mining and environmental laws, rules and regulations such as the following:
- RA No. 6969, otherwise known as the 'Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990'
- DAO No. 2013-22 or the 'Revised Procedures and Standards for the Management of Hazardous Wastes'
- RA No. 7942, otherwise known as 'The Philippine Mining Act of 1995'
- DAO No. 2010-21 or the 'Revised Implementing Rules and Regulations of RA No. 7942'

On February 22, 2017, the Company filed a Notice of Appeal before the Office of the President, which stayed the execution of the cancellation order. On March 22, 2017, the Company submitted to the Office of the President the actual Appeal Memorandum. As of March 21, 2019, the Office of the President has not yet responded to the said appeal.

Irisan Lime Project (ILP)
The Company's ILP in Irisan, Baguio is engaged in the production and trading of quicklime. ILP produced 9,820 tons and 9,374 tons of quicklime in 2018 and 2017, respectively. On September 4, 2017, the Mineral Processing Permit (MPP) for the ILP was renewed for a period of five years or until September 3, 2022.

Benguet Antamok Gold Operation (BAGO)
The Company's BAGO in Itogon, Benguet has been suspended since August 1998. BAGO has an estimated resource of about 12.4 million tons, averaging 3.45 grams of gold per ton, at the end of 1999. Pursuant to DAO No. 2010-04, the Company's Application for Mineral Production Sharing Agreement (APSA) No. 009-CAR was denied on February 8, 2011. Subsequently, the Company filed an appeal on April 15, 2011 in MGB Central Office.

On November 23, 2016, the Company received from DENR a letter requiring the Company to show cause why its operation should not be suspended and/or mining contract be cancelled in view of the October 2016 tailings spill, which affected the Liang River.

On December 26, 2016, the Company argued that there was no negligence because the incident is due to force majeure and the leak was immediately remediated. The Company also emphasized that it has no existing mining operations in BAGO as it has long been suspended. The BAGO open pit mine and the BAGO underground mine has not operated since 1998 and 1989, respectively. The Company contested that it has been under care and maintenance since then up to the present. On January 1, 2017, the case was elevated to Pollution Adjudication Board (PAB) from the EMB out of which the Company submitted a position paper on May 8, 2017.

On May 9, 2017 a technical conference hearing was held in PAB regarding the case and as a result, the Company submitted a supplemental motion on June 9, 2017. As of March 21, 2019, the Company is still awaiting the decision of PAB.

Masinloc Chromite Operation (MCO)
From 1934 to 2007, the Company managed the Coto Mine under an operating agreement with its claimowner, Consolidated Mines, Inc. (CMI). With the expiration of the operating agreement last July 8, 2007, the Company has transferred back the operating rights to CMI. As at March 21, 2019, the Company is still engaged in discussion with CMI over the liquidation of MCO's assets (see Note 15).

b. Exploration, Research and Development Projects
Balatoc Tailings Project (BTP)
The Company's Board of Directors (BOD) approved an initial ₱10.0 million research and development fund for the BTP in Itogon, Benguet for the study on the feasibility of reprocessing 16.7 million tons of tailings resource with an average of 0.69 grams gold per ton and is estimated to contain 371,000 ounces of gold. A core research and development team, together with the Beijing Geological Research Institute of Mining and Metallurgy, has done the analysis toward the preparation and completion of the bankable feasibility study.

On October 21, 2009, the Company appointed ATR Kim Eng Capital Partners, Inc. as financial advisor to raise additional development capital for the BTP.

On the same date, the Company entered into a processing agreement with the Balatoc Gold Resources Corporation (BGRC), a subsidiary, to implement the BTP. The Company has completed the bankable feasibility study of the BTP and engaged external Competent Persons to prepare and review reports as required under the Philippine Mineral Reporting Code modeled after the Joint Ore Reserve Committee of Australia.

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

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

On January 17, 2013, the Company's BOD authorized and approved the deed of exchange between the Company and BGRC covering all of the Company's rights and interest in BTP in exchange of BGRC's shares.

Since 2014, minimal costs were incurred on the BTP because BGRC is largely in the process of obtaining funds for the said project.

Following the expiration of MPP No. 13-2010-CAR, BGRC reconveyed to the Company on March 16, 2016, all rights and interest in BTP, including liabilities to third parties, so that the reprocessing of tailings can be made part of the Acupan operation once more. The reconveyance was approved by the DENR-MGB on May 31, 2016.

Antamok Tailings Project (ATP)
The ATP, which targeted the BAGO mill tailings pond, was conceived as a possible additional resource that could be developed similar to the Balatoc Tailings Project. The BAGO tailings pond, located a few hundred meters downstream from the BAGO open pit mine, contains some 7.64 million tons of tailings produced from the BAGO milling operations. In addition, a considerable tonnage of extraneous materials, estimated at about 1.95 million tons washed from the BAGO pit over the years from the Otek marginal grade material dump and from the numerous illegal miners' workings, found its way into the pond and is now resting on top of the tailings deposit. A preliminary sampling of these extraneous materials showed that these can be considered for exploitation together with the original tailings in the pond. More core drilling, however, may be required to firm up the resource estimate of these impounded materials.

The Company has approved an initial ₱7.5 million research fund for the ATP for the feasibility study on the reprocessing. The Company is conducting a feasibility study on the reprocessing of tailings from the BAGO, which are impounded in the tailings pond downstream of the old BAGO mill. The initial drilling conducted to test the impounded materials indicates a grade of 4.0 grams of gold per ton.

As at December 31, 2018, the Company intends to transfer to Benguet-Pantukan Gold Corporation (BPGC), a wholly owned subsidiary of the Company through Benguet Management Corporation (BMC), the planned ATP.

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

As at December 31, 2018, the Company plans to transfer the SCP to Batong Buhay Mineral Resources Corporation (BBMRC) when the said prospect materializes.

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

Pantingan Gold Prospect (PGP)
The PGP in Balanga, Bataan consists of 1,410 hectares covered by MPSA No. 154-2000-III. The property is under an operating agreement with Option to Purchase, with Balanga Bataan Minerals Corporation, signed in March 1996. Surface mineralization consists of quartz and clay veins, ranging from 0.70 meters to 10 meters wide, with values as much as 1.0 gram of gold and 9.60 grams of silver. As at December 31, 2018, the PGP is currently in exploration period.

Zamboanga Gold Prospect (ZGP)
The ZGP in R.T. Lim, Zamboanga Sibugay consists of 340.3 hectares of land area and is under an operating agreement with Oreline Mining Corporation (OMC). A drilling program to evaluate the gold potential of the main structure at depth has been put on-hold pending the resolution of the APSA No. 000015-IX of OMC. The APSA which was denied on May 12, 2010 and has an appeal filed on January 30, 2013, is still pending evaluation by the DENR.

Financial and Technical Assistance Agreement (FTAA) Application
The Company and its subsidiary, Sagittarius Alpha Realty Corporation (SARC) have two pending FTAA applications consisting of land area totaling 72,806,291 hectares. The Company's FTAA application in Ilocos Norte (denominated as AFTA-003-I) is undergoing Free, Prior and Informed consent requirement through the Regional Office of the National Commission of Indigenous Peoples while SARC's FTAA application in Apayao (denominated as AFTA No. 00033-CAR) is pending with the MGB-CAR. Exploration work for the two areas will be undertaken as soon as the applications have been approved by the Philippine government.

c. Water Projects
Baguio City Bulk Water Supply Project (BCBWSP)
On August 16, 2005, the BOD of the Baguio Water District (BWD) issued to the Company a Notice of Award covering the BCBWSP. The Company's proposal is to convert its mined-out 440 Vein Open Pit into a water reservoir with the capability of supplying, at least, 50,000 cubic meters of potable water per day to Baguio City as of March 17, 2017.

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

On November 29, 2007, the BWD issued a Board Resolution denying the Company's request for reconsideration. The Company has filed a case against BWD, which is now pending at the Regional Trial Court of Baguio City as of March 21, 2019.

d. Land Development Projects
Kelly Special Economic Zone (KSEZ)
The Company has approved an initial ₱4.9 million budget for the feasibility study covering the KSEZ and the potential of other real estate properties of the Company. The Company plans to transfer the said properties to BC Property Management, Inc. (BCPMI), a wholly-owned subsidiary of BMC. The capital expenditures related to the implementation of the project will then be infused as equity of the Company in BCPMI. As of December 31, 2018, the said project has not yet materialized.

Recovery of Deferred Exploration Costs

The Company's ability to realize its deferred exploration costs with carrying value amounting to ₱464,385 and ₱547,389 as at December 31, 2018 and 2017, respectively, depends on the success of exploration and development work in proving the viability of its mining properties to produce minerals in commercial quantities, and the success of converting the Company's exploration permits to new mineral agreements, which cannot be determined at this time (see Note 11). The financial statements do not include any adjustment that might result from these uncertainties.

Authorization for the Issuance of the Parent Company Financial Statements

The accompanying parent company financial statements as at and for the years ended December 31, 2018 and 2017 were authorized for issuance by the BOD on March 21, 2019.

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

Basis of Preparation and Statement of Compliance
The parent company financial statements have been prepared in accordance with the Philippine Financial Reporting Standard (PFRSs) as issued by the Financial Reporting Standards Council.

The parent company financial statements have been prepared on a historical cost basis, except for land which is measured at revalued amount, and financial assets at FVOCI, AFS financial assets and investment properties and AFS financial assets, which are measured at fair value. The parent company financial statements are presented in Philippine peso, which is the Company's functional currency. All amounts are rounded to the nearest thousands (₱000), except as otherwise indicated.

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2018. Adoption of these pronouncement did not have any significant impact on the Company's financial position or performance, unless otherwise indicated.

- Amendments to PFRS 2, *Share-based Payment - Classification and Measurement of Share-based Payment Transactions*
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

  The Group has no cash-settled share-based payments and share-based payment with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the parent company financial statements.

- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*

- Amendments to Philippine Accounting Standard (PAS) 28, *Investments in Associates and Joint Ventures*, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual

reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

The adoption of these amendments did not have any significant impact on the parent company financial statements since the Company's current practice is in line with the amendment.

- Philippine Interpretation based on International Financial Reporting Interpretations Committee (IFRIC) 22, *Foreign Currency Transactions and Advance Consideration*

- PFRS 9, *Financial Instruments*
  The Company has adopted PFRS 9 with a date of initial application of January 1, 2018. PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

  The Company chose not to restate comparative figures as permitted by the transitional provisions of PFRS 9, thereby resulting in the following impact:
  - Comparative information for prior periods will not be restated. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures required in PFRS 7, *Financial Instruments: Disclosures* will be retained for the comparative periods. Accordingly, the information presented for 2017 does not reflect the requirements of PFRS 9.
  - The Company will disclose the accounting policies for both the current period and the comparative periods, one applying PFRS 9 beginning January 1, 2018 and one applying PAS 39 as of December 31, 2017.
  - The difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application will be recognized in the opening retained earnings or other component of equity, as appropriate.
  - As comparative information is not restated, the Company is not required to provide a third statement of financial information at the beginning of the earliest comparative period in accordance with PAS 1, *Presentation of Financial Statements*.

  Classification and measurement
  Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss (FVPL), amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding.

  The assessment of the Company's business model was made as at the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of PFRS 9 did not have a significant impact on the Company. The Company continued measuring at fair value all financial assets previously held at fair value under PAS 39. The following are the changes in the classification of the Company's financial assets:

- Trade and other receivables, nontrade receivables, amounts owed by related parties and refundable deposits previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortized cost.
- Quoted equity investments previously classified as AFS financial assets are now classified and measured as at FVOCI. The Company elected to classify irrevocably its quoted equity investments under this category as it intends to hold these investments for the foreseeable future.

The Company has not designated any financial liabilities at FVPL. There were no changes to the classification and measurement of the Company's financial liabilities.

In summary, upon the adoption of PFRS 9, the Company had the following required or elected reclassifications as at January 1, 2018.

	Original Measurement Category Under PAS 39	**Original Carrying Amount under PAS 39**	**New Measurement Category Under PFRS 9**	**New Carrying Amount under PFRS 9**
Trade and other receivables				
Trade	Loans and receivables	₱55,443	Financial assets at amortized cost	₱55,443
Nontrade	Loans and receivables	274,625	Financial assets at amortized cost	274,625
Amounts owed by related parties	Loans and receivables	479,686	Financial assets at amortized cost	479,686
Receivables from lessees of bunkhouses	Loans and receivables	3,759	Financial assets at amortized cost	3,759
Others	Loans and receivables	13,332	Financial assets at amortized cost	13,332
AFS financial assets	AFS financial assets	890	Financial assets at FVOCI	890
Other noncurrent assets				
Nontrade	Loans and receivables	93,683	Financial assets at amortized cost	93,683
Refundable deposits	Loans and receivables	5,545	Financial assets at amortized cost	5,545

The Company does not have financial assets and financial liabilities which had previously been designated at FVPL to reduce an accounting mismatch in accordance with PAS 39 which had been reclassified to amortized cost or FVOCI upon transition to PFRS 9.

Impairment
The adoption of PFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Company to recognize an allowance for ECLs for all debt instrument not held at FVPL and contract assets.

Upon adoption of PFRS 9, the Company did not recognize any allowance for ECLs. The change to a forward-looking ECL approach did not have a material impact on the Company's financial assets at amortized cost and FVOCI.

- PFRS 15

PFRS 15 supersedes PAS 11 *Construction Contracts*, PAS 18 *Revenue*, and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers.

Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with the customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted PFRS 15 using the modified retrospective method, with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to only those that were not completed at January 1, 2018.

The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 11, PAS 18 and related interpretations.

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended December 31, 2018 as a result of the adoption of PFRS 15. The adoption of PFRS 15 did not have a material impact on other comprehensive income, parent company statement of financial position or the Company's operating, investing and financing cash flows. The first column shows amounts prepared under PFRS 15 and the second column shows what the amounts would have been had PFRS 15 not been adopted:

Statement of income for the year ended December 31, 2018	**Amounts prepared under PFRS 15**	**Amounts prepared under previous PFRS**	**Increase (decrease)**
Revenue	₱712,610	₱713,053	(₱443)
Cost of mine products sold	(567,113)	(567,556)	443
	₱145,497	**₱145,497**	**₱–**

BSP refining charges are necessary expenses incurred by BSP in determining the final gold content. Before adoption of PFRS 15, revenue is presented at gross amounts and the related BSP refining charges are presented separately on the parent company statement of income. Under PFRS 15, BSP refining charges are deducted from revenue to arrive at revenue from contracts with customers since these are treated as consideration paid or payable to a customer.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect the future adoption of the said pronouncements to have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of ’low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today’s accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard’s transition provisions permit certain reliefs.

  The Company is still assessing the potential impact of adopting PFRS 16 in 2019.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments are not expected to have any impact on the Company.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Effective beginning on or after January 1, 2020
- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

Effective beginning on or after January 1, 2021
- PFRS 17, *Insurance Contracts*

Deferred effectivity
Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

<u>Summary of Significant Accounting Policies</u>

<u>Presentation of Financial Statements</u>
The Company has elected to present all items of recognized income and expense in two statements: a parent company statement of income and a parent company statement of comprehensive income.

<u>Current versus Noncurrent Classification</u>
The Company presents assets and liabilities in statement of financial position based on current or noncurrent classification. An asset is current when it is:
- expected to be realized or intended to be sold or consumed in the normal operating cycle
- held primarily for the purposes of trading
- expected to be realized within 12 months after the reporting period or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:
- it is expected to be settled in the normal operating cycle
- it is held primarily for the purpose of trading
- it is due to be settled within 12 months after the reporting period or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Cash and Cash Equivalents

Cash consists of cash on hand and cash in banks. Cash in banks earn interest at the respective bank deposit rates.

Cash equivalents are short-term cash investments made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term cash investment rates.

Financial instruments - Initial Recognition and Subsequent Measurement (prior to adoption of PFRS 9)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of recognition

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date (i.e., the date that the Company commits to purchase or sell the asset).

Initial recognition and classification of financial instruments

The Company determines the classification of financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at the end of the reporting period.

All financial instruments are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of all financial instruments, except for financial instruments measured at FVPL.

Financial assets

Financial assets within the scope of PAS 39 are classified in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market.

The Company's financial assets are in the nature of loans and receivables and AFS financial assets. The Company has no financial assets classified as financial assets at FVPL, HTM investments and derivatives designated as hedging instruments in an effective hedge as at December 31, 2017.

Subsequent measurement
The subsequent measurement of financial instruments depends on their classification as follows:

Loans and receivables
This category is the most relevant to the Company. Loans and receivables are non-derivative assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using EIR method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The amortization is included in interest income in the parent statement of income. The losses arising from impairment are recognized in the parent statement of income in interest expense for loans and operating expenses for receivables.

This category generally applies to trade and other receivables (excluding advances to officers and employees and employee stock ownership incentive plan) and nontrade receivables and refundable deposits under 'other noncurrent assets' (see Notes 5 and 12).

AFS Financial Assets
AFS financial assets include equity investments. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses arising from the fair valuation of AFS financial assets being reported as 'Unrealized gain on AFS financial assets' under other components of equity of the statement of financial position until the investment is derecognized. These are also reported as other comprehensive income (OCI) in the statement of comprehensive income. Interest earned while holding AFS financial assets is reported as interest income using the EIR method. Any dividend earned on holding AFS financial assets is recognized in the statement of income when the right of payment has been established.

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for a foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of income.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the statement of income. Where the Company holds more than one investment in the same security, the disposal is deemed on a first-in, first-out basis.

Included in this category are equity investments in publicly listed and private companies other than subsidiaries. These are shown as a separate line item in the parent company statement of financial position.

Impairment of Financial Assets
The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Assets Carried at Amortized Cost
For financial assets carried at amortized cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income. Loans and receivables, together with the associated allowance, are written-off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to 'Other income' in the parent company statements of income.

AFS Financial Assets
For AFS financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative losses, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of income, is removed from OCI and recognized in the statement of income. Impairment losses on equity investments are not reversed through statement of income; increases in their fair value after impairment are recognized in OCI.

The determination of what is 'significant' and 'prolonged' requires judgement. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial Instruments – Initial Recognition and Subsequent Measurement (upon adoption of PFRS 9)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL.

Contractual cash flows characteristics

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is performed at an instrument level.

Business model

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial instruments depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include trade and other receivables (excluding advances to officers and employees and employee stock ownership incentive plan) and nontrade receivables and refundable deposits under 'other noncurrent assets' (see Notes 5 and 12).

Financial assets at FVOCI
A financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the ECL model.

The Company may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Company may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:
- the Company’s right to receive payment of the dividend is established
- it is probable that the economic benefits associated with the dividend will flow to the Company and
- the amount of the dividend can be measured reliably

Impairment of Financial Assets (upon adoption of PFRS 9)
The Company recognizes an allowance for ECLs for all debt instruments not measured at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities (prior to and upon adoption of PFRS 9)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Payables

These pertain to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations (e.g., accounts payable, accrued liabilities). Payables are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

This category generally applies to the Company's trade and other payables (excluding payables to officers and employees and to government agencies) and other noncurrent liability (see Notes 14 and 15).

Loans and borrowings

After initial measurement, loans and borrowings are measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral part of the EIR.

This category generally applies to the Company's loans payable (see Note 13).

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities
A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle the liability simultaneously, or to realize the asset and the liability simultaneously.

The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Fair Value Measurement
An analysis of the fair values of financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed and further details as to how they are measured are provided in the following notes:

- Disclosures on significant judgments and estimates Note 3
- Financial assets at FVOCI and AFS financial assets Note 9
- Land Note 10
- Investment properties Note 32

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Inventories
Inventories are valued at the lower of cost or net realizable value (NRV).

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Materials and supplies	-	at purchase price less purchase discount, returns and rebates on a first-in, first-out method
Gold bullions or buttons	-	at cost on a moving average production method

NRV for materials and supplies represents the current replacement cost. NRV of gold bullions or buttons is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Other Current and Noncurrent Assets
Other current assets, which include input value-added tax (VAT), excess creditable withholding taxes (CWTs), advances to contractors and various prepayments, are presented at their net realizable values.

Other noncurrent assets, which include prepaid rent and various restricted bank deposits for the settlement of environmental obligations, are presented at their net realizable values. These are classified as current when these are probable to be realized or consumed within one year from the end of the financial reporting period. Otherwise, these are classified as noncurrent assets.

Prepaid Expenses
Prepaid expenses pertain to advance payments for insurance, rent, and other services.

VAT
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the parent company statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the parent company statement of financial position to the extent of the recoverable amount.

CWTs
CWTs are amounts withheld from income of the Company subject to expanded withholding taxes. CWTs can be utilized as payments for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules of Philippine income taxation.

Advances to contractors
These pertain to amounts advanced to contractors to support their operations and are deductible to the contractors' final share.

Investments in Subsidiaries
A subsidiary is an entity over which the Company has control.

The Company controls an investee if and only if the Company has all of the following:
- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- the contractual arrangement with the other vote holders of the investee,
- rights arising from other contractual arrangements, or
- the Company's voting rights and potential voting rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Property, Plant and Equipment
Property, plant and equipment, except land, are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, depletion and amortization and accumulated impairment in value. Such cost includes the cost of replacing part of such property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of income as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Construction in progress (CIP) is recorded at cost. This includes costs of construction and other direct costs. CIP is not depreciated until such time that the relevant asset is completed, transferred to the appropriate account and put into operational use.

Land is carried at revalued amount less any impairment in value. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

The increment from valuation of land, net of deferred tax liability, resulting from the revaluation of land is credited to revaluation increment on land under the other components of equity caption included in the equity section in the statement of financial position. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in the statement of income, the increase is recognized in profit or loss. A revaluation deficit is recognized in the statement of income, except to the extent that it offsets an existing surplus on the same asset recognized in the revaluation increment. Upon derecognition of the revalued property, the relevant portion of the revaluation increment realized in respect of previous valuations is released from the revaluation increment directly to retained earnings.

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

Category	Number of years
Land improvements	10-25
Buildings	10-20
Machinery, tools and equipment	2-15

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

The estimated useful lives, residual values and depreciation method are reviewed periodically to ensure these are consistent with the expected pattern of economic benefits from items of property, plant and equipment. The useful lives and residual values are reviewed at the end of each reporting period and adjusted prospectively, if appropriate.

Fully depreciated assets are retained in the accounts until these are no longer in use. No further depreciation is charged to current operation for these items.

The carrying values of property, plant, and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the parent company statement of income in the year the asset is derecognized.

Mine and Mining Properties
Capitalized expenditure is assessed for impairment and is transferred from deferred exploration costs to mine development costs when it has been established that a mineral deposit is commercially mineable, development sanctioned, and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit).

After transfer of the deferred exploration costs, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized in mine development costs. Development expenditure is net of proceeds from the sale of ore extracted during the development phase to the extent that it is considered integral to the development of the mine. Any costs incurred in testing the assets to determine if they are functioning as intended, are capitalized, net of any proceeds received from selling any product produced while testing. If these proceeds exceed the cost of testing, any excess is recognized in the parent company statement of income.

No depletion is charged during the mine exploration or development phases.

When the Company has already achieved commercial levels of production, mine development costs are moved to mine and mining properties. Commercial production is deemed to have commenced when management determines that the completion of operational commissioning of major mine and plant components is completed, operating results are being achieved consistently for a period of time and that there are indicators that these operating results will be continued.

The carrying value of mine and mining properties represents total expenditures incurred to date on the area of interest, less accumulated depletion and any impairment.

When a mine construction project moves into the production phase, the capitalization of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.

Mine and mining properties are subject to depletion, which is computed using the units-of production method based on the economically recoverable reserves. Mine and mining properties include the initial estimate of provision for mine rehabilitation and decommissioning, for which the Company is constructively liable.

Investment Properties
Investment properties pertain to properties, which are held to earn rentals or for capital appreciation or both.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property are recognized in the parent company statements of income in the year in which they arise. Fair values are determined based on the revaluation performed by an accredited external independent appraiser. Upon derecognition of the investment property, the portion of the revaluation increment realized in respect of previous valuation is released from the revaluation increment directly to retained earnings.

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

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

If an owner-occupied property becomes an investment property that will be carried at fair value, the Company shall apply PAS 16, *Property, Plant and Equipment*, up to the date of change in use. The Company shall treat any difference at that date between the carrying amount of the property and its fair value in the same way as a revaluation in accordance with PAS 16. On subsequent disposal of the investment property, the revaluation surplus included in equity shall be transferred to retained earnings.

As at December 31, 2018 and 2017, investment properties pertain to parcels of land at Itogon, Benguet which are held for capital appreciation.

Deferred Mine Exploration Costs
Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:
- Researching and analyzing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

License costs paid in connection with a right to explore in an existing exploration area are capitalized and amortized over the term of the permit.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless the Company concludes that a future economic benefit is more likely than not to be realized. These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalized, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

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

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

When a project is abandoned, the related deferred mine exploration costs are written off. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

Impairment of Nonfinancial Assets
Further disclosures relating to impairment of nonfinancial assets are also provided in the following notes:

- Disclosures on significant judgments and estimates Note 3
- Nonfinancial receivables Note 5
- Inventories Note 6
- Other current assets Note 7
- Investments in subsidiaries Note 8
- Property, plant and equipment Note 10
- Deferred mine exploration costs Note 11
- Nonfinancial other noncurrent assets Note 12

The Company assesses, at the end of each reporting period, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable value is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation.

For assets (except goodwill), an assessment is made at each end of the reporting period to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, depletion or amortization, had no impairment loss been recognized for that asset in prior years. Such reversal is recognized in the parent company statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase.

Deferred Mine Exploration Costs
The Company assesses whether facts and circumstances suggest that the carrying amount of deferred mine exploration costs may exceed its recoverable amount. Below are some of the facts and circumstances, which the Company considers in determining whether there is impairment on deferred mine exploration costs:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area, and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the deferred mine exploration costs is unlikely to be recovered in full from successful development or by sale

Full provision is made for the impairment unless it is probable that such costs are expected to be recouped through successful exploration and development of the area of interest, or alternatively, by its sale. If the project does not prove to be viable or is abandoned, all revocable cost associated with the project and the related impairment provisions are written off.

Recovery of impairment losses recognized in prior years is recorded if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The recovery is recorded in the parent company statement of income.

<u>Provisions</u>
General
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of the provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the parent company statement of income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as interest expense in the parent company statement of income.

Liability for Mine Rehabilitation
Mine rehabilitation costs will be incurred by the Company either while operating, or at the end of the operating life of, the Company's facilities and mine properties. The Company assesses its mine rehabilitation provision at each reporting date. The Company recognizes a rehabilitation provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of

obligation can be made. The nature of these restoration activities includes: dismantling and removing structures; rehabilitating mines and tailings dams; dismantling operating facilities; closing plant and waste sites; and restoring, reclaiming and re-vegetating affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the mining operation's location. When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred as a result of the development or construction of the mine. Any rehabilitation obligations that arise through the production of inventory are recognized as part of the related inventory item. Additional disturbances that arise due to further development or construction at the mine are recognized as additions or charges to the corresponding assets and rehabilitation liability when these occur. Costs related to restoration of site damage (subsequent to start of commercial production) that is created on an ongoing basis during production are provided for at their net present values and recognized in profit or loss as extraction progresses.

Changes in the estimated timing of rehabilitation or changes to the estimated future costs are dealt with prospectively by recognizing an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates, if the initial estimate was originally recognized as part of an asset measured in accordance with PAS 16.

Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the parent company statement of income.

If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Company considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If, for mature mines, the estimate for the revised mine assets net of rehabilitation provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the parent company statement of income as part of interest expense.

For closed sites, changes to estimated costs are recognized immediately in the parent company statement of income.

Rehabilitation trust funds committed for use in satisfying environmental obligations are included in other noncurrent assets in the parent company statement of financial position.

Capital Stock and Capital Surplus

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

Other Components of Equity
The 'Other components of equity' caption in the parent company statement of financial position consists of:
- Revaluation increment on land
- Cost of share-based payment
- Remeasurement gain on pension liability
- Unrealized loss on financial assets at FVOCI
- Unrealized gain on AFS financial assets
- Unrealized gain on transfer of mining rights

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

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

Appropriation of retained earnings is the allocation of a portion of the Company's retained earnings for a specific purpose. Costs and losses cannot be charged for such appropriations. The reasons for appropriations may include legal or contractual restrictions, existence of possible or expected loss, expansion projects, and protection of working capital position.

Treasury Shares
Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in capital surplus under the equity section of the parent company statement of financial position.

Revenue Recognition (prior to adoption of PFRS 15)
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

Sale of Mine Products
Revenue is recognized when the significant risks and rewards of ownership have transferred to the buyer, which is normally at the time of shipment, and the selling prices are known or can be reasonably estimated.

Revenue Recognition (upon adoption of PFRS 15)
The Company is in the business of sale of gold ore and lime. Revenue from contracts with customers is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to the customer.

Sale of Mine Products
Revenue from sale of mine products is recognized at the point in time when the control of the asset is transferred to the customer which is normally at the time of shipment, and the selling prices are known or can be reasonably estimated. Revenue from sale of gold is measured at the prevailing international gold buying price and prevailing Philippine peso to United States dollar buying rate set by the BSP Treasury department on a daily basis and is recognized based on the initial weight and assay tests, which represent the best estimate. Subsequent adjustments to revenue due to quantity and/or quality changes are recognized upon determination of the final weight and assay tests.

BSP Refining Charges
BSP refining charges are deducted from revenue to arrive at revenue from contracts with customers since these are necessary expenses by BSP in determining the final gold content.

Other Income (prior to and upon adoption of PFRS 15)
Other income not directly related to the Company's normal operations is recognized when the earnings process is virtually complete. These are classified under other income - net in the parent company statements of income.

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

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

Selling, General and Administrative
Selling and general expenses pertain to costs associated in the marketing and general administration of the day-to-day operations of the Company. These are generally recognized when incurred.

Excise Taxes
Excise taxes pertain to the taxes paid or accrued by the Company arising from the production of gold and nickel ore. These taxes and royalties are recognized once revenue from the sale of the related mine product is recognized.

Leases
Determination of Whether an Arrangement Contains a Lease
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of the specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A reassessment is made after the inception on the lease only if one of the following applies:
(a) There is a change in contractual terms, other than a renewal or extension of the arrangement
(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset or
(d) There is a substantial change to the asset

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

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

<u>Pension and Other Post-Employment Benefits</u>
The Company has separate, noncontributory, defined benefit pension plans, covering all permanent, regular and full-time employees.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains or losses, the effect of the ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in the net interest on the net defined benefit liability), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which these occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past services costs are recognized in profit or loss on the earlier of:
- The date of the plan amendment or curtailment, and
- The date that the Company recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation under costs of mine products sold, costs of services and selling and general expenses in the statement of income:
- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, in employee benefits expense.

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The profit and loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits.

No expense is recognized for awards that do not ultimately vest, except for equity settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense computed based on the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the Company or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

When the terms of an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.
Where an equity-settled award expires or is cancelled, its cost is transferred to additional paid-in capital.

Forfeitures revise the expense to reflect the best available estimate of the number of equity instruments expected to vest.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Foreign Currencies
The Company's financial statements are presented in Philippine peso, which is also the parent company's functional currency. For each entity, the Company determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and Balances
Transactions in foreign currencies are initially recorded by the Company's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Company's net investment of foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss on translation of non-monetary items measured at fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted as of the end of the reporting period in the country where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the parent company statements of income.

Deferred Tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

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

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

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

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

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

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

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

Earnings Per Share (EPS)
Basic EPS amount is calculated by dividing net income for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year.

Diluted EPS amount is calculated by dividing the net profit attributable to ordinary equity holders of the Company (after deducting interest on the convertible cumulative preference shares) by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalization, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively. If these changes occur after the reporting period but before the financial statements are authorized for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares. The fact that per share calculations reflect such changes in the number of shares shall be disclosed. In addition, basic and diluted earnings per share of all periods presented shall be adjusted for the effects of errors and adjustments resulting from changes in accounting policies accounted for retrospectively.

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

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

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

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

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

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

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

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the parent company financial statements in accordance with PFRSs requires the Company to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the accompanying disclosures, and the disclosure of contingent liabilities. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Company's exposure to risks and uncertainties include financial risk management and policies, and sensitivity analyses disclosures, and are described in Note 29.

Judgments
In the process of applying the Company's accounting policies, management has made following judgments, which have the most significant effect on the amounts recognized in the parent company financial statements.

Assessing Provisions and Contingencies
The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Company's defense in these matters and is based upon an analysis of potential results. The Company currently assessed that these proceedings will not have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 33).

Distinction between Investment Property and Owner-Occupied Property
The Company determines whether a property qualifies as investment property. In making its judgment, the Company considers whether the property is not occupied substantially for use by, or in operations of the Company, not for sale in the ordinary course of business, but is held primarily to earn rental income or capital appreciation. Owner-occupied properties generate cash flows that are

attributable not only to the property but also to the other assets used in the production or supply process. Management concluded that some of its parcels of land at Itogon, Benguet are investment properties.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year, are discussed below. The Company based its assumptions and estimates on parameters available when the parent company financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may changes due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when these occur.

Estimating Allowance for Impairment Losses on Trade and Other Receivables (prior to adoption of PFRS 9)

The Company evaluates specific accounts where the Company has information that certain customers are unable to meet their financial obligations. Factors, such as the Company's length of relationship with the customers and the customer's current credit status, are considered to ascertain the amount of reserves that will be recorded in the receivables account. In addition to specific allowances against individually significant accounts, the Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any past collection experiences, the current economic conditions and average age of the group of receivables. These reserves are re-evaluated and adjusted as additional information is received.

Provision for impairment losses on trade and other receivables recognized in 2017 amounted to ₱377 (see Notes 5 and 23). As at December 31, 2017, the carrying value of trade and other receivables amounted to ₱1,029,726, net of allowance for impairment losses of ₱95,503 (see Note 5).

Estimates and Assumptions (upon adoption of PFRS 9)

Provision for expected credit losses on trade and other receivables

The Company uses the simplified approach on trade receivables and general approach model for other financial assets, as new impairment requirement of PFRS 9 about ECL, which replaced the PAS 39 incurred loss model. An assessment of the ECL relating to trade and other receivables is undertaken upon initial recognition and each financial year. The simplified general approach of the ECL impairment model involves exercise of significant judgment. Key areas of judgment include: defining default, determining assumptions to be used such as timing and amounts of expected net recoveries from defaulted accounts, determining debtor's capacity to pay, and incorporating forward looking information.

Provision for ECLs recognized in 2018 amounted to ₱112,327 (see Notes 5 and 23). The carrying amount of trade and other receivables amounted to ₱384,091, net of allowance for ECL and impairment losses of ₱172,374 as at December 31, 2018 (see Note 5).

Assessing Impairment of Other Current Assets and Other Noncurrent Assets

The Company provides allowance for impairment losses on other current assets and other noncurrent assets when these can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for probable loss would increase recorded expenses and decrease other current and noncurrent assets.

No provision for impairment loss on other current assets was recognized in 2018 and 2017. The Company recognized provision for impairment losses on other noncurrent assets amounting to ₱97,212 and nil in 2018 and 2017, respectively (see Notes 12 and 23). As at December 31, 2018 and 2017, allowance for impairment losses on other current assets and other noncurrent assets totaled ₱188,734 and ₱96,627, respectively (see Notes 7 and 12).

The total carrying value of other current assets and other noncurrent assets amounted to ₱505,612 and ₱321,919 as at December 31, 2018 and 2017, respectively (see Notes 7 and 12).

Estimating Impairment of Investments in Subsidiaries
PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the fair value of investment in subsidiary, which requires the determination of future cash flows expected to be generated from the holding and ultimate disposition of such asset, requires the Company to make estimates and assumptions that can materially affect its financial statements. Future events could cause the Company to conclude that the investment is impaired. Any resulting impairment loss could have a material adverse impact on the parent company statements of financial position and parent company statements of comprehensive income.

The Company recognized provision for impairment losses on investments in subsidiaries amounting to ₱3,630 and nil in 2018 and 2017, respectively (see Notes 8 and 23). The carrying amount of investments in subsidiaries amounted to ₱2,075,524 and ₱2,068,204 as at December 31, 2018 and 2017, respectively (see Note 8).

Estimating Ore Reserves
Ore reserves estimates are, to a large extent, based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies. The Company estimates its ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The Company also makes estimates and assumptions regarding a number of economic and technical factors affecting ore reserves estimates, such as production rates, grades, foreign exchange rates, production and transport costs, and commodity prices.

These geological, economic and technical estimates and assumptions may change in the future in ways, which can affect the quality and quantity of the ore reserves. The Company reviews and updates estimates as required, but at least annually, to reflect actual production, new exploration data or developments and changes in other assumptions or parameters. These estimates will change from time to time to reflect mining activities, analyses of new engineering and geological data, changes in ore reserve and mineral resource holdings, modifications of mining plans or methods, changes gold prices or production costs, and other factors.

Changes in the ore reserves estimates may impact the carrying values of property, plant and equipment, provision for mine rehabilitation and decommissioning, recognition of deferred tax assets and depreciation and depletion charges.

Assessing Recoverability of Deferred Mine Exploration Costs
The Company reviews the recoverability of deferred mine exploration costs when events or changes in circumstances indicate that the carrying amount of deferred mine exploration costs may exceed its estimated recoverable amount. The Company considers the following factors, among others, in its assessment:
- Status of each mine exploration project and plans on exploration and evaluation activities
- Validity of the licenses, permits and correspondences related to each mine exploration project

- Plans to abandon existing mine areas and plans to discontinue exploration activities
- Availability of information suggesting that the recovery of expenditure is unlikely

In 2018, the Company recognized provision for impairment losses on deferred mine exploration costs amounting to ₱72,054 and wrote off deferred mine exploration costs amounting to ₱11,462. As at December 31, 2018 and 2017, deferred mine exploration costs amounted to ₱464,385 and ₱547,389 as at December 31, 2018 and 2017, respectively (see Note 11).

Estimating Recoverability of Property, Plant and Equipment
The Company assesses impairment on property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of the property, plant and equipment may not be recoverable.

The factors that the Company considers important which could trigger an impairment review include the following:

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

In determining the present value of estimated future cash flows expected to be generated from the continued use of the property, plant and equipment, the Company is required to make estimates and assumptions such as commodity prices, discount rates and foreign currency exchange rates, which can materially affect the financial statements. Commodity prices and foreign exchange rates are based on forecasts of various financial institutions while the discount rate is based on industry weighted average cost of capital.

An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, property, plant and equipment are grouped at the lowest levels for which there are separately identifiable cash flows. An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows. The Company did not recognize any impairment loss in 2018 and 2017 on property, plant and equipment.

As at December 31, 2018 and 2017, property, plant and equipment (at revalued amount and at cost) amounted to ₱1,645,701 and ₱1,660,976, respectively (see Note 10).

Revaluation of Property, Plant and Equipment and Investment Properties
The Company carries its investment properties at fair value, with changes in fair value being recognized in the parent company statements of income. In addition, it measures its land under property, plant and equipment at revalued amounts, with changes in fair value being recognized in the parent company statements of comprehensive income. The land and investment properties were valued using the sales comparison approach. The Company engaged an independent appraiser firm, which holds a recognized and relevant professional qualification and has recent experience in the location of the properties being valued to assess fair values.

As at December 31, 2018 and 2017, the fair value of the Company's land under property, plant and equipment, and investment properties amounted to ₱3,279,110 and ₱2,565,124, respectively (see Note 10 and 32).

.Estimating Liability for Mine Rehabilitation
The Company estimates the costs of mine rehabilitation based on previous experience in rehabilitating fully mined areas in sections of the mine site. These costs are adjusted for inflation factor based on the average annual inflation rate as of adoption date or re-evaluation of the asset dismantlement, removal or restoration costs. Such adjusted costs are then measured at present value using the market interest rate for a comparable instrument adjusted for the Company's credit standing. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Company's liability for mine rehabilitation. Liability for mine rehabilitation amounted to ₱69,344 and ₱77,963 as at December 31, 2018 and 2017, respectively (see Note 16).

Estimating Pension Benefits
The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Net pension liability amounted to ₱52,308 and ₱42,657 as at December 31, 2018 and 2017, respectively (see Note 26).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 26.

Assessing Realizability of Deferred Tax Assets
The Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized. The Company has temporary differences amounting to ₱462,116 and ₱163,601 as at December 31, 2018 and 2017, respectively, for which no deferred tax assets were recognized (see Note 27). The Company recognized deferred tax assets amounting to ₱142,215 and ₱154,098 as at December 31, 2018 and 2017, respectively (see Note 27).

4. **Cash and Cash Equivalents**

	2018	2017
Cash on hand	**₱415**	₱225
Cash in banks	**136,542**	27,392
Short-term deposits	**–**	29,183
	₱136,957	₱56,800

Cash in banks earn interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the

Company, and earn interest at the prevailing short-term investment rates. Interest income pertaining to cash in banks and short-term deposits totaled to ₱106 and ₱83 in 2018 and 2017, respectively (see Note 23).

Cash in banks denominated in United States Dollar (US$) as at December 31, 2018 and 2017, amounted to ₱210 and ₱206, respectively.

5. Trade and Other Receivables

	2018	2017
Trade	**₱20,438**	₱57,074
Amounts owed by related parties (Note 24)	**266,492**	479,686
Nontrade	**181,559**	452,523
Employee stock ownership incentive plan (ESOIP; Note 25)	**58,416**	58,416
Advances to officers and employees	**20,100**	24,983
Receivables from lessees of bunkhouses	**2,867**	39,215
Others	**6,593**	13,332
	556,465	1,125,229
Less allowance for ECL and impairment losses	**172,374**	95,503
	₱384,091	₱1,029,726

Trade receivables and receivables from lessees of bunkhouses are non-interest bearing and are generally collectible within a period of one year. Advances to officers and employees pertain to cash advances used in the operations which are generally subject to liquidation.

Nontrade receivables pertain to advances made to suppliers by the Company relating to materials and supplies necessary in the Company's operation. These are non-interest bearing and will be realized through offsetting against future billings from suppliers or will be settled in cash.

Other receivables comprise mainly of receivables that are considered to be individually insignificant.

Movements of allowance for impairment losses on trade and other receivables are as follows:

	2018				
	Trade receivables	**Amounts owed by related parties**	**Receivables from lessees of bunkhouses**	**ESOIP**	**Total**
Balances at the beginning of year	**₱1,631**	**₱–**	**₱35,456**	**₱58,416**	**₱95,503**
Provision for impairment losses (Notes 23 and 24)	**–**	**112,327**	**–**	**–**	**112,327**
Write-off of receivables	**–**	**–**	**(35,456)**	**–**	**(35,456)**
Balances at the end of year	**₱1,631**	**₱112,327**	**₱–**	**₱58,416**	**₱172,374**

	2017			
	Trade receivables	Receivables from lessees of bunkhouses	ESOIP	Total
Balances at the beginning of year	₱1,673	₱35,079	₱58,416	₱95,168
Provision for impairment loss (Note 23)	–	377	–	377
Recoveries	(42)	–	–	(42)
Balances at the end of year	₱1,631	₱35,456	₱58,416	₱95,503

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

6. Inventories

The carrying amount of inventories, which include materials and supplies, amounted to ₱17,821 and ₱19,891 as at December 31, 2018 and 2017, respectively. The said amounts are net of allowance for impairment loss on inventories amounting to ₱311,174 and ₱290,959 as at December 31, 2018 and 2017, respectively.

Movements of allowance for impairment loss on inventories are as follows:

	2018	2017
Balance at beginning of the year	**₱290,959**	₱291,055
Provision (Note 23)	**20,215**	–
Reversal	–	(96)
Balance at end of the year	**₱311,174**	₱290,959

Materials and supplies charged to current operations amounted to ₱119,281 and ₱126,337 as at December 31, 2018 and 2017, respectively (see Notes 20 and 21).

The Company has no inventories pledged as security for liabilities nor any purchase commitments related to inventories as at December 31, 2018 and 2017.

7. Other Current Assets

	2018	2017
Input VAT - net	**₱132,292**	₱133,765
CWTs	**80,321**	73,605
Advances to contractors	**36,842**	41,947
Prepaid expenses	**1,106**	1,021
Others	**7,940**	4,983
	258,501	255,321
Less allowance for impairment losses	**36,842**	41,947
	₱221,659	₱213,374

Prepaid expenses pertain to prepayments for insurance, rent and other services.

In 2018, the Company wrote off advances to contractors amounting to ₱5,105 as management believes these may no longer be realized.

8. Investments in Subsidiaries

The details of investments in subsidiaries as at December 31, 2018 and 2017 follow:

	2018	2017
Acquisition cost of investments:		
BNMI	**₱1,250,000**	₱1,250,000
BMC	**600,000**	600,000
Benguetcorp International Ltd. (BIL)	**115,565**	115,565
Benguetcorp Laboratories, Inc. (BLI)	**55,950**	45,000
Berec Land Resources, Inc. (BLRI)	**39,463**	39,463
SARC	**7,046**	7,046
BBMRC	**2,500**	2,500
Ifaratoc Mineral Resources Corporation (IMRC)	**2,500**	2,500
KPLMSC	**2,500**	2,500
Acupan Gold Mines, Inc. (AGMI)	**2,500**	2,500
Pillars of Exemplary Consultants, Inc. (PECI)	**1,130**	1,130
	2,079,154	2,068,204
Less allowance for impairment losses	**3,630**	–
	₱2,075,524	₱2,068,204

BMC was organized primarily to invest in projects and enterprises that diversify, stabilize and strengthen the investment portfolio of the Benguet Group of Companies. As at December 31, 2018, BIL, BBMRC, IMRC and AGMI, which were established to operate mining prospects, are still pre-operating.

BNMI commenced its mining operations in 2010. In the last quarter of 2012, KPLMSC started its commercial operations by providing logistics services to BNMI while BLI started its operations by offering health care services. The other subsidiaries were incorporated to provide support services to the Company.

In 2016, BNMI received a joint suspension order, which suspended the mining operations in Sta. Cruz, Zambales subject to conditions such as the resolution of issues arising from tree-cutting and earth-balling operations, rehabilitation of mined out areas and construction of an exclusive mine haul road. As of March 21, 2018, BNMI's operations is still suspended and is currently addressing the its deficiencies.

The Company subscribed to additional stocks of BLI amounting to ₱10,950 and ₱43,750 in 2018 and 2017, respectively.

In 2018, the Company recognized provision for impairment losses on the investments on BBMRC and PECI amounting to ₱3,630 as management believes these may no longer be recovered (see Note 23).

9. Financial Assets at FVOCI and AFS Financial Assets

Movements in financial assets at FVOCI and AFS financial assets are as follows:

	2018	2017
Balance at beginning of year	**₱890**	₱757
Unrealized valuation gain (loss)	**(258)**	133
Disposals	**(300)**	–
Balance at end of year	**₱332**	₱890

In 2018, the Company sold financial assets at FVOCI with cost of ₱284 resulting in the transfer of fair value reserve directly to retained earnings of ₱16. The proceeds from the said sale amounted to ₱300.
Movements in the unrealized gain (loss) on financial assets at FVOCI and AFS financial assets are as follows:

	2018	2017
Balance at beginning of year	**₱131**	₱38
Unrealized valuation gain (loss)	**(258)**	93
Disposals	**(284)**	–
Balance at end of year	**(₱411)**	₱131

On January 1, 2018, the Company reclassified its AFS financial assets amounting to ₱890 into financial assets at FVOCI upon adoption of PFRS 9.

10. Property, Plant and Equipment

a. Land - at revalued amount

Revalued amount of land as at December 31, 2018 and 2017 amounted to ₱1,098,626 and ₱990,460, respectively. The valuation was performed by an independent firm of appraisers, Cuervo Appraisers, Inc. The appraisers determined the fair value of the Company's land based on its market value in 2018. The Company recognized revaluation increment on land amounting to ₱108,166. Correspondingly, amount charged to statement of comprehensive income amounted to ₱75,716, net of deferred tax liability of ₱32,450.

The revaluation increment, recognized as a separate component of equity, amounts to ₱2,673,290 and ₱2,565,124 as at December 31, 2018 and 2017, respectively, is not available for distribution to stockholders until the related assets are sold.

The latest valuation of the land was performed by Cuervo Appraisers Inc., an independent firm of appraisers, which determined the fair value based on the land's market value in 2018. The assigned value was estimated using the sales comparison approach, which considers the sales of similar or substitute properties and the related market values and establishes value estimates by processes involving comparisons (level 2). In general, a property being valued is compared with sales of similar properties that have been transacted in the open market. Listings and offerings may also be considered. Management believes that the market value of the land, as determined by the independent firm of appraisers, approximates the asset's fair value as at December 31, 2018 and 2017.

In 2017, the Company reclassified parcels of land located at Itogon, Benguet with an area of 3,705,517 square meters from property, plant and equipment to investment properties due to the change in their use (see Note 32).

Movements in the revaluation increment on land shown as part of other components of equity follow:

Balance before the quasi-reorganization	₱1,561,048
Effect of the quasi-reorganization in 2011 (Note 1)	(1,010,848)
Balance after the quasi-reorganization	550,200
Revaluation increment in:	
2011	148,638
2013	85,900
Ending balance as at December 31, 2017	784,738
Revaluation increment in 2018	75,716
Ending balance as at December 31, 2018	₱860,454

b. Property, Plant and Equipment - at cost

	2018					
	Land improvements	**Buildings**	**Machinery, tools and equipment**	**Mine and mining properties**	**CIP**	**Total**
Cost:						
Balances at beginning of year	**₱77,313**	**₱273,165**	**₱691,198**	**₱1,153,892**	**₱84,863**	**₱2,280,431**
Additions	**–**	**–**	**1,276**	**–**	**–**	**1,276**
Disposals	**–**	**–**	**(11,711)**	**–**	**–**	**(11,711)**
Write-off (Note 23)	**–**	**–**	**–**	**–**	**(56,109)**	**(56,109)**
Change in estimate on liability for mine rehabilitation (Note 16)	**–**	**–**	**–**	**(4,188)**	**–**	**(4,188)**
Balances at end of year	**77,313**	**273,165**	**680,763**	**1,149,704**	**28,754**	**2,209,699**
Accumulated depreciation and depletion:						
Balances at beginning of year	**64,140**	**259,806**	**607,063**	**678,906**	**–**	**1,609,915**
Depreciation and depletion (Notes 20 and 21)	**1,772**	**3,497**	**41,633**	**15,473**	**–**	**62,375**
Disposals	**–**	**–**	**(9,666)**	**–**	**–**	**(9,666)**
Balances at end of year	**65,912**	**263,303**	**639,030**	**694,379**	**–**	**1,662,624**
Net book values	**₱11,401**	**₱9,862**	**₱41,733**	**₱455,325**	**₱28,754**	**₱547,075**

	2017					
	Land improvements	Buildings	Machinery, tools and equipment	Mine and mining properties	CIP	Total
Cost:						
Balances at beginning of year	₱77,028	₱266,488	₱1,378,051	₱1,119,860	₱90,096	₱2,931,523
Additions	285	3,018	17,760	25,682	–	46,745
Disposals	–	–	(706,155)	–	–	(706,155)
Reclassifications	–	3,659	1,574	–	(5,233)	–
Retirement	–	–	(32)	–	–	(32)
Change in estimate on liability for mine rehabilitation (Note 16)	–	–	–	8,350	–	8,350
Balances at end of year	77,313	273,165	691,198	1,153,892	84,863	2,280,431

(Forward)

	2017					
	Land improvements	Buildings	Machinery, tools and equipment	Mine and mining properties	CIP	Total
Accumulated depreciation and depletion:						
Balances at beginning of year	₱62,416	₱255,978	₱1,249,049	₱658,980	₱–	₱2,226,423
Depreciation and depletion (Notes 20 and 21)	1,724	3,828	63,730	19,926	–	89,208
Disposals	–	–	(705,684)	–	–	(705,684)
Retirement	–	–	(32)	–	–	(32)
Balances at end of year	64,140	259,806	607,063	678,906	–	1,609,915
Net book values	₱13,173	₱13,359	₱84,135	₱474,986	₱84,863	₱670,516

In 2018, the Company sold equipment with a total cost of ₱11,711 and related accumulated depreciation amounting to ₱9,666. Proceeds from the sale amounted to ₱2,531 on which the Company recognized a gain of ₱486 (see Note 23).

In 2018, the Company wrote off several items classified as construction in progress resulting in a loss on write-off of ₱56,109 (see Note 23).

In 2017, the Company sold equipment with a total cost of ₱706,155 and related accumulated depreciation amounting to ₱705,684. Proceeds from the sale amounted to ₱48,564 on which the Company recognized a gain of ₱48,093 (see Note 23).

The cost of fully depreciated property and equipment still being used in the Company's operations amounted to ₱639,669 and ₱566,075 as at December 31, 2018 and 2017, respectively.
Components of mine and mining properties are as follows:

	2018			
	Mine and mining properties	**Mine development cost**	**Mine rehabilitation asset**	**Total**
Cost:				
Balances at beginning of year	**₱1,050,030**	**₱–**	**₱103,862**	**₱1,153,892**
Change in estimate on liability for mine rehabilitation (Note 16)	**–**	**–**	**(4,188)**	**(4,188)**
Balances at end of year	**1,050,030**	**–**	**99,674**	**1,149,704**
Accumulated depletion:				
Balances at beginning of year	**656,134**	**–**	**22,772**	**678,906**
Depletion	**12,635**	**–**	**2,838**	**15,473**
Balances at end of year	**668,769**	**–**	**25,610**	**694,379**
Net book values	**₱381,261**	**₱–**	**₱74,064**	**₱455,325**

	2017			
	Mine and mining properties	Mine development cost	Mine rehabilitation asset	Total
Cost:				
Balances at beginning of year	₱1,024,348	₱–	₱95,512	₱1,119,860
Additions	–	25,682	–	25,682
Change in estimate on liability for mine rehabilitation (Note 16)	–	–	8,350	8,350
Reclassification	25,682	(25,682)	–	–
Balances at end of year	1,050,030	–	103,862	1,153,892
Accumulated depletion:				
Balances at beginning of year	639,804	–	19,176	658,980
Depletion	16,330	–	3,596	19,926
Balances at end of year	656,134	–	22,772	678,906
Net book values	₱393,896	₱–	₱81,090	₱474,986

Depreciation and depletion charges were distributed as follows:

	2018	2017
Cost of mine products sold (Note 20)	**₱55,331**	₱63,852
Selling, general and administrative expenses (Note 21)	**7,044**	25,356
	₱62,375	₱89,208

11. **Deferred Mine Exploration Costs**

Movements in deferred mine exploration costs are as follows:

	2018	2017
Balances at beginning of year	**₱547,389**	₱542,097
Additions	**512**	5,292
Write-off (Note 23)	**(11,462)**	–
	536,439	547,389
Less allowance for impairment losses	**72,054**	–
Balances at end of year	**₱464,385**	₱547,389

Additions pertain to drilling, hauling and other ongoing exploration and evaluation activities of the Company.

The Company is currently working on exploration and drilling programs to increase AGP's capacity.

In 2018 and 2017, the Company recognized provision for impairment loss amounting to ₱72,054 and nil, respectively (see Note 23).

12. **Other Noncurrent Assets**

	2018	2017
Nontrade	**₱428,880**	₱153,423
Refundable deposits	**5,545**	5,545
Prepaid rent	**864**	1,479
Mine rehabilitation funds (MRFs)	**556**	2,778
	435,845	163,225
Less allowance for ECL and impairment losses	**151,892**	54,680
	₱283,953	₱108,545

Nontrade noncurrent assets pertain to advances and prepayments of the Company to its contractors and suppliers for exploration and other related activities and projects.

The Company recognized provision for impairment losses amounting to ₱97,212 in 2018 as management believes that such noncurrent assets may no longer be realized (see Note 23).

MRFs pertain to accounts opened with a local bank in compliance with the requirements of DAO No. 2010-21, otherwise known as 'The Revised Implementing Rules and Regulations of the Philippine Mining Act of 1995'. The MRFs shall be used for physical and social rehabilitation of areas and communities affected by the mine operations, and for research in the social, technical and preventive aspects of the mine's rehabilitation. Interest income pertaining to MRF amounted to ₱11 and ₱25 in 2018 and 2017, respectively (see Note 23).

Refundable deposits pertain to amount deposited with the Company's power providers and are refundable upon termination of the related service agreements.

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

Other deposits include security deposits, which pertain to non-refundable deposits to satisfy lease obligations up to the end of lease term.

13. **Loans Payable**

	2018	2017
Accrued interest and penalties	**₱237,831**	₱237,831
Unsecured bank loans	**85,063**	85,063
Secured bank loans	**22,776**	70,000
Others	**101,057**	100,736
	₱446,727	₱493,630

a. Unsecured loans

The Company has various loans, which are being renegotiated and are undergoing restructuring. Nominal interest rates vary from floating rate of 91-day Philippine PhP T-bill rate for peso loans and 3-month London Interbank Offered Rate (LIBOR) foreign loans, plus a margin of 3.5% for secured loans.

In 2017, the Company wrote off its loan payable to a creditor amounting to ₱38,644 and recognized a gain of the same amount since the creditor can no longer be located (see Note 23).

b. Secured loans

The Company has a revolving secured promissory note from Malayan Bank loan to finance its working capital requirements. Certain parcels of land amounting to ₱237,082 served as collateral to secure the loan (see Note 32).

c. Others

Nickel Off-take Agreement
On August 24, 2011, BNMI and the Company signed a tri-partite off-take agreement for the sale of nickel ore with a Chinese trading company. In accordance with the agreement, the Chinese trading company shall extend a loan of US$6,000 to the Company and that BNMI will deliver and sell 1,800,000 tons of 1.8% grade nickel ore over a period of 36 months at 600,000 tons per 12 months, to start six months after signing of the agreement. The Chinese trading company will deduct US$3.33 per ton from the selling price of the nickel ore to be treated as partial repayment of the loan to the Company.

As at December 31, 2018 and 2017, the remaining advances amounted to $1,922 (₱101,056) and $2,018 (₱100,737), respectively.

Accrued interest and penalties represent cumulative interest and default charges as at December 31, 2018 and 2017.

Interest expense from these loans amounted to ₱4,083 and ₱3,030 in 2018 and 2017, respectively, while interest payment amounted to ₱4,083 and ₱3,046 in those years.

Total principal payments for these loans amounted to ₱62,208 and ₱58,339 in 2018 and 2017, respectively.

14. Trade and Other Payables

	2018	2017
Trade	**₱120,894**	₱130,181
Amounts owed to related parties (Note 24)	**782,929**	841,868
Nontrade	**86,137**	96,546
Accrued expenses	**23,675**	25,560
Payables to officers and employees	**3,750**	4,080
Others	**7,000**	7,719
	₱1,024,385	₱1,105,954

Trade, nontrade, accrued expenses, and other payables are non-interest bearing and are normally settled in 60 to 90 days terms. These pertain mainly to operating expenses, which are payable to various suppliers and contractors, accrual of professional fees, amounts accruing to various government agencies and other expenses of the Company.

Payables to officers and employees include unclaimed wages, accrued vacation and sick leave credits and accrued payroll, which are payable within 30 days.

15. Other Noncurrent Liability

Other noncurrent liability pertains to the Company's outstanding liability to CMI, for which discussions are still on-going. The said liability amounted to ₱49,136 as at December 31, 2018 and 2017 (see Note 1).

16. Liability for Mine Rehabilitation

	2018	2017
Balances at beginning of year	**₱77,963**	₱72,268
Effect of change in estimate:		
Recognized as adjustment to the mine rehabilitation asset (Note 10)	**(4,188)**	8,350
Recognized in profit or loss (Note 23)	**(1,834)**	(5,771)
Actual rehabilitation costs	**(6,392)**	–
Accretion (Note 23)	**3,795**	3,116
	69,344	77,963
Less noncurrent portion	**59,463**	77,963
Current portion	**₱9,881**	₱–

This provision is based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability.

The final rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, changes in inflation rates (2.72% in 2018 and 3.14% in 2017) and changes in discount rates (6.98% for 2018 and 4.92% for 2017). These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for mine rehabilitation. As a result, there could be significant adjustments to the provision established that could affect future financial results.

The provision at the end of each reporting period represents management's best estimate of the present value of the rehabilitation cost required. These estimates are reviewed regularly to take into account any material changes in the assumptions. This, in turn, will depend upon future ore prices, which are inherently uncertain.

17. **Capital Stock**

Capital stock as at December 31, 2018 and 2017 follows:

	2018		2017	
	No. of shares	**Amount**	No. of shares	Amount
Authorized				
Convertible Preferred				
Class A - ₱3.43 par value	**19,652,912**	**₱67,500**	19,652,912	₱67,500
Common Class A - ₱1 par value	**430,380,000**	**430,874**	430,380,000	430,874
Common Class B - ₱1 par value	**286,920,000**	**287,135**	286,920,000	287,135
	736,952,912	**785,509**	736,952,912	785,509
Issued				
Convertible Preferred Class “A”	**217,061**	**745**	217,061	745
Common Class “A”	**371,050,755**	**371,050**	371,050,755	371,050
Common Class “B”	**245,068,497**	**245,068**	245,068,497	245,068
Total shares issued and subscribed	**616,336,313**	**616,863**	616,336,313	616,863
Treasury Shares				
Convertible Preferred Class “A”	**–**	**–**	–	–
Common Class “A”	**310,794**	**7,158**	310,794	7,158
Common Class “B”	**37,275**	**858**	37,275	858
Total treasury shares	**348,069**	**8,016**	348,069	8,016
Outstanding				
Convertible Preferred Class “A”	**217,061**	**745**	217,061	745
Common Class “A”	**370,739,961**	**363,892**	370,739,961	363,892
Common Class “B”	**245,031,222**	**244,210**	245,031,222	244,210
Total outstanding shares	**615,988,244**	**₱608,847**	615,988,244	₱608,847

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

The convertible preferred shares are limited to Philippine nationals and convertible into Common Class A shares at a conversion premium of ₱6.02 a share. Each preferred share is convertible into 9.4875 Common Class A shares. A convertible preferred share is also entitled to have one vote for each full share of Common Class A stock into which such convertible preferred share is, at any stockholders’ meeting, then convertible. It does not enjoy the same dividend right as the two classes of common stock but is entitled to a fixed cumulative dividend of 8% a year, if there is surplus profit and when declared by the BOD.

On July 29, 2016, the Philippine SEC approved the amendments to Article Seventh of the Amended Articles of Incorporation and Article 1, Section 1 of the Amended By-Laws of the Company, which changed the par value of its Common Class A and Common Class B Shares from ₱3.00 to ₱1.00 per share and increased the number of common shares by threefold. The reduction in par value essentially resulted in a stock split.

On March 21, 2018, the BOD approved the increase in the Company’s authorized capital stock from ₱717,300 (consisting of 430,380,000 Common Class A shares and 286,920,000 Common Class B shares, both having par value of ₱1 each) to ₱762,300 (consisting of 475,380,000 Common Class A shares and 286,920,000 Common Class B shares, both having par value of ₱1 each). After the amendment, the total authorized capital stock of the Parent Company has increased from ₱785,509 to ₱830,509. The application for the increase was approved by the stockholders during the annual meeting held last November 8, 2018. As at March 21, 2019, the application with the Philippine SEC for the increase in authorized capital stock is still pending.

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

2018	**Convertible Preferred Class A**	**Common Class A**	**Common Class B**
Issued shares at beginning and end of year	**217,061**	**371,050,755**	**245,068,497**

2017	Convertible Preferred Class A	Common Class A	Common Class B
Issued shares at beginning of year	217,061	370,557,255	244,853,697
Exercise of stock options (Note 18)	–	493,500	214,800
Issued shares at end of year	217,061	371,050,755	245,068,497

All issuances of capital stock made in 2018 and 2017 were exempted from the registration requirements of Securities Regulation Code (SRC) Rule 10.1 and 10.2. Total proceeds from the issuance of shares due to the exercise of stock options amounted to nil and ₱1,244 in 2018 and 2017, respectively.

Below is the Company's track record of registration of securities under the Philippine SEC:

Date of Registration (SEC Approval)	Description	Number of shares	Par value per share	Total amount (in 000's)
June 18, 1956	Capital upon registration:			
	Common shares	18,000,000	₱1.00	₱18,000
November 25, 1960	Increase in number and par value of common shares:			
	Common shares	20,000,000	2.00	40,000
November 9, 1964	Increase in par value of common shares:			
	Common shares	20,000,000	3.00	60,000
October 22, 1968	Increase in number of common shares and introduction of preferred shares:			
	Common shares	50,000,000	3.00	150,000
	Preferred shares	6,000,000	5.00	30,000
March 12, 1974	Split of common share into two classes and change in number and par value and addition of conversion feature to the preferred shares:			
	Common class A	30,000,000	3.00	90,000
	Common class B	20,000,000	3.00	60,000
	Convertible preferred shares	19,652,912	3.43	67,500
July 27, 1989	Increase in number of common shares			
	Common class A	120,000,000	3.00	360,000
	Common class B	80,000,000	3.00	240,000
	Convertible preferred shares	19,652,912	3.43	67,500
September 28, 2015	Increase in number of common shares			
	Common class A	143,460,000	3.00	430,380
	Common class B	95,640,000	3.00	286,920
	Convertible preferred shares	19,652,912	3.43	67,500
July 29, 2016	Increase in number of common shares and reduction in par value			
	Common class A	430,380,000	1.00	430,380
	Common class B	286,920,000	1.00	286,920
	Convertible preferred shares	19,652,912	3.43	67,500
As at December 31, 2018:				
	Common class A	**430,380,000**	**₱1.00**	**₱430,380**
	Common class B	**286,920,000**	**₱1.00**	**₱286,920**
	Convertible preferred shares	**19,652,912**	**₱3.43**	**₱67,500**

As at December 31, 2018 and 2017, the Company has 16,913 and 16,931 stockholders, respectively.

For the purpose of dividend declaration, the retained earnings of the Company shall be restricted to the extent of the deficit wiped out by the revaluation increment amounting to ₱1,010,848 on December 5, 2011.

Movements in cost of share-based payment are as follows:

	2018	2017
Balances at beginning of year	**₱26,327**	₱32,995
Stock options expired	**(1,238)**	(2,741)
Stock options exercised	–	(4,587)
Stock options vested	–	660
Balances at end of year	**₱25,089**	₱26,327

Movements in capital surplus are as follows:

	2018	2017
Balances at beginning of year	**₱375,726**	₱367,862
Expiration of stock options	**1,238**	2,741
Employees’ exercise of stock options	–	5,123
Balances at end of year	**₱376,964**	₱375,726

18. **Stock Option Plan**

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

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

The amendments include an increase in the maximum award per employee from 200,000 shares over the life of the plan to 500,000 shares per grant and an increase in the shares reserved for issuance under the Plan from the total of 9,906,661 to 22,000,000.

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

The options under the Plan are non-transferable and are exercisable to the extent of 30% after one year from the date of the grant, 60% after two years from the date of the grant, and 100% after three years from the date of grant. No option is exercisable after 10 years from the date of grant.

Unexercised share options per grant are as follows:

		Unexercised share options as at January 1, 2018	Expired in 2018	Unexercised share options as at December 31, 2018
Class A	- May 2011 Grant	2,001,297	(135,000)	1,866,297
	- September 2012 Grant	396,000	–	396,000
	- May 2014 Grant	1,080,000	–	1,080,000
Class B	- May 2011 Grant	1,448,745	(90,000)	1,358,745
	- September 2012 Grant	264,000	–	264,000
	- May 2014 Grant	720,000	–	720,000
Total		**5,910,042**	**(225,000)**	**5,685,042**

		Unexercised share options as at January 1, 2017	Exercised in 2017	Expired in 2017	Unexercised share options as at December 31, 2017
Class A	- May 2011 Grant	2,483,997	(313,500)	(169,200)	2,001,297
	- September 2012 Grant	666,000	(180,000)	(90,000)	396,000
	- May 2014 Grant	1,080,000		–	1,080,000
Class B	- May 2011 Grant	1,656,345	(94,800)	(112,800)	1,448,745
	- September 2012 Grant	444,000	(120,000)	(60,000)	264,000
	- May 2014 Grant	720,000	–	–	720,000
Total		**7,050,342**	**(708,300)**	**(432,000)**	**5,910,042**

The exercise prices of outstanding options are as follows:

		At grant date	After effect of stock split	As modified
Class A	- May 2011 Grant	₱16.50	₱5.50	₱1.69
	- September 2012 Grant	17.96	5.99	1.69
	- May 2014 Grant	7.13	2.38	1.69
Class B	- May 2011 Grant	17.50	5.83	1.91
	- September 2012 Grant	17.63	5.88	1.91
	- May 2014 Grant	7.13	2.38	1.91

	2018	2017
Average exercise price per share	**₱1.76**	₱1.76
Shares available for future option grants	**33,574,698**	32,929,698

Stock option expense relating to the Plan recognized in 2018 and 2017 amounted to nil and ₱660, respectively (see Note 22).

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

	2018	2017
Outstanding at beginning of year	**5,910,042**	7,050,342
Expiration (Note 18)	**(225,000)**	(432,000)
Exercised during the year (Note 18)	**–**	(708,300)
Outstanding at end of year	**5,695,042**	5,910,042
Exercisable at end of year	**5,695,042**	5,910,042

The Company used the binomial options pricing model to determine the fair value of the stock options at grant date.

The following assumptions were used to determine the fair value of the stock options at grant date:

	Share price	Exercise price	Expected volatility	Option life	Expected Dividends	Risk-free Interest rate
May 3, 2011 Grant	16.5	16.5	91.20%	10 years	0.00%	6.46%
	17.5	17.5	155.57%	10 years	0.00%	6.46%
Sep 9, 2012 Grant	23.95	17.96	57.35%	10 years	0.00%	4.80%
	23.5	17.63	65.53%	10 years	0.00%	4.80%
May 26, 2014 Grant	9.5	7.13	77.28%	10 years	0.00%	3.90%
	9.5	7.13	84.29%	10 years	0.00%	3.90%

The expected volatility measured at the standard deviation of expected share price returns was based on the analysis of share prices for the past 365 days. The cost of share-based payment amounted to ₱25,147 and ₱26,327 as at December 31, 2018 and 2017, respectively (see Note 17).

19. **Revenue**

Revenue of the Company pertains to sale of gold to the Bangko Sentral ng Pilipinas (BSP), which is subject to 4% excise tax based on gross revenues in 2018 and 2% excise tax in 2017, and sale of silver and lime to outside customers.

	2018	2017
Sale of gold	**₱614,775**	₱688,896
Sale of lime	**96,534**	84,789
Sale of silver	**1,301**	2,285
	₱712,610	₱775,970

Set out below is the disaggregation of the Company's revenue from contracts with customers in 2018:

Segment	**Mining**
Type of product:	
Gold	**₱614,775**
Lime	**96,534**
Silver	**1,301**
Total revenue from contracts with customers	**712,610**
Type of customer:	
Government	**614,775**
Private corporations	**97,835**
Total revenue from contracts with customers	**₱712,610**

In 2018 and 2017, the Company recognized excise taxes on sale of mine products amounting to ₱24,917 and ₱14,268, respectively.

20. Cost of Mine Products Sold

	2018	2017
Outside services	**₱273,262**	₱309,103
Materials and supplies (Note 6)	**114,205**	119,071
Depreciation and depletion (Note 10)	**55,331**	63,852
Power and utilities	**48,871**	41,766
Personnel expenses (Note 22)	**41,856**	40,642
Repairs and maintenance	**22,386**	22,754
Smelting, refining and marketing	**6,788**	7,062
Freight and handling	**334**	286
Taxes and licenses	**37**	22
Others	**4,043**	15,557
	₱567,113	₱620,115

Outside services pertain to amounts paid to contractors and consultants involved in the mining operations of the Company.

Other expenses include postage, insurance and maintenance expenses, which are individually insignificant.

21. Selling, General and Administrative Expenses

	2018	2017
Personnel expenses (Note 22)	**₱93,969**	₱80,649
Outside services	**22,126**	24,492
Security expenses	**20,102**	15,316
Environmental protection and enhancement program expense	**11,140**	8,257
Power consumption	**7,912**	6,730
Depreciation (Note 10)	**7,044**	25,356
Legal and audit expenses	**5,583**	3,839
Taxes and licenses	**5,138**	4,502
Materials and supplies (Note 6)	**5,076**	7,266
Social development and management program	**4,882**	4,043
Travel and transportation	**4,695**	4,569
Rent and utilities	**4,592**	5,790
Repairs and maintenance	**3,178**	8,767
Freight and handling	**2,195**	2,192
Subscription and membership fees	**1,484**	2,476
Insurance expense	**1,277**	1,880
Others	**5,762**	10,104
	₱206,155	₱216,195

Others consist mainly of various incidental expenses which are individually immaterial.

22. **Personnel Expenses**

	2018	2017
Salaries and wages	**₱111,022**	₱97,192
Benefits and allowances	**14,383**	10,071
Net pension expense (Note 26)	**10,420**	13,368
Stock option expense (Note 18)	**–**	660
	₱135,825	₱121,291

The above amounts were distributed as follows:

	2018	2017
Selling, general and administrative expenses (Note 21)	**₱93,969**	₱80,649
Cost of mine products sold (Note 20)	**41,856**	40,642
	₱135,825	₱121,291

23. **Other Income** - net

	2018	2017
Gain on:		
Revaluation of investment properties (Note 32)	**₱605,820**	₱–
Sale of water rights	**8,929**	–
Sale of equipment (Note 10)	**486**	48,093
Write-off of loans (Note 13)	**–**	38,644
Provision for impairment on:		
Receivables (Note 5)	**(112,327)**	(377)
Other noncurrent assets (Note 12)	**(97,212)**	–
Deferred mine exploration costs (Note 11)	**(72,054)**	–
Inventories (Note 6)	**(20,215)**	–
Investments in subsidiaries (Note 8)	**(3,630)**	–
Loss on write-off of property, plant and equipment (Note 10)	**(56,109)**	–
Write-off of deferred mine exploration costs (Note 11)	**(11,462)**	–
Foreign currency exchange losses - net	**(5,294)**	(1,281)
Accretion expense (Note 16)	**(3,795)**	(3,116)
Dividend income	**2,500**	–
Change in estimate on liability for mine rehabilitation (Note 16)	**1,834**	5,771
Interest income (Notes 4 and 12)	**117**	108
Marketing income (Note 24)	**–**	121,482
Others - net	**14,582**	13,756
	₱252,170	₱223,080

In 2018, the Company sold water rights with book value of nil. The proceeds from the said sale amounted to ₱8,929, resulting in a gain of the same amount.

Dividend income recognized from KPLMSC amounted to ₱2,500 and nil in 2018 and 2017, respectively (see Note 24). As at December 31, 2018 and 2017, the outstanding dividend receivable amounts to ₱2,500 and nil, respectively.

Others include miscellaneous income and various incidental expenses that are individually insignificant.

24. Related Party Disclosures

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 dealings with its related parties as follows:

a. On August 8, 2011, the Company was appointed as the exclusive marketing agent of BNMI for a marketing fee per ton of nickel ore shipped. Marketing income recognized in 2018 and 2017 amounted to nil and ₱121,482, respectively, under this agreement, which was terminated in December 2017 (see Note 23).

b. In 2011, Arrow Freight Corporation (AFC), a wholly-owned subsidiary of BMC, started providing trucking services to the Company for the delivery of equipment to various sites. Total amount charged to the Company in 2018 and 2017 amounted to ₱1,558 and ₱1,631, respectively.

c. On March 16, 2018, the BOD of KPLMSC, a wholly-owned subsidiary of the Company through BMC, declared cash dividends equivalent to ₱1 per share to all shareholders as of the said date (see Note 23).

d. The Company provides and receives unsecured non-interest bearing cash advances to and from its subsidiaries for working capital requirements, which are settled in cash.

Outstanding receivables and revenues from these transactions are as follows:

Category	Year	Other income	Outstanding balance	Terms	Conditions
Other income (Note 23)					
BNMI	**2018**	**₱–**	**₱3,945**	Payable on demand;	Unsecured;
	2017	₱207,536	₱207,536	non-interest bearing	no guarantees; no impairment

Outstanding payables and expenses from these transactions are as follows:

Category	Year	Expenses	Outstanding balance	Terms	Conditions
Selling, general and administrative expenses					
BTI	**2018**	**₱–**	**₱48,564**	Payable on demand;	Unsecured;
	2017	–	₱49,192	non-interest bearing	no guarantees; no impairment
BLRI	**2018**	**–**	**8,444**	Payable on demand;	Unsecured;
	2017	–	8,444	non-interest bearing	no guarantees; no impairment
AFC	**2018**	**1,558**	**2,931**	Payable on demand;	Unsecured;
	2017	1,631	22,150	non-interest bearing	no guarantees; no impairment
Total	**2018**	**₱1,558**	**₱59,939**		
Total	2017	₱1,631	₱79,786		

Category	Year	Amount/ volume	Outstanding balance	Terms	Conditions
Amounts owed by related parties (Note 5)					
BGRC	**2018**	**(₱14,177)**	**₱79,702**	Payable on demand;	Unsecured
	2017	₱151	₱93,879	non-interest bearing	no guarantees; no impairment
BLI	**2018**	**(8,865)**	**30,862**	Payable on demand;	Unsecured
	2017	–	39,727	non-interest bearing	no guarantees; no impairment
BCPMI	**2018**	**167**	**30,140**	Payable on demand;	Unsecured
	2017	146	29,973	non-interest bearing	no guarantees; no impairment
IMRC	**2018**	**(26)**	**29,775**	Payable on demand;	Unsecured
	2017	61	29,801	non-interest bearing	no guarantees; no impairment
BPGC	**2018**	**55**	**29,555**	Payable on demand;	Unsecured
	2017	43	29,500	non-interest bearing	no guarantees; no impairment
Media Management	**2018**	**(1)**	**22,183**	Payable on demand;	Unsecured
Corporation	2017	–	22,184	non-interest bearing	no guarantees; no impairment
KPLMSC	**2018**	**11,700**	**17,685**	Payable on demand;	Unsecured
	2017	–	5,985	non-interest bearing	no guarantees; no impairment
Agua De Oro Ventures	**2018**	**355**	**11,649**	Payable on demand;	Unsecured
Corporation	2017	286	11,294	non-interest bearing	no guarantees; no impairment
BIL	**2018**	**576**	**3,792**	Payable on demand;	Unsecured
	2017	486	3,216	non-interest bearing	no guarantees; no impairment
BTI	**2018**	**1,016**	**3,303**	Payable on demand;	Unsecured
	2017	2,287	2,287	non-interest bearing	no guarantees; no impairment
BBMRC	**2018**	**29**	**2,408**	Payable on demand;	Unsecured
	2017	26	2,379	non-interest bearing	no guarantees; no impairment
AFC	**2018**	**(475)**	**831**	Payable on demand;	Unsecured
	2017	615	1,306	non-interest bearing	no guarantees; no impairment
PECI	**2018**	**43**	**662**	Payable on demand;	Unsecured
	2017	42	619	non-interest bearing	no guarantees; no impairment
	2018	**(9,603)**	**262,547**		
	2017	1,813	272,150		
Less allowance for impairment	**2018**	**112,327**	**112,327**		
losses	2017	–	–		
	2018	**(₱9,603)**	**₱150,220**		
	2017	₱1,813	₱272,150		

In 2018, the Company recognized an allowance for ECL amounting to ₱112,327 covering amounts owed by BGRC, BPGC, BBMRC and PECI as management believes that the amount may no longer be recovered.

Category	Year	Amount/ volume	Outstanding balance	Terms	Conditions
Amounts owed to related parties (Note 14)					
BNMI	**2018**	**(₱52,197)**	**₱634,482**	Payable on demand;	Unsecured
	2017	₱86,344	₱686,679	non-interest bearing	no guarantees; no impairment
BLRI	**2018**	**(94)**	**28,013**	Payable on demand;	Unsecured
	2017	–	28,107	non-interest bearing	no guarantees; no impairment
BMC Forestry Corporation	**2018**	**3,472**	**26,400**	Payable on demand;	Unsecured
	2017	289	22,928	non-interest bearing	no guarantees; no impairment
BMC	**2018**	**4,399**	**23,428**	Payable on demand;	Unsecured
	2017	–	19,029	non-interest bearing	no guarantees; no impairment
SARC	**2018**	**₱5,371**	**₱8,520**	Payable on demand;	Unsecured
	2017	95	3,149	non-interest bearing	no guarantees; no impairment
AGMI	**2018**	**(43)**	**2,147**	Payable on demand;	Unsecured
	2017	–	2,190	non-interest bearing	no guarantees; no impairment
Total	**2018**	**(₱39,092)**	**₱722,990**		
Total	2017	₱86,439	₱762,082		

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.

	2018	2017
Short-term benefits	**₱33,127**	₱61,444
Post-employment benefits	**5,132**	6,940
	₱38,259	₱68,384

25. ESOIP

The ESOIP, as approved by the stockholders in 1986, allows employees of the Company to buy up to 6,000,000 shares of the Common Class A shares of the Company at either of two prices. If the shares are acquired by the Company from a seller or are treasury shares, these can be bought at acquisition cost. If the shares are sourced from the authorized but unissued shares of the Company, these can be bought at the average closing price quoted in the PSE on the last day that such shares were traded prior to the start of the purchase period. Payment for the shares purchased shall be advanced by the Company on behalf of the employees and repaid through salary deduction without interest. The shares acquired by employees under the ESOIP may be subjected to a holding period from the date of purchase.

In January 1990, the BOD approved the Employees Stock Purchase Plan, which allows the employees of the Company (but excluding directors of the Company) to buy, basically under similar terms and conditions as that of the ESOIP, 2,000,000 shares of the Common Class A shares of the Company.

The balance of the employees' stock ownership pursuant to the said plans shown as part of the trade and other receivables in the parent company statements of financial position amounted to ₱58,416 as at December 31, 2018 and 2017 and was provided an allowance for the same amount (see Note 5).

26. **Pension Benefits Plan**

The Company maintains a qualified, noncontributory pension plan covering substantially all of its regular employees.

The following tables summarize the components of net pension expense in the parent company statements of income and fund status, and the amounts recognized in the parent company statements of financial position.

Net pension expense

	2018	2017
Current service cost	**₱8,014**	₱9,517
Net interest cost	**2,406**	3,851
Net pension expense	**₱10,420**	₱13,368

Pension liability as at December 31, 2018 and 2017

	2018	2017
Present value of obligation	**₱52,906**	₱47,673
Fair value of plan assets	**(598)**	(5,016)
Pension liability	**₱52,308**	₱42,657

Reconciliation of other comprehensive income

	2018	2017
Balances at beginning of year	**₱29,814**	₱9,389
Gain (loss) on remeasurement of pension liability	**(8,700)**	29,179
Tax effect	**2,610**	(8,754)
Balances at end of year	**₱23,724**	₱29,814

Changes in the present value of defined benefit obligation

	2018	2017
Balances at beginning of year	**₱47,673**	₱79,891
Interest cost	**2,689**	4,106
Current service cost	**8,014**	9,517
Remeasurement losses (gains)	**8,416**	(29,387)
Benefits paid	**(13,886)**	(16,454)
Balances at end of year	**₱52,906**	₱47,673

Breakdown of remeasurement gain (loss) on defined benefit obligation

	2018	2017
Change in financial assumptions	**₱8,134**	₱2,404
Experience adjustments	**(16,550)**	26,983
Remeasurement gain (loss)	**(₱8,416)**	₱29,387

Changes in the fair value of plan assets

	2018	2017
Balances at beginning of year	**₱5,016**	₱4,969
Asset return in net interest cost	**283**	255
Remeasurement loss	**(284)**	(208)
Benefits paid	**(4,417)**	–
Balances at end of year	**₱598**	₱5,016

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

	2018	2017
Cash	**96.48%**	96.19%
Investment in shares	**1.90%**	1.92%
Fixed income securities	**1.62%**	1.89%
	100.00%	100.00%

The Company's plan assets are being managed by a trustee bank. The retirement fund includes time deposits, shares of stocks, which are traded in the PSE, and unquoted shares of stocks. The Company has no transactions with its retirement fund. The retirement fund has no investments in shares of stocks of the Company.

In 2018 and 2017, the Company directly paid to the beneficiaries of the pension benefits plan ₱13,886 and ₱16,454, respectively, resulting in a net movement in pension liability of ₱951 and ₱3,086 in those years.

The Company expects to contribute ₱16,013 to the defined benefits retirement plan in 2018.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2018:

Plan year	Expected benefit payments
Less than 1 year	₱16,013
More than 1 year to 5 years	21,300
More than 5 years to 10 years	40,791
More than 10 years to 15 years	27,810
More than 15 years to 20 years	75,228
More than 20 years	489,660

The principal assumptions used in determining the pension benefits obligation of the Company's plan is shown below.

	2018	2017
Discount rate	**7.36%**	5.64%
Salary increase rate	**5.00%**	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the pension liability as at the end of the reporting period, assuming if all other assumptions were held constant:

		December 31, 2018
	Increase (decrease)	**Present value of the defined benefit obligation**
Discount rates	**8.36% (+1.00%)**	**₱49,162**
	7.36% actual	**52,906**
	6.36% (-1.00%)	**57,335**
Salary increase rate	**6.00% (+1.00%)**	**₱57,165**
	5.00% actual	**52,906**
	4.00% (-1.00%)	**49,263**

		December 31, 2017
	Increase (decrease)	Present value of the defined benefit obligation
Discount rates	6.64% (+1.00%)	₱38,089
	5.64% actual	42,657
	4.64% (-1.00%)	48,173
Salary increase rate	6.00% (+1.00%)	₱47,881
	5.00% actual	42,657
	4.00% (-1.00%)	38,248

The Company's weighted average duration of the defined benefit obligation is 20 years as at December 31, 2018. The Company's computation is based on per employee considering other contingencies to normal retirement and weighted by the benefit due.

27. Income Taxes

The provision for (benefit from) current and deferred tax in 2018 and 2017 are as follows:

	2018	2017
MCIT	**₱3,831**	₱–
Provision for (benefit from) deferred taxes	**11,830**	(10,832)
RCIT	**–**	51,620
	₱15,661	₱40,788

The Company did not recognize deferred tax assets relating to the following temporary differences because management believes that it is more likely than not that the carry-forward benefits will not be realized in the near future:

	2018	2017
NOLCO	**₱99,718**	₱–
Allowance for impairment losses on:		
Other noncurrent assets	**151,892**	54,680
Deferred mine exploration costs	**72,054**	–
Inventories	**20,215**	–
Investments in subsidiaries	**3,630**	–
Accumulated accretion on liability for mine rehabilitation	**28,690**	24,895
Share-based payment	**25,147**	26,327
Provision for mine rehabilitation	**24,569**	26,403
Accumulated depletion on asset retirement obligation	**18,410**	21,964
Accrued expenses	**8,002**	8,002
Unrealized foreign exchange losses	**5,606**	925
MCIT	**3,831**	–
Straight-line amortization of accrued rent	**352**	405

The Company has unused NOLCO and MCIT, which can be claimed as deduction from future taxable income and income tax due, respectively, amounting to ₱99,718 and ₱3,831, respectively, will expire in 2021.

The components of the Company's net deferred tax liabilities are as follows:

	2018	2017
Deferred tax liabilities:		
Recognized in OCI		
Revaluation increment on land	**₱801,987**	₱769,537
Remeasurement gain on pension liability	**10,167**	12,778
Recognized in profit or loss		
Unrealized foreign exchange gain	**3**	–
Others	**–**	56
	812,157	782,371
Deferred tax assets:		
Allowance for impairment losses on:		
Inventories	**₱87,288**	₱87,288
Trade and other receivables	**18,014**	28,651
Other current assets	**11,053**	12,584
Pension liability	**25,860**	25,575
	142,215	154,098
Net deferred tax liabilities	**₱669,942**	₱628,273

The deferred taxes presented above are from the following temporary differences:

	2018	2017
Deferred tax liabilities:		
Recognized in OCI		
Revaluation increment on land in OCI	**₱2,673,290**	₱2,565,124
Remeasurement gain on pension liability in OCI	**33,891**	42,592
Recognized in profit or loss		
Unrealized foreign exchange gain	**11**	1
Others	**–**	188
	2,707,192	2,607,905
Deferred tax assets:		
Allowance for impairment loss on:		
Inventories	**290,959**	290,959
Trade and other receivables	**60,047**	95,503
Other current assets	**36,842**	41,947
Pension liability	**86,199**	85,249
	474,047	513,658
Net deferred tax liabilities	**₱2,233,145**	₱2,094,247

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

	2018	2017
Income tax computed at statutory rate	**₱48,754**	₱43,624
Add (deduct) tax effects of:		
Nontaxable income	**(182,496)**	–
Changes in unrecognized deferred tax assets	**92,236**	(3,739)
Nondeductible expenses	**56,848**	113
Expiration of stock options	**354**	822
Interest income subject to final tax	**(35)**	(32)
Provision for income tax	**₱15,661**	₱40,788

The Company did not avail of the optional standard deduction in 2018 and 2017.

28. EPS

Basic EPS is calculated by dividing the net profit by the weighted average number of common shares on issue during the year, excluding any ordinary shares purchased by the Company and held as treasury shares.

In computing for the 2018 and 2017 diluted EPS, the Company did not consider the effect of stock options outstanding and since these are anti-dilutive.

	2018	2017
Net income	**₱146,851**	₱104,625

Number of shares for computation of EPS:

	2018	2017
Basic EPS		
Weighted average common shares issued	**616,119,252**	615,647,052
Less: treasury shares	**348,069**	348,069
Weighted average common shares outstanding	**615,771,183**	615,298,983
Diluted EPS		
Weighted average common shares issued	**616,119,252**	615,647,052
Less: treasury shares	**348,069**	348,069
	615,771,183	615,298,983
Convertible preferred shares	**2,059,366**	2,059,366
Stock options	**–**	–
Weighted average common shares outstanding	**617,830,549**	617,358,349
Basic EPS	**₱0.24**	₱0.17
Diluted EPS	**₱0.24**	₱0.17

29. Financial Risk Management Objectives and Policies

The Company's principal financial instruments pertain to unsecured and secured bank loans. The main purpose of these financial instruments is to raise funds for the Company's operations.

The Company has various financial instruments such as cash in banks, trade and other receivables, trade and other payables (excluding government payables) and other noncurrent liability in contract operations, which arise directly from its operations. Other financial assets include financial assets at FVOCI and AFS financial assets.

The risks arising from the Company's financial instruments are liquidity risk, credit risk, foreign currency risk, interest rate risk and equity price risk. The BOD reviews and agrees policies for managing each of these risks and these are summarized below.

Liquidity Risk

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments. The Company's objective is to maintain a balance between continuity of funding in order to continuously operate and support its exploration activities.

The Company considers its available funds and its liquidity in managing its immediate financial requirements.

As at December 31, 2018 and 2017, cash in banks may be withdrawn anytime while financial assets at FVOCI and AFS financial assets may be converted to cash by selling them during the normal trading hours in any business day.

The table below summarizes the aging analysis and maturity profile of the Company's financial assets and financial liabilities, respectively, as at December 31, 2018 and 2017:

	2018			
	On demand	**Within 90 days**	**Over 90 days**	**Total**
Cash in banks	**₱136,542**	**₱–**	**₱–**	**₱136,542**
Trade and other receivables:				
Trade	**–**	**20,438**	**–**	**20,438**
Amounts owed by related parties	**266,492**	**–**	**–**	**266,492**
Receivables from lessees of bunkhouses	**2,867**	**–**	**–**	**2,867**
Others	**–**	**6,593**	**–**	**6,593**
Financial assets at FVOCI	**–**	**–**	**332**	**332**
Other noncurrent assets:				
Nontrade	**–**	**–**	**422,988**	**422,988**
Refundable deposits	**–**	**–**	**5,545**	**5,545**
Total	**₱405,901**	**₱27,031**	**₱428,865**	**₱861,797**
Loans payable	**₱–**	**₱–**	**₱446,727**	**₱446,727**
Trade and other payables:				
Trade	**–**	**120,894**	**–**	**120,894**
Amounts owed to related parties	**782,929**	**–**	**–**	**782,929**
Nontrade*	**–**	**20,459**	**–**	**20,459**
Accrued expenses	**–**	**23,675**	**–**	**23,675**
Payables to officers and employees	**–**	**3,750**	**–**	**3,750**
Other payables	**–**	**7,000**	**–**	**7,000**
Other noncurrent liability	**–**	**–**	**49,136**	**49,136**
Total	**₱782,929**	**₱175,778**	**₱495,863**	**₱1,454,570**

**excluding payables to the government*

	2017			
	On demand	Within 90 days	Over 90 days	Total
Cash in banks	₱27,392	₱–	₱–	₱27,392
Short-term deposits	–	29,183	–	29,183
Trade and other receivables:				
Trade	–	57,074	–	57,074
Amounts owed by related parties	479,686	–	–	479,686
Nontrade	–	274,625	–	274,625
Receivables from lessees of bunkhouses	39,215	–	–	39,215
Others	–	13,332	–	13,332
AFS financial assets	–	–	890	890
Other noncurrent assets:				
Nontrade	–	–	148,362	148,362
Refundable deposits	–	–	5,545	5,545
Total	₱546,293	₱374,214	₱154,797	₱1,075,304

	2017			
	On demand	Within 90 days	Over 90 days	Total
Loans payable	₱–	₱–	₱493,630	₱493,630
Trade and other payables:				
Trade	–	130,181	–	130,181
Amounts owed to related parties	841,868	–	–	841,868
Nontrade*	–	21,261	–	21,261
Accrued expenses	–	25,560	–	25,560
Payables to officers and employees	–	4,080	–	4,080
Other payables	–	7,719	–	7,719
Other noncurrent liability	–	–	49,136	49,136
Total	₱841,868	₱188,801	₱542,766	₱1,573,435

**excluding payables to the government*

Credit Risk

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

The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

With respect to credit risk arising from financial assets of the Company, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Company trades only with recognized third parties, there is no requirement for collateral.

The table below shows the maximum exposure to credit risk of the components of the parent company statements of financial position. The maximum exposure is shown at gross amount, before the effect of mitigation through the use of master netting and collateral agreements.

	2018	2017
Cash in banks	**₱136,542**	₱27,392
Short-term deposits	**–**	29,183
Trade and other receivables		
Trade	**20,438**	57,074
Amounts owed by related parties	**266,492**	479,686
Nontrade	**–**	274,625
Receivables from lessees of bunkhouses	**2,867**	39,215
Others	**6,593**	13,332
Financial assets at FVOCI	**332**	890
Other noncurrent assets		
Nontrade	**422,988**	148,362
Refundable deposits	**5,545**	5,545
	₱861,797	₱1,075,304

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

	2018				
	Neither past due nor impaired		**Past due but**		
	High-grade	**Standard-grade**	**not impaired**	**Impaired**	**Total**
Cash in banks	**₱136,542**	**₱–**	**₱–**	**₱–**	**₱136,542**
Trade and other receivables:					
Trade	**–**	**18,807**	**–**	**1,631**	**20,438**
Amounts owed by related parties	**–**	**154,165**	**–**	**112,327**	**266,492**
Receivables from lessees of bunkhouses	**–**	**–**	**2,867**	**–**	**2,867**
Others	**–**	**6,593**	**–**	**–**	**6,593**
Financial assets at FVOCI	**332**	**–**	**–**	**–**	**332**
Other noncurrent assets:					
Nontrade	**–**	**271,096**	**–**	**151,892**	**422,988**
Refundable deposits	**–**	**5,545**	**–**	**–**	**5,545**
Total credit risk exposure	**₱136,874**	**₱456,206**	**₱2,867**	**₱265,850**	**₱861,797**

	2017				
	Neither past due nor impaired		Past due but		
	High-grade	Standard-grade	not impaired	Impaired	Total
Cash in banks	₱27,392	₱–	₱–	₱–	₱27,392
Short-term deposits	29,183	–	–	–	29,183
Trade and other receivables:					
Trade	–	55,443	–	1,631	57,074
Amounts owed by related parties	–	479,686	–	–	479,686
Nontrade	–	274,625	–	–	274,625
Receivables from lessees of bunkhouses	–	–	3,759	35,456	39,215
Others	–	13,332	–	–	13,332
Financial assets at FVOCI	890	–	–	–	890
Other noncurrent assets:					
Nontrade	–	93,682	–	54,680	148,362
Refundable deposits	–	5,545	–	–	5,545
Total credit risk exposure	₱57,465	₱922,313	₱3,759	₱91,767	₱1,075,304

The Company has assessed the credit quality of the above financial assets as follows:

a. Cash in banks and short-term deposits are assessed as high-grade since these are deposited in reputable banks, which have a low probability of insolvency.

b. Trade receivables, which pertain mainly to receivables from sale of lime, nontrade and other receivables, were assessed as standard-grade. These were assessed based on past collection experience and the debtors' ability to pay the receivables.

c. Financial assets at FVOCI and AFS financial assets were assessed as high-grade since these are instruments from companies with good financial capacity and with good financial conditions and operates in an industry, which has potential growth.

d. Other financial assets such as amounts owed by related parties, receivables from lessees of bunkhouses and other receivables were assessed as standard grade, based on past collection experience and debtors' ability to pay.

e. Refundable deposits amounts were assessed as standard grade based on the discounted expected cash flows using effective interest rate.

Market Risks

Interest Rate Risk

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

As at December 31, 2018 and 2017, the Company's exposure to the risk for changes in market interest rate relates primarily to its secured bank loans with floating interest rates. The Company regularly monitors its interest due to exposure from interest rates movements.

The Company's secured bank loans are payable on demand. Nominal interest rates vary from floating rate of 91-day Philippine Treasury Bill (PhP T-bill) rate for peso loans and 3-month LIBOR foreign loans, plus a margin of 3.5%.

The following tables set forth, for the year indicated, the impact in changes on interest rate on the company statements of income:

2018	**Change in interest rates (in basis points)**	**Sensitivity of pretax income**
PHP	**+100**	**(₱3,457)**
PHP	**-100**	**3,457**
USD	**+100**	**(1,922)**
USD	**-100**	**1,922**

2017	Change in interest rates (in basis points)	Sensitivity of pretax income
PHP	+100	(₱3,929)
PHP	-100	3,929
USD	+100	(2,018)
USD	-100	2,018

There is no other impact on the Company's equity other than those already affecting the profit or loss. Based on the historical movement of the interest rates, management believes that the reasonably possible change for the next quarter would result in an increase (decrease) of 100 basis points for USD LIBOR and 100 basis points for PhP T-bill.

Foreign Currency Risk

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

All sales of gold are denominated in US$. Dollar conversion of metal sales to Philippine peso is based on the prevailing exchange rate at the time of sale.

The Company's policy is to maintain foreign currency exposure within acceptable limits. The Company believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for an institution engaged in the type of business in which the Company is involved.

The Company did not seek to hedge the exposure on the change in foreign exchange rates between the US$ and the Philippine peso. The Company does not generally believe that active currency hedging would provide long-term benefits to stockholders.

The Company's foreign currency-denominated monetary assets and liabilities as at December 31, 2018 and 2017 follow:

	2018		2017	
	US$	**Peso equivalent**	US$	Peso equivalent
Asset				
Cash in banks	**4**	**₱210**	4	₱206
Liabilities				
Other loans	**1,922**	**101,056**	2,018	100,736
Net liability position	**US$1,918**	**₱100,846**	US$2,014	₱100,530

As at December 31, 2018 and 2017, the exchange rates of the Philippine peso to the US$ based on Philippine Dealing System exchange rates at closing date are ₱52.58 and ₱49.93, respectively.

The sensitivity to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Company's income before income tax as at December 31, 2018 and 2017 is as follows:

	Peso	Sensitivity of pretax income
2018	**Strengthens by 0.87**	**₱1,669**
	Weakens by 0.66	**(1,266)**
2017	Strengthens by 1.62	₱3,263
	Weakens by 1.88	(3,786)

Equity Price Risk
Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of the listed shares. The non-trading equity price risk exposure arises from the Company's quoted equity investments at FVOCI and AFS financial assets.

The Company's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on the company statement of financial position.

Since the amount of financial assets subject to equity price risk is immaterial relative to the Company financial statements taken as a whole, management opted not to disclose equity price risk sensitivity analysis for 2018 and 2017.

30. Capital Management

The Company maintains a capital base to cover risks inherent in the business. The primary objective of the Company's capital management is to ensure that the Company has available funds in order to continuously operate and support its exploration activities.

The Company manages its capital structure and makes adjustments, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may obtain additional advances from stockholders or issue new shares.

No changes were made in the objectives, policies or processes in 2018 and 2017.

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

	2018	2017
Capital stock	**₱616,863**	₱616,863
Capital surplus	**376,964**	375,726
Other components of equity	**1,908,856**	1,841,010
Retained earnings	**2,204,398**	2,057,263
Treasury shares	**(8,016)**	(8,016)
	₱5,099,065	₱4,882,846

Further, the Company monitors capital using debt to equity ratio, which is the total liabilities divided by total equity. Debt to equity ratio of the Company as at December 31, 2018 and 2017 are as follows:

	2018	2017
Total liabilities (a)	**₱2,311,841**	₱2,397,613
Total equity (b)	**5,099,065**	4,882,846
Debt-to-equity ratio (a/b)	**0.45:1**	0.49:1

31. Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

Set out below is a comparison by category and class of carrying amounts and estimated fair values of the Company's significant financial assets and liabilities as at December 31, 2018 and 2017:

	Carrying amounts		Fair values	
	2018	2017	**2018**	2017
Financial Assets:				
Cash in banks and short-term deposits	**₱136,542**	₱56,575	**₱136,542**	₱56,575
Trade receivables	**18,807**	55,443	**18,807**	55,443
Nontrade receivables	**–**	274,625	**–**	274,625
Amounts owed by related parties	**154,165**	479,686	**154,165**	479,686
Receivables from lessees of bunkhouses	**2,867**	3,759	**2,867**	3,759
Financial assets at FVOCI	**332**	890	**332**	890
Other noncurrent assets:	**604**	604	**604**	604
Nontrade	**271,095**	93,683	**271,095**	93,683
Refundable deposits	**5,545**	5,545	**5,545**	5,545

	Carrying amounts		Carrying amounts	
	2018	2017	**2018**	2017
Financial Liabilities:				
Trade payables	**₱120,894**	₱130,181	**₱120,894**	₱130,181
Accrued expenses	**23,675**	25,560	**23,675**	25,560
Nontrade payables	**20,459**	21,261	**20,459**	21,261
Loans payable	**446,727**	493,630	**446,727**	493,630
Amounts owed to related parties	**782,929**	841,868	**782,929**	841,868
Payables to officers and employees	**3,750**	4,080	**3,750**	4,080
Other payables	**7,000**	7,719	**7,000**	7,719
Other noncurrent liability	**49,136**	49,136	**49,136**	49,136

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

Cash, trade and nontrade receivables, receivables from lessees of bunkhouses, and amounts owed by/to related parties, trade and nontrade payables, accrued expenses, payables to officers and employees, other payables and other noncurrent liability
The fair values of these instruments approximate their carrying amounts as of the reporting date due to their short-term nature.

Financial assets at FVOCI and AFS financial assets
The fair value of investments that are actively traded in organized markets is determined by reference to quoted market bid prices at the close of business on the reporting date. As at December 31, 2018 and 2017, the Company has quoted financial assets at FVOCI and AFS financial assets, respectively, amounting to ₱332 and ₱890, respectively, carried at fair value in the Company's statement of financial position. The quoted financial assets at FVOCI and AFS financial assets are classified under level 1 of the fair value hierarchy since these are based on quoted market prices or binding dealer price quotations.

Land
The fair value of land is calculated using the sales comparative approach, which results in measurements being classified as level 2 in the fair value hierarchy.

Refundable deposits
The fair value the refundable deposits included under 'other noncurrent assets' was determined by discounting the expected cash flows using effective interest rate.

Loans payable
Where the repricing of the variable-rate interest-bearing loan is frequent (i.e., three-month repricing), the carrying value approximates the fair value. Otherwise, the fair value is determined by discounting the principal plus the known interest payment using current market rates. Due to quarterly repricing, the carrying values of the variable-rate borrowings approximate their fair values.

The Company has no financial instruments measured at fair value under level 2 of fair value hierarchy. There were no transfers between levels in 2018 and 2017.

32. Leases and Investment Properties

Lease Agreements

Operating Leases

The Company leases its office space until June 30, 2020 and the land on which the mine site office is located, until December 31, 2028, renewable upon mutual agreement with the respective lessors. Total rental expense on the said leases amounted to ₱1,273 in 2018 and 2017. Future minimum lease payments for the operating leases are as follows:

	2018	2017
Lease payments due in:		
Less than one year	**₱1,457**	₱1,326
Between one and five years	**3,022**	3,821
More than five years	**3,601**	4,259
Future minimum lease payments	**₱8,080**	₱9,406

Finance Lease

In 2012, the Company entered into a lease agreement to finance the purchase of an item of property and equipment, which was fully paid in 2017.

Principal payments made on the finance lease obligation amounted to nil and ₱2,427 in 2018 and 2017, respectively.

Interest expense recognized on the above finance lease obligations amounted to nil and ₱29 in 2018 and 2017, respectively.

Investment Properties

	2018	2017
Balances at beginning of year	**₱1,574,664**	₱–
Revaluation (Note 23)	**605,820**	–
Reclassification from property, plant and equipment (Note 10)	–	1,574,664
Balances at end of year	**₱2,180,484**	₱1,574,664

Investment properties include parcels of land located in Itogon, Benguet. The Company no longer undertakes any operational activity in the said properties other than to hold these for capital appreciation. This resulted in reclassification from property, plant and equipment to investment property amounting to ₱1,574,664 in 2017. In 2018, an independent firm of appraisers, Cuervo Appraisers, Inc, performed the appraisal of the land and determined its fair value based on its market value and is categorized under level 2. The market value of the investment properties was estimated using the sales comparative approach, which considers the sales of similar or substitute properties and related market values and establishes value estimates by processes involving comparisons. In general, a property being valued is compared with sales of similar properties that have been transacted in the open market. Listings and offerings may also be considered.

The Company recognized revaluation gain amounting to ₱605,820 and nil in 2018 and 2017, respectively (see Note 23).

Certain parcels of land totaling ₱237,082 served as collateral for the Company's bank loan (see Note 13).

33. Agreements and Contingencies

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

b. In 2011, the Company signed a 20-year power supply agreement with Therma Luzon, Inc., a wholly-owned subsidiary of Aboitiz Power Corporation, to supply reliable power to its current and future mining operations in Itogon, Benguet.

34. Changes in Liabilities Arising from Financing Activities

	January 1, 2018	**Cash flows**	**Foreign exchange movement**	**December 31, 2018**
Loans payable	**₱493,630**	**(₱52,207)**	**₱5,303**	**₱446,726**

	January 1, 2017	Cash flows	Gain on write-off	Foreign exchange movement	December 31, 2017
Loans payable	₱520,121	₱11,661	(₱38,644)	₱492	₱493,630
Obligations under finance lease	2,427	(2,427)	–	–	–
	₱522,548	₱9,234	(₱38,644)	₱492	₱493,630

35. Operating Segments

In accordance with PFRS 8, *Operating Segments*, management opted to present segment information as part of its disclosures in the consolidated financial statements.

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Building a better working world

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of Benguet Corporation as at and for the years ended December 31, 2018 and 2017, and have issued our report thereon dated March 21, 2019, which contained an unqualified opinion on those parent company financial statements. Our audits were made for the purpose of forming an opinion on the parent company financial statements taken as a whole. The accompanying schedules of all effective standards and interpretations, and reconciliation of retained earnings available for dividend declaration are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the parent company financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Alexis Benjamin C. Zaragoza

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SEC Accreditation No. 1627-A (Group A),
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February 9, 2017, valid until February 8, 2020
PTR No. 7332637, January 3, 2019, Makati City

March 21, 2019

BENGUET CORPORATION
SUPPLEMENTARY SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS
DECEMBER 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements			✓
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
PAS 23	Borrowing Costs			✓
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements	✓		
PAS 28	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
Philippine Interpretation	Members' Share in Co-operative Entities and Similar Instruments			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Adopted	Not Applicable
IFRIC-2				
Philippine Interpretation IFRIC-4	Determining Whether an Arrangement Contains a Lease	✓		
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies	✓		
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration	✓		
Philippine	Introduction of the Euro			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Adopted	Not Applicable
Interpretation SIC-7				
Philippine Interpretation SIC-10	Government Assistance – No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases – Incentives			✓
Philippine Interpretation SIC-25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets – Web Site Costs			✓

The Company did not early adopt any accounting pronouncement effective after December 31, 2018.

RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As at December 31, 2018
(Amounts in thousands)

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

Items	Amount
Unappropriated Retained Earnings, beginning	**₱2,057,263**
Effect of quasi-reorganization on revaluation increment	(1,010,848)
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	**941,790**
Net Income during the period closed to Retained Earnings	147,491
Less: Non-actual/unrealized income net of tax	–
• Equity in net income of associate/joint venture	–
• Unrealized foreign exchange gain - net (except those	–
attributable to cash and cash equivalents)	–
• Unrealized actuarial gain	–
• Fair value adjustment (mark-to-market gains)	–
• Fair value adjustment of investment property resulting to gain	(605,820)
• Adjustment due to deviation from PFRS/GAAP - gain	–
• Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRSs	–
Add: Non-actual losses	
• Depreciation on revaluation increment (after tax)	–
• Adjustment due to deviation from PFRS/GAAP - loss	–
• Loss on fair value adjustment of investment property (after tax)	–
Net income (loss) actually earned during the period	**(483,461)**
Add(Less):	
• Dividend declarations during the period	–
• Appropriations of Retained Earnings during the period	–
• Reversals of appropriations	–
• Effects of prior period adjustments	–
• Treasury shares	(8,016)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND	₱579,430