BenguetCorp

SEC Reg. No. 11341

September 5, 2019

SECURITIES & EXCHANGE COMMISSION
G/F Secretariat Building
PICC Complex, Roxas Boulevard
Manila 1307

Attention: MR. VICENTE GRACIANO P. FELIZMENIO, JR.
Director, Markets & Securities Regulation Depatment

Gentlemen:

In connection with the Annual Stockholders' Meeting of Benguet Corporation (the "Company") to be held on November 7, 2019, we submit hereto the Company's Preliminary Information Statement (SEC Form 20-IS) for your comments and/or approval. Attached as well is copy of our Notice of Annual Meeting of Stockholders.

With the foregoing, we would also like to inform you that we will distribute to our stockholders a copy of the Definitive Information Statement (SEC Form 20-IS) and Annual Report (SEC Form 17-A) of the Company in soft copy (pdf in CD) in accordance with the rules and regulations of the Securities and Exchange Commission (SEC) and Optical Media Board (OMB).

We will appreciate receiving your comments and/or approval on the attached Preliminary Information Statement as early as possible so we could cause the immediate printing of the definitive copies. The Definitive Information Statement (SEC Form 20-IS) and form of proxy of the Company are the first to be sent to stockholders after the approval by the Commission of the Preliminary/Definitive Information Statement not later than October 7, 2019.

We hope that you will find everything in order.

Very truly yours,

BENGUET CORPORATION
By:

REYNALDO P. MENDOZA
SVP – Legal, Public Affairs &
Assistant Corporate Secretary

COVER SHEET

1	1	3	4	1

SEC Registration Number

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

(Group's Full Name)

7 t h   F l o o r ,   U n i v e r s a L   R e - B u i l d i n g ,

1 0 6   P a s e o   d E   R o x a s ,   M a K A t i   C i t y

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

Mr. Reynaldo P. Mendoza

(Contact Person)

812-1380

(Group Telephone Number)

1	2		3	1

Month *Day*

(Calendar Year)

2	0	-	I	S

(Form Type)

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

September 5, 2019

The Annual Meeting of the Stockholders of Benguet Corporation (herein "BenguetCorp" or "the Company") will be held at the 4th Floor JV. Del Rosario Rooms 2-5, AIM Conference Center Manila Benavidez cor. Trasierra Streets, Legaspi Village, 1229 Makati City, Philippines, on November 7, 2019 at 3 o'clock p.m., for the following purposes:

1. To elect eleven (11) shareholders to serve as Directors (including Independent Directors) for the ensuing year, in case the Temporary Restraining Order (TRO) of the Philippine Supreme Court is lifted on or before the stated Annual Stockholders' Meeting on November 7, 2019 or within 90 days thereafter;

2. Approval of Minutes of the Annual Stockholders' Meeting held on November 8, 2018;

3. Approval of Management Report and Audited Financial Statements for 2018;

4. Approval for the re-appointment of Sycip Gorres Velayo and Company (SGV) as the Company's independent external auditor;

5. Approval of changing the date of Annual Stockholders' Meeting 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 first Wednesday of November of each year, or on such other day in November as may be determined by the Board of Directors and the corresponding amendment to Section 1, Article II of the Company's amended By-Laws;

6. Ratification of all acts, contracts, resolutions and proceedings made and entered into by Management and/or the Board of Directors since the November 8, 2018 Annual Stockholders' Meeting; and

7. To transact such other business as may properly be brought before the meeting or any adjournment thereof, including possibly voting to adjourn the meeting up to ninety (90) days until the aforesaid TRO is lifted. Management knows of no other proposals to be presented during the meeting.

Enclosed are the rationale for the Agenda items for reference.

The Board of Directors has fixed the close of business on September 16, 2019 as the record date for the determination of the holders of the Company's stock entitled to notice of, and to vote at the said meeting. The transfer books will not be closed.

Any stockholder who cannot attend the meeting in person and desires to be represented therein is requested to accomplish, sign and date the enclosed proxy form. The proxy should be mailed in time so as to be received by the Corporate Secretary/Stockholder Relations Office on or before 3 o'clock p.m. of November 6, 2019 which is the deadline for submission of proxies. In the event a stockholder decides to attend the meeting, he may, if he wishes, revoke his proxy and vote his shares in person.

Proxy validation will commence at 3 o'clock p.m. of November 6, 2019 at the Board Room of the Company, 7th Floor, Universal Re-Building, 106 Paseo de Roxas, 1226 Makati City, Philippines.

Hermogene H. Real

HERMOGENE H. REAL
Corporate Secretary

A G E N D A

2019 ANNUAL STOCKHOLDERS' MEETING OF BENGUET CORPORATION
November 7, 2019 at 3'Oclock p.m., 4th Floor JV. Del Rosario Rooms 2-5,
AIM Conference Center Manila Benavidez cor. Trasierra Streets,
Legaspi Village, 1229 Makati City, Philippines

EXPLANATION AND RATIONALE

I. Call to Order
The Chairman will formally open the 2019 Annual Stockholders' Meeting.

II. Proof of Notice of the Meeting
The Corporate Secretary will certify that copies of the Notice of Annual Meeting of Stockholders and Agenda with the Definitive Information Statements (IS) were sent to stockholders of record as of September 16, 2019 as well as the date of publication of the Notice of Annual Meeting in newspapers of general circulation.

III. Determination of Quorum
The Corporate Secretary will certify the existence of a quorum. The stockholders present, in person or proxy presenting a majority of the outstanding capital stock shall constitute a quorum for the transaction of business.

IV. Approval of the Minutes of the last Regular Annual Stockholders' Meeting held on November 8, 2018
The brief summary of the minutes of November 8, 2018 annual stockholders' meeting is presented in Item 15 of the Information Statement. The Minutes of the Meeting are posted on the Company's website (www.benguetcorp.com). A resolution approving the Minutes of the Meeting will be presented to the stockholders for approval.

V. Approval of Management Report and the Audited Financial Statements for 2018
Presentation of the Company's operational highlights and financial results and the audited financial statements for the year ended 31 December 2018 audited by the Company's independent external auditors, Sycip Gorres Velayo & Company (SGV). The IS and the audited financial statements for the year ended 31 December 2018 are posted in the Company website (www.benguetcor.com). In compliance with regulatory requirements, the audited financial statements have also been submitted to the Securities and Exchange Commission (SEC) and Bureau of Internal Revenue (BIR). A resolution noting the management report and approving the 2018 audited financial statements will be presented to the stockholders for approval.

VI. Approval for the re-appointment of Sycip Gorres Velayo & Co. (SGV) as the Company's Independent external auditor
During the meeting of the Company's Board of Directors (the "Board") held on August 15, 2019, the Board approved the re-appointment of Sycip Gorres Velayo & Company (SGV) to extend its audit services as the independent external auditor of the Company for the year 2020. The discussions and information is presented in Item 7 of the IS. A resolution approving the re-appointment of the SGV for the year 2020 will be presented to the stockholders for approval.

VII. Approval of changing of Annual Stockholders' Meeting Schedule
Management is recommending to change the date of the annual stockholders' meeting to provide ample time in the preparation / printing of materials (annual report, proxy statement, proxy forms envelope and CDs replication). During the meeting of the Company's Board of Directors held on November 8, 2018, the Board approved changing of the date of Annual Stockholders' Meeting 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 first Wednesday of November of each year, or on such other day in November as may be determined by the Board of Directors and the corresponding amendment to Section 1, Article II of the Company's amended By-Laws; A resolution approving the changing of the date of Annual Stockholders' Meeting will be presented to the stockholders for approval.

VIII. Confirmation and Ratification of all acts, resolutions, contracts, investments and proceedings made and entered into by management and/or the Board of Directors during the period since November 8, 2018 annual stockholders' meeting to present.

Please refer to Item 15 of the IS for the summary list of all acts, resolutions, contracts, investments and proceedings made and entered into by management and/or the Board of Directors during the period since November 8, 2018 annual stockholders meeting. A resolution approving and ratifying all acts, resolutions, contracts, investments entered into by Management and/or the Board of Directors will be presented to the stockholders.

IX. Election of eleven (11) directors (including Independent Directors) for the ensuing year - (subject to the lifting of the Temporary Restraining Order issued by the Supreme Court)

a) Four (4) directors to represent the Common Class "B" Stock; and
b) Seven (7) directors to represent the Common Class "A" and Convertible Preferred Class "A" Stock

The directors nominated for election as directors representing the Common Class "B" stock and Common Class "A" & Convertible Preferred Class "A" stocks of the Company were determined to be qualified by the Nomination Committee after their qualifications were duly reviewed. The list of nominees and their profiles are provided in Item 5 of the IS and, the voting procedures are provided in Item 19 of the IS. If the TRO is not lifted on or before the scheduled or adjourned annual stockholders' meeting, there will be no election of directors to be held. The incumbent directors will continue to remain in office on holdover capacity.

X. Other Business

Conversion Premium for Convertible Preferred "A" Shares

Holders of Convertible Preferred Class A shares at their option may convert such shares into Common Class A shares with par value of P1.00 per share of the Company upon payment of the conversion premium. The discussion on this matter is presented in Item 4 of the IS.

To transact such other business as may properly be brought before the meeting or any adjournment thereof, including possibly voting to adjourn the meeting up to ninety (90) days until the aforesaid TRO is lifted. Management knows of no other proposals to be presented during the meeting.

XII. Adjournment

PROXY NO.

PROXY FOR HOLDER(S) OF COMMON CLASS A AND CONVERTIBLE PREFERRED CLASS A SHARES OF BENGUET CORPORATION

____
Account Number Shares

The undersigned holder(s) of Common Class A and Convertible Preferred Class A shares of **BENGUET CORPORATION** do(es) hereby appoint **LINA G. FERNANDEZ, Officer-In-Charge/Sr. Vice President for Finance & Controller** and/or **HERMOGENE H. REAL, Corporate Secretary** and each or any of them, as attorney(s)-in-fact, with the power of substitution, to vote as proxy of the undersigned at the Annual Meeting of Stockholders of BENGUET CORPORATION to be held at the **4th Floor JV. Del Rosario Rooms 2-5, AIM Conference Center Manila Benavidez cor. Trasierra Streets, Legaspi Village, 1229 Makati City, Philippines,** on **November 7, 2019** and at any and all other adjournments thereof for the purpose of acting on the following matters:

1. Election of Directors

[ ] FOR all nominees listed below ***(except as marked to the contrary below)***.

[ ] DANIEL ANDREW G. ROMUALDEZ
[ ] MARIA REMEDIOS R. POMPIDOU
[ ] LUIS JUAN L. VIRATA
[ ] JOSE RAULITO E. PARAS
]] RHODORA L. DAPULA - INDEPENDENT DIRECTOR
[ ] REGINALD S. VELASCO - INDEPENDENT DIRECTOR

[ ] **Withhold Authority** to vote for all nominees listed above.

<u>Instruction:</u> To withhold authority to vote for any individual, mark the "FOR" box above and mark the box corresponding to the particular nominee with regard to whom authority is withheld.

Instruction: Mark under the corresponding column for "Vote for Approval", "Vote Against" or "Abstain"	Vote for Approval	Vote Against	Abstain
2. Minutes of the Annual Stockholders' Meeting held on November 8, 2018.	[ ]	[ ]	[ ]
3. Management Report and Audited Financial Statements for 2018	[ ]	[ ]	[ ]
4. Re-appointment of Sycip Gorres Velayo and Company (SGV) as the independent external auditor of the Company	[ ]	[ ]	[ ]
5. Changing the date of Annual Stockholders' Meeting from last Tuesday of May of each year to first Wednesday of November of each year and the corresponding amendment to Section 1, Article II of the Company's amended By-Laws	[ ]	[ ]	[ ]
6. Ratification of all acts, contracts, resolutions and proceedings made and entered into by Management and/or the Board of Directors since the November 8, 2018 Annual Stockholders' Meeting.	[ ]	[ ]	[ ]
7. At their discretion, the Proxies are authorized to vote upon such other matters as may properly come before the meeting and which are not known to management at a reasonable time, including to adjourn the meeting for up to ninety (90) days from November 7, 2019 if the election of directors is enjoined at the meeting date.	[ ]	[ ]	[ ]

To be valid, this proxy must be signed and received by the Company's Stockholders Relations Office/Corporate Secretary no later than 3:00 p.m., November 6, 2019. Validation of proxies will be on November 6, 2019 at 3:00 p.m. at the Board Room of the Company, 7th Floor Universal Re-Building, 106 Paseo de Roxas, Makati City. In the event a stockholder decides to attend the meeting, he may, if he wishes, revoke his proxy and vote his shares in person.

Please sign your name(s) exactly as printed in this proxy, if shares are held in joint account, each joint owner should sign.

____
Signature of Stockholder(s) (Date)

THIS PROXY IS SOLICITED ON BEHALF OF THE MANAGEMENT OF BENGUET CORPORATION

(Continued and "Purpose of Proxy" is presented on the reverse side)

PURPOSE OF PROXY

This proxy, when properly executed, will be voted in the manner as directed herein by the stockholder(s). If no direction is made, this proxy will be voted ***"FOR"*** the election of the nominees in the proxy form, in case the TRO is lifted on or before the scheduled or adjourned annual stockholders' meeting, allowing the election of directors; ***"FOR"*** approval of minutes of the November 8, 2018 Annual Stockholders' Meeting; *"FOR"* approval of Management Report and Audited Financial Statements for 2018 ***"FOR"*** approval the re-appointment of Sycip Gorres Velayo and Company (SGV) as the independent external auditor of the Company; ***"FOR"*** approval the changing the date of Annual Stockholders' Meeting from last Tuesday of May of each year to first Wednesday of November of each year and the corresponding amendment to Section 1, Article II of the Company's amended By-Laws; ***"FOR"*** Ratification and approval of all acts, contracts, resolutions and proceedings made and entered into by Management and/or the Board of Directors since the November 8, 2018 Annual Stockholders' Meeting; and ***"FOR"*** such other matters as may properly come before the meeting in the manner described in the proxy statement as recommended by management, including adjourning the meeting for up to ninety (90) days if the election of directors is enjoined at the meeting date. The grant of authority in the election of directors shall be subject to the lifting of TRO. In case no election of directors is held on the date of the Annual Stockholders' Meeting on November 7, 2019, this proxy will still be valid for ninety (90) days from said date, or up to February 5, 2020 and can still be exercised in the event the TRO is lifted after the November 7, 2019 Stockholders' Meeting (As explained in the accompanying Information Statement) and an election is ordered within the said ninety (90) day-period, this proxy will still be valid and can exercised.

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Business Reply
Permit No. 4538-00-NCR
No Stamp Needed

BUSINESS REPLY ENVELOPE

POSTAGE WILL BE PAID

BENGUET CORPORATION

P. O. BOX 3488
MAKATI CENTRAL POST OFFICE
1274 MAKATI CITY, PHILIPPINES

(This is valid only if mailed in the Philippines)

-- Second - Please fold here --

NOTICE OF CHANGE OF ADDRESS

Kindly make the following change in my address on the records of Benguet Corporation's Stock Transfer Agent.

Name of Stockholder ____

PRINT OR TYPE NAME EXACTLY AS IT APPEARS ON STOCK CERTIFICATE

OLD ADDRESS	NEW ADDRESS
Number Street	Number Street
City / Town Province Zip Code	City / Town Province Zip Code

Signature of Stockholder ____

(Must be signed personally by the individual stockholder, by both individuals in case of joint ownership and by corporate officer in case of corporations).

PROXY NO.

PROXY FOR HOLDER(S) OF CLASS B SHARES OF BENGUET CORPORATION

Account Number Shares

The undersigned holder(s) of Common Class B shares of **BENGUET CORPORATION** do(es) hereby appoint **LINA G. FERNANDEZ, Officer-In-Charge/Sr. Vice President for Finance & Controller** and/or **HERMOGENE H. REAL, Corporate Secretary** and each or any of them, as attorney(s)-in-fact, with the power of substitution, to vote as proxy of the undersigned at the Annual Meeting of Stockholders of BENGUET CORPORATION to be held at the **4th Floor JV. Del Rosario Rooms 2-5, AIM Conference Center Manila Benavidez cor. Trasierra Streets, Legaspi Village, 1229 Makati City, Philippines**, on **November 7, 2019** and at any and all other adjournments thereof for the purpose of acting on the following matters:

1. Election of Directors

[ ] FOR all nominees listed below **(*except as marked to the contrary below)***.

- [ ] JENNELYN F. GO
- [ ] JESSE HERMOGENES T. ANDRES
- [ ] EDGAR DENNIS A. PADERNAL
- [ ] BERNARDO M. VILLEGAS - INDEPENDENT DIRECTOR

[ ] **Withhold Authority** to vote for all nominees listed above.

Instruction: ***To withhold authority to vote for any individual, mark the "FOR" box above and mark the box corresponding to the particular nominee with regard to whom authority is withheld.***

Instruction: ***Mark under the corresponding column for "Vote for Approval", "Vote Against" or "Abstain"***	Vote for Approval	Vote Against	Abstain
2. Minutes of the Annual Stockholders' Meeting held on November 8, 2018.	[ ]	[ ]	[ ]
3. Management Report and Audited Financial Statements for 2018	[ ]	[ ]	[ ]
4. Re-appointment of Sycip Gorres Velayo and Company (SGV) as the independent external auditor of the Company.	[ ]	[ ]	[ ]
5. Changing the date of Annual Stockholders' Meeting from last Tuesday of May of each year to first Wednesday of November of each year and the corresponding amendment to Section 1, Article II of the Company's amended By Laws.	[ ]	[ ]	[ ]
6. Ratification of all acts, contracts, resolutions and proceedings made and entered into by Management and/or the Board of Directors since the November 8, 2018 Annual Stockholders' Meeting.	[ ]	[ ]	[ ]
7. At their discretion, the Proxies are authorized to vote upon such other matters as may properly come before the meeting and which are not known to management at a reasonable time, including to adjourn the meeting for up to ninety (90) days from November 7, 2019 if the election of directors is enjoined at the meeting date.	[ ]	[ ]	[ ]

To be valid, this proxy must be signed and received by the Company's Stockholders Relations Office/Corporate Secretary no later than 3:00 p.m., November 6, 2019. Validation of proxies will be on November 6, 2019 at 3:00 p.m. at the Board Room of the Company, 7th Floor Universal Re-Building, 106 Paseo de Roxas, Makati City. In the event a stockholder decides to attend the meeting, he may, if he wishes, revoke his proxy and vote his shares in person.

Please sign your name(s) exactly as printed in this proxy, if shares are held in joint account, each joint owner should sign.

Signature of Stockholder(s) (Date)

THIS PROXY IS SOLICITED ON BEHALF OF THE MANAGEMENT OF BENGUET CORPORATION

(Continued and "Purpose of Proxy" is presented on the reverse side)

PURPOSE OF PROXY

This proxy, when properly executed, will be voted in the manner as directed herein by the stockholder(s). If no direction is made, this proxy will be voted ***"FOR"*** the election of the nominees in the proxy form, in case the TRO is lifted on or before the scheduled or adjourned annual stockholders' meeting, allowing the election of directors; ***"FOR"*** approval of minutes of the November 8, 2018 Annual Stockholders' Meeting; *"FOR"* approval of Management Report and Audited Financial Statements for 2018 ***"FOR"*** approval the re-appointment of Sycip Gorres Velayo and Company (SGV) as the independent external auditor of the Company; ***"FOR"*** approval the changing the date of Annual Stockholders' Meeting from last Tuesday of May of each year to first Wednesday of November of each year and the corresponding amendment to Section 1, Article II of the Company's amended By-Laws; ***"FOR"*** Ratification and approval of all acts, contracts, resolutions and proceedings made and entered into by Management and/or the Board of Directors since the November 8, 2018 Annual Stockholders' Meeting; and ***"FOR"*** such other matters as may properly come before the meeting in the manner described in the proxy statement as recommended by management, including adjourning the meeting for up to ninety (90) days if the election of directors is enjoined at the meeting date. The grant of authority in the election of directors shall be subject to the lifting of TRO. In case no election of directors is held on the date of the Annual Stockholders' Meeting on November 7, 2019, this proxy will still be valid for ninety (90) days from said date, or up to February 5, 2020 and can still be exercised in the event the TRO is lifted after the November 7, 2019 Stockholders' Meeting (As explained in the accompanying Information Statement) and an election is ordered within the said ninety (90) day-period, this proxy will still be valid and can exercised.

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Business Reply
Permit No. 4538-00-NCR
No Stamp Needed

BUSINESS REPLY ENVELOPE

POSTAGE WILL BE PAID

BENGUET CORPORATION

P. O. BOX 3488
MAKATI CENTRAL POST OFFICE
1274 MAKATI CITY, PHILIPPINES

(This is valid only if mailed in the Philippines)

-- Second - Please fold here --

NOTICE OF CHANGE OF ADDRESS

Kindly make the following change in my address on the records of Benguet Corporation's Stock Transfer Agent.

Name of Stockholder____

PRINT OR TYPE NAME EXACTLY AS IT APPEARS ON STOCK CERTIFICATE

OLD ADDRESS			NEW ADDRESS		
Number	Street		Number	Street	
City / Town	Province	Zip Code	City / Town	Province	Zip Code

Signature of Stockholder ____

(Must be signed personally by the individual stockholder, by both individuals in case of joint ownership and by corporate officer in case of corporations).

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [X] Preliminary Information Statement
   [ ] Definitive Information Statement

2. Name of Registrant as specified in its Charter: BENGUET CORPORATION

3. METRO MANILA, PHILIPPINES
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number: 11341

5. BIR Tax Identification Code: 000-051-037

6. 7th FLOOR UNIVERSAL RE-BUILDING, 106 PASEO DE ROXAS, MAKATI CITY 1226
   Address of principal office Postal Code

7. Registrant's telephone number, including area code: (632) 751-9137 / 812-1220

8. November 7, 2019, 3 o'clock p.m., 4th Floor, JV Del Rosario Rooms 2-5, AIM Conference Center Manila, Benavidez cor. Treasierra St., Legaspi Village, 1229 Makati City, Philippines
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders: As soon as practicable after the approval of the Definitive Information Statement but not later than October 6, 2019

10. In case of Proxy Solicitations:
    Name of Person Filing the Statement/Solicitor: Management of Benguet Corporation
    Address : Universal Re-Building, 106 Paseo de Roxas, Makati City, Philippines
    Telephone No.: (632) 751-9137 / 812-1380

11. Securities registered pursuant to Sections 8 and 12 of the Code (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding & Amount of Debt Outstanding
Convertible Preferred Class A share	217,061
Common Class A share	370,739,961*
Common Class B share	245,031,222*

    (*) – Net of Treasury Shares

    Total consolidated outstanding principal loans as of June 30, 2019- ₱295.06 Million

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

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

PART I. INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS

The Annual Stockholders' Meeting of Benguet Corporation (the "Company") will be held at 4th Floor JV. Del Rosario Rooms 2-5, AIM Conference Center Manila Benavidez cor. Trasierra Streets, Legaspi Village, 1229 Makati City, Philippines, on November 7, 2019 at 3:00 o'clock p.m. The complete mailing address of the principal office of the Company is 7th Floor Universal Re-Building, 106 Paseo de Roxas, 1226 Makati City, Philippines.

The Information Statement and form of proxy are first to be sent to security holders as soon as practicable after the approval of the Definitive Information Statement by the Securities and Exchange Commission but not later than October 6, 2019.

Item 2. DISSENTERS' RIGHT OF APPRAISAL

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

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

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

Item 3. INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4. VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

a. Class of Voting Shares

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

As of August 31, 2019, there are 217,061 shares outstanding of the Company’s Convertible Preferred Class A stock, 370,739,961 shares outstanding of its Common Class A stock and 245,031,222 shares outstanding of its Common Class B stock. The equity ownership of foreign stockholders of the Company is 90,549,794 class “B” shares or 14.7% of its total outstanding shares. Each share of stock outstanding is entitled to one vote. Holders of the Company’s Convertible Preferred Class A stock and Common Class A stock are entitled to nominate and elect seven (7) out of the eleven (11) members of the Board of Directors. Holders of the Company’s Common Class B shares are entitled to nominate and elect four (4) out of the eleven (11) members of the Board of Directors.

Conversion Premium of Convertible Preferred Class A Shares – After the 25% stock dividend which was paid on July 20, 1990, the holders of Convertible Preferred Class A may, at their option, convert such shares into 9.4875 shares of Common Class A stock with Par Value of P1.00 per share of the Company and upon payment of a conversion premium which shall be an amount equal to the earnings per share of common stock (Common Class A and Common Class B) averaged over the immediately preceding 5-year period, multiplied by a factor of 6; provided, however, that the sum of the par value of the Convertible Preferred Class A shares being converted and the conversion premium so determined shall in no case be less than the book value per share of the common stock (Common Class A and Common Class B) outstanding. The conversion premium is ₱6.39 a share in 2019.

b. Record Date and Share Ownership

Only holders of the Company’s stock of record at the close of business on September 16, 2019, are entitled to notice of, and to vote at the Annual Stockholders’ Meeting to be held on November 7, 2019. Presence in person or by proxy of a majority of the outstanding capital stock on the record date is required for a quorum.

c. Cumulative Voting Rights

In the election of directors, stockholders may vote only for those directors nominated for the class of shares owned by them, either in person or by proxy. Any stockholder may cumulate his shares since cumulative voting is authorized under the Philippine Corporation Code and will be used in the election of directors at the meeting. On this basis, each holder of Convertible Preferred Class A and Common Class A stocks may vote the number of shares registered in his name for each of the seven (7) directors to be elected by said classes of stock, or he may multiply the number of shares registered in his name by seven (7) and cast the total of such votes for one (1) director or he may distribute his votes calculated as above described among some or all of the seven (7) directors to be elected by the said classes of stockholders, as he elects. Each holder of Common Class B may do the same thing in respect of the four (4) directors to be elected by Common Class B shareholders (but multiplying by four (4) rather than by seven (7)). The proxies propose to use their discretion in cumulating votes.

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

1) Security Ownership of Certain Record and Beneficial Owners: - The following table sets forth certain information about persons (or "groups" of persons) known by the Company to be directly or indirectly the record and/or beneficial owner of more than five percent (5%) of any class of the Company's outstanding capital stocks as of August 31, 2019:

Title of Class	Name, Address of Record Owner And Relationship with Issuer	Name of Beneficial Owner & Relationship w/ Record Owner	Citizenship	Number of Shares Held	Percent Per Class
Class A Common	PCD Nominee Corp. (Filipino), G/F MSE Bldg., Ayala Avenue, Makati City.	(see note[1])	Filipino	175,932,740	47.41%
	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	08.32%
Class A Convertible Preferred	PCD Nominee Corp. (Filipino), G/F MSE Bldg., Ayala Avenue, Makati City.	(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 Corp. (Filipino), G/F MSE Bldg., Ayala Ave, Makati City.	(see note[1])	Filipino	105,593,002	43.09%

[1] *PCD Nominee Corporation ("PCDNC") is a wholly-owned subsidiary of Philippine Central Depository, Inc. ("PCD"). The beneficial owners of such shares registered under the name of PCDNC are PCD's participants who hold the shares in their own behalf or in behalf of their clients. The PCD is prohibited from voting these shares, instead the participants have the power to decide how the PCD shares of Benguet Corporation are to be voted. PCD, the central depository or lodging house where all securities brokers lodge scripless certificates, is not in any way related to the issuer.*

[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). The nominee of Palm Companies in the Board of Directors is Mr. Andrew Daniel G..Romualdez, Chairman of the Board of Directors. 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] *The Company is not aware of who are the beneficial owner/s of the stocks issued to Fairmount Real Estate which stocks were sequestered by the Presidential Commission on Good Government (PCGG). In the past stockholders' meetings of the Company, the stocks of Fairmount Real Estate were not voted by any persons or proxies.*

Class B Common	Palm Avenue Realty & Development Corporation, 3F Universal Re-Building, 106 Paseo de Roxas, Makati City (Stockholder)	(see note[2])	Filipino	43,680,000	17.82%
	PCD Nominee Corp. (Non-Filipino), G/F MSE Bldg., Ayala Avenue, Makati City.	(see note[1])	American	32,488,681	13.26%
	CEDE & CO (Non Filipino), P.O. Box 20, Bowling Green Station, New York NY 10274	(see note[4])	American	29,674,860	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 Corporation who own more than five percent (5%) of the Company's voting securities as of August 31, 2019:

Title of Class	Name, Address of Participant 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%

2) Security Ownership of Management – As of August 31, 2019 below are information as to each class of securities of the Company beneficially owned by directors and officers. The Company is not aware of any indirect beneficial ownership of its directors and officers.

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	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	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	223,719,819 shares[7]	60.344%
Class B Common	Filipino	103,858,347 shares[8]	42.385%

3) Voting Trust Holders/Changes in Control - There are no voting trust holders of 5% or more of the Company' stock. There are no arrangements that may result in a change of control of the Company.

Status of the Temporary Restraining Order (TRO)

As of the date of this statement, the election of directors is still enjoined under the Temporary Restraining Order (TRO) issued by the Philippine Supreme Court. Unless such TRO is set aside to allow an election, no election can be held. The incidents leading to the above-mentioned TRO are as follows: - In the second quarter of 1986, 16.2 million Common Class A shares at Par Value of P3.00/share of Benguet Corporation registered in the name of Palm Avenue Holdings Corporation and Palm Avenue Realty Corporation were sequestered by the Presidential Commission on Good Government (PCGG), on the ground that the beneficial owner of the shares allegedly being Benjamin Romualdez, the brother-in-law of former President Ferdinand Marcos. The PCGG has voted these Class A shares during the annual stockholders' meeting from 1986 up to 1991. In the annual stockholders' meeting held in May of 1992, the Palm Avenue Companies nominated and voted for Benjamin Philip G. Romualdez and Ferdinand Martin G. Romualdez pursuant to a resolution of the Sandiganbayan (anti-graft court) dated May 25, 1992 allowing the Palm Avenue Companies as registered owners of sequestered shares to exercise voting rights of shares subject of litigation regarding the legal ownership over said shares. Just before the start of the 1993 stockholders' meeting, a Temporary Restraining Order (TRO) issued by the Philippine Supreme Court in connection with a pending PCGG case enjoined the Company from conducting the election of directors scheduled on said date or on any later date until further orders of the Court. The 1993 meeting, however, continued as to any other matters in the agenda. Since then the TRO has not been lifted. Thus, the Board deferred the holding of the 1994 Annual Stockholders' meeting scheduled on May 31, 1994. From 1995 to 2003 and 2005 to 2016 & 2018, the Annual Stockholders' Meetings were held but no elections of directors were conducted. A consolidated judgment of the Supreme Court on January 23, 1995 nullified and set aside the above-mentioned Sandiganbayan resolution of May 25, 1992 allowing the Palm Avenue Companies to vote the sequestered shares, but it maintained the effectivity of the TRO which the Supreme Court previously issued subject to the power of the Sandiganbayan (the anti-graft court) to modify or terminate the TRO. If the TRO is lifted by the Sandiganbayan (anti-graft court) or the Supreme Court, then the elections of the directors will be held consistent with the Supreme Court consolidated judgment of January 23, 1995.

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

[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).*

dividend paid in October, 1989. The validity of the Contract of Sale was upheld by the Supreme Court of the Republic of the Philippines in Benguet's favor.

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

Item 5. DIRECTORS AND EXECUTIVE OFFICERS

I. One of the stated purposes of the Annual Stockholders' Meeting is the election of directors. If the Temporary Restraining Order (TRO) issued by the Supreme Court is lifted at any time prior to November 7, 2019 Annual Stockholder's Meeting**,** the election of Directors will be held. In the November 8, 2018 Annual Stockholders' Meeting, there was no election of directors held because the 1993 TRO issued by the Supreme Court enjoining the election of directors remained in force. Thus, the incumbent directors of the Company continue to remain in office on holdover capacity until their successors are elected and qualified.

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Below is a summary of attendance of the following incumbent Directors of the Company in the Board of Directors meetings for the year 2018:

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

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

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

<u>NOMINEES FOR ELECTION AT ANNUAL STOCKHOLDERS' MEETING ON NOVEMBER 7, 2019</u>

The Nomination Committee determined that the Nominees possess all the qualifications and none of the disqualifications for election to the Company's Board of Directors as set forth in the Company's Revised Manual of Corporate Governance.

The following are the Nominees for election at the Annual Stockholders' Meeting. The said Nominees are all incumbent Directors of the Company. Their respective ages, citizenships, period covered on present positions are as follows:

A. Directors / Nominees Representing Holders of Class “A” & Convertible Preferred Class “A” Stocks:

Name	Age	Citizenship	Position	Period Served
Daniel Andrew G. Romualdez	59	Filipino	Chairman	Director since October 22, 2002 and elected to the Board as Chairman since July 21, 2011
Maria Remedios R. Pompidou	52	Filipino	Director	Since October 25, 2000
Luis Juan L. Virata	65	Filipino	Director	Since August 18, 1995
Jose Raulito E. Paras	46	Filipino	Director	Since August 16, 2018
Rhodora L. Dapula	41	Filipino	Independent Director	Since August 16, 2018
Reginald S. Velasco	67	Filipino	Independent Director	Since August 16, 2018

B. Directors / Nominees Representing Holders of Common Class “B” stock:

Name	Age	Citizenship	Position	Period Served
Jennelyn F. Go	41	Filipino	Director	Since August 16, 2018
Jesse Hermogenes T. Andres	52	Filipino	Director	Since August 16, 2018
Edgar Dennis A. Padernal	60	Filipino	Director	Since August 16, 2018
Bernardo M. Villegas	80	Filipino	Independent Director	Director since June 25, 1998 and appointed Independent Director since 2002.

In the case of the Independent Directors, nominees Mr. Bernardo M. Villegas was nominated by Ms. Shirley S. Cueva; Mr. Reginald S. Velasco was nominated by Atty. Lina G. Fernandez; and Atty. Rhodora L. Dapula was nominated by Mr. Max D. Arceño. They are stockholders of the Company and they have no relationship with the nominees for independent director. The nominees have accepted their nominations in writing. The Nominations Committee reviewed the nominees’ business relationship and activities to ensure that they possessed all the qualifications and none of the disqualifications for independent directors prescribed in Rule 38 of 2015 SRC Rules, the Code of Corporate Governance for Public Listed Companies and the rules on the term limit of independent director pursuant to SEC Memorandum Circular No. 4, Series of 2017. Attty. Rhodora L. Dapula and Mr. Reginald S. Velasco first became Independent Directors of the Company on August 16, 2018, respectively. Mr. Bernardo M. Villegas was designated Independent Director of the Company in 2002 up to present, although he was already a Director of the Company prior to the issuance of SEC Memorandum Circular No. 16 dated November 29, 2002. Under SEC Memorandum Circular No. 4, Series 2017, the reckoning of the cumulative term of nine (9) years as Independent Director starts from 2012. Their sworn certificate of qualifications are attached as Annexes “A”. “B” and “C”.

None of the incumbent Directors of the Company who are also the Nominees for election at Annual Stockholders’ Meeting are government employees.

No Director has resigned or declined to stand for re-election to the Board of Directors due to disagreement on any matter.

The Nomination Committee is chaired by an Independent Director, Atty. Rhodora L. Dapula and the members are: Mr. Bernardo M. Villegas, Independent Director and Mr. Jose Raulito E. Paras, a Director.

The brief descriptions of business experience, period of services directorships in other companies, and the positions currently held by herein named incumbent Directors who are also the Nominees for election at Annual Stockholders’ Meeting are as follows:

<u>Representing Holders of Common Class A & Convertible Preferred Class A Stocks of the Company:</u>

DANIEL ANDREW G. ROMUALDEZ

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
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
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
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

RHODORA L. DAPULA
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

REGINALD S. VELASCO
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

Representing Holders of Common Class B Stock of the Company:

JENNELYN F. GO
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
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
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
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

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

Name	Age	Citizenship	Present Position Held
Reynaldo P. Mendoza	63	Filipino	Officer-In-Charge / Senior Vice President- Public Affairs, Legal and Assistant Corporate Secretary
Lina G. Fernandez	54	Filipino	Officer-In-Charge / Senior Vice President- Finance & Controller, Nickel Marketing, Logistics & Other Services / Compliance Officer for Corporate Governance
Max D. Arceño	57	Filipino	Vice President, Finance- Treasurer & Taxation/Materials
Ana Margarita N. Hontiveros	51	Filipino	Vice President, Healthcare Operations.
Pamela M. Gendrano	52	Filipino	Assistant Vice President, Environmental Compliance
Ma. Anna G. Vicedo-Montes	41	Filipino	Assistant Vice President- Corp Planning, Corp Communications, Business Development/Special Projects
Dale A. Tongco	54	Filipino	Assistant Vice President- Audit, Risk Management Officer and ISO
Hermogene H. Real	63	Filipino	Corporate Secretary

None of the incumbent Executive Officers of the Company are government employees.

THE NAMES OF EXECUTIVE OFFICERS OF THE COMPANY, AND THEIR RESPECTIVE POSITIONS AND OFFICES HELD IN THE COMPANY AND ITS SUBSIDIARIES AND BRIEF DESCRIPTION OF BUSINESS EXPERIENCE, ARE AS FOLLOWS:

REYNALDO P. MENDOZA

He is designated Officer-In-Charge since October 1, 2018 / Senior Vice President for Legal & Public Affairs of the Company since August 25, 2006 and Assistant Corporate Secretary (2002 to present). He is also President/Director of Batong Buhay Mineral Resources Corp.; Director of Pillars of Exemplary Consultants, Inc., Acupan Gold Mines, Inc. and Benguetrade, Inc. and Corporate Secretary of the following subsidiaries of the Company: Arrow Freight Corporation, Benguet Management Corporation, and Sagittarius Alpha Realty Corporation, (1997 to present). Before joining Benguet Corporation, he was Staff Lawyer of PDCP (1987-1988) and Malayan Insurance Company (1986-1987); Associate Lawyer, Castro, Villamor & Associate (1985-1986); Legal Assistant/Apprentice Lawyer, Gono Law Office (1985).

LINA G. FERNANDEZ

She is designated Officer-In-Charge since October 1, 2018 / 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
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
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
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
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
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).

HERMOGENE H. REAL
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).

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
To the best of the Company's knowledge, there has been no occurrence during the past five (5) years up to the date of this information statement which are material to the evaluation of ability or integrity of any director, any nominee for election as director, executive officer, underwriter or control person of the Company and none of them has been involved in any legal proceeding, including without limitation being the subject of:

a. bankruptcy petition filed by or against any business of which such person was a general partner or execu;tive officer either at the time of the bankruptcy or within two (2) years prior to that time;

b. conviction by final judgment including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
c. order, judgment or decree, no subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanent or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities commodities or banking activities; and
d. order or judgment of a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization finding him/her to have violated a securities or commodities law or regulation.

Certain Relationship and Related Transactions

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely its legal form.

The Company established Related Party Transactions (RPT) Committee, tasked are among others, to evaluate and review materials related party transactions of the Company. The RPT Committee is composed of three directors, chaired by Independent Director, Mr. Bernardo M. Villegas and the members are: Independent Director, Mr. Reginald S. Velasco and Director, Mr. Luis Juan L. Virata.

In the last two (2) years, the Company has not been a party in any transactions or proposed transactions in which a director or executive officer of the Company, any nominee for election as director, any security holder owning more than 10% of the Company's issued and outstanding shares and/or any member of his immediate family had a material interest adverse to the Company or any of its subsidiaries. The Company has no parent company.

Please refer on Note 28- Related Party Disclosures of the 2018 Audited Consolidated Financial Statements of the Company, attached hereto, is incorporated by reference. Intercompany transactions are eliminated in the consolidated financial statements. As disclosed on Note 24-Related Party Disclosures of the Parent's 2018 Audited Financial Statements, in the normal course of business, the Company has intercompany transactions with its related parties (subsidiaries) as follows:

a. On August 8, 2011, the Company was appointed as the exclusive marketing agent of its wholly owned subsidiary, Benguetcorp Nickel Mines, Inc. (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. The marketing agreement still holds as intended by both parties.
b. In 2011, Arrow Freight Corporation (AFC), a wholly owned subsidiary of the Company through Benguet Management Corporation (BMC), started providing equipment services to the Company for the operation of BNMI. Total amount charged to the Company in 2018 and 2017 amounted to ₱1,558 and ₱1,631, respectively.
c. On March 16, 2018, the Keystone Port Logistics Management & Services Corporation (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.
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					
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					
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 Corporation	**2018**	**(1)**	**22,183**	Payable on demand;	Unsecured
	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

Category	Year	Amount/ volume	Outstanding balance	Terms	Conditions
	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 losses	**2018**	**112,327**	**112,327**		
	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					
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

Item 6. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

1. Summary Compensation - The aggregate compensation paid or incurred during the last two fiscal years and estimated to be paid in the ensuing fiscal year to the President and four other most highly compensated executive officers of the Company 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 G. 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

Compensation of Directors

Directors receive per diems of ₱15,000.00 (gross) per board and/or committee meeting attendance. 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.

Contracts with Executive Officers

There are no 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.

Incentive Bonus Plan

Since 1980, the Company maintained an Incentive Bonus Plan. The purposes of the Plan are: (1) to attract, employ and retain management personnel of outstanding competence, and (2) to motivate its management personnel to deliver superior performance in pursuing the goals and business interests of the Company. The Plan provides for a bonus award, calculated on the basis of net income, to top operating executives, managers and members of the Board of Director. Bonus awards are either paid in full directly to the awardees or are transferred to a trust fund and are payable to the awardees in three installments generally over a period of two years. Bonus awards for any year shall be paid in cash, or in common stock. Either Common Class A or Common Class B shares may be issued under the Plan subject to the legal limitations on ownership of Common Class A shares which can be owned only by Philippine citizens. From 1995 to 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. Benefits are dependent on the years of service and the respective employee's compensation.

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.

Due to change in par value of both Class A and B shares from ₱3.00 to ₱1.00 per share, the following changes in the stock option grants were approved by the Board in its meeting held on August 31, 2016 and by the stockholders during the November 8, 2018 Annual Stockholders' Meeting: (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 exercise price (net of 25% discount) is ₱1.69 per share for Class "A" and ₱1.91 per share for class "B". (The exercise price was 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 existing Plan) 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:

c.

	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.

a. 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		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	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 7. INDEPENDENT PUBLIC ACCOUNTANTS

The Company's independent public accountants, Sycip Gorres Velayo and Company (SGV) was re-appointed by the Board of Directors and approved/ratified by the stockholders of the Company on August 16, 2018 and November 8, 2018. 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 compliant with SRC Rule 68, paragraph (3)(b)(iv) requiring the rotation of external auditors or engagement partners who have been engaged by the Company for a period of five (5) consecutive years. The engagement partner who conducted the audit for Calendar Years 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 full Board for final approval prior to release/issuance by the external auditor.

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

The Audit Committee of the Company is composed of three directors chaired by Independent Director, Mr. Bernardo M. Villegas, and the members are: Atty. Jennelyn F. Go, Director and Atty. Rhodora L. Dapula, Independent Director.

RE-APPOINTMENT OF EXTERNAL AUDITOR

SUBMITTED FOR APPROVAL BY THE STOCKHOLDERS IS THE RE-APPOINTMENT OF SYCIP GORRES VELAYO & COMPANY (SGV) TO EXTEND ITS AUDIT SERVICES AS THE INDEPENDENT EXTERNAL AUDITOR OF THE COMPANY. DURING THE REGULAR MEETING OF THE COMPANY'S BOARD OF DIRECTORS HELD ON AUGUST 15, 2019, THE BOARD APPROVED THE RE-APPOINTMENT OF SGV AS THE COMPANY'S INDEPENDENT EXTERNAL AUDITOR.

A VOTE OF THE STOCKHOLDERS REPRESENTING MAJORITY OF THE OUTSTANDING CAPITAL STOCK OF THE COMPANY IS REQUIRED FOR THE RE-APPOINTMENT OF SGV AS THE COMPANY'S INDEPENDENT EXTERNAL AUDITOR.

MANAGEMENT RECOMMEND A VOTE **FOR** THE RE-APPOINTMENT OF SGV.

Item 8. COMPENSATION PLANS
No action is to be taken at the annual meeting with respect to compensation plans.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. AUTHORIZATION OR ISSUANCE OF SECURITIES OTHER THAN FOR EXCHANGE
No action is to be taken at the annual meeting with respect to the authorization or issuance of securities other than for exchange.

Item 10. MODIFICATION OR EXCHANGE OF SECURITIES
No action is to be taken at the annual meeting with respect to the modification of any class of securities of the Company, or the issuance or authorization for issuance of one class of securities of the Company in exchange for outstanding securities of another class

Item 11. FINANCIAL AND OTHER INFORMATION
As stated above, no action is to be taken at the annual meeting with respect to the matters under Items 9 (Authorization or Issuance of Securities Other than for Exchange) and 10 (Modification or Exchange of Securities)

The Company's 2018 Audited Consolidated Financial Statements and Unaudited Interim Consolidated Financial Statements for 2019 Second Quarter Report ended June 30, 2019 (Annex "B") are incorporated herein by reference.

Item 12. MERGERS, CONSOLIDATIONS, ACQUISITIONS AND SIMILAR MATTERS
No action is to be taken at the annual meeting with respect to any transaction involving the following (i) merger or consolidation of the Company into or with any other person or of any other person into or with the Company; (ii) acquisition by the Company or any of its security holders of securities of another person; (iii) acquisition by the Company of any other going business or of the assets thereof; (iv) sale or other transfer of all or any substantial part of the assets of the Company; or (v) liquidation or dissolution of the Company.

Item 13. ACQUISITION OR DISPOSITION OF PROPERTY
No action is to be taken at the annual meeting with respect to the acquisition or disposition by the Company of any property.

Item 14. RESTATEMENT OF ACCOUNTS
No action is to be taken at the annual meeting with respect to the restatement of Company's asset, capital or surplus account.

D. OTHER MATTERS

Item 15. ACTION WITH RESPECT TO REPORTS

Management seeks the approval/ratification by the stockholders of the following reports/minutes/matters:

I. In the Minutes of the 2018 Annual Stockholders' (ASM) meeting, the following matters were approved during the 2018 ASM. i.) Minutes of the 2016 Annual Stockholders' Meeting; ii.) Management Report and Audited

Financial Statements for 2017; iii.) Re-appointment of SGV & Company as the Company's independent external auditor; iv.) Increase in Authorized Capital Stock; v.) Extension of termination date for granting stock options to five years or until May 31, 2023; vi.) Granting of New Stock Options; vii.) Acts, contracts, resolutions and proceedings made and entered into by Management and/or the Board of Directors beginning June 1, 2016 and ending on the date of stockholders' meeting held on November 8, 2018; and viii.) election of director for 2018-2019. Any action on the part of the stockholders will not constitute approval or disapproval of the matters referred to in said minutes as the same are deemed to have already been approved. The Minutes of the Annual Stockholders' Meeting held on November 8, 2018 are posted and available in the Company's website (www.benguetcorp.com).

BRIEF SUMMARY OF MINUTES OF NOVEMBER 8, 2018 ANNUAL STOCKHOLDERS' MEETING

1. Date / Venue: The Annual Meeting of the Stockholders of the Company was held on 08 November 2018, 3:00 p.m. at 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.
2. Quorum Present: The Company's Corporate Secretary certified that present in person or represented by proxy totalled 300,779,852 or 80.68% of Convertible Preferred Class A and Class A shares and a total of 128,380,493 or 52.39% of Class B shares or a combined total of 429,160,345 or 69.46% of Convertible Preferred Class A, Class A and B shares of the Company.
3. The salient points of the Management Report to the stockholders present during the annual meeting, are as follows:
   - The Company's mining operations rallied amidst industry uncertainty during the year, with output resulting from leaner, more efficient organization. The Nickel business was able to deliver a respectable performance in the first half of the mining season, relying mostly on ore stockpile inventory against the suspension of its mining permit. The Company's Gold Operations surpassed the previous year's production output buoyed by encouraging gold prices, and better grades.
   - The Company's consolidated revenues reached ₱1.46 billion for this year, ₱71 million or 5% lower than revenues in 2016 of ₱1.53 billion. Gross revenues from the mining businesses amounted to ₱1.37 billion, down only by 3% or ₱45 million from last year's revenues of ₱1.42 billion. Mining revenues were driven by the Gold operations, growing 27% at ₱689 million compared to ₱541 million last year. The non-mining businesses contributed an additional ₱83 million in gross revenues down 24% than previous year's revenues of ₱110 million as the nickel mining suspension greatly affected the logistics business.
   - The core business of gold mining operations buoyed the Company's net income which rose by 87%, or ₱189 million, closing at positive ₱21 and a half million compared to the 2016 net loss of ₱167.4 million. This is largely driven by the gains in improved gold prices, and increased production in Acupan. These gains cushioned the decline in nickel ore shipment for the year.
   - The Company's total equity rose to ₱3.70 billion, slightly higher by 1.3% than Total Equity in 2016 of ₱3.65 billion.
   - Consistent with management's thrust to review the Company's various assets, the Consolidated Assets settled higher at ₱6.56 billion versus its ₱6.55 billion level in 2016.
   - Strategic imperatives were realized in 2017 across all levels of the business and supporting units. These include streamlining of operations to match the present, and future growth targets of Benguet Corporation. The uncertainties in the industry pushed the Company to sustain its focus on the implementation of environmental enhancement programs to ensure sustainability in its mining communities.
   - The Company spent a total of ₱37 million in environmental and community development programs in the Cordilleras and in Zambales. 110,000 seedlings of various endemic species were planted, revegetating around 44 hectares of mining footprint in compliance with the National Greening Program. Various livelihood projects were successfully carried out in mining communities.
   - The Company continue delivering on its thrust of responsible mining with unrelenting focus on enhancement, and implementation of rehabilitation plans. The ongoing tailings storage facilities enhancement works, and regular maintenance operations for other support infrastructure are sustained. The Company will strive to reinforce relationships with stakeholders in the communities, industry and government to push for transparency and accountability.
   - The Company has started gaining from healthier margins from re-engineered mining operations to safeguard against the volatility of metal prices. Hopefully, diversification into non-mining businesses will deliver more stable, and bigger margins. Management will continue to pursue creative strategic partnerships to develop the deep asset base of the Company.

- The management is aware of the challenges ahead. Innovations brought about by the power of social media have become a powerful tool in shaping public perception about mining, which in turn influenced policy-making. It will have an effect again in the coming mid-term elections next year, the results of which will impact the industry.

4. The stockholders approved the Minutes of the Annual Meeting of Stockholders held on June 1, 2016. The Company received votes in person and by proxy a total of 300,779,852 or 80.68% of Convertible Preferred Class A and Class A shares and a total of 128,380,493 or 52.39% of Class B shares or a combined total of 429,160,345 or 69.46% of Convertible Preferred Class A, Class A and B shares in favor of the approval of the Minutes of the Annual Meeting of Stockholders held on June 1, 2016.
5. The stockholders approved the re-appointment of Sycip Gorres Velayo and Company (SGV) as the Company's independent external auditor. The Company received votes in person and by proxy a total of 300,779,852 or 80.68% of Convertible Preferred Class A and Class A shares and a total of 128,380,493 or 52.39% of Class B shares or a combined total of 429,160,345 or 69.46% of Convertible Preferred Class A, Class A and B shares in favor of the approval of the re-appointment of SGV & Company as the Company's independent external auditor.
6. The stockholders approved the increase in authorized capital stock and the corresponding amendments to Article Seventh of the amended Articles of Incorporation and Article I Section 1 of the amended By-Laws of the Company. The Company received votes in person and by proxy a total of 300,779,852 or 80.68% of Convertible Preferred Class A and Class A shares and a total of 128,080,307 or 52.27% of Class B shares or a combined total of 428,860,159 or 69.41% of Convertible Preferred Class A, Class A and B shares in favor of the approval of the increase in authorized capital stock and the corresponding amendment to Article Seventh of the amended Articles of Incorporation and Article I Section 1 of the amended By-Laws of the Company.
7. The stockholders approved the extension of termination date for granting stock options to five years or until May 31, 2023 and the corresponding amendment to Paragraph 11 of the amended Stock Option Plan of the Company. The Company received votes in person and by proxy a total of 300,779,852 or 80.68% of Convertible Preferred Class A and Class A shares and a total of 128,080,493 or 52.27% of Class B shares or a combined total of 428,860.345 or 69.41% of Convertible Preferred Class A, Class A and B shares in favor of the approval of the extension of termination date for granting stock options to five (5) years or until May 31, 2023 and the corresponding amendment to Paragraph 11 of the amended Stock Option Plan of the Company.
8. The stockholders approved the grant of stock option awards to directors, officers, employees and consultants of the Company and its subsidiaries. The Company received votes in person and by proxy a total of 300,779,852 or 80.68% of Convertible Preferred Class A and Class A shares and a total of 128,080,493 or 52.27% of Class B shares or a combined total of 428,860,345 or 69.41% of Convertible Preferred Class A, Class A and B shares in favor of the approval of the grant of stock option awards to directors, officers, employees and consultants of the Company and its subsidiaries.
9. The stockholders confirmed and ratified all acts, contracts, resolutions and proceedings made and entered into by Management and/or the Board of Directors during the period June 1, 2016 to November 8, 2018. The Company received votes in person and by proxy a total of 300,779,852 or 80.68% of Convertible Preferred Class A and Class A shares and a total of 128,080,493 or 52.27% of Class B shares or a combined total of 428,860,345 or 69.41% of Convertible Preferred Class A, Class A and B shares in favor of the confirmation and ratification of all acts, contracts, resolutions and proceedings made and entered into by Management and/or Board of Directors since the June 1, 2016 Annual Stockholders' Meeting up to November 8, 2018.

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

A. Representing the Class "A" Convertible Preferred and
<u>Common Class "A" Shares of Stock</u>
    1. Daniel Andrew G. Romualdez
    2. Ma. Remedios R. Pompidou
    3. Luis Juan L. Virata
    4. Jose Raulito E. Paras
    5. Rhodora L. Dapula – (Independent Director)
    6. Reginald S. Velasco – (Independent Director)

B. Representing the Common Class “B” Shares of Stock
  1. Jennelyn F. Go
  2. Jesse Hermogenes T. Andres
  3. Edgar Dennis A. Padernal
  4. Bernardo M. Villegas – (Independent Director)

II. Management Reports – The Company’s management report and audited financial statements for the year ended December 31, 2018 will be submitted for ratification and approval by the stockholders. Copies of the Company’s management report and audited financial statements are attached to this Information Statement. The Company’s 2018 Annual Report on SEC Form 17-A is posted and available on the Company’s website (www.benguetcorp.com). Shareholders upon written request, will be provided with a copy of the said annual report and/or quarterly report as filed with the SEC, free of charge.

III. Ratification and approval by the stockholders of the following acts, contracts, investments, resolutions, and proceedings made, passed and entered into by Management and/or the Board of Directors since the November 8, 2018 Annual Stockholders’ Meeting:

- Aproved the retirement of Mr. Leopoldo Sison III from his position as President and Director of Benguet Corporation and from his various positions in the Benguet Group of Companies effective October 1, 2018;
- Approved the nomination of Mr. Max D. Arceño, Vice President-Finance, Treasurer & Taxation/ Materials, as Company member-representative in Baguio Country Club (BCC);
- Approved the grant of Christmas gift to officers and managers for 2018 (similar to 13th month pay of rank-and-file employees) of BC parent company and subsidiaries equivalent to one (1) month basic pay;
- Approved the amendments to resolutions to update authorized signatories of the Company by deleting the name of Mr. Sison who retired effective October 1, 2018 in the following:
  a) BC-CHQ bank signatories/Metrobank business on-line solutions signatories;
  b) Baguio bank accounts: (i) BC bank account with Banco De Oro (BDO) - Baguio Branch and United Coconut Planters Bank (UCPB) – Baguio Branch; (ii) Land Bank - Baguio Branch under the account name “Benguet Corporation-Benguet District Operations-EPCF”; (iii) BANCO DE ORO (BDO) - Baguio Branch under the account name “BMC Forestry Corp. Irisan”; (iv) BANCO DE ORO (BDO) – Session Road Branch re BSP bank acct registration;
  c) Authorized signatories to co-sign with Regional Director of MGB-CAR on the following funds:
    a) BC-BAGO-FMRDF (to update signatories to bank account with BDO-Baguio Branch
    b) BC-ACMP-MTF (to activate and close bank account with UCPB
    c) BC-BAGO-RCF (to close bank accounts with UCPB)
    d) BC-BAGO-MTF (to activate and close bank accounts with UCPB
    e) BC-ACMP-RCF (to close bank accounts with UCPB)
    f) BC-ACMP-SDMP (to open bank account with BDO-Perea-Paseo branch)
    g) BC-BTP-SDMP (to activate and close UCPB bank account)
    h) BC-Alaminos Lime Project MRF, MTF and RCF (to update signatories to bank account with BDO-Baguio Branch
  d) BC Retirement Trust Funds with (i) BPI – Trust and Asset Management Group, BPI Head Office, corner Ayala Avenue and Paseo de Roxas, Makati City in the name of “Benguet Corporation Employees Integrated Retirement Trust Fund”, Acct. No. 10301319; (ii) BPI – Rockwell Branch in the name of “Benguet Corporation Retirement Trust Fund”; (iii) Metropolitan Bank & Trust Co. - Perea-Gallardo Branch, in the names of (a) “Benguet Corporation Employees Special Fund” and (b) “Benguet Corporation Employees Retirement Trust Fund.
- Approved amendment to BC signatories with BDO re: SSS SMEC Program;
- Approved amendment to BC authorized signatories to sign, execute and deliver the Corporation’s waiver of the confidentiality provision of the National Internal Revenue Code (NIRC) for purposes of reporting in compliance with the Philippine implementation of the Extractive Industries Transparency Initiative (EITI);
- Approved amendment to authorized signatories to sign Complaints, Verification and Certificate of Non-Forum Shopping;
- Approved reorganized Asset Disposal Committee to replace L.S.Sison as board representative;
- Approved amendment to authorized signatories with Stock Transfer Service, Inc. (STSI);

- Approved amendment to authorized BC representatives to represent BC in all Field Base Investigation (FBI)/Free and Prior Informed Consent (FPIC) Process and to negotiate with any concerned Indigenous Cultural Communities/Indigenous Peoples (FCCs/IPs);
- Approved amendment to authorized BC representatives to sign and execute Exploration Permit Applications (EPA) and/or Financial Technical Assistance Agreements (FTAA) and/or Mineral Production Sharing Agreements (MPSAs);
- Approved amendment of signatories to sign, execute and deliver the Deed of Assignment between Benguet Corporation and BC Property Management, Inc. (BCPM) for the assignment and transfer of Calhorr property;
- Approved amendment of signatories to sign, execute and deliver the Deed of Assignment between Benguet Corporation and Agua de Oro Ventures Corp. (AOVC) for the assignment and transfer Kelly Property;
- A pproved resolution to update signatories to act as trustee of the Employee Stock Ownership Incentive Plan (ESOIP) and Employee Stock Purchase Plan (ESPP). Retirement Trustees: Bernardo M. Villegas, Rhodora L. Dapula and Jennelyn F. Go;
- Aproved the purchase by Mr. Leopoldo S. Sison III, retired BC President, of company-assigned vehicle, Mitsubishi Montero with Conduction Sticker B1-1532 via set off against retirement pay;
- Noted the report of Audit Committee on the 2018 audit plans of external auditor, SGV & Company;
- Re-appointment of the Chairman of the Board and re-appointment of the following officers to their respective positions:

Chairman of the Board	- Mr. Daniel Andrew G. Romualdez
Senior Vice President-Legal, Public Affairs and Asst. Corporate Secretary	- Atty. Reynaldo P. Mendoza
Senior Vice President-Finance & Controller, Nickel Marketing, Logistics & Other Services	- Atty. Lina G. Fernandez
Vice President-Finance, Treasurer & Taxation/Materials	- Mr. Max D. Arceño
Vice President-Healthcare Operations	- Ms. Ana Margarita Hontiveros-Malvar
Asst. Vice President-Corporate Planning, Corp Communications, Bus Devt/ and Special Projects	- Ms. Maria Anna Vicedo-Montes
Asst. Vice President-Environmental Compliance-BNMI	- Ms. Pamela M. Gendrano
Asst Vice President/Resident Manager for Benguet District Operations (BDO)	- Mr. Antonio L. Buenavista
Asst Vice President-Audit, Risk Mgmt Officer & ISO	- Mr. Dale A. Tongco
Corporate Secretary	- Atty. Hermogene H. Real

- Re-appointment of the following law firms as the Company's principal legal counsels for the Philippines and United States, respectively:
  a) Sycip Salazar Hernandez & Gatmaitan Law Offices, Makati City, Metro Manila; and
  b) Mr. Paul O. Jolis Lewis, D'Amato, Brisbois & Bisgaard Costa Mesa, California, U.S.A.
- Re-appointment of Sycip Salazar Hernandez & Gatmaitan Law Offices as the legal counsel of the Company in the Philippines and Atty. Paul O. Jolis, Lewis, D'Amato, Brisbois & Bisgaard Costa Mesa, California, U.S.A.;
- Re-appointment of Stock Transfer Service, Inc. (STSI), Makati City, Metro Manila, Philippines as transfer agent and registrar of the Company for the Philippines and United States;
- Approved the reconstitution of the following Committees:

(1) Executive Committee

Chairman: Daniel Andrew G. Romualdez
Members: Maria Remedios Paz R. Pompidou
Bernardo M. Villegas (Independent Director)

(2) Salary (Compensation Committee)

Chairman: Jesse Hermogenes T. Andres
Members: Bernardo M. Villegas (Independent Director)
Jose Raulito E. Paras

(3) Stock Option Committee

Chairman: Edgar Dennis A. Padernal
Members: Jennelyn F. Go
Bernardo M. Villegas (independent director)

(4) Audit Committee

Chairman: Bernardo M. Villegas (Independent Director)
Members: Rhodora L. Dapula (Independent Director)
Jennelyn F. Go

(5) Nomination Committee
Chairman: Rhodora L. Dapula (Independent Director)
Members: Bernardo M. Villegas (Independent Director)
Jose Raulito E. Paras

(6) Corporate Governance Committee
Chairman: Bernardo M. Villegas (Independent Director)
Members: Reginald S. Velasco (Independent Director)
Rhodora L. Dapula (Independent Director)
Lina G. Fernandez – Compliance Officer

(7) Board Risk Oversight Committee (BROC)
Chairman : Reginald S. Velasco (Independent Director)
Members : Jose Raulito E. Paras
Bernardo M. Villegas (Independent Director)
Dale A. Tongco – Risk Management Officer

(8) Related Party Transactions (RPT) Committee
Chairman: Bernardo M. Villegas (Independent Director)
Members: Reginald S. Velasco (Independent Director)
Luis Juan L. Virata

- Approved the resolutions reflecting the amendments and changes to the Company's depository banks and CHQ bank signatories.
- Approved and authorized to establish and open savings accounts with Land Bank of the Philippines (LBP) – Paseo de Roxas Branch under the following account names:
  a) BC–ACMP-RCF
  b) BC-ACMP-MTF
- Approved 2019 Budget of BC and Subsidiaries;
- Approved the audited 2018 Financial Statements of BC parent and consolidated BC and Subsidiaries and authorized the Company's independent auditors, Sycip, Gorres, Velayo & Company (SGV), to issue the same;
- Approved the postponement of 2019 ASM from May 28, 2019 as set in the Company's By Laws, to a later date in November 2019;
- Approved update on authorized signatories to transact with PNP for permit renewal on explosives used in the operations;
- Noted, approved and ratified Deed of Real Estate Mortgage dated Feb 8, 2018 by and among BMC, BNMI, AFC and Goldrich Construction and Trading to secure BNMI's liabilities using BMC's San Marcelino, Zambales agricultural land with total aggregate area of 2,768,540 sq.m. as security;
- Approved engagement of De Castro & Cagampang Law Office to recover BC's advances from Nationwide Development Corp. (NADECOR);
- Approved and ratified Benguet Gold Operations (BGO) contracts as follows:
  a) Contract with Mr. Joeden C. Acay for repairs and restoration of the Old Diversion Tunnel (Outlet numbers 1, and 2, flooring, and protection wall);
  b) Hauling contract with Ms. Glory O. Barrerra of Batuang gold bearing tails from Tailings Storage Facility (TSF) No. 1 Acupan mill site;
  c) Construction contract with JC Calubandi Equipment Services for the 440 Open Pit Channel in Antamok which is part of its Final Mine Rehabilitation, and Decommissioning Plan (FMRDP);
  d) Equipment contract with JC Calubandi Equipment Services for miscellaneous activities related to the maintenance of the New Diversion Tunnel's inlet, and outlet;
  e) Contract with MK Construction on the restoration of the TSF No. 3 Spillway; and the construction of the TSF No. 3 wall lining;
- Approved management's proposals on non-performing/idle assets of BC/BMC as follows:
  a) BMC Citrus Property in San Marcelino, Zambales consisting of 276.854 hectares agricultural land – to sell or develop/quarry of lahar sand either by BMC/BC subsidiaries or under a joint venture;

b) Aglao Property in San Marcelino, Zambales consisting of 895.7125 hectares but partly under water and has been subjected to Comprehensive Agrarian Reform Program (CARP) - to explore sale of property (free area) with co-owner, Dizon Copper Silver Mines, Inc. (DCSMI);
c) BMC Namayan, Mandaluyong road lot consisting of 375 square meters, with 1993 Option to Purchase - to lease this property at market rate pending removal/cancellation of annotation as road lot which is a condition of the option sale, or to sell the property to the optionee at a much better price;
d) Available area of 189.92 square meters in the 7th Floor Universal Re Building - to sub-lease this available area at market rate, with a term of 1 to 3 years;
e) Ucab, Itogon property 300 sqm meters lot – ratified the lease contract signed by the former President last July 2018 with Smart Communications for a term of 10 years from October 19, 2013 to October 18, 2023 at lease rate of P9,000 per month plus VAT, with 4.5% escalation per year;
f) Approved the designation of authorized officers to negotiate the sale/lease/JV , and sign necessary contract/s: any one of Reynaldo P. Mendoza, Lina G. Fernandez, and Max D. Arceno;
g) Approved to change and rename "Asset Disposal Committee" to "Asset Recovery Committee", to be composed of the following:

Chairpersons	-	Lina G. Fernandez and Reynaldo P. Mendoza
Members	-	Max D. Arceño and Maria Anna V. Montes

- Approved the appointment of Mr. Reynaldo P. Mendoza, Ms. Lina G. Fernandez and Mr. Max D. Arceño.to the BenguetCorp Nickel Mines, Inc (BNMI) Board of Directors;
- Noted action plan of BenguetCorp Laboratories, Inc. (BCLI) board for management's implementation on closure of SM Taytay and San Fernando clinics;
- Approved management's proposals to file quarry permits/EPA for Pantingan aggregates under Sagittarius Alpha Realty Corp. (SARC) and Citrus Land under BMC, subject to obtaining board approvals from the respective subsidiary companies;
- Approved the setting of annual stockholders' meeting of the Company on November 7, 2019 at 3:00 p.m. at the Jesus V. Del Rosario Foundation Building, Benavidez cor. Trasierra Streets, Legaspi Village, 1229 Makati City, and fixed September 16, 2019 as the record date for stockholders entitled to notice of and to vote at, this meeting;
- Approved the re-appointment of SGV & Co. as the Company's independent external auditor for year 2019;
- Approved BOD Performance Appraisal Assessment Policy; Board Risk Oversight Committee Charter (BROC) which supersedes Risk Management Charter; Enterprise Risk Management Framework and revised Related Party Transactions Policy;
- Approved Board Risk Oversight Committee (BROC) Minutes of Meetings held on (1) June 17, 2019 and (2) August 9, 2019 and noted management proposed action plans;
- Approved general authority for management to offer, propose, market, negotiate and enter into agreements and arrangements for the purpose of seeking potential investors and partners to invest, develop, operate, manage and bring forward to commercial production and commissioning the various Benguet Mining Properties, including Balatoc Tailings Project (BTP), Acupan Contract Mining Project/Baguio Gold Operations (ACMP/BGO), Ampucao prospect, Nevada claims, Pantingan Aggregates, Irisan Lime and real estate assets; and approved designated BC authorized signatories: any two of Reynaldo P. Mendoza, Lina G. Fernandez and Max D. Arceño;
- Approved and ratified Benguet Gold Operations (BGO) contracts: (a) Security Contract with Longinus' Spear Security Agency for the period July 1, 2019 to June 30, 2020 for security services for mine site properties and installations located in Balatoc and Antamok, Itogon, Benguet; (b) Contract of Work with JC Calubandi Equipment Services for duration of 40 days from July 22, 2019 to August 30, 2019 to excavate an open channel and construct a levee for TSF at Liang Antamok, Loacan, Itogon; (c) Contract of Work with JC Calubandi Equipment Services for 30 days duration from June 12, 2019 to July 11, 2019 for excavation of an open channel and construction of levee for 43m TSF III tunnel and spillway at Bisil, Gumatdang, Itogon; (d) Hauling and Delivery Contract with Domingo Bahingawan from July 15, 2019 to August 15, 2019 for extraction, resacking and loading of tails at Batuang, Virac, Itogon; (e) MOA with Roseller D. Rizaga II with a term of 30 days from June 1-30, 2019 for hauling of construction materials; (f) Contract for Hauling and Delivery with Leon Garcia with a term of 3 months from March 11 to June 12, 2019 for the extraction, resacking, hauling and loading of tailings materials in Batuang, Virac; (g) Hauling and Delivery Contract with Denver Padaco with a term of 2 months from April 15 to June 15, 2019 for extraction, resacking, hauling and loading of tailings materials in Batuang, Virac; (h) MOA with Joeden Acay with a term of 60 days for the desilting activities of Ambalanga Spillway; (i) Consignment

Agreement with 1954 Trading to supply/deliver at consignor's cost/consign to the Company required explosives and accessories on as needed basis;

- Approved initial 850 meters drilling program for Pantingan claims pursuant to approved Exploration Work Program and authorized signatories;
- Approved amendment to update board resolution on bank account with MBTC account name "BC Employees Special Fund" to conform with banks required proforma resolution;
- Approved retirement of AVP/Resident Manager for Benguet District Operations (BDO), Mr. Antonio L. Buenavista effective July 1, 2019 and designation of Mr. Valeriano B. Bongalos as OIC Resident Manager for BGO and engagement of Mr. Antonio L. Buenavista as Consultant for the development of BC real estate and other properties particularly in Benguet areas;
- Approved amendment/update to signatories due to retirement of Mr. Antonio L. Buenavista on the following:
  a. CHQ bank signatories to delete Mr. Antonio L. Buenavista as Class B signatory and include Mr. Valeriano B. Bongalos as Class B signatory;
  b. SSS-SMEC Program and HDMF to delete Mr. A.L. Buenavista and include Ms. Rhodora S. Songayab as signatory;
  c. BC complaints, verification and certification of non-forum shopping to delete Mr. Antonio L. Buenavista and include Mr. Max D. Arceño;
  d. Designation of new Resident Manager for BGO as authorized signatories to ACMP and Security contracts in lieu of Mr. A.L. Buenavista;
  e. Amendment to BC BDO-Session Road Branch signatories to include V.B. Bongalos;
  f. Amendment to BC-ACMP-MTF Signatories to include V.B. Bongalos;
  g. Amendment to BC-BAGO-RCF Signatories to include V.B. Bongalos;
  h. Amendment to BC-BAGO-MTF signatories to include V.B. Bongalos;
  i. Amendment to BC-BAGO-FMRDF signatories to include V.B. Bongalos; and
  j. Amendment to BC-BDO signatories to include V.B. Bongalos.
- Approved resolution on management's authority in applying, filing, dealing, transacting, following up, signing and executing various government permits and licenses necessary for mining operations and other related permits and designation of authorized signatories;
- Noted the execution of Deed of Release of Mortgage by Goldrich Construction and Trading represented by William T. Go in favor of Benguet Management Corporation (BMC) dated June 6, 2019 over 2,768,540 sq. m. San Marcelino, Zambales agricultural land;
- Noted the execution of Deed of Absolute Sale between BMC and Canon Philippines Holdings Corp over the 375 sq. m. Namayan, Mandaluyong Road lot covered by TCT No. T-008-2011001027 issued by Registry of Deeds of Mandaluyong City;
- Noted the execution of Contract to Sell between BMC and Buendia Christiana Holdings Corp. over the 2,768,540 sq. m. San Marcelino, Zambales agricultural land (citrus land);
- Noted update on filing of Complaint against NADECOR, Calalang, Ricafort, Kingking Corp. and St. Augustine Gold and Copper Limited and St. Augustine Mining Limited
- Approved to avail of the SSS condonation on installment payment proposal in connection with Social Security Commission Case No. 8-18036-07 and designated and authorized Company's Treasurer, Mr. Max D. Arceño, to negotiate, submit a proposal and deal with SSS on settlement of BC's liabilities including the execution of Promissory Note and other documents for and in behalf of the Company
- Approved and authorized to conduct a drilling program pursuant to the approved Exploration Work Program and Community Development Program of the Pantingan claims in Bataan and approved and authorized management to accept the proposal of JCP Geo-Ex Services, Inc. for the Pantingan drilling program; authorized designated officers to negotiate and sign contract with JCP Geo-Ex Services, Inc.

A VOTE OF THE STOCKHOLDERS REPRESENTING MAJORITY OF THE OUTSTANDING CAPITAL STOCK OF THE COMPANY IS REQUIRED FOR THE APPROVAL/RATIFICATION OF MINUTES OF THE NOVEMBER 8, 2018 ANNUAL STOCKHOLDERS' MEETING, MANAGEMENT REPORT AND AUDITED FINANCIAL STATEMENTS FOR 2018 AND ALL ACTS, CONTRACTS, INVESTMENTS, RESOLUTIONS, AND PROCEEDINGS MADE, PASSED AND ENTERED INTO BY MANAGEMENT AND/OR THE BOARD OF DIRECTORS SINCE THE NOVEMBER 8, 2018 ANNUAL STOCKHOLDERS' MEETING.

MANAGEMENT RECOMMENDS A VOTE **FOR** THE ABOVE-STATED MATTERS.

Item 16. MATTER NOT REQUIRED TO BE SUBMITTED
No action is to be taken at the annual meeting with respect to any matter which is not required to be submitted to a vote of the stockholders.

Item 17. AMENDMENT OF CHARTER, BY-LAWS OR OTHER DOCUMENTS

1. CHANGING THE DATE OF ANNUAL STOCKHOLDERS' MEETING

   Management is recommending to change the date of the annual stockholders' meeting to provide ample time in the preparation / printing of annual materials (annual report, proxy statement, proxy forms envelope and CDs replication). During the meeting of the Company's Board of Directors (the "Board") held on November 8, 2018, the Board approved the changing the date of Annual Stockholders' Meeting 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 first Wednesday of November of each year, or on such other day in November as may be determined by the Board of Directors and the corresponding amendment to Section 1, Article II of the Company's amended By-Laws.

   A VOTE OF THE STOCKHOLDERS REPRESENTING AT LEAST TWO-THIRD (2/3) VOTES OF THE OUTSTANDING CAPITAL STOCK OF THE COMPANY IS REQUIRED FOR CHANGING THE DATE OF ANNUAL STOCKHOLDERS' MEETING 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 FIRST WEDNESDAY OF NOVEMBER OF EACH YEAR, OR ON SUCH OTHER DAY IN NOVEMBER AS MAY BE DETERMINED BY THE BOARD OF DIRECTORS AND THE CORRESPONDING AMENDMENT TO SECTION 1, ARTICLE II OF THE COMPANY'S AMENDED BY-LAWS. .

   MANAGEMENT RECOMMENDS A VOTE **FOR** THE ABOVE STATED MATTERS.

Item 18. Other Proposed Action
Except those referred to in the notice of the annual meeting of stockholders, no other proposed action shall be taken up in the annual meeting with respect to any matter.

Item 19. VOTING PROCEDURES
In case of election of directors, the method of counting votes is as follows: If the number of nominees does not exceed the number of directors to be elected, the Secretary of the meeting, upon motion made and seconded, is instructed to cast all votes represented at the meeting in favor of the nominees. However, if the number of nominees exceeds the number of directors to be elected, voting is done by ballots. Counting of votes shall be done by the Corporate Secretary (or by his authorized representatives) or by independent auditors or by a Committee designated by the Board of Directors. The first seven (7) nominees for Class A (Convertible Preferred and Common) and first four (4) nominees for Class B (Common) receiving the most number of votes will be elected as directors. All matters subject to vote, except in cases where the law provides otherwise, shall be decided by the plurality vote of stockholders present in person or by proxy and entitled to vote thereat, provided that a quorum is present.

PART II. INFORMATION REQUIRED IN A PROXY FORM

Identification
The solicited proxies will be voted by the representative of the Company, Atty. Lina G. Fernadez, Officer-In-Charge / Sr. Vice President for Finance & Controller and/or Atty. Hermogene H. Real, Corporate Secretary, and each or any of them as attorney(s)-in-fact, with the power of substitution to vote as proxy in all matters to be taken in the annual stockholders' meeting on November 7, 2019 and at any and all other adjournment thereof.

Instruction
Instructions on how to complete and return the proxy are provided in the proxy form and in the notice of annual meeting of stockholders. As in the previous annual stockholders' meetings of the Company, the committee of validation of proxies are composed of representatives from the Company's external auditor (Sycip Gorres Velayo & Company), stock transfer agent (Stock Transfer Service, Inc.), and its Corporate Secretary/Assistant Corporate Secretary. The committee adheres to the procedural requirements governing conduct in the validation of proxies as set forth in the By-Laws and procedures under Rule 20.11.2 Proxy of 2015 SRC Rules.

Revocability of Proxy
A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised. In the event a stockholder decides to attend the meeting, he may, if he wishes, revoke his proxy and vote his shares in person. The grant of authority in the election of directors is subject to the lifting of TRO. In case no election of directors is held on the date of the Annual Stockholders' Meeting on November 7, 2019, the proxy will still be valid for ninety (90) days from said date, or up to February 5, 2020 and can still be exercised in the event the TRO is lifted after the November 7, 2019 Stockholders' Meeting and an election is ordered within the said ninety (90) day-period, the proxy will still be valid and can exercised.

Persons Making the Solicitation
The solicitation of proxies is made by or on behalf of the management of the Company in order to obtain the required quorum and the required vote to approve the subject matters to be taken in the annual stockholders' meeting of the Company. The solicitation is primarily by mail. Incidental personal solicitation may be made by officers, directors and regular employees of the Company whose number is not expected to exceed fifteen, and who will receive no additional compensation therefor. The Company will bear the cost of preparing, assembling and mailing this Information Statement and other materials furnished to stockholders in connection with such proxy solicitation (including nominal cost of any such incidental personal solicitation) and the expenses of brokers, who shall mail such materials to their customers. Estimated cost of distributing the annual report together with the proxy statement/card are as follows: a) Door-to-Door delivery to stockholders living within Metro Manila is ₱80,000.00; b) cost of mailing to local stockholders is ₱60,000.00; and c) cost of mailing to foreign stockholders is ₱2.5 million

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

The following are incorporated and form part of this report:

1. Annex "A" - Sworn Certificate of Qualification of Independent Director, Bernardo M. Villegas
2. Annex "B" - Sworn Certificate of Qualification of Independent Director, Reginald S. Velasco
3. Annex "C" - Sworn Certificate of Qualification of Independent Director, Rhodora L. Dapula
4. Annex "D" - Management Report containing Management's Discussion and Analysis of Financial Position and Results of Operations for 2018 compared to 2017 and 2016, Market Price of and Dividends of the Company's Common Equity, Top 20 Stockholders per Class, and Compliance of Leading Practices on Corporate Governance;
5. Annex "E" – Unaudited Interim Consolidated Financial Statements for Second Quarter Report ending June 30, 2019;
6. 2018 Audited Consolidated Financial Statements with:
   - 6.a Management's Responsibility for Financial Statements, and
   - 6.b Independent Auditor's Report on Supplementary Schedules.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on September 5, 2019.

BENGUET CORPORATION
Issuer

By: Hermogenes H. Real

HERMOGENE H. REAL
Corporate Secretary

ANNEX "A"

CERTIFICATION OF INDEPENDENT DIRECTOR

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

1. I am a nominee for independent director of BENGUET CORPORATION (the "Company") and have been its independent director since 2002.

2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Benguetcorp Nickel Mines, Inc.	Independent Director	2012 to present
Transnational Diversified, Inc.	Director and Consultant	1998 to present
Alaska	Director and Consultant	1999 to present
Dualtech Foundation	Director	1998 to present
Manila Bulletin	Columnist	1964 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Company, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director, officer, or substantial shareholder of the Company, any of its related companies, or any of its substantial shareholders under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not connected with any government agency.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of the Company of any changes in the abovementioned information within five days from its occurrence.

Done, this ____ day of August, 2019 at Makati City

Bernardo M. Villegas

BERNARDO M. VILLEGAS
Affiant

AUG 1 9 2019

SUBSCRIBED AND SWORN to before me this ____ day of August 2019 at Makati City affiant personally appeared before me and exhibited to me his SSS ID No. 03-1245504-2 issued at Quezon City.

Doc. No. 270;
Page No. 45;
Book No. XIV;
Series of 2019.

MA. ESMERALDA R. CUNANAN
Notary Public
Until December 31, 2019
Appt. No. M-41 (2018-2019) Attorney's Roll No. 34562
MCLE Compliance No. V1-0009196/4-25-2018
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

ANNEX "B"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **REGINALD S. VELASCO**, Filipino, of legal age, and a resident at Unit 804 Pear Plaza Condominium, Pearl Drive corner Lourdes St., San Antonio, Pasig City after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of BENGUET CORPORATION (the "Company") and have been its independent director since August 2018.

2. I am affiliated with the following company or organization:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
National Unity Party	Secretary General	2013 - Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Company provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director, officer, or substantial shareholder of the Company, any of its related companies, or any of its substantial shareholders under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not employed with any government agency.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of the Company of any changes in the abovementioned information within five days from its occurrence.

Done, this AUG 1 5 2019 day of August, 2019 at Makati City MANDALUYONG CITY

REGINALD S. VELASCO
Affiant

SUBSCRIBED AND SWORN to before me this AUG 1 5 2019 day of August 2019 at Makati City affiant personally appeared before me and exhibited to me his Driver's License No. X01-70-014725 issued by the Republic of the Philippines with expiry date on 07 September 2023.

Doc. No. 141;
Page No. 30;
Book No. 1;
Series of 2019.

LINA G. FERNANDEZ
NOTARY PUBLIC UNTIL DEC. 31, 2020
COMMISSION No. 0269-19
65 SINAG ST. MANDALUYONG CITY
ROLL OF ATTORNEYS No. 52122
IBP LIFETIME MEMBER No. 022897/JAN. 3, 2018/RSM
PTR No. 3832115/JAN.10, 2019/MANDALUYONG
MCLE No. VI-0000421, AUG.9, 2016

ANNEX "C"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **RHODORA L. DAPULA**, Filipino, of legal age, with office address at Unit 7L OPL Building, 100 C. Palanca St., Legaspi Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of BENGUET CORPORATION (the "Company") and have been its independent director since August 2018.

2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Dapula, Dapula and Associates Law Offices	Partner	2007 to present
G.D. Brains and Castles Inc.	President/CEO	2017 to present
Proficientlink Realty Corporation	President/CEO	2017 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Company provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director, officer, or substantial shareholder of the Company, any of its related companies, or any of its substantial shareholders under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not employed with any government agency.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of the Company of any changes in the abovementioned information within five days from its occurrence.

Done, this AUG 15 2019 ____ day of August, 2019 at ~~Makati City~~ MANDALUYONG CITY

RHODORA L. DAPULA
Affiant

SUBSCRIBED AND SWORN to before me this AUG 15 2019 ____ day of ~~August 2019 at Makati City~~ affiant personally appeared before me and exhibited to me her PRC Registration No. 0100161 issued at PRC-Manila on 15 November 1999 valid until 03 December 2021.

Doc. No. 142;
Page No. 30;
Book No. 1;
Series of 2019.

LINA G. FERNANDEZ
NOTARY PUBLIC UNTIL DEC. 31, 2020
COMMISSION No. 0268-19
[illegible] MANDALUYONG CITY
ROLL OF ATTORNEYS No. 52122
IBP LIFETIME MEMBER No. 022897/JAN. 3, 2018/RSM
PTR No. 3632115/JAN.10, 2019/MANDALUYONG
MCLE No. VI-0000421, AUG.9, 2016

Annex "D"

MANAGEMENT REPORT

I. CONSOLIDATED AUDITED FINANCIAL STATEMENTS

The Audited Consolidated Financial Statements of Benguet Corporation and its Subsidiaries for the year ended 2018, and the unaudited interim consolidated financial statements for the second quarter ended June 30, 2019 (Annex "E") are attached and form part to this Information Statement and are incorporated by reference.

In compliance with regulatory requirements, the audited financial statements have also been submitted to the Securities and Exchange Commission (SEC) and Bureau of Internal Revenue (BIR). Copies of the audited financial statements for the year ended 31 December 2018 and the unaudited interim consolidated financial statements for the second quarter ended June 30, 2019 were also attached and form part of the 2018 Annual Report (SEC Form 17-A) and 2019 Second Quarter Report (SEC Form 17-Q), respectively. These were posted and available in the Company website (www.benguetcor.com).

II. INFORMATION CONCERNING DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

There has been no disagreement between the Company and its independent public accountants, Sycip Gorres Velayo & Company (SGV). The information and discussion regarding SGV is presented under Item 7 – Independent Public Accountants of this Information Statement.

III. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The management's discussion and analysis of financial position or plan of operation of the Company should be read in conjunction with the audited consolidated financial statements of the Company as of and for the period ended December 31, 2018 which is incorporated hereto by reference. All necessary adjustments to present fairly the consolidated financial position, results of operations, and cash flows of the Company as of December 31, 2018, and for all the other periods presented, have been made. The financial information for the three years ended December 31, 2018 vs. 2017 and 2017 vs. 2016 are as follows:

I. <u>For the years ended December 31, 2018 Versus. 2017</u>

A. Financial Performance

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 declined 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 thousand tons this year compared to 53.9 thousand 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).

B. Financial Position

Assets

The Company's consolidated total assets as of December 31, 2018 slightly increased 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 of landholding 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 decrease 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.
- Decrease in loans payable is mainly due to the settlement of loans from Malayan Savings Bank
- Decrease 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 services earned by employees 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 generated ₱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.

II. For the years ended December 31, 2017 Versus 2016

A. Financial Performance

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:

Revenue

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.

Operating and Other Expenses

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).

B. 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 in 2017.
- Inventories decreased by 30% to ₱167.3 million from ₱238.2 million mainly from the 10 boatloads of nickel ore sold in 2017.
- 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.

III. Key Performance Indicators

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.

IV. Known Trends, Events or Uncertainties

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.

V. <u>Plan of Operation</u>

The Company will continue to develop and improve on the operations of its business segments – mining, logistics, health care, and real estate.

With gold still the best earning mineral commodity at current price above the US$1,300/oz level and favorable foreign exchange, the Company will endeavor to improve ore grades, and production volume as well as enhance mill capacity in the Benguet Gold Operation (BGO) vis-à-vis build up of mine development activity. Management is working closely with its contractors and mining team for higher production output to complement efficiencies implemented in the mill. BGO is expected to benefit from the gold price upturn which is forecasted to last well throughout 2020.

The effort to lift the 2016 mining suspension continues with resolute compliance and implementation by Benguetcorp Nickel Mines Inc. (BNMI)'s Environmental Protection and Enhancement Programs (EPEPs) and Social Development and Management Programs (SDMPs). Strong market demands is a must to sustain the Company's commitment to haul and ship the remaining stockpile in compliance with order of the Department of Environment and Natural Resources (DENR). Management is hoping that prices will pick up in the latter part of the mining season to make this initiative more viable.

The non-mining business units are on track to generate strong, and stable revenues this year. Market expansion will be pushed to take advantage of the headway made in their respective areas last year. The healthcare business is expected to increase its footprint in Baguio City. The logistics arm, Arrow Freight Corporation, aims to increase its fleet to be able to deliver additional tonnage of aggregates within Central Luzon and venture into general cargo business. Feasibility studies of new real estate projects are ongoing.

The Company will strive to meet its strategic thrust of deriving a balanced revenue stream from its mining, and non-mining business units.

IV. NATURE AND SCOPE OF BUSINESS OF THE COMPANY AND ITS SUBSIDIARIES

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.

The Company was able to capitalize on the gains in the valuation of the real estate assets in its diverse portfolio. This allowed the Company the opportunity to focus on reviewing and implementing structural changes in its core operations – mining. Aside from extracting efficiencies in the value chain of the gold operations, improved market prices also gave the Acupan gold mining operations elbow room to develop potential ore bodies. The nickel business was still able to contribute from shipment of remaining stockpiled inventory even as mining operations remain suspended.

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 ₱3,739/ton Au as of 31 December 2018 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 potential ore resources to increase production. Extracting efficiencies in the mill's value-chain and the continued market price improvement should result in enhanced earnings for the gold operations in the coming years.

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 which 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). 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 other long-term programs such as the Ecological Solid Waste Management Project with 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 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. Viability of the reprocessing project will be 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 drilling companies to implement drilling program.

On the other hand, recent geological works in Pantingan property conducted by the Company's geologists has identified 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 12-coal blocks measuring a 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 lie 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. Logistics

- **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 marketing 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.

BenguetCorp International Limited (BIL), the Company's Hongkong-based and 100% owned subsidiary for international operations, remains largely inactive. BIL's wholly-owned subsidiaries, BenguetCorp Canada

Limited (BCL) in Vancouver, B.C. and BenguetCorp USA Limited (BUSA) in Nevada, U.S.A. continue to hold interests in mining properties in Royston Hills, Nevada, which are currently being offered for sale to interested parties.

Environmental Protection

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 standards required. During the year in review, the Company propagated 411,399 of various seedlings in its own 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.

Community Services

The Company implemented various Social Development and Management Programs (SDMP) which supplement the general welfare programs by the national and local government. It provided various community services which include programs for health, medical, peace and order, safety, livelihood, education, social services and waste management. All programs were implemented in coordination with the Local Government Units, various government agencies and organizations, and the host communities in Zambales and Benguet Provinces. It continues to promote public awareness and education on Baguio mining activities and technology such as continuous print and radio campaigns of the Company's social program accomplishments, installation of signage on all accomplished infrastructure projects and production of Company and Barangay newsletters and journals among others.

V. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

The discussion regarding identity of each of the Company's Directors and Executive Officers, including their principal occupation or employment, name and principal business of any organization by which such persons are employed is presented in Item 5 titled "Directors and Executive Officers" of this Information Statement.

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

Outstanding Shares

As of August 31, 2019, there are 217,061 shares outstanding of the Company's Convertible Preferred Class A stock with a par value of P3.43 per share, 370,739,961 shares outstanding of Common Class A stock and 245,031,222 shares outstanding of Common Class B stock, both with a par value of P1.00 per share. The Common Class A and Convertible Preferred Class A shares can be owned only by Philippine nationals and the Common Class B may be owned by anyone regardless of nationality. The shares are traded in the Philippine Stock Exchange (PSE) under the trading symbol of "BC" for Common Class A; "BCB" for Common Class B; and "BCP" for Convertible Preferred Class A shares.

Public Ownership / Foreign Ownership

As of August 31, 2019, the Company's public float is 45.45% and the equity ownership of foreign stockholders totaled 90,549,794 Class "B" shares or 14.7% of the total outstanding shares.

Market Price

The closing price in the PSE as of September 4, 2019 of the Company's Class A shares is ₱1.18 per share and ₱1.30 per share for Class B share as of September 3, 2019. The closing price in the PSE of the Company's Convertible Preferred Class A as of last trading day on June 23, 2016 is ₱12.02 per share.

The high and low prices of the Company's shares in the PSE for the first and second quarter of 2018 are as follows:

	First Quarter		Second Quarter	
	High Price	Low Price	High Price	Low Price
Common Class A	₱1.50/share	₱1.12/share	₱1.80/share	₱1.08/share
Common Class B	₱1.57/share	₱1.11/share	₱1.75/share	₱1.11/share

Convertible Preferred Class A - No trading (last trading day is on June 23, 2016)

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 August 31, 2019, the Company's number of shareholders is 16,912 and the list of top 20 stockholders for Common Class "A", Common Class "B" and Convertible Preferred Class "A" shares are as follows:

A. Common Class "A" Share

Name	Number of Shares Held	Percent Per Class
PCD Nominee Corporation (Filipino)	175,932,740	47.41%
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	02.30%
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%
Francisco M. Vargas	219,000	00.06%
The First National Investment Co.	188,130	00.05%

B. Common Class "B" Share

Name	Number of Shares Held	Percent Per Class
PCD Nominee (Filipino)	105,593,002	43.09%
Palm Avenue Realty and Development Co.	43,680,000	17.83%
PCD Nominee (Non-Filipino)	32,488,681	13.64%
Cede & Co	29,674,860	12.11%
David L. Sherman	2,961,747	01.21%

Pan Malayan Management & Investment Corp	2,100,000	00.86%
Michael Vozar TOD Sharon K. Vozar Sub To Sta Tod Rules	736,260	00.30%
Charles F. Carroll TTEE	543,000	00.22%
National Financial Services	504,033	00.20%
Fairmount Real Estate, Inc.	484,257	00.20%
Independent Realty Corporation	483,441	00.20%
Evelyn B. Stephanos TR UA 05/12/11 Elizabeth Bakas Irrev Trust	450,000	00.18%
Richard Soltis & Veronica T. Soltis JT Ten	396,000	00.17%
Arthur H. Runk TTEE of Arthur H. Runk Liv Tr U/A dtd 08/17/1990	354,000	00.14%
HSB Private Bank (Suisse) SA Quai Des Bergues 9-17	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 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.

Recent Sales of Unregistered or Exempt Securities

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.

Under the present implementation of the Company’s Stock Option Plan (the “Plan”), as of August 31, 2019, 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.

VII. Compliance with Leading Practices on 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 Performance Appraisal Assessment Policy, Board Diversity Policy, Related Party Transaction Charter, Insider Trading Policy, Salary Charter, Privacy Data Manual, Board Risk Management Charter, and Enterprise Risk Management Framework. The Company updated its previous Manual on Corporate Governance (the "Manual") in compliance with the new Code of Corporate Governance for 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 defined 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. To aid in compliance with the principles of good corporate governance, the Board constituted eight committees which directly report to the Board in accordance with duly approved procedures: the Executive Committee, the Salary (Compensation) Committee, the Stock Option Committee, the Audit Committee, the Nomination Committee, the Corporate Governance Committee, the Board Risk Oversight Committee, and the Related Party Transaction Committee. 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.

The Company's Corporate Governance Committee composed of three independent directors and compliance officer namely: Mr. Bernardo M. Villegas is the Chairman and the members are: Mr. Reginald S. Velasco and Atty. Rhodora L. Dapula and the Compliance Officer is Atty, Lina G, Fernandez.

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

The Company undertake to provide without charge to each person solicited, Upon the written request of the Stockholder, the Company undertakes to provide said Stockholder without charge a copy of the Company's 2018 Annual Report (SEC Form 17-A) and/or the Company's Quarter Report (SEC Form 17-Q) for the period ended June 30, 2019. Such written request should be addressed to: THE MANAGER, Shareholder Relations Office, Benguet Corporation, 7th Floor Universal Re-Building, 106 Paseo de Roxas, 1226 Makati City, Philippines. The Company's 2018 Annual Report (SEC Form 17-A) and Quarterly Report (SEC Form 17-Q) are available for downloading at the Company's website: <www.benguetcorp.com>

ANNEX "E"

BENGUET CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2019 AND DECEMBER 31, 2018

(Amounts in Thousands)

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	**₱119,819**	₱302,118
Trade and other receivables	**250,614**	210,872
Inventories	**118,925**	128,999
Other current assets	**538,392**	632,107
Total Current Assets	**1,027,750**	1,274,096
Asset classified as held for sale	**4,130**	4,130
	1,031,880	1,278,226
Noncurrent Assets		
Property, plant and equipment	**2,093,939**	2,200,682
Financial assets measured at fair value through other comprehensive income (FVOCI)	**12,136**	10,798
Deferred mine exploration costs	**539,541**	538,998
Investment property	**2,300,622**	2,217,566
Deferred tax assets - net	**73,591**	73,591
Other noncurrent assets	**313,797**	307,616
Total Noncurrent Assets	**5,333,626**	5,349,251
TOTAL ASSETS	**₱6,365,506**	₱6,627,477

LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable	**₱507,893**	₱530,670
Trade and other payables	**688,327**	858,586
Income tax payable	**1,116**	28
Total Current Liabilities	**1,197,336**	1,389,284
Noncurrent Liabilities		
Deferred income tax liabilities - net	**725,721**	725,721
Liability for mine rehabilitation	**90,329**	90,329
Pension liability	**54,127**	54,127
Other noncurrent liabilities	**427,378**	429,953
Total Noncurrent Liabilities	**1,297,555**	1,300,130
Total Liabilities	**2,494,891**	2,689,414
Equity		
Capital stock	**616,863**	616,863
Capital surplus	**376,964**	376,964
Other components of equity	**922,802**	922,693
Retained earnings	**1,962,002**	2,029,559
	3,878,631	3,946,079
Cost of 116,023 shares held in treasury, ₱69 per share	**(8,016)**	(8,016)
Total Equity	**3,870,615**	3,938,063
TOTAL LIABILITIES AND EQUITY	**₱6,365,506**	₱6,627,477

BENGUET CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2019
(With Comparative Figures for the six months ended June 30, 2018)
(Amounts in Thousands)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2019	2018	**2019**	2018
REVENUES				
Sale of mine products	**₱238,079**	₱–	**₱424,603**	₱–
Sale of mine products	–	320,928	–	637,081
Sale of merchandise and services	–	24,236	–	44,468
	238,079	345,164	**424,603**	681,549
COSTS AND OPERATING EXPENSES				
Costs of mine products sold	**188,219**	210,719	**293,367**	427,698
Costs of merchandise sold and services	**8,486**	24,050	**15,357**	46,424
Selling and general	**53,259**	95,180	**176,568**	196,141
Taxes on revenue	**11,212**	17,974	**16,565**	34,895
	261,176	347,923	**501,857**	705,158
LOSS FROM OPERATIONS	**(23,097)**	(2,759)	**(77,254)**	(23,609)
INTEREST EXPENSE	**202**	1,027	**608**	2,617
OTHER INCOME (EXPENSE)				
Interest income	**55**	69	**1,058**	171
Foreign exchange gain (loss)	**2,347**	(11,062)	**2,733**	(20,938)
Miscellaneous – net	**19,850**	8,804	**14,834**	7,619
	22,252	(2,189)	**18,625**	(13,148)
LOSS BEFORE INCOME TAX	**(1,047)**	(5,975)	**(59,237)**	(39,374)
PROVISION FOR INCOME TAX	**5,953**	877	**8,320**	3,943
NET LOSS	**(₱7,000)**	(₱6,852)	**(₱67,557)**	(₱43,317)
BASIC EARNINGS (LOSS) PER SHARE	**(₱0.01)**	(₱0.01)	**(₱0.11)**	(₱0.07)
DILUTED EARNINGS (LOSS) PER SHARE	**(₱0.01)**	(₱0.01_	**(₱0.11)**	(₱0.07)

BENGUET CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2019
(With Comparative Figures for the six months ended June 30, 2018)
(Amounts in Thousands)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2019	2018	**2019**	2018
NET LOSS	**(₱7,000)**	(₱6,852)	**(₱67,557)**	(₱43,317)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items to be reclassified to profit or loss in subsequent periods:				
Translation adjustment on foreign subsidiaries	**97**	(264)	**103**	(418)
Items not to be reclassified to profit or loss in subsequent periods:				
Unrealized gain on equity instruments designated at FVOCI	**(134)**	43	**6**	75
OTHER COMPREHENSIVE INCOME (LOSS)	**(37)**	(221)	**109**	(343)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱6,963)**	(₱7,073)	**(₱67,448)**	(₱43,660)

BENGUET CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2019
(With Comparative Figures for the six months ended June 30, 2018)
(Amounts in Thousands)

	June 30, 2019 (Unaudited)	June 30, 2018 (Unaudited)	December 31, 2018 (Audited)
CAPITAL STOCK	**₱616,863**	₱616,863	₱616,863
CAPITAL SURPLUS	**376,964**	375,726	376,964
REVALUATION INCREMENT	**839,669**	720,428	839,669
CUMULATIVE TRANSLATION ADJUSTMENT			
Balance at beginning of period	**32,721**	32,848	32,848
Translation adjustment	**103**	(418)	(127)
Balance at end of period	**32,824**	32,430	32,721
COST OF SHARE-BASED PAYMENT			
Balance at beginning of period	**25,089**	26,327	26,327
Cancellation of stock options	**–**	–	(1,238)
Balance at end of period	**25,089**	26,327	25,089
UNREALIZED GAIN ON FINANCIAL ASSETS AT FVOCI			
Balance at beginning of period	**1,013**	1,059	1,059
Transfer of fair value reserve on disposed financial assets at FVOCI	**–**	–	(382)
Other comprehensive income (loss)	**6**	75	336
Balance at end of period	**1,019**	1,134	1,013
REMEASUREMENT LOSS ON PENSION LIABILITY	**24,201**	29,274	24,201
RETAINED EARNINGS			
Balance at beginning of period	**2,029,559**	1,910,135	1,910,135
Transfer of fair value reserve on disposed financial assets at FVOCI	**–**	–	382
Net income (loss) for the period	**(67,557)**	(43,317)	119,042
Balance at end of period	**1,962,002**	1,866,818	2,029,559
TREASURY SHARES	**(8,016)**	(8,016)	(8,016)
TOTAL EQUITY	**₱3,870,615**	₱3,660,984	₱3,938,063

BENGUET CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2019
(With Comparative Figures for the six months ended June 30, 2018)
(Amounts in Thousands)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2019	2018	**2019**	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax	**(₱1,047)**	(₱5,975)	**(₱59,237)**	(₱39,374)
Adjustments for:				
Depreciation, depletion and amortization	**10,549**	19,694	**31,513**	38,944
Unrealized foreign exchange loss (gain)	**97**	–	**326**	–
Gain on sale of property, plant and equipment	**6,188**	–	**6,188**	19
Decrease (increase) in:				
Trade and other receivables	**17,198**	73,305	**(39,742)**	60,167
Inventories	**7,796**	4,522	**10,074**	35,677
Prepaid expenses and other current assets	**85,901**	(41,447)	**86,483**	(48,476)
Increase (decrease) in trade and other payables	**(76,806)**	(15,615)	**(170,259)**	(52,174)
Net cash from (used in) operating activities	**49,876**	34,484	**(134,654)**	(5,217)
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in:				
Property, plant and equipment	**(2,935)**	–	**(14,014)**	280
Deferred exploration costs	**(313)**	(259)	**(543)**	(325)
Other assets	**(3,518)**	2,421	**(6,181)**	(4,058)
Available for sale investments	**(772)**	(393)	**(1,332)**	(393)
Net cash from (used in) investing activities	**(7,538)**	1,769	**(22,070)**	(4,496)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net availment (repayment) of loans payable	**–**	(19,884)	**(23,000)**	(48,218)
Increase (decrease) in other noncurrent liabilities	**(28,282)**	(36,462)	**(2,575)**	14,820
Net cash used in financing activities	**(28,282)**	(56,346)	**(25,575)**	(33,398)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**14,056**	(20,093)	**(182,299)**	(43,111)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**105,763**	41,510	**302,118**	64,528
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱119,819**	₱21,417	**₱119,819**	₱21,417

BENGUET CORPORATION AND SUBSIDIARIES

EARNINGS PER SHARE COMPUTATION

FOR THE THREE MONTHS ENDED JUNE 30, 2019 AND 2018

(Amounts in Thousands, Except for the Number of Shares)

	June 30	
	2019	2018
Net loss	**(₱67,557)**	(₱43,317)

Number of shares for computation of:

	June 30	
	2019	2018
Basic earnings per share		
Weighted average common shares issued	**616,119,252**	616,001,202
Less treasury stock	**348,069**	348,069
Weighted average common shares outstanding	**615,771,183**	615,653,133
Diluted earnings per share		
Weighted average common shares issued	**616,119,252**	616,001,202
Less treasury stock	**348,069**	348,069
	615,771,183	615,653,133
Conversion of preferred stock	**–**	–
	615,771,183	615,653,133
Basic earnings (loss) per share	**(₱0.11)**	(₱0.07)
Diluted earnings (loss) per share	**(₱0.11)**	(₱0.07)

BENGUET CORPORATION AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

	June 30	
	2019	2018
Profitability Ratio		
Return on asset	**(0.01):1**	(0.01):1
Return on equity	**(0.02):1**	(0.01):1
Gross profit margin	**0.27:1**	0.30:1
Operating profit margin	**(0.18):1**	(0.03):1
Net profit margin	**(0.16):1**	(0.06):1
Liquidity and Solvency Ratio		
Current ratio	**0.86:1**	1.12:1
Quick ratio	**0.31:1**	0.45:1
Solvency ratio	**2.55:1**	2.33:1
Financial Leverage Ratio		
Asset to equity ratio	**1.64:1**	1.75:1
Debt ratio	**0.39:1**	2.33:1
Debt to equity ratio	**0.64:1**	0.75:1
Interest coverage ratio	**96.43:1**	14.05:1

BENGUET CORPORATION AND SUBSIDIARIES

AGING OF RECEIVABLES

AS OF JUNE 30, 2019
(Amounts in Thousands)

TYPE OF RECEIVABLES	LESS THAN 30 DAYS	30 TO 60 DAYS	LESS THAN ONE YEAR	ONE TO TWO YEARS	THREE TO FIVE YEARS	MORE THAN FIVE YEARS	TOTAL
Trade receivables	₱2,424	₱1,089	₱6,891	₱17,268	₱24,933	₱47,824	₱100,429
Allowance for doubtful accounts	–	–	–	–	–	(21,181)	(21,181)
Trade receivables – net	2,424	1,089	6,891	17,268	24,933	26,643	79,248
Nontrade receivables:							
Officers and employees	1,156	33	141	507	260	3,707	5,804
Others	8,854	3,490	9,052	14,386	50,350	201,086	287,218
Total	10,010	3,523	9,193	14,893	50,610	204,793	293,022
Allowance for doubtful accounts	–	–	–	–	–	(121,656)	(121,656)
Nontrade receivables - net	10,010	3,523	9,193	14,893	50,610	83,137	171,366
Trade and other receivables – net	₱10,010	₱4,612	₱16,084	₱32,161	₱75,543	₱109,780	₱250,614

BENGUET CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

1. **Corporate Information**

Benguet Corporation (BC; the Parent Company) was incorporated in the Philippines on August 12, 1903. On June 18, 1956 and June 19, 2006, the Philippine Securities and Exchange Commission (SEC) approved the extension of its corporate life for another fifty (50) years. BC is engaged in chromite, gold, and other metallic and nonmetallic mineral production, exploration, research and development and natural resource projects.

2. **Summary of Significant Accounting Policies**

Basis of Preparation

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

Statement of Compliance

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting.* Accordingly, the unaudited interim condensed consolidated financial statements of Benguet Corporation (the Company) and its subsidiaries (the Group) do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2018.

Changes in Accounting Standards and Interpretation

Effective January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- PFRS 16, *Leases*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- 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*

Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

Financial Instruments

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 and other receivables, lessees from bunkhouses, loans receivable under "Trade and Other Receivables" and nontrade advances under Other Noncurrent Assets

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.

Financial liabilities

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.

Derecognition of Financial Assets and Liabilities

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.

Impairment of Financial Assets
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
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.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the unaudited interim condensed consolidated financial statements in accordance with PFRS requires the Group to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. 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.

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 interim condensed consolidated financial statements.

Determining Functional Currency

The Parent Company, based on the relevant economic substance of the underlying circumstances, has determined the functional currency of each entity, except for foreign subsidiaries, under the Group to be the Philippine peso. It is the currency of the primary economic environment in which the Group primarily operates.

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.

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
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.

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 Group based its assumptions and estimates on parameters available when the interim condensed 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.

Provision for expected credit losses on Trade and Other Receivables
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.

The carrying amount of trade and other receivables amounted to ₱250,614 and ₱210,872 as at June 30, 2019 and December 31, 2018, respectively.

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

As at June 30, 2019 and December 31, 2018, deferred mine exploration costs amounted to ₱539,541 and ₱538,998, respectively.

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.

As at June 30, 2019 and December 31, 2018, property, plant and equipment (at revalued amount and at cost) amounting to ₱2,300,622 and ₱2,200,682, respectively.

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 June 30, 2019 and December 31, 2018, the carrying value of inventories amounted to ₱118,925 and ₱128,999, respectively.

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.

The total carrying value of other current assets and other noncurrent assets amounted to ₱852,189 and ₱939,723 as at June 30, 2019 and December 31, 2018, respectively.

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 June 30, 2019 and December 31, 2018, the appraised value of land and artworks, and investment properties amounted to ₱3,454,037.

Estimating Liability for Mine Rehabilitation
The Group estimates the costs of mine rehabilitation based on previous experience in rehabilitating fully mined areas in sections of the mine site. These costs are adjusted for inflation factor based on the average annual inflation rate as of adoption date or re-evaluation of the asset dismantlement, removal or restoration costs. Such adjusted costs are then measured at present value using the market interest rate for a comparable instrument adjusted for the Group's credit standing. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's liability for mine rehabilitation. Liability for mine rehabilitation amounted to ₱90,329 as at June 30, 2019 and December 31, 2018.

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 the annual consolidated financial statements. 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 as at June 30, 2019 and December 31, 2018.

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 as at June 30, 2019 and December 31, 2018. Net pension liability of AFC amounted to ₱1,819 as at June 30, 2019 and December 31, 2018.

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.

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 as at June 30, 2019 and December 31, 2018. The Group has unused NOLCO, MCIT and deductible temporary differences amounting to ₱935,261 as at June 30, 2019 and December 31, 2018 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.

4. **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 June 30, 2019 and December 31, 2018, 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 June 30, 2019 and December 31, 2018.

June 30, 2019	**On demand**	**0-90 days**	**More than 90 days**	**More than one year**	**Total**
Cash and cash equivalents					
Cash in banks	**₱93,858**	**₱–**	**₱–**	**₱–**	**₱93,858**
Short-term deposits	**25,049**	**–**	**–**	**–**	**25,049**
Trade and other receivables					
Trade	**100,429**	**–**	**–**	**–**	**100,429**
Receivables from lessees of bunkhouses	**–**	**–**	**4,276**	**–**	**4,276**
Loan receivable	**–**	**–**	**–**	**49,763**	**49,763**
Advances under other noncurrent assets	**–**	**–**	**–**	**429,614**	**429,614**
FVOCI					
UITF	**–**	**–**	**–**	**11,616**	**11,616**
Quoted shares	**–**	**–**	**–**	**520**	**520**
Total	**₱219,336**	**₱–**	**₱4,276**	**₱491,513**	**₱715,125**
Loans payable	**₱507,893**	**₱–**	**₱–**	**₱–**	**₱507,893**
Trade and other payables					
Trade	**390,393**	**–**	**–**	**–**	**390,393**
Accrued expenses	**39,767**	**–**	**–**	**–**	**39,767**
Other noncurrent liabilities					
Equity of claimowner in contract operations	**–**	**–**	**–**	**49,136**	**49,136**
Total	**₱938,053**	**₱–**	**₱–**	**₱49,136**	**₱ 987,189**

December 31, 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
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

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.

	June 30, 2019	December 31, 2018
Cash and cash equivalents		
Cash in banks	**₱93,858**	₱300,878
Short-term deposits	**25,049**	58
Trade and other receivables		
Trade	**100,429**	137,305
Receivables from lessees of bunkhouses	**4,276**	2,867
Loan receivable	**49,763**	49,763
Advances under other noncurrent assets	**429,614**	422,988
FVOCI		
UITF	**11,616**	10,278
Quoted shares	**520**	520
	₱715,125	₱924,657

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

June 30, 2019	Neither past due nor impaired				
	High-grade	**Standard-grade**	**Past due but not impaired**	**Impaired**	**Total**
Cash and cash equivalents					
Cash in banks	**₱93,858**	**₱–**	**₱–**	**₱–**	**₱93,858**
Short-term deposits	**25,049**	**–**	**–**	**–**	**25,049**
Trade and other receivables					
Trade	**10,404**	**–**	**68,844**	**21,181**	**100,429**
Receivables from lessees of bunkhouses	**–**	**–**	**4,276**	**–**	**4,276**
Loan receivable	**–**	**–**	**–**	**49,763**	**49,763**
Advances under other noncurrent assets	**–**	**–**	**277,722**	**151,892**	**429,614**
FVOCI					
UITF	**11,616**	**–**	**–**	**–**	**11,616**
Quoted shares	**520**	**–**	**–**	**–**	**520**
Total credit risk exposure	**₱141,447**	**₱–**	**₱350,842**	**₱222,836**	**₱745,273**

December 31, 2018	Neither past due nor impaired				
	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

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 June 30, 2019 and December 31, 2018, 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 June 30, 2019 and December 31, 2018:

	Carrying amounts		Fair values	
	June 30, 2019	December 31, 2018	**June 30, 2019**	December 31, 2018
Financial Assets:				
FVOCI:				
UITF	**₱11,616**	₱10,278	**₱11,616**	₱10,278
Quoted	**520**	520	**520**	520
Unquoted	**–**	–	**–**	–
Financial Liabilities:				
Loans payable	**₱507,893**	₱530,670	**₱507,893**	₱530,670

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 June 30, 2019 and December 31, 2018, the Group had UITF and quoted FVOCI amounting to ₱12.1 million and ₱10.8 million, respectively, carried at fair value in the unaudited interim condensed 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 2019 and 2018.

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 2019 and 2018. The Group monitors capital using the parent company financial statements. As at
June 30, 2019 and December 31, 2018, the Group has met its capital management objectives.

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

	June 30, 2019	December 31, 2018
Capital stock	**₱616,863**	₱616,863
Capital surplus	**376,964**	376,964
Retained earnings	**1,962,002**	2,029,559
Other components of equity	**922,802**	922,693
Treasury shares	**(8,016)**	(8,016)
	₱3,878,631	₱3,938,063

5. **Seasonality and Cyclicality of Interim Operation**

There are no significant seasonality or cyclicality in its business operation that would have material effect on the Groups's financial condition or results of operations.

6. **Events After End of Reporting Period**

There are no significant event after end of reporting period.

Management's Discussion and Analysis of Financial Condition and Results of Operations

I. 2019 Second Quarter Vs. 2018 Second Quarter

A. Financial Performance

Consolidated Results of Operations
Consolidated net loss for the second quarter and first semester of 2019 amounted to ₱7.0 million and ₱67.6 million, respectively, and net loss of ₱6.9 million and ₱43.3 million for the same period in 2018. The increase in net loss was the net effect of the following:

Revenues
The Company registered consolidated revenues of ₱238.1 million for the 2nd quarter of 2019 and ₱424.6 million for the first semester of 2019, lower than the ₱345.2 million and ₱681.5 million reported for the same periods in 2018. The negative variance is due to decline in nickel and gold revenue. For the first semester this year, BNMI ship-out 1 boatload of 1.5% nickel ore with a volume of 55,000 tons at an average price of US$22.50/ton versus 4 boatloads ranging from 1.4% to 1.5% with an aggregate volume of 218,635 tons at an average price of US$20.50 per ton for the same period in 2018. The decline in nickel revenue is attributed to the BNMI suspension and high swell in Candelaria port. On the other hand, gold revenue decreased to ₱262.6 million from ₱363.0 million due to lower gold sold of 3,861.18 ounces at an average price of US$1,308.12/ounce versus 5,321.53 ounces at an average price of US$1,317.71/ounce for the same period last year. The decrease in gold sales is attributable to lower ore milled at 19,987 tons for the first semester this year from 26,415 tons for the same period last year.

Operating and Other Expenses
Cost and operating expenses in the second quarter this year decreased to ₱261.2 million from ₱347.9 million for the same quarter in 2018 mainly due to the decrease in cost of mine products sold by 11% or ₱22.5 million and selling and general expenses by 44%. For the first semester this year, cost and operating expenses reduced by 29% to ₱501.9 million from ₱705.2 million.

The reduction is mainly due to lower cost of mine products sold this semester as against the same period last year.

Interest expense for the quarter and first semester of 2019 were lower compared for the same periods in 2018. The decrease is mainly due to the full payment of bank loan.

Other income for the quarter and first semester this year amounted to ₱22.3 million and ₱18.6 million, respectively, versus other expense of ₱2.2 million and ₱13.1 million for the same periods last year. The other income in 2019 is attributable to the ₱24.3 million discounts earned from the settlement of outstanding liability with Goldrich Construction and Trading amounting to ₱121.4 million and the ₱6.0 million gain on sale of property in Namayan, Mandaluyong City.

Provision for income tax of ₱6.0 million for the second quarter and ₱8.3 million for the first semester 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).

B. Financial Condition

Assets
The Company ended the second quarter of 2019 with consolidated total assets of ₱6.37 billion, slightly lower than ₱6.63 billion in 2018. The slight decrease is the net effect of the following:

Cash and cash equivalent decreased by 60% from ₱302.1 million in 2018 mainly to ₱119.8 million due to cash used in operation and repayment of loan and trade payables.

Receivables increased to ₱250.6 million from ₱210.9 million, mainly from exported nickel ore due for collection and cash advances subject for liquidation.

Inventories decreased by 8% to ₱118.9 million from ₱129.0 million mainly from the 1 boatload of nickel ore sold this first semester of 2019.

Other current assets reduced by ₱93.7 million mainly due to the conversion of ₱59 million VAT tax credit certificate to cash and ₱40 million tax refund obtain during the first semester this year.

Liabilities
Total consolidated liabilities as of June 30, 2019 decreased to ₱2.49 billion from ₱2,69 billion as of December 31, 2018. The decrease was due to the following:

Trade and other payables, mainly payables to suppliers and contractors, decreased by 19% to ₱688.3 million from ₱858.6 million due to payment to various suppliers and contractors.

Loans payable decreased to ₱507.9 million from ₱530.7 million on account of the full settlement of Malayan Savings Bank loans.

Increase in Income tax payable is due to the minimum corporate income tax of BC and its subsidiaries.

Equity
Stockholders Equity at year-end amounted to ₱3,870.6 million lower than ₱3,938.1 million in 2018. The decline is due to the net loss incurred during the first semester of this year.

Consolidated Cash Flow
The net cash used in operating activities for the first semester this year amounted to ₱134.7 million compared with ₱5.2 million cash used for the same period last year. During the first semester, the Company invested ₱14.0 million in property, plant and equipment, ₱543 thousand in exploration activities and ₱4.1 million in Mine Rehabilitation Fund in compliance with the requirement of Mines and Geo-sciences Bureau.

Net cash used in financing activities amounted to ₱25.6. million mainly on account of the full repayment of loan with Malayan Savings Bank.

C. Operational Overview

Acupan Gold Project (AGP)
This quarter, AGP milled a combined 11,328 tons of ore grading 5.29 grams gold per ton, producing 1,928.30 ounces gold, lower compared to 11,944 tons of ore grading 6.93 grams gold per ton, producing 2,661.28 ounces gold. Gold production for the six-month period totaled 3,861.18 ounces from the milling of 19,987 tons of ore containing 6.01 grams of gold per ton, compared to the same period last year of 5,321.53 ounces from the milling of 26,415 tons of ore containing 6.27 grams of gold per ton. The decline in gold production reduced revenues to ₱131.5 million in the second quarter and ₱262.8 million in the first semester this year from ₱181.7 million and ₱363.0 million for the same periods in 2018. As a result, AGP incurred losses of ₱4.5 million and ₱9.1 million for the second quarter and first half of this year, compared to losses of ₱8.0 million and ₱6.8 million, respectively for the same periods last year.

AGP average milling rate for to-date June 2019 of 110 TPD is 25% lower than average milling rate of 146 TPD reported for the same period last year. Gold was sold at an effective average price of US$1,313.86 per ounce in the second quarter and US$1,308.12 per ounce in the first semester this year, higher compared to US$1,258.42 per ounce and US$1,242.13 per ounce for the same periods last year.

AGP continued mine development works and clearing activities to access better grade at L1500 and L1700, to enhance its milling and production capability. Next quarter, AGP will implement the pending increase in milling charges to its mining contractors for the first time since 2012 from ₱2,925/ton to ₱4,145/ton 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. Meanwhile, BC team production crew is currently intensifying mining areas that were not awarded to contractors and tapping other revenue sources like processing of the Batuang tails while continuously evaluating production and operating performances of existing contractors and screening new contractor applicants with the aim of sustaining AGP operation. These programs are expected to reinforce the positive performance of the gold operation and the impact of which will be reflected starting the fourth quarter this year.

Sta. Cruz Nickel Project (SCNP)
Starting in 2017, the Company's nickel business under its wholly owned subsidiary, Benguetcorp Nickel Mines, Inc. (BNMI), operating the SCNP, 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. For the first semester of 2019, BNMI exported 1 boatload of nickel ore with an aggregate volume of 55,000 tons nickel ore averaging 1.5% Ni grade, lower compared to 4 boatloads with an aggregate volume of 218,635 tons nickel ore ranging from 1.4% to 1.5% Ni grade for the same period last year. Nickel ore was sold at a price of US$22.50/ton this year versus US$20.50/ton in 2018. The decline in sales volume resulted to net loss of ₱84.2 million for the first half of 2019, higher compared to ₱51.7 million net loss for the same period last year.

No mining was conducted by BNMI during the first semester this year. BNMI 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. Since 2009 todate, BNMI planted 1.878 million seedlings of various plant species all over its tenement at 95% survival rate.

Benguet Antamok Gold Operation (BAGO)
In 2018, the Company formally submitted for approval of the MGB the Antamok Final Mine Rehabilitation and Decommissioning Plan (FMRDP). The aim of the FMRDP is principally to mitigate environmental risks and provide a sustainable final land use for the community. The Company spent a total of ₱6.8 million in 2018 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). On 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.

Irisan Lime Project (ILP)
ILP reported after tax net income of ₱5.8 million this quarter and ₱12.0 million for the first half of 2019, higher compared to the net income of ₱5.21 million and ₱9.52 million for the same respective periods in 2018 mainly due to increase in selling price from ₱ 9,723/metric ton to ₱10,524/metric ton. Sales volume in the first semester this year aggregated to 5,452 tons, slightly higher than the 5,052 tons for the same period in 2018.

EXPLORATION, RESEARCH AND DEVELOPMENT
Recent geological works in Pantingan property conducted by the Company's geologists has identified two-(2) parcels composed of Block-1 and Block-3 areas hosting high quality mountain rock deposits favorably potential for rock aggregates. The potential rock formations comprised of consolidated volcanic conglomerate and massive andesite units based on their actual ground analysis and outcome of the laboratory physical tests indicated that it can used in all types of construction where coarse rock aggregates are needed. The location of the potential mountain rock deposits for rock aggregates is inside the mineral tenement controlled by Company in Bataan Province. Another parcel, which is closely north of Block-1 and outside of the tenement has been targeted for reconnaissance to semi-detailed mapping and geological evaluation to determine also

its potential for mountain rock deposit. The actual groundworks are envisioned to be initiated in the third quarter this year.

SUBSIDIARIES AND AFFILIATES

Benguet Management Corporation (BMC), a wholly owned subsidiary of the Company, and its subsidiaries, reported consolidated net income of ₱20.0 million for the first semester of 2019 mainly due to the ₱6.0 million gain on sale of property located in Namayan, Mandaluyong City and ₱17.4 million discount earned by AFC from settlement of its outstanding liability with Goldrich Construction and Trading, compared with the net income of ₱0.03 million for the same period in 2018. BMC's current operational subsidiaries are as follows:

a. Arrow Freight Corporation (AFC), a logistics company, reported net income ₱11.4 million in the second quarter and ₱10.8 million for the first half of 2019, a turnaround from the net loss of ₱0.78 million and ₱0.49 million for the same respective periods in 2018. The income was mainly attributable to the ₱17.4 million discount earned in the settlement of outstanding liability with Goldrich Construction and Trading amounting to ₱87.6 million partly offset by losses incurred in Pampanga operation. The hauling operation and trading of vibro-sand in Pampanga was affected by the change in administration in San Simon and the truck ban ordinance of Apalit and San Luis, Pampanga. While studying a solution on the truck ban problem, AFC has ongoing negotiations with other construction companies in Pampanga and Bulacan for trading and hauling delivery of vibro-sand and aggregates.

b. Keystone Port Logistics Management & Services Corporation (KPLMSC), the port and barging services provider of the Company, reported net income of ₱3.1 million in the second quarter and net income of ₱1.6. million for the first half of 2019, compared with the net loss of ₱2.3 million and net income of ₱0.90 million for the same periods in 2018. For the first half this year, KPLMSC handled 1 shipment of BNMI nickel ore as compared to 4 shipments of BNMI nickel ore and 1 shipment of Eramen Minerals, Inc. nickel ore for the same period in 2018.

c. BMC Forestry Corporation (BFC) the real estate arm of the Company continues 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 quarter and ₱2.6 million for the first half of 2019, as compared to the net income of ₱0.1 million and ₱0.2 million for the same respective periods in 2018. BFC continues to collect monthly amortizations and sell the remaining five (5) lots with an aggregate area of 1,763 square meters valued at ₱6.34 million.

BenguetCorp Laboratories Inc. (BCLI), the healthcare and diagnostic services provider of the Company continued to serve its core customers and the HMOs (Health Maintenance Organization) in its clinics in Baguio and San Fernando-Pampanga. Total revenues in the first half of 2019 driven by this segment plus corporate accounts, and others reached ₱21.3 million, lower than the revenues of ₱32.0 million for the same period last year due to challenges in sales operations. BCLI incurred a net loss of ₱5.1 million, lower than the loss of ₱14.5 million for the same period in 2018, relatively due to lower expenses payable during the first half this year. A robust sales drive and increasing sales volumes for the succeeding quarters are expected to improve BCLI's performance

BenguetCorp International Limited (BIL), the Company's Hongkong-based and 100% owned subsidiary for international operations, remains largely inactive. BIL's wholly-owned subsidiaries, BenguetCorp Canada Limited (BCL) in Vancouver, B.C. and BenguetCorp USA Limited (BUSA) in Nevada, U.S.A. continue to hold interests in mining properties in Royston Hills, Nevada, which are currently being offered for sale to interested parties.

II. 2018 SECOND QUARTER VS. 2017 SECOND QUARTER

A. Financial Performance

Consolidated Results of Operations

Consolidated net loss for the second quarter and first semester of 2018 amounted to ₱6.9 million and ₱43.3 million, respectively, a reversal from the net income of ₱28.1 million and ₱9.5 million for the same period in 2017. The increase/decrease in net loss was the net effect of the following:

Revenues
The Company registered consolidated revenues of ₱345.2 million for the 2nd quarter of 2018 and ₱681.5 million for the first semester of 2018, lower than the ₱497.3 million and ₱763.2 million reported for the same periods in 2017. The variance is due to decline in nickel revenue partly offset by increase in gold revenue. For the first semester this year, BNMI shipped-out 4 boatloads of 1.4% to 1.5% nickel ore with an aggregate volume of 218,635 tons at an average price of US$20.50/ton versus 6 boatloads ranging from 1.3% to 1.4% with an aggregate volume of 326,710 tons at an average price of US$21.50 per ton for the same period in 2017. The decline in nickel revenue is attributed to the BNMI suspension. On the other hand, gold revenue in the second quarter of 2018 was improved to P363.0 million from ₱329.4 million due to increase in gold price to US$1,317.71/ounce from US$1,242.13/ounce for the same period in 2017.

Operating and Other Expenses
Cost and operating expenses in the second quarter of 2018 was decreased by 26% to ₱347.9 million from ₱467.2 million for the same quarter in 2017 mainly due to decrease in cost of mine products sold by 23% or ₱63.6 million and decrease in selling and general expenses by 39% or ₱60.7 million. For the first semester in 2018, cost and operating expenses slightly reduced by 4% to ₱705.2 million from ₱737.4 million in 2017. The reduction is mainly due to lower selling and general expenses in the first semester of 2018 as compared to the same period in 2017.

Interest expense for the quarter and first semester of 2018 were lower compared to the same periods in 2017. The decrease is mainly due to the partial repayment of Malayan Savings Bank loan.

Other expense for the quarter and first semester of 2018 amounted to ₱2.2 million and ₱13.1 million, respectively, versus other income of ₱27.7 million and ₱17.4 million for the same periods in 2017. The negative variance is attributed to unrealized foreign exchange loss on dollar denominated advances under the Nickel Off-take Agreement.

Provision for income tax of ₱0.8 million for the second quarter and ₱3.9 million for the first semester in 2018 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).

B. <u>Financial Condition</u>

Assets
The Company ended the second quarter of 2018 with consolidated total assets of ₱6.41 billion, slightly lower than ₱6.56 billion in 2017. The slight decrease is the net effect of the following:

Cash and cash equivalent decreased by ₱43.1 million mainly from cash used in operation and amortization of loan payables.

Receivables decreased to ₱701.5 million from ₱761.7 million, mainly from collection of nickel ore receivables shipped in 2017.

Inventories decreased by 21% to ₱131.6 million from ₱167.3 million mainly from the 4 boatloads of stockpiled nickel ore sold in the first semester of 2018.

Liabilities
Total consolidated liabilities as of June 30, 2018 decreased to ₱2,752.8 million from ₱2,860.7 million as of December 31, 2017. The decrease was due to the following:

Trade and other payables, mainly payables to suppliers and contractors, decreased to ₱976.3 million from ₱1,028.0 million due to payment to various suppliers and contractors.

Loans payable decreased to ₱630.4 million from ₱678.6 million on account of the settlement of Malayan Savings Bank loans.

Decrease in income tax payable is due to payment made to Bureau of Internal Revenue

Equity
Stockholders Equity at year-end 2018 amounted to ₱3,661.0 million lower than ₱3,704.6 million in 2017. The decline is attributed to the net loss incurred during the first semester of 2018.

Consolidated Cash Flow
The net cash used in operating activities for the first semester 2018 amounted to ₱5.2 million compared to the ₱23.4 million cash provided by operations in 2017. In the first semester of 2018, the Company invested ₱325 thousand in exploration activities and ₱4.1 million in Mine Rehabilitation Fund in compliance with the requirement of Mines and Geo-sciences Bureau. Net cash used in financing activities amounted to ₱48.2 million on account of the repayment made to Malayan Savings Bank.

C. Operational Overview

Acupan Gold Project (AGP)
AGP reported a net loss of ₱6.3 million in the 2018 second quarter, a reversal of the net income of ₱9.9 million for the same period in 2017. This is mainly accounted for by lower gold sold which totaled 2,661 ounces against 2,926 ounces sold in 2017 coupled with higher production costs, largely contactors' fees, milling expenses and excise tax for the period. Revenues slightly decreased to ₱181.7 million in 2018 second quarter from ₱183.6 million in the same period of 2017. This is despite higher average price of gold during the 2018 second quarter averaging $1,305.39 per ounce as against $1,258.42 per ounce for the same period in 2017. For the first semester of 2018, AGP reported a net loss of ₱5.2 million compared to the net income of ₱7.3 million reported for the same period of 2017. The negative variance is mainly accounted by higher production costs particularly contractors' fees, milling cost and mill equipment maintenance, excise tax and depletion expense. Revenues for the first semester of 2018 rose to ₱363 million from ₱329 million revenues generated for the same period last year on account of slightly higher gold ounces sold of 5,321.53 ounces from 5,313.82 ounces, coupled with higher average gold price of $1,317.71 per ounce against $1,242.13 per ounce in the same period of 2017.

AGP milled a combined 26,415 tons with an average mill head of 6.27 grams of gold per ton for the to-date June 2018 compared to 25,559 tons with an average mill head of 6.52 grams of gold per ton for the same period in 2017. Average milling rate for to-date June 2018 of 146 TPD is 3% higher than average milling rate of 141 TPD reported for the same period of 2017. AGP is currently processing renewal of individual mining contracts as it plans to undertake necessary mine development works and clearing activities at L1500 and L1700 which are consistent sources of good-grade ores.

AGP which is a part of Benguet Gold Operation (BGO) was certified ISO:14001 (2015 version) on Environmental Management System issued on March 11, 2016 by TUV Rheinland (TUVR), an independent international certification body, after undergoing intensive review and audit of its gold operations. The certification makes BGO fully compliant with the requirement of DENR Administrative Order No. 2015-07 which requires ISO rating of mining companies as seal of approval on environmental maintenance. Subsequent surveillance audits conducted by TUVR in 2017 and 2018 saw BGO passing then with zero (0) non-conformities or non-compliances.

Sta. Cruz Nickel Operation
For the first semester of 2018, BNMI exported 4 boatloads of nickel ore with an aggregate volume of 218,635 tons nickel ore ranging from 1.4% to 1.5% Ni grade, lower compared to 6 boatloads with an aggregate volume of 326,710 tons nickel ore ranging from 1.3% to 1.4% Ni grade for the same period in 2017. Nickel ore was sold at average price of US$20.50/ton this year versus US$21.50/ton in 2017. The decline in volume and price coupled with ₱13.2 million loss provision on dollar denominated advances from nickel off-take agreement resulted to net loss of ₱51.7 million for the first half of 2018, lower compared to ₱72.1 million net loss for the same period in 2017. Ore sold were stockpiles from the mine site which were allowed to be removed due to the environmental risk the stockpiles may pose during the rainy season.

No mining was conducted by BNMI during the first semester of 2018 because of the continuing regulatory issues affecting its operations which management is currently resolving. BNMI is continuously complying the remediation conditions set forth by the regulatory agencies and diligently implementing its Environmental Protection and Enhancement Programs to ensure the suspension of mining activities will not lead to environmental degradation. In spite of mining suspension, it continuously performed geological mapping in Area 3 of its mineral tenement to re-validate and delineate the various earth features along sections enclosed by the previous mining operations, stockpiles, settling ponds and mappable lithological domains and its controlling geological structures. Boundaries of forest reforestation and other regenerated sites were also delineated as mapped in the field. The covered and mapped parcels in Area-3 has a size dimension of 89.60 hectares.

Subsequent surveillance audits conducted by TUV Rhineland in June 2018 saw BNMI passing the audits and retaining its ISO:14001 (2015 version) Certification on Environment Management System. This is a reflection of BNMI's conformity to high standards in achieving operational efficiency, care of the environment and practicing health and safety protocols.

Benguet Antamok Gold Operation (BAGO)
BAGO suspended operations in 1998 due to low price of gold. Several attempts to revive the mine after the 1992 earthquake proved futile because the area has been encroached by small scale miners who the Company could not turn away because the mine has become their main source of livelihood. The Company made the prudent choice recently to submit for approval of the MGB the Antamok Final Mine Rehabilitation and Decommissioning Plan (FMRDP) which will among others turn over to the government portion of its titled patented claims for Minahan Bayan where small scale mining operation will be confined to regulate and where the activities of small-scale miners can be regulated and legitimized. The FMRDP proposal submitted to MGB-CAR for approval is one that provides the best land use for the area from the perspective of economics, environment and benefits to the host Local Government Unit (LGU) and community. The FMRDP progresses in two phases: Phase 1 on slope stabilization, vegetation and stabilization of old mine infrastructure. Phase 2 will cover three (3) long term and sustainable components namely the Ecological Solid Waste Management Project with components of TRCA, and Waste to Energy facilities; the Eco-tourism Water Park Project; and the Minahang Bayan.

Irisan Lime Project (ILP)
ILP net income rose to ₱5.21 million in the second quarter and ₱9.52 million for the first half of 2018, compared to the net income of ₱2.63 million and ₱5.56 million for the same respective periods in 2017. The increase is attributed to higher revenue and reduction in cost. ILP has production capacity of 1,800 tons of quicklime per month for the three (3) kilns operation.

Subsidiaries and Affiliates
Benguet Management Corporation (BMC), a wholly owned subsidiary of the Company, and its subsidiaries, reported consolidated net loss of ₱0.12 million in the second quarter and modest net income of ₱0.03 million in the first semester of 2018, compared with the net loss of ₱3.9 million and ₱7.8 million for the same periods in 2017 mainly due to suspension of operations of its major client, BNMI. BMC's current operational subsidiaries are as follows:

a. Arrow Freight Corporation (AFC), BMC''s logistics company, reported net loss of ₱0.78 million in first quarter and ₱0.49 million in the first half of 2018, lower as compared with the net loss of ₱3.62 million and ₱7.4 million for the same respective periods in 2017 mainly due to suspension of mining activities of its major client, BNMI. AFC is aggressively pursuing its market diversification plans due to uncertainties in the mining industry. AFC together with Benguetrade Inc., expanded its operation to include trading and delivery of aggregates to major batching plants and serving the growing construction industry.

b. Keystone Port Logistics and Management Services Corporation (KPLMSC), the port management and barging services provider of the Company, reported net loss of ₱2.3 million in the second quarter and net income of ₱0.90 million in the first half of 2018, compared with the net income of ₱7.2 million and ₱7.5 million for the same respective periods in 2017 mainly due to lower tonnage of shipload handled. KPLMSC handled the 4 shipments of BNMI nickel ore and 1 shipment of Eramen Minerals, Inc. nickel ore.

Benguetcorp Laboratories Inc. (BCLI)'s revenues reached ₱32.0 million for the first half of the year 2018, slightly lower than last year's of ₱33.1 million revenue performance for the same period in 2017 due to challenges in sales operations. The company incurred a net loss of ₱14.5 million in 2018, higher compared to the net loss of ₱2.5 million of the same period in 2017 mainly attributable to 2018's provision for extraordinary expenses related to depreciation and impairment of input tax. A robust sales drive and increasing sales volumes for the second half of 2018 is expected to improve BCLI's bottom line.

BenguetCorp International Limited (BIL), the Company's Hongkong-based and wholly owned subsidiary for international operations, remains largely inactive. BIL's wholly-owned subsidiaries, BenguetCorp Canada Limited (BCL) in Vancouver, B.C. and BenguetCorp USA Limited (BUSA) in Nevada, U.S.A. continue to hold interests in mining properties in Royston Hills, Nevada, which are currently being offered for sale to interested parties.

KNOWN TRENDS, EVENTS OR UNCERTAINTIES

The Company foresees cash flow or liquidity problems over the next twelve (12) months due to continuing regulatory issues affecting BNMI's nickel operations which management is currently resolving. 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 and borrowing under the available credit facilities, will generate adequate cash for the Company to meet its operating cash requirement.

Within the ensuing twelve months, the Company anticipates changes in the number of employees due to retirement and retrenchment of BNMI employees.

There are no known trends, demands, commitments, events or uncertainties that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;

Except for the Company's outstanding bank loans, there are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. Funding of maturing obligations shall be sourced from internally generated cash flow. As of June 30, 2019, the consolidated total outstanding principal loan amounted to ₱295.06 million.

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

The Company continues to fund the capital requirements of AGP expansion program. The sales of gold from AGP and quicklime from ILP, are the sources of funds for capital expenditures or from debt servicing under the available credit facilities.

The known trends, events or uncertainties that may have a material impact on net sales or revenues or income from continuing operations of the Company are the prices of nickel and gold in the world market, the dollar exchange rate and changes in the Department of Environment and Natural Resources' rules and regulations at midstream.

Except for what has been noted in the preceding paragraphs, 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:

- 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; and
- Seasonal aspects that had a material impact on the Company's results of operations.

KEY PERFORMANCE INDICATORS

1. 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 June 30, 2019, the Company current ratio is 0.86:1 versus 1.12:1 for the same period in 2018.

2. M*etal Price* – The market price of gold in the Banko Sentral ng Pilipinas which is based on the world spot market prices provided by the London Metal Exchange is the key indicator in determining Company's revenue for gold. This quarter, the average market prices for gold sold were at US$1,313.86 per ounce compared to US$1,305.39 per ounce for the same quarter in 2018. Nickel ore was sold at average price of US$22.50/ton versus US$20.50/ton for the same period last year. The favorable metal prices will also have a favorable impact on the Company's revenue.
3. T*ons Mill and Ore Grade* – Tons milled and ore grade determine gold production and sales volume. The higher the tonnage and ore grade, the more gold are produced and sold. This quarter, tons milled were 11,328 tons of gold ore with average grade of 5.29 grams per ton gold versus last year of 11,944 tons of ore with average grade of 6.93 grams per ton gold. Gold sold this quarter were 1,928.30 ounces versus gold sold of 2,661.28 ounces for the same period last year. BNMI sold nickel ore this quarter with an aggregate volume of 55,000 tons versus 110,000 tons for the same period last year.
4. F*oreign 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 revenue, 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 June 30, 2019, the peso to dollar exchange rate was at ₱51.24 higher than the ₱53.34 for the same period in 2018. The volatility in the foreign currency exchange rates will continue to affect the operations in the foreseeable future.
5. E*arnings Per Share -* The earnings per share reflect the Company's bottom line operating results expressed in amount per share of the Company's outstanding capital stock. Assuming a constant outstanding number of shares, as a Company's earnings increase, the earnings per share correspondingly increase. This quarter, earnings per share is ₱0.01 versus (P0.01) loss per share for the same period of 2018.

The Company's key performance indicator used for its subsidiaries is Net Income for the first half of the year versus first half period of previous year.

Benguet Management Corporation (BMC) and its subsidiaries reported a consolidated net income of ₱20.0 million for the first semester this year, higher than the net income of ₱0.03 million posted for the same period in 2018.

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.

10 APR 2019

SUBSCRIBED AND SWORN to before me this _____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 ed 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 G. ROMUALDEZ
Chairman of the Board

Signed this 27 day of MARCH, 2019.

A C K N O W L E D G M E N T

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

Notary Public

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).

<u>Financial liabilities (prior to and upon adoption of PFRS 9)</u>
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).

Derecognition of Financial Assets and Liabilities (prior to and upon adoption of PFRS 9)
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.

Impairment of financial assets (prior to adoption of PFRS 9)
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.

Other Current Assets
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.

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 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.

<u>Investment Properties</u>
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.

<u>Provisions</u>
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.

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 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.

Revenue Recognition (upon adoption of PFRS 15)
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.

<u>Pension and other post-employment benefits</u>
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.

<u>Operating Segments</u>
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.

<u>Contingencies</u>
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.

<u>Events After the Reporting Period</u>
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:

Parent Company

		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

AFC

		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

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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

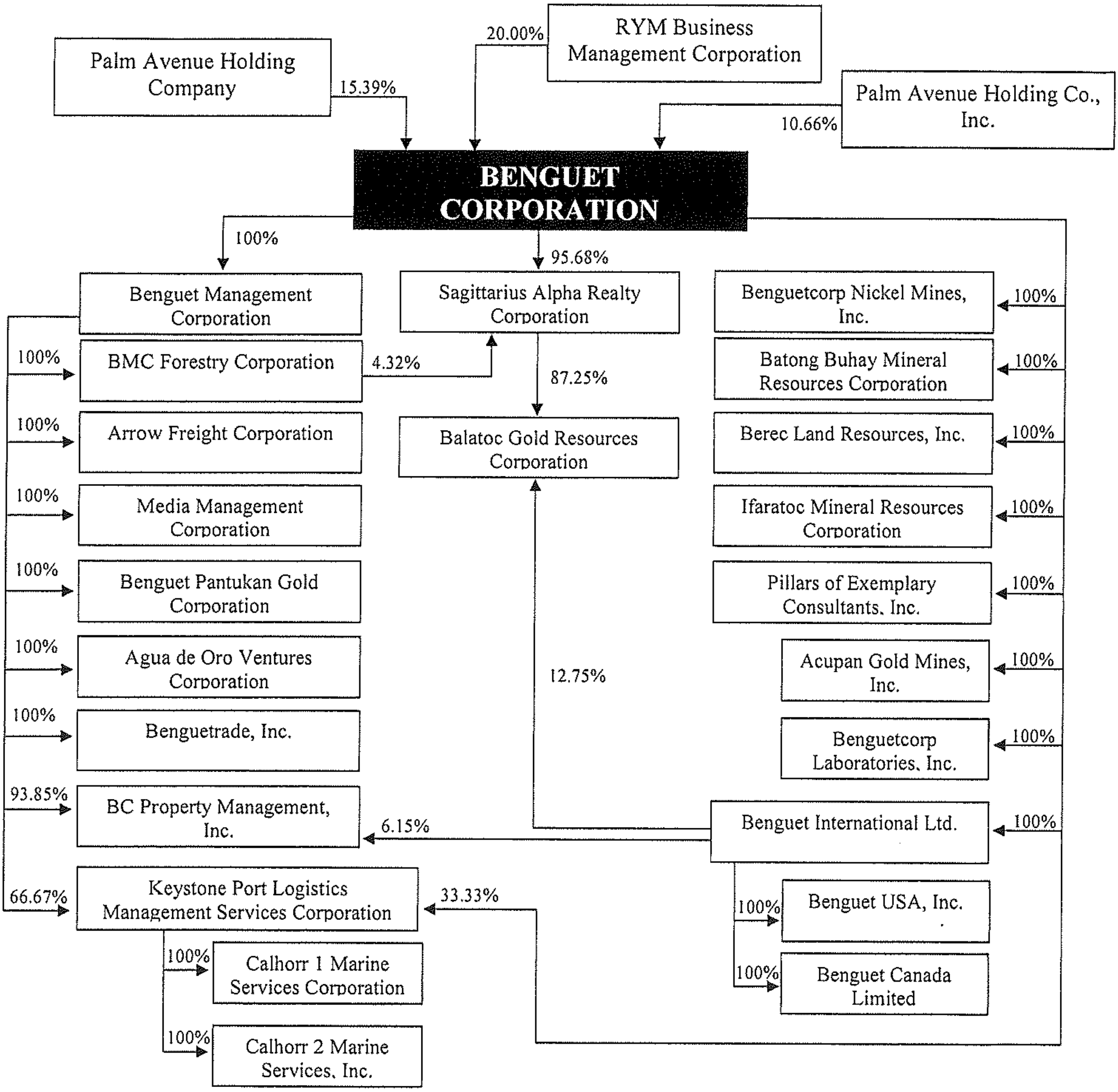
BENGUET CORPORATION
7th Floor Universal Re Building, 106 Paseo de Roxas, Makati City

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