

BenguetCorp

SEC Reg. No. 11341

September 25, 2020

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

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

Gentlemen:

In connection with Benguet Corporation's annual stockholders' meeting to be held virtually on November 11, 2020 via livestreaming through [www.benguetcorp.com](http://www.benguetcorp.com), we submit the attached Company's Preliminary Information Statement (SEC Form 20-IS) with the following attachments for your comment and/or approval:

- a. Annex "A" – 2019 Management Report;
- b. Annex "B" – Interim Report/Unaudited Interim Consolidated Financial Statements for Second Quarter Report ending June 30, 2020;
- c. Annex "C" – Rules and Procedure for Holding of, and Participation by Stockholders in the ASM by Remote Communication and Voting in Absentia;
- d. Annex "D" – Sworn Certificate of Qualification of Independent Director, Bernardo M. Villegas;
- e. Annex "E" – Sworn Certificate of Qualification of Independent Director, Reginald S. Velasco;
- f. Annex "F" – Sworn Certificate of Qualification of Independent Director, Rhodora L. Dapula; and
- g. Annex "G" – 2019 Audited Consolidated Financial Statements with:
  - a) Management's Responsibility for Financial Statements;
  - b) Independent Auditor's Report on Supplementary Schedules; and
  - Independent Auditor's Report on Components of Financial Indicators.

Attached as well is the Notice of Annual Meeting of Stockholders with the explanation and rationale of the Agenda, and ballot/proxy forms for holders of Convertible Preferred Class "A"/Common Class "A" and Common Class "B" shares.

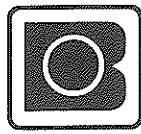
We trust that you will find everything in order.

Very truly yours,

BENGUET CORPORATION

By:

  
REYNALDO P. MENDOZA  
Officer-In-Charge / SVP- Legal  
and Asst. Corporate Secretary



BenguetCorp

## NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

September 25, 2020

The Annual Stockholders' Meeting (ASM) of Benguet Corporation (herein "BenguetCorp" or "the Company") will be held on Wednesday, November 11, 2020, 3:00 o'clock p.m. at the Company's Board Room, 7th Floor Universal Re Building, 106 Paseo de Roxas, 1226 Makati City, Philippines.

The Company will not hold a physical meeting and will conduct the ASM virtually via livestreaming through [www.benguetcorp.com](http://www.benguetcorp.com) 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 11, 2020 or within 90 days thereafter;
2. Approval of Minutes of the Annual Stockholders' Meeting held on November 7, 2019;
3. Approval of Management Report and Audited Financial Statements for 2019;
4. Approval for the re-appointment of Sycip Gorres Velayo and Company (SGV) as the Company's independent external auditor;
5. Ratification of all acts, contracts, resolutions and proceedings made and entered into by Management and/or the Board of Directors since November 5, 2019 until the date of the 2020 Annual Stockholders' Meeting; and
6. To transact such other business as may properly be brought before the meeting or any adjournment thereof, including possibly voting to adjourn the meeting up to ninety (90) days until the aforesaid TRO is lifted. Management knows of no other proposals to be presented during the meeting.

The rationale and explanation of each Agenda item requiring stockholders' approval are presented in Annex "A" of this Notice. The Information Statements (SEC Form 20-IS) accompanying this Notice contains more detail regarding the rationale and explanation for each of such Agenda items.

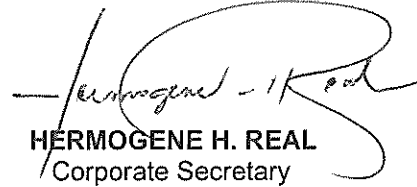
The Board of Directors has fixed the close of business on September 21, 2020 as the record date for the determination of the holders of the Company's stock entitled to notice of, and to vote at the said meeting. The transfer books will not be closed.

Stockholders intending to participate in the meeting via remote communication and exercise their right to vote in absentia should first register and be authorized. Stockholders should notify the Company on or before November 3, 2020 by email to [ASMregister@benguetcorp.com](mailto:ASMregister@benguetcorp.com) attaching a scanned copy of a valid government-issued identification card (ID) for registration and verification purposes. Indirect stockholders should include in their email their broker's certification of shareholding. Stockholders who cannot attend by remote communication can still be represented and vote at the meeting by submitting a proxy. A copy of the proxy form containing instruction on each item on the Agenda that requires stockholders vote is downloadable in the Company's website [www.benguetcorp.com](http://www.benguetcorp.com).

Votes will be cast through ballots or proxies. Stockholders are given on or before 3:00'clock p.m. of November 10, 2020 to submit a scanned copy of the ballot/proxy via email to [ASMvote@benguetcorp.com](mailto:ASMvote@benguetcorp.com) or physical copies to the Office of the Corporate Secretary/Stockholders Relations at the Company's

principal office. Validation of proxies will be on November 10, 2020 at 3:00 o'clock p.m. at the Company's Board Room. Proxies will be validated and tabulated by a special committee composed of the Corporate Secretary, the Stockholders Relations Office of the Company, and the Company's stock transfer agent, Stock Transfer Service Inc. (STSI). The tabulation of all votes shall be done by same committee and further reviewed by the Company's independent external auditor, Sycip Gorres Velayo & Co. (SGV), when necessary.

The Information Statement (SEC Form 20-IS) with the Management Report and Annual Report 2019 (SEC Form 17-A) with the Audited Financial Statements for the year ended December 31, 2019, the Company's 2020 Second Quarter Report (SEC Form 17Q) and other pertinent documents will be available for download at the Company's website [www.benquetcorp.com](http://www.benquetcorp.com) and may be accessed in the online system of PSE Edge Portal <https://edge.pse.com.ph>.



**HERMOGENE H. REAL**  
Corporate Secretary

A G E N D A

2020 VIRTUAL ANNUAL STOCKHOLDERS' MEETING OF BENGUET CORPORATION  
 November 11, 2020 at 3'Oclock p.m., Benguet Corporation's Board Room  
 7<sup>th</sup> Floor Universal Re-Building, 106 Paseo de Roxas  
 1226 Makati City, Philippines

## EXPLANATION AND RATIONALE

- I. Call to Order  
 The Presiding Officer will formally open the 2020 Annual Stockholders' Meeting (ASM) via livestreaming through [www.benguetcorp.com](http://www.benguetcorp.com):
- II. Proof of Notice of the Meeting  
 The Corporate Secretary will certify that in accordance with SEC Notice dated April 20, 2020, notice of the meeting was duly published in the business section of two (2) newspaper of general circulation, **in print and online format** for two (2) consecutive days no later than twenty-one (21) days prior to the scheduled ASM. The notice was also posted in the Company website [www.benguetcorp.com](http://www.benguetcorp.com).
- III. Determination of Quorum  
 The Corporate Secretary will certify the existence of a quorum. The stockholders present, through remote communication, proxy, or voting in absentia, representing at least a majority of the outstanding voting capital stock of the Company, shall constitute a quorum for the transaction of business.
- IV. Approval of the Minutes of the Annual Stockholders' Meeting held on November 7, 2019  
 The minutes of the meeting may be accessed through the Company's website [www.benguetcorp.com](http://www.benguetcorp.com). The **brief summary of the minutes** is presented in Item 15 of the Information Statement.

Stockholders will vote for the adoption of a resolution approving the Minutes of the November 7, 2019 Annual Stockholders' Meeting. Below is the proposed resolution:

*"RESOLVED, as it is hereby resolved, that the Minutes of the Stockholders' Meeting held on November 7, 2019 be, as they are hereby, approved as presented."*

A vote of the stockholders representing at least a majority of the outstanding voting capital stock of the Company is required for the approval of the Minutes of the Meeting.

- V. Approval of Management Report and the Audited Financial Statements for 2019  
 Presentation of the Company's operational highlights and financial results and the audited financial statements (2019 AFS) for the year ended 31 December 2019 audited by the Company's independent external auditors, Sycip Gorres Velayo & Company (SGV). The Information Statement containing the Management Report, the 2019 AFS, and other pertinent documents shall be made available to security holders by downloading copy from the Company website [www.benguetcorp.com](http://www.benguetcorp.com) or may be accessed online in the PSE Edge Portal <https://edge.pse.com.ph> as soon as practicable after the approval of the Definitive Information Statement by the SEC but not later than October 10, 2020. The 2019 Annual Report (SEC Form 17-A) as filed with the SEC and PSE is also posted and downloadable in the Company website and in the PSE Edge Portal.

After the presentation of report, there will be an open forum. The stockholders may raise questions and comments concerning the report through remote communication. Questions and comments received from the stockholders via email prior to or during the meeting will be answered by the Company. Any additional questions or questions received but not entertained during the open forum due to time constraints will be responded by the Company through the specified email address provided by the stockholder.

Stockholders will vote for the adoption of a resolution approving the Management Report and the Audited Financial Statements for the year ended December 31, 2019. Below is the proposed resolution:

*“RESOLVED, as it is hereby resolved, that the Management Report together with the audited financial statements for the year ended December 31, 2019 be, as they are hereby, approved as presented.”*

A vote of the stockholders representing at least a majority of the outstanding voting capital stock of the Company is required for the approval of management report and the audited financial statements for 2019.

VI. Approval for the re-appointment of Sycip Gorres Velayo & Co. (SGV) as the Independent external auditor of the Company

During the meeting of the Company’s Board of Directors (the “Board”) held on September 9, 2020, the Board approved the re-appointment of Sycip Gorres Velayo & Company (SGV & Co.) as the independent external auditors of the Company. Information on the Independent Public Accountants may be found in Item 7 of the Information Statement.

Stockholders will vote for the adoption of a resolution approving the re-appointment of SGV & Co., as the independent external auditors of the Company. Below is the proposed resolution:

*“RESOLVED, as it is hereby resolved, that Sycip Gorres Velayo and Company (SGV & Co.) be re-appointed as the Company’s external auditors for the years 2020-2021 or until their successor has been duly appointed by the stockholders.”*

A vote of the stockholders representing at least a majority of the outstanding voting capital stock of the Company is required for the re-appointment of SGV & Co.

VII. Confirmation and Ratification of all acts, resolutions, contracts, investments and proceedings made and entered into by management and/or the Board of Directors since November 5, 2019 until the date of 2020 Annual Stockholders’ Meeting

The actions for approval are those taken by Management and/or the Board of Directors since November 5, 2019 until the date of 2020 Annual Stockholders’ Meeting, which included the approval for holding of virtual ASM on November 11, 2020 and authorizing stockholders to participate through remote communication and to exercise their rights to vote in absentia or proxy. The list of all acts, resolutions, contracts, investments and proceedings made and entered into by management and/or the Board of Directors may be found in Item 15 of the Information Statement.

Stockholders will vote for the adoption of a resolution approving all acts, resolution, contracts, investments and proceedings made by Management and/or the Board of Directors. Below is the proposed resolution:

*“RESOLVED, as it is hereby resolved, that all acts, resolutions, contracts, investments and proceedings made by Management and/or the Board of Directors since November 5, 2019 until the date of 2020 Annual Stockholders’ Meeting, be as they are hereby confirmed, ratified and approved.”*

A vote of the stockholders representing at least a majority of the outstanding voting capital stock of the Company is required for the confirmation, ratification and approval of all acts, resolutions, contracts, investments and proceedings made and entered into by management and/or the board directors during the period November 5, 2019 to September 9, 2020.

- VIII. 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

During the meeting of the Nomination Committee held on September 9, 2020 and September 25, 2020, the Committee determined that all the Nominees for election (including the independent directors) possessed all the qualifications and none of the disqualifications for nomination and election pursuant to the provisions of the Code of Corporate Governance for Publicly-Listed Companies, as the same was adopted in the Company's 2017 Revised Manual on Corporate Governance. The Nominees are all incumbent directors of the Company. Their respective personal profiles, including directorships in listed companies may be found in Item 5 of the Information Statement.

In the nomination of Independent Directors, Mr. Bernardo M. Villegas was nominated by stockholder, Atty Lina G. Fernandez; Mr. Reginald S. Velasco was nominated by stockholder, Atty. Reynaldo P. Mendoza; and Atty. Rhodora L. Dapula was nominated by stockholder, Mr. Max D. Arceño. They have no relationship with the nominees for independent director.

If the Temporary Restraining Order (TRO) issued by the Supreme Court 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 until their successors are elected and qualified. The voting procedures are provided in Item 19 of the Information Statement.

- IX. Other Business  
Conversion Premium for Convertible Preferred "A" Shares

Holders of Convertible Preferred Class A share at their option may convert such shares into Common Class A share with par value of P1.00 per share upon payment of the conversion premium. For the year 2020, the conversion premium for converting Convertible Preferred Class A share into Common Class A share is ₱7.16 per share. The discussion on this matter is presented in Item 4 of the Information Statement.

Prior to the adjournment, the meeting will be open to such other business as may properly be brought before the meeting, including possibly voting to adjourn the meeting up to ninety (90) days until the aforesaid TRO is lifted. The stockholders may raise other matters or issues that may be properly taken up at the meeting by sending their questions and/or comments prior to or during the meeting to [ebarcelona@benguetcorp.com](mailto:ebarcelona@benguetcorp.com).

- XII. Adjournment

Upon determination that there are no other matters to be considered, the meeting will be adjourned on motion duly made and seconded.

**BALLOT/PROXY FOR HOLDER(S) OF COMMON CLASS B SHARES  
OF BENGUET CORPORATION**

Please mark as applicable

Total Shares Held: \_\_\_\_\_

- Vote by ballot:** The undersigned holder(s) of Common Class B shares of BENGUET CORPORATION (the “Company”) cast his/her ballot on the agenda items for the annual meeting of stockholders (ASM) of the Company scheduled on Wednesday, November 11, 2020, 3:00 O’clock p.m. via virtual and livestreaming through [www.benguetcorp.com](http://www.benguetcorp.com).
- Vote for proxy:** The undersigned holder(s) of Common Class B shares of the Company do(es) hereby appoint **Mr. BERNARDO M. VILLEGAS, Chairman of the Board 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 ASM of the Company scheduled on Wednesday, November 11, 2020, 3:00 O’clock p.m. via virtual and livestreaming through [www.benguetcorp.com](http://www.benguetcorp.com), 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**).

- JESSE HERMOGENES T. ANDRES  
 KWOK YAM IAN CHAN  
 LESTER C. YEE  
 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”, “Against” or “Abstain”**

	Vote for Approval	Vote Against	Abstain
2. Minutes of the Annual Stockholders’ Meeting held on November 7, 2019.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Management Report and Audited Financial Statements for 2019	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Re-appointment of Sycip Gorres Velayo and Company (SGV) as the independent external auditor of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Ratification of all acts, contracts, resolutions and proceedings made and entered into by Management and/or the Board of Directors since November 5, 2019 until the date of 2020 Annual Stockholders’ Meeting.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. 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 11, 2020 if the election of directors is enjoined at the meeting date.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

To be valid, this ballot/proxy must be signed and received by the Office of the Corporate Secretary/Stockholders Relations Office no later than 3:00 p.m., November 10, 2020. Validation of proxies will be on November 10, 2020 at 3:00 p.m. at the Company’s Board Room. 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.

\_\_\_\_\_  
Printed Name/Signature of Stockholder(s)

\_\_\_\_\_  
Date Signed

This ballot/proxy, when properly executed, will be voted in the manner as directed herein by the stockholder(s). If no direction is made in a proxy, such proxy will be voted “FOR” the election of all nominees and “FOR” the approval of the matters stated in item 2, 3, 4, and 5 above and “FOR” 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 11, 2020 if the election of directors is enjoined at the meeting date. 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 11, 2020, the proxy will still be valid for ninety (90) days from said date, or up to February 9, 2021 and can still be exercised in the event the TRO is lifted after the November 11, 2020 Stockholders’ Meeting and an election is ordered within the said ninety (90) day-period, the proxy will still be valid and can exercised. Information required in a proxy form may be found in Part II of the information statement.

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

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

Please mark as applicable

Total Shares Held: \_\_\_\_\_

- Vote by ballot:** The undersigned holder(s) of Common Class A and Convertible Preferred Class A shares of BENGUET CORPORATION (the "Company") cast his/her ballot on the agenda items for the annual meeting of stockholders (ASM) of the Company scheduled on Wednesday, November 11, 2020, 3:00 O'clock p.m. via virtual and livestreaming through [www.benguetcorp.com](http://www.benguetcorp.com).
- Vote for proxy:** The undersigned holder(s) of Common Class A and Convertible Preferred Class A shares of the Company do(es) hereby appoint **Mr. BERNARDO M. VILLEGAS, Chairman of the Board 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 ASM of the Company scheduled on Wednesday, November 11, 2020, 3:00 O'clock p.m. via virtual and livestreaming through [www.benguetcorp.com](http://www.benguetcorp.com), 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**).

- ANDREW PATRICK R. CASIÑO
- JOSE RAULITO E. PARAS
- MARIA REMEDIOS R. POMPIDOU
- ANTHONY M. TE
- LUIS JUAN L. VIRATA
- RHODORA L. DAPULA - (INDEPENDENT DIRECTOR)
- REGINALD S. VELASCO - (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", "Against" or "Abstain"**

	Vote for Approval	Vote Against	Abstain
2. Minutes of the Annual Stockholders' Meeting held on November 7, 2019.	[ ]	[ ]	[ ]
3. Management Report and Audited Financial Statements for 2019	[ ]	[ ]	[ ]
4. Re-appointment of Sycip Gorres Velayo and Company (SGV) as the independent external auditor of the Company.	[ ]	[ ]	[ ]
5. Ratification of all acts, contracts, resolutions and proceedings made and entered into by Management and/or the Board of Directors since November 5, 2019 until the date of 2020 Annual Stockholders' Meeting	[ ]	[ ]	[ ]
6. 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 11, 2020 if the election of directors is enjoined at the meeting date.	[ ]	[ ]	[ ]

To be valid, this ballot/proxy must be signed and received by the Office of the Corporate Secretary/Stockholders Relations Office no later than 3:00 p.m., November 10, 2020. Validation of proxies will be on November 10, 2020 at 3:00 p.m. at the Company's Board Room. 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.

\_\_\_\_\_  
 Printed Name/Signature of Stockholder(s)

\_\_\_\_\_  
 Date Signed

This ballot/proxy, when properly executed, will be voted in the manner as directed herein by the stockholder(s). If no direction is made in a proxy, such proxy will be voted "FOR" the election of all nominees and "FOR" the approval of the matters stated in item 2, 3, 4, and 5 above and "FOR" 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 11, 2020 if the election of directors is enjoined at the meeting date. 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 11, 2020, the proxy will still be valid for ninety (90) days from said date, or up to February 9, 2021 and can still be exercised in the event the TRO is lifted after the November 11, 2020 Stockholders' Meeting and an election is ordered within the said ninety (90) day-period, the proxy will still be valid and can exercised. Information required in a proxy form may be found in Part II of the information statement.

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





### CERTIFICATION

I, HERMOGENE H. REAL, Corporate Secretary of BENGUET CORPORATION with SEC registration number 11341 and principal office at 7<sup>th</sup> Floor, Universal Re Building, 106 Paseo de Roxas, Makati City, on oath state:

1. That on behalf of BENGUET CORPORATION, I have caused this Preliminary Information Statement under SEC Form 20-IS to be prepared;
2. That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
3. That Benguet Corporation will comply with the requirements set forth in SEC Notice dated 24 June 2020 for a complete and official submission of reports and/or documents through electronic mail; and
4. That I am fully aware that documents filed online which required pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of filing fee (where applicable).

IN WITNESS WHEREOF, I have hereunto set my hand this SEP 25 2020 day of September 2020 at MANDALUYONG CITY

*[Handwritten Signature]*  
**HERMOGENE H. REAL**  
 Corporate Secretary

SUBSCRIBED AND SWORN to before me this SEP 25 2020 day of September 2020 by affiant who personally appeared before me and exhibited to me his competent evidence of identity consisting of SSS ID No. 03-3235876-3 issued at Quezon City by the Republic of the Philippines.

Doc. No. 301 ;  
Page No. 62 ;  
Book No. 1 ;  
Series of 2020.

*[Handwritten Signature]*  
**LINA G. FERNANDEZ**  
 NOTARY PUBLIC (C) 171130 DEC. 31, 2020  
 C/PID/REGISTRATION No. 0168-19  
 65 STEADY ST. MANDALUYONG CITY  
 ROLL OF ATTORNEYS No. 52122  
 IOP LIFETIME MEMBER No. 022807/JAN. 3, 2018/RSM  
 PTR No. 4333186/JAN.06.2020/MANDALUYONG  
 MCLE No. VII-0000261, JULY 30, 2019

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)

8812-1380 /7751-9137

(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 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.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

- Preliminary Information Statement  
 Definitive Information Statement

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

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

4. SEC Identification Number: 11341

5. BIR Tax Identification Code: 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) 7751-9137 / 8812-1220

8. November 11, 2020, 3 o'clock p.m., at the Board Room of Benguet Corporation, 7th Floor Universal Re Building, 106 Paseo de Roxas, 1226 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 by the Commission but not later than October 10, 2020 (by uploading an electronic copy in the Company website [www.benguetcorp.com](http://www.benguetcorp.com) and may be accessed in the online system of PSE Edge Portal <https://edge.pse.com.ph>)

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) 8812-1380 / 7751-9137

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

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding &amp; Amount of Debt Outstanding</u>
Convertible Preferred Class A share	217,061
Common Class A share	370,739,961*
Common Class B share	245,086,422*
(*) – Net of Treasury Shares	
Total consolidated outstanding principal loans as of June 30, 2020- ₱270.06 Million	

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

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

## **PART I. INFORMATION REQUIRED IN INFORMATION STATEMENT**

### **A. GENERAL INFORMATION**

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

The Annual Meeting of the Stockholders (ASM) of Benguet Corporation (herein "BenguetCorp" or "the Company") will be held on Wednesday, November 11, 2020 at 3:00 o'clock p.m. at the Company's Board Room. The ASM will be conducted virtually via livestreaming through [www.benguetcorp.com](http://www.benguetcorp.com). The Company's mailing address is 7<sup>th</sup> Floor Universal Re-Building, 106 Paseo de Roxas, 1226 Makati City, Philippines.

In accordance with SEC Notice issued on April 20, 2020, the information statement containing management report and other pertinent documents shall be made available to security holders by uploading an electronic copy from the Company website [www.benguetcorp.com](http://www.benguetcorp.com) or may be accessed in the online system of PSE Edge Portal <https://edge.pse.com.ph>, as practicable after the approval of the definitive information statement by the Securities and Exchange Commission (SEC) but not later than October 10, 2020. The notice of the meeting shall be published in the business section of two (2) newspaper of general circulation, in print and online format, for two (2) consecutive days not later than twenty-one (21) days prior to the scheduled ASM.

#### **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 record date September 21, 2020, 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 245,086,422 shares outstanding of its Common Class B stock. The equity ownership of foreign stockholders of the Company is 89,942,967 class "B" shares or 14.58% 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 ₱1.00 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 ₱7.16 a share in 2020.

#### **b. Record Date and Share Ownership**

Only holders of the Company's stock of record at the close of business on September 21, 2020, are entitled to notice of, and to vote at the Annual Stockholders' Meeting to be held on November 11, 2020.

#### **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 record date September 21, 2020:

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 <sup>1</sup> )	Filipino	175,970,477	47.42%
	Palm Ave. Holding Company, Inc. 3F Universal Re-Building, 106 Paseo de Roxas, Makati City (Stockholder)	( see note <sup>2</sup> )	Filipino	65,624,727	17.70%
	Palm Avenue Holdings Company and/or Palm Avenue Realty Corporation, Metro Manila, Phil. Sequestered by the Republic of the Phil. Presidential Commission on Good Government under Executive Order Nos. 1 & 2 c/o PCGG, IRC Bldg., #82 EDSA, Mandaluyong City.(Stockholder)	( see note <sup>2</sup> )	Filipino	63,920,490	17.24%
	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 <sup>2</sup> )	Filipino	30,834,375	08.32%
Class A Convertible Preferred	PCD Nominee Corp. (Filipino), G/F MSE Bldg., Ayala Avenue, Makati City.	( see note <sup>1</sup> )	Filipino	64,780	29.84%
	Fairmount Real Estate c/o PCGG 6 <sup>th</sup> Floor, PhilComcen Bldg., Ortigas Avenue cor. San Miguel Avenue, Pasig City (Stockholder)	( see note <sup>3</sup> )	Filipino	59,262	27.30%

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

<sup>2</sup> The Company is not aware of who is/are the direct or indirect beneficial owner/s of the stocks issued to Palm Avenue Holdings Company, Inc. and Palm Avenue Realty and Development Corporation (the “Palm Companies”). The nominee of Palm Companies in the Board of Directors is Ms. Ms. Maria Remedios R. Pompidou. In the November 7, 2019 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.

<sup>3</sup> 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	PCD Nominee Corp. (Filipino), G/F MSE Bldg., Ayala Ave, Makati City.	( see note <sup>1</sup> )	Filipino	105,897,716	43.20%
	Palm Avenue Realty & Development Corporation, 3F Universal Re-Building, 106 Paseo de Roxas, Makati City (Stockholder)	( see note <sup>2</sup> )	Filipino	43,680,000	17.82%
	PCD Nominee Corp. (Non-Filipino), G/F MSE Bldg., Ayala Avenue, Makati City.	( see note <sup>1</sup> )	American	32,239,167	13.15%
	CEDE & CO (Non Filipino), P.O. Box 20, Bowling Green Station, New York NY 10274	( see note <sup>4</sup> )	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, 2020:

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 <sup>5</sup> )	Filipino	62,930,820	16.97%
Class B Common		( see note <sup>5</sup> )	Filipino	60,108,441	24.53%

2) Security Ownership of Management – As of record date September 21, 2020 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	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	Anthony M. Te	Filipino	3	0.000%
A	Luis Juan L. Virata	Filipino	234,003	0.063%
B			69,600	0.028%
A	Andrew Patrick R. Casiño	Filipino	3	0.000%

<sup>4</sup> 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.

<sup>5</sup> 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.

B			3	0.000%
B	Jesse Hermogenes T. Andres	Filipino	1	0.000%
B	Bernardo M. Villegas	Filipino	3	0.000%
B	Kwok Yam Ian Chan	British	1	0.000%
B	Lester C. Yee	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%
<b>As a Group</b>				
Class A Convertible Preferred		Filipino	59,262 shares <sup>6</sup>	27.302%
Class A Common		Filipino	223,719,804 shares <sup>7</sup>	60.344%
Class B Common		Filipino	103,858,350 shares <sup>8</sup>	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 to 2019 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.

<sup>6</sup> 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.

<sup>7</sup> 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).

<sup>8</sup> 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).



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

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

#### 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 11, 2020 Annual Stockholder's Meeting, the election of Directors will be held. In the November 7, 2019 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.

#### Board Attendance - Year 2019

Board	Name	Date of Election/ Appointment	No. of Meetings Held During the Year	No. of Meetings Attended	% Attended
Chairman / Independent	Bernardo M. Villegas	Nov 07, 2019	4	4	100%
Member	Maria Remedios R. Pompidou	Oct 25, 2000	4	2	50%
Member	Luis Juan L. Virata	Aug 08, 1995	4	4	100%
Member	Jose Raulito E. Paras	Aug 16, 2018	4	3	75%
Independent	Rhodora L. Dapula	Aug 16, 2018	4	4	100%
Independent	Reginald S. Velasco	Aug 16, 2018	4	4	100%
Member	Jesse Hermogenes T. Andres	Aug. 16, 2018	4	4	100%
Member	Andrew Patrick R. Casiño*	June 04, 2020	-	-	-
Member	Lester C. Yee**	Sept 09, 2020	-	-	-
Member	Anthony M. Te***	Sept 25, 2020	-	-	-
Member	Kwok Yam Ian Chan****	Sept 25, 2020	-	-	-

(\*) Mr. Casiño was appointed Director on June 4, 2020.

(\*\*) Mr. Yee was appointed as Director on September 9, 2020.

(\*\*\*) Mr. Te was appointed as Director on September 25, 2020.

(\*\*\*\*) Mr. Chan was appointed as Director on September 25, 2020

NOMINEES FOR ELECTION AT ANNUAL STOCKHOLDERS' MEETING ON NOVEMBER 11, 2020

During the meeting of the Nomination Committee held on September 9 and 25, 2020 the Committee determined that all the Nominees for election (including the independent directors) possessed all the qualifications and none of the disqualifications for nomination and election pursuant to the provisions of the Code of Corporate Governance for Publicly-,Listed Companies, as the same adopted in the Company's 2017 Revised Manual on Corporate Governance. The Nomination Committee is chaired by an Independent Director, Mr. Bernardo M. Villegas and the members are: Atty. Rhodora L. Dapula, Independent Director and Atty. Jesse Hermogenes T. Andres, a regular Director.

In the nomination of Independent Directors, nominees Mr. Bernardo M. Villegas was nominated by Atty Lina G. Fernandez; Mr. Reginald S. Velasco was nominated by Atty. Reynaldo P. Mendoza; 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 directors in accordance with SEC Memorandum Circular No. 4, Series of 2017. The sworn certificate of qualifications of the Company's Independent Directors are attached as Annexes "D" for Mr. BM Villegas, "E" for Mr. RS Velasco, and "F" for Atty. RL Dapula.

The following are the nominees for election at the Annual Stockholders' Meeting. The nominees are all incumbent Directors of the Company. Their respective present positions and period served are as follows:

A. Representing Holders of Class "A" & Convertible Preferred Class "A" Stocks:

Name	Position	Period Served
Maria Remedios R. Pompidou	Director	Since October 25, 2000
Luis Juan L. Virata	Director	Since August 18, 1995
Jose Raulito E. Paras	Director	Since August 16, 2018
Anthony M. Te	Director	Since September 25, 2020
Andrew Patrick R. Casiño	Director	Since June 4, 2020
Rhodora L. Dapula	Independent Director	Since August 16, 2018
Reginald S. Velasco	Independent Director	Since August 16, 2018

B. Representing Holders of Common Class "B" stock:

Name	Position	Period Served
Jesse Hermogenes T. Andres	Director	Since August 16, 2018
Kwok Yam Ian Chan	Director	Since September 25, 2020
Bernardo M. Villegas	Chairman of the Board/ Independent Director	Chairman of the Board since November 7, 2019 and has been designated Independent Director since 2002, although he was already a Director of the Company since June 25, 1998 prior to the issuance of SEC MC No. 16 dated November 29, 2002.
Lester C. Yee	Director	Since September 9, 2020

None of the Directors and Nominees are government employees.

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

The corresponding age, citizenship, brief descriptions of business experiences for the past five (5) years including directorships in listed companies, and the positions currently held of the incumbent Directors who are Nominees for election at the Annual Stockholders' Meeting are set forth below:

Representing Holders of Common Class A & Convertible Preferred Class A Stocks of the Company:

**JOSE RAULITO E. PARAS, 48 years old, Filipino, Director, Member of the Board Risk Oversight Committee**

Atty. Paras first became a Director of the Company by appointment on August 16, 2018. He is currently a partner at the Andres Padernal & Paras Law Offices since 2004 and Director of *listed companies*, Zeus Holdings, Inc. and Manila Mining Corporation. He obtained his Bachelor of Laws degree from the San Beda University (*class valedictorian*). After placing 5<sup>th</sup> 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.

**MARIA REMEDIOS R. POMPIDOU, 53 years old, Filipino, Director, Member of the Executive Committee**

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); 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.

**LUIS JUAN L. VIRATA, 66 years old, Filipino, Director, Member of the Related Party Transactions Committee**

Mr. Virata, first became a Director of the Company by appointment on August 8, 1995. He is currently Director of *listed company*, Nickel Asia Corporation. He is 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 Cavite 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.

**RHODORA L. DAPULA, 42 years old, Filipino, Independent Director, Chairman of the Audit Committee, Member of the Corporate Governance Committee and Nomination Committee**

Atty. Dapula first became an Independent Director of the Company by appointment on August 16, 2018. 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.

**REGINALD S. VELASCO, 69 years old, Filipino, Independent Director, Member of the Corporate Governance Committee and Related Party Transactions Committee**

Mr. Velasco first became an Independent Director of the Company by appointment on August 16, 2018. He 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.

**ANTHONY M. TE, 50 years old, Filipino, Director**

Mr. Te first became a Director of the Company by appointment on September 25, 2020. He is currently a Director of listed company, Marcventures Mining & Development Corporation; Chairman of the Board of Asian Appraisal Company, Inc., Amalgamated Project Management Services, Inc., Asian Asset Insurance Brokerage Corporation and AE Protiena Industries Corporation. He serves as Chairman and Chief Finance Officer of Mactel Corporation, and as Director and Treasurer for Manila Standard Today Management, Inc. Mr. Te is a licensed soliciting official for Non-Life Insurance with the Philippine Insurance Commission. He previously sat as Director in the following companies: AG Finance, Inc., Balabac Resources & Holdings Company Inc., Commonwealth Savings & Loans Bank, EBECOM Holdings, Inc., Equitable PCI BANK, MRC Allied Industries, Inc., Oriental Petroleum & Minerals Corporation, PAL Holdings, Inc., PGA Cars, Inc., and Phoenix Energy Corporation. Mr. Te graduated from De La Salle University with a degree of Bachelor of Arts in Business Management.

**ANDREW PATRICK R. CASIÑO, 53 years old, Filipino, Director**

Atty. Casiño first became a Director of the Company by appointment on June 4, 2020. He is a litigation lawyer with 25-year work experience as practicing lawyer in New York State in the fields of: - Criminal matters (domestic violence, DWI, orders of protection, misdemeanors), Commercial litigation, Philippine law matters (counselling and review of legal documents), Real estate (sale and purchase), Family and domestic matters (custody, child support, orders of protection, spousal support), Probate of last will and testaments, Petitions for administration of estates, Family based immigration, Employment based Immigration, US naturalization, Deportation proceedings, Petitions for political asylum, Loan contracts, Employment contracts, Commercial & Residential leases, Settlement agreements, Loan disputes, Trademarks and copyrights, Divorce and legal separation. Presently, he is collaborator on all legal matters in the United States of Philippine based law firms, Florello R. Jose and Associates and Law Firm of Ocampo Manalo. He graduated from the University of the Philippines with a degree of Bachelor of Science in Economics in 1987 and Bachelor of Laws in 1991. He obtained his Masters of Laws in Intellectual Property from the Franklin Pierce Law School, University of New Hampshire in 1999. Mr. Casiño passed the Philippine Bar Examinations in 1991 and New York State Bar Examinations in 1996.

Representing Holders of Common Class B Stock of the Company:

**BERNARDO M. VILLEGAS, 81 years old, Filipino, Independent Director, Chairman of the Board; Chairman of the Nomination Committee, Corporate Governance Committee and Related Party Transaction Committee; Member of the Executive Committee, Board Risk Oversight Committee, Audit Committee and Salary & Stock Option Committee**

Mr. Villegas first became a Director of the Company on June 25, 1998. Mr. Villegas was elected Chairman of the Board during the Organizational Board Meeting held on November 7, 2019 and was designated Independent Director of the Company since 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 currently a Director of listed company, Filipino Fund, Inc. He 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).

**JESSE HERMOGENES T. ANDRES, 54 years old, Filipino, Director, Chairman of the Executive Committee, Salary & Stock Option Committee and Nomination Committee**

Atty. Andres first became a Director of the Company by appointment on August 16, 2018. He is a litigation lawyer and since July 1, 2011, he has been the Managing Partner at Andres Padernal & Paras Law Offices. He is currently a Director of listed company, BDO Leasing and Finance, Inc. From 1996 to 2003, he was a Partner at PECABAR Law Offices, where he became Co-Head of its Litigation Department in 2001. He was also Chief of Staff (Undersecretary) of the Office of the Vice-President (2004-2010). In September 2004, he was appointed member of the Board of Trustees of the Government Service Insurance System (GSIS) where he also served as the Chairman of the Corporate Governance Committee for six (6) years. He was also Chairman of the Board of GSIS Family Bank from June 2007 to October 2010. Atty. Andres holds a Bachelor of Arts Degree in Economics from the School of Economics, University of the Philippines (U.P.) and a Bachelor of Laws degree from the U.P. College of Law. He has attended various international seminars on Alternative Dispute Resolution Methods, Corporate Governance and Risk Management.

**KWOK YAM IAN CHAN, 33 years old, British**

Mr. Chan is currently a Director of Zenith System and Heavy Equipment, Seaborne Shipping Inc., Isky Empire Realty Inc., Megalifters Cargo Handling Corporation, King Dragon Realty Corporation and DK Ventures Inc. Previously, he was President (2013-2017) and Managing Director (2010-2017) of Dunfeng Philippines International Inc., and served as Director of Mannage Resource and Trading Inc. (2015-2017). Mr. Chan graduated from DLS- College of St. Benilde with a Bachelor of Science degree in Business Administration major in Export Management. He obtained his master's degree in Economics, major in Finance at California Polytechnic University.

**LESTER C. YEE, 32 years old, Filipino, Director**

Mr. Yee first became a Director of the Company by appointment on September 9, 2020. Currently, he is Assistant Vice President – Head of Corporate Planning and Investor Relations, Marcventures Holdings Inc. (July 2020 to present). He also once shared his competence in other companies/institutions where he served as Assistant Vice President, Philippine Commercial Capital Inc. (April 2019-May 2020); Senior Analyst (rank of AVP), Maybank ATR Kim Eng Capital Partners Inc. (Feb. 2017-April 2019); Manager for Special Projects, Lapanday Foods Corporation (Mar. 2015-Jan. 2017); Professional Lecturer- Interdisciplinary Studies Department of Ateneo de Manila University (June 2012-2015) and Development Academy of the Philippines (Apr. 2013-2014); Corporate Planning Assistant Manager, Philippine Batteries Inc. (June 2011-Oct. 2011); and Instructor, Finance & Accounting Department of Ateneo de Manila University (Nov. 2009-Oct. 2010). He also served as Consultant on Special Guest Consultant for Strategic Financial Management-School of Professional and Continuing Education, De La Salle University-College of St. Benilde (2011 & 2014); and Financial Analyst and Resource Manager – National Objectives for Health (2011-2016 Project) and WHO Philippines (Sept. 2009-Oct. 2010). He was Director of Ateneo de Manila Multipurpose Cooperative (Apr. 2009-Mar. 2011). Mr. Yee graduated Magna Cum Laude from the Ateneo de Manila University in 2009, with a Bachelor of Science Degree in Applied Mathematics (Merit Scholar & Dean's Lister for all semesters), Major in Mathematical Finance, Minor in Economics, and finished a Master's Degree in Applied Mathematics, Major in Finance also at the Ateneo de Manila University in 2010. Mr. Yee's key competencies focused on strategic client coverage with key decision-makers that can accelerate business growth; proficient in making business plans including financial analysis and evaluation for various projects/business ventures; and excellent oral and written communications and platform skills in English, Filipino, and decent level of Mandarin and Hokkien Chinese. He was awarded Ayala Young Leader, Ayala Young Leaders Congress (Batch 2008); Ateneo Delegate, Global Leadership Program for Four Jesuit Universities in Asia, Sophia University, Tokyo, Japan; Oblation Scholarship, University

of the Philippines (Top 50 of all who took UPCAT); Star Scholarship, De La Salle University-Manila (Top 15); Second Place, 21<sup>st</sup> Stat-is-eeks Statistics Quiz Show, U.P. Statistics Society; First Runner Up (Team Member), 10<sup>th</sup> Intercollegiate Finance Competition, FINEX, Third Place, Ka30 Timpalak Tula, Ateneo de Manila University; and Honorable Mention, Haiku Writing Contest: Verses for Nature.

## II. Executive Officers

The executive officers of the Company are appointed annually to a one-year term (subject to removal) by the Board of Directors immediately following the Annual Stockholders' Meeting.

Name	Position
Reynaldo P. Mendoza	Officer-In-Charge/ Senior Vice President- Legal and Assistant Corporate Secretary
Lina G. Fernandez	Officer-In-Charge/ Senior Vice President- Finance and Controller / Compliance Officer for Corporate Governance
Max D. Arceño	Vice President for Finance & Treasurer
Valeriano B. Bongalos, Jr.	Vice President / Resident Manager of Benguet District Operations
Pamela M. Gendrano	Assistant Vice President- Environmental Compliance
Hermogene H. Real	Corporate Secretary

None of the executive officers of the Company are government employees.

Below are their respective ages, citizenships, positions held in the Company and its subsidiaries and brief description of business experiences.

**REYNALDO P. MENDOZA**, Filipino, 63 years old, is the designated Officer-In-Charge of the Company since October 18, 2018 and concurrently Senior Vice President for Legal (Aug. 25, 2006 to present) and Assistant Corporate Secretary (2002 to present). Currently, he also holds various positions and directorship in the following subsidiaries of the Company: He is concurrent Chairman and Acting President of Acupan Gold Mines, Inc.; Acting Chairman of BenguetCorp Nickel Mines, Inc., Agua de Oro Ventures, Inc., Ifaratoc Mineral Resources Corp. and Pillars of Exemplary Consultants, Inc.; Acting Chairman and President of Sagittarius Alpha Realty Corporation; Director and President of Batong Buhay Mineral Resources Corp.; Director and Acting President of Benguet Pantukan Gold Corporation and Berc Land Resources, Inc.; Director of BenguetCorp Laboratories, Inc., BMC Forestry Corporation, Balatoc Gold Resources Inc. Benguetrade, Inc. and BC Property Management; Director and Corporate Secretary of Benguet Management Corporation, Arrow Freight Corporation and Keystone Port Logistics and Management Services Corp. Before joining Benguet Corporation, he was Staff Lawyer of PDCP (1987-1988) and Malayan Insurance Company (1986-1987); Associate Lawyer, Castro, Villamor & Associate (1985-1986); Legal Assistant/Apprentice Lawyer, Gono Law Office (1985).

**LINA G. FERNANDEZ**, Filipino, 56 years old, is the designated Officer-In-Charge of the Company since October 18, 2018 and concurrently Senior Vice President for Finance & Controller since March 21, 2018 and Compliance Officer for Corporate Governance 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 Berc 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**, Filipino, 58 years old, is the Vice President for Finance and Treasurer of the Company since November 7, 2019. Formerly, he is Vice President for Finance, Treasurer, Taxation/Materials (March 2018-November 2019); 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.

**VALERIANO B. BONGALOS, JR.**, Filipino, 71 years old, is the Vice President/Resident Manager of Benguet District Operations since January 15, 2020. Formerly, he worked with the Company as Consultant (May 2018-January 14, 2020); Vice President & General Manager of Benguet District Operations (July 2013-Sept 2015), and Mine Manager of Benguet Gold Operation (1978-1980 and in 1984-1992). Mine Manager, Lepanto Consolidated Mining Co., Lepanto, Mankayan, Benguet (2016-2017). He was Vice President for Operations and Resident Manager, Apex Mining Co., Compostella Valley, Mindanao. Inc. (May 2010-July 2011); Mine Manager, Phuoc Son Gold Company, Ltd., Quang Nam, Vietnam (November 2006-July 2009); Mine Planning Manager, Ban Phuc Nickel Mines in Hanoi, Vietnam (March to June 2006); Mine Superintendent, Lepanto Consolidated Mining Company (1999-2001); Tunnel Superintendent, San Roque Multipurpose Dam (1998); Mine Manager, Base Metal Mineral Res. Corp. (1996-1997); Project Manager, Ground Specialist, Inc.-Contractor (1994-1995); Drilling & Blasting Engineer, Al Dhary International Group in Tabuk, Saudi Arabia (1993-1994); Senior Assistant Mining Engineer, Zambia Consolidated Copper Mines (Underground Copper Mine) in Zambia, Africa (1980-1983); Project Engineer, Argonaut Mineral Exploration (1975-1978); and Shift Foreman, Long Beach Mining Corporation (1974). He is a BS Mining Engineering graduate of Mapua Institute of Technology (1973) and completed his Management Development Program at AIM in 1987. He obtained his Mining Engineering license in 1974.

**PAMELA M. GENDRANO**, Filipino, 54 years old, is the Assistant Vice President for Environmental Compliance since November 6, 2019. Formerly, she was AVP for Environmental Compliance-BNMI Feb. 20, 2012-Nov. 6, 2019). 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).

**HERMOGENE H. REAL**, Filipino, 64 years old, 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

None of the Directors or Executive Officers is related to each other by affinity or consanguinity.

#### 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 executive 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 2019 Audited Consolidated Financial Statements (ACFS) of the Company hereto attached by reference. All intercompany transactions are eliminated at the ACFS. As disclosed on Note 24-Related Party Disclosures of the Parent's 2019 Audited Financial



Statements, in the normal course of business, the Company has the following intercompany transactions with its related parties (subsidiaries), to wit:

- On August 8, 2011, the Company was appointed as the exclusive marketing agent of BNMI for a marketing fee. This was terminated effective December 31, 2017. Outstanding trade receivable from this transaction amounted to ₱3,945 as at December 31, 2019 and 2018.
- In 2011, Arrow Freight Corporation (AFC), a wholly owned subsidiary of BMC, started providing trucking services to the Company for the delivery of equipment to various sites. Total amount charged to the Company in 2019 and 2018 amounted to ₱2,353 and ₱1,558, respectively.
- On March 16, 2018, the BOD of KPLMSC, a wholly-owned subsidiary of the Company through BMC, declared cash dividends amounting to ₱2,500, which is equivalent to ₱1 per share
- The Company provides and receives unsecured noninterest bearing cash advances to and from its subsidiaries for working capital requirements, which are settled in cash.

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

<u>Category</u>	<u>Year</u>	<u>Amount/ Volume</u>	<u>Outstanding balance</u>	<u>Terms</u>	<u>Conditions</u>
<i>Trade payables to related parties</i>					
BTI	2019	₱	<b>₱48,564</b>	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2018	₱	₱48,564		
AFC	2019	<b>(702)</b>	<b>2,229</b>	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2018	1,558	2,931		
BLRI	2019	<b>(8,444)</b>	–	Payable on demand; non-interest bearing	Unsecured; no guarantees; no impairment
	2018	–	8,444		
<b>Total</b>	<b>2019</b>	<b>(₱9,146)</b>	<b>₱50,793</b>		
	<b>2018</b>	<b>₱1,558</b>	<b>₱59,939</b>		

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

<u>Category</u>	<u>Year</u>	<u>Amount/ volume</u>	<u>Outstanding balance</u>	<u>Terms</u>	<u>Conditions</u>
<i>Amounts owed by related parties</i>					
BMC	2019	<b>₱96,999</b>	<b>₱96,999</b>	Payable on demand; non-interest bearing	Unsecured No guarantees; no impairment
	2018	₱–	₱–		
BGRC	2019	<b>(1,309)</b>	<b>78,393</b>	Payable on demand; non-interest bearing	Unsecured no guarantees; no impairment
	2018	(14,177)	79,702		
BLI	2019	<b>7,473</b>	<b>38,335</b>	Payable on demand; non-interest bearing	Unsecured no guarantees; no impairment
	2018	(8,865)	30,862		
BCPMI	2019	<b>150</b>	<b>30,290</b>	Payable on demand; non-interest bearing	Unsecured no guarantees; no impairment
	2018	167	30,140		
IMRC	2019	<b>63</b>	<b>29,838</b>	Payable on demand; non-interest bearing	Unsecured No guarantees; no impairment
	2018	(26)	29,775		
BPGC	2019	<b>44</b>	<b>29,599</b>	Payable on demand; non-interest bearing	Unsecured No guarantees; no impairment
	2018	55	29,555		
KPLMSC	2019	–	<b>16,877</b>	Payable on demand;	Unsecured

	2018	11,700	17,685	non-interest bearing	No guarantees; no impairment
Media Management Corporation	<b>2019</b>	<b>(10,000)</b>	<b>12,183</b>	Payable on demand;	Unsecured
	2018	(1)	22,183	non-interest bearing	No guarantees; no impairment
Agua De Oro Ventures Corporation	<b>2019</b>	<b>349</b>	<b>11,998</b>	Payable on demand;	Unsecured
	2018	355	11,649	non-interest bearing	No guarantees; no impairment
BIL	<b>2019</b>	<b>447</b>	<b>4,239</b>	Payable on demand;	Unsecured
	2018	576	3,792	non-interest bearing	No guarantees; no impairment
BTI	<b>2019</b>	<b>412</b>	<b>3,715</b>	Payable on demand;	Unsecured
	2018	1,016	3,303	non-interest bearing	no guarantees; no impairment
BBMRC	<b>2019</b>	<b>43</b>	<b>2,451</b>	Payable on demand;	Unsecured
	2018	29	2,408	non-interest bearing	no guarantees; no impairment
PECI	<b>2019</b>	<b>41</b>	<b>703</b>	Payable on demand;	Unsecured
	2018	43	662	non-interest bearing	No guarantees; no impairment
AFC	<b>2019</b>	<b>(831)</b>	<b>-</b>	Payable on demand;	Unsecured
	2018	(475)	831	non-interest bearing	No guarantees; no impairment
	<b>2019</b>	<b>93,881</b>	<b>355,620</b>		
	2018	(9,603)	262,547		
Less allowance for impairment	<b>2019</b>	<b>(1,181)</b>	<b>111,146</b>		
Losses	2018	112,327	112,327		
<b>Total</b>	<b>2019</b>	<b>₱95,062</b>	<b>₱244,474</b>		
	2018	(₱9,603)	₱150,220		

The Company recognized gain on reversal of allowance for ECL amounting to P1,181 in 2019. In 2018, the Company recognized allowance for ECL amounting to P112,327, covering amounts which management believes may no longer be recovered.

<b>Category</b>	<b>Year</b>	<b>Amount/ volume</b>	<b>Outstanding balance</b>	<b>Terms</b>	<b>Conditions</b>
<i>Amounts owed to related parties</i>					
BNMI	<b>2019</b>	<b>(₱46,872)</b>	<b>₱587,610</b>	Payable on demand;	Unsecured
	2018	(₱52,197)	₱634,482	non-interest bearing	No guarantees; no impairment
BLRI	<b>2019</b>	<b>8,205</b>	<b>36,218</b>	Payable on demand;	Unsecured
	2018	(94)	28,013	non-interest bearing	No guarantees; no impairment
SARC	<b>2019</b>	<b>21,563</b>	<b>30,083</b>	Payable on demand;	Unsecured
	2018	5,371	8,520	non-interest bearing	No guarantees; no impairment
BMC Forestry Corp (BFC)	<b>2019</b>	<b>(1,623)</b>	<b>24,777</b>	Payable on demand;	Unsecured
	2018	3,472	26,400	non-interest bearing	No guarantees; no impairment
AGMI	<b>2019</b>	<b>(43)</b>	<b>2,104</b>	Payable on demand;	Unsecured
	2018	(43)	2,147	non-interest bearing	No guarantees; no impairment
AFC	<b>2019</b>	<b>2,001</b>	<b>2,001</b>	Payable on demand;	Unsecured
	2018	-	-	non-interest bearing	No guarantees; no impairment

BMC	<b>2019</b>	<b>(23,428)</b>	-	Payable on demand;	Unsecured
	2018	4,399	23,428	non-interest bearing	No guarantees; no impairment
<b>Total</b>	<b>2019</b>	<b>(P40,197)</b>	<b>P682,793</b>		
	2018	(P39,092)	P722,990		

### **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.

	<b>2019</b>	2018
Short-term benefits	<b>P28,003</b>	P33,127
Post-employment benefits	<b>5,438</b>	5,132
	<b>P33,441</b>	P38,259

The Company's related party transactions which are, individually or in aggregate over a 12-month period, 10% and above of the latest audited consolidated total assets are reviewed and evaluated by the Related Party Transaction Committee and Management Committee. Afterwards, these are approved by at least two-thirds (2/3) vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transaction. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the majority vote of the shareholders, or two-thirds (2/3) of the outstanding capital stock.

## **Item 6. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS**

### **Summary Compensation Table**

The aggregate compensation paid or incurred during the last two fiscal years and estimated to be paid in the ensuing fiscal year to the President/Chief Executive Officer/Officer-In-Charge, four most highly compensated executive officers and all other directors and officers of the Company as a group are as follows:

<u>Name</u>	<u>Principal Position</u>
1. Reynaldo P. Mendoza	Officer-In-Charge / Sr. Vice President, Legal & Asst. CorpSec
2. Lina F. Fernandez	Officer-In-Charge / Sr. Vice President, Finance & Controller
3. Margarita N. Hontiveros	Vice President, Healthcare Operations ( <i>Retrenched on 11/01/2019</i> )
4. Max D. Arceño	Vice President, Finance & Treasurer
5. Anna V Montes	AVPresident, Business Development & Special Projects ( <i>Resigned on 12/31/2019</i> )
6. Dale A. Tongco	Assistant Vice President, Audit & Risk

	Year	Salary (In-Million)	Bonus (In-Million)	Other Annual Compensation
All above-named officers as a group	2020*	P18.9	P1.6	P1.3
	2019**	19.3	1.7	1.7
	2018**	18.8	1.3	1.6
All other directors and officers as a group unnamed	2020*	P3.2	P0.3	P1.1
	2019**	8.7	0.8	1.3
	2018**	14.3	1.0	0.8

(\*) - Estimate      (\*\*) – Actual

### **Employment Contract with Executive Officers**

The Company has no special employment contracts with its executive officers. In the ordinary course of business, the Company has employment contracts with all its employees, including officers, in compliance with the applicable labor laws and regulations. There are no compensatory plan or arrangements with any executive officers, which results or will results from the resignation, retirement or any other termination of the executive officer's employment or from a change-in-control in the Company or a change in the executive

officer's responsibilities following a change in control of the Company and, no amount exceeding ₱2,500,000 is involved, which is paid periodically or installments..

### **Compensation of Directors**

The non-executive directors of the Company do not receive any regular compensation from the Company, except for every regular, special or committee meeting actually attended, for which members of the Board of Directors receive per diems of ₱15,000.00 (gross). There are no other material terms of, nor any other arrangements with regard to compensation as to which directors are compensated, or are to be compensated, directly or indirectly, for any services provided as a director.

### **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 2019, 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.

The following changes in the stock option grants was approved by the Board in its meeting held on August 31, 2016 and by the stockholders during the November 8, 2019 Annual Stockholders' Meeting due to change in par value of both Class A and B shares from ₱3.00 to ₱1.00 per share: (a.) Change in the total number of unexercised shares on the May 3, 2011, September 7, 2012 and May 28, 2014 grants and corresponding change in the exercise price; (b.) Change in the maximum number of shares per grant: from 500,000 to 1,500,000 shares; and (c.) Repricing of the unexercised options in the May 3, 2011, September 7, 2012 and May 28, 2014 grants. The exercised price (net of 25% discount) is ₱1.69 per share for Class "A" and ₱1.91 per share for class "B". (The exercised price is based on closing price of August 18, 2016: Class A – ₱2.25 and Class B – ₱2.55 less 25% discount pursuant to the provisions of the Plan of the Company) The repricing was brought about by the low turn-out in the availment of the grant due to high exercise price compared to market price.

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

- a. On May 3, 2011, under the Plan, the Company granted stock option to its officers, directors, managers and consultants totaling 2,200,332 common shares with a par value of ₱3.00 per share consisting of 1,320,199 class "A" common shares at an exercise price of ₱16.50 per share and 880,133 class "B"

common shares at an exercise price of ₱17.50 per share. Due to change in par value of both Class A and B shares from ₱3.00 to ₱1.00 per share and change of exercise prices from ₱16.50 to ₱1.69 per share for Class “A” and ₱17.50 to ₱1.91 per share, the total number of unexercised shares were adjusted to 6,600,996 common shares consisting of 3,960,597 class “A” shares and 2,640,399 class “B” shares. The granted stock option came entirely from the unissued/cancelled shares of the April 6, 2006 option grant consisting of 7,004,000 common shares with par value of ₱3.00 per shares (adjusted to 21,012,000 common shares with par value of P1.00 per share) under the current implementation of the amended Plan. The shares are exempted from registration under SRC rules and the listing was approved by the PSE. As of December 31, 2019, the number of options granted to, exercised, and unexercised by the President/Officer-In-Charge, 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 (Cessation from employment/ directorship)	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
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	-	-
Four Highest Paid Named Exe. Officers:										
ANM Hontiveros	-	-	-	-	-	-	-	-	-	-
MD Arceño	86,999	58,000	₱1.69	₱1.91	-	-	86,999	58,000	-	-
AG Montes	-	-	-	-	-	-	-	-	-	-
DA Tongco	-	-	-	-	-	-	-	-	-	-
All Other Officers and Directors as a Group Unnamed	428,999	286,000	₱1.69	₱1.91	18,000	12,000	410,999	274,000	-	-

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 624,000 common shares with a par value of P3.00 per share consisting of 374,400 class “A” common shares at an exercise price of ₱17.96 per share and 249,600 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, 2019, the number of options granted to, exercised, and unexercised by the officers and directors of the Company under this grant are as follows:

	Option Grants		Option Exercise Price/Share		Options Exercised		Options Unexercised		Options Cancelled (Cessation from employment / directorship)	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
RP Mendoza	-	-	-	-	-	-	-	-	-	-
LG Fernandez	-	-	-	-	-	-	-	-	-	-

Four Highest Paid Named Exe. Officers:										
ANM Hontiveros	-	-	-	-	-	-	-	-	-	-
MD Arceño	-	-	-	-	-	-	-	-	-	-
AG Montes	-	-	-	-	-	-	-	-	-	-
DA Tongco	-	-	-	-	-	-	-	-	-	-
All Other Officers and Directors as a Group Unnamed	396,000	264,000	₱1.69	₱1.91	-	-	306,000	204,000	90,000	60,000

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

- c. On May 28, 2014, under the amended Plan, the Company granted stock option to certain directors in recognition of their long years of service to the Company. The option grants of 600,000 common shares with Par Value of ₱3.00 per shares consisting of 360,000 class “A” common shares at an exercise price of ₱7.13 per share and 240,000 class “B” common shares an exercise price of ₱7.13 per share came entirely from the current balance of unissued / cancelled stock options under the present implementation of the Plan. Due to change in par value of both Class A and B shares from ₱3.00 to ₱1.00 per share and change of exercise prices from ₱7.13 to ₱1.69 per share for Class “A” and ₱7.13 to ₱1.91 per share, the total number of unexercised shares were adjusted to 1,800,000 common shares consisting of 1,080,000 class “A” shares and 720,000 class “B” shares. As of December 31, 2019, the number of options granted to, exercised, and unexercised by the directors of the Company under this grant are as follows:

	Option Grants		Option Exercise Price/Share		Options Exercised		Options Unexercised		Options Cancelled (Cessation from employment / directorship)	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
RP Mendoza	-	-	-	-	-	-	-	-	-	-
LG Fernandez	-	-	-	-	-	-	-	-	-	-
Four Highest Paid Named Exe. Officers:										
ANM Hontiveros	-	-	-	-	-	-	-	-	-	-
MD Arceño	-	-	-	-	-	-	-	-	-	-
AG Montes	-	-	-	-	-	-	-	-	-	-
DA Tongco	-	-	-	-	-	-	-	-	-	-
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 15, 2019 and November 7, 2019, respectively. Audit services of SGV for the calendar year ended December 31, 2019 included the examination of the parent and consolidated financial statements of the Company, assistance in the preparation of annual income tax return and other services related to filing of reports made with the Securities and Exchange Commission (SEC).

The Company is in compliance with SRC Rule 68, paragraph (3)(b)(iv) requiring the rotation of external auditors or engagement partners who have been engaged by the Company for a period of five (5) consecutive years. The Company's audit engagement partner for calendar year 2019 was Mr. Peter John R. Ventura- SEC accredited auditing partner of SGV, previously was Mr. Alexis C. Zaragoza. This is Mr. Ventura's first 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 2019 and ₱5.5 million for 2018. There are no other services rendered by the external auditor other than the usual audit services as mentioned above.

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

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

**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 SEPTEMBER 9, 2020, 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 VOTING 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 above stated, 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 2019 Audited Consolidated Financial Statements and Unaudited Interim Consolidated Financial Statements for 2020 Second Quarter Report ended June 30, 2020 (Annex "F") are incorporated in this information statement 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**

During the November 11, 2020 Annual Stockholders' Meeting, the following shall be submitted to the stockholders for their approval.

- I. Minutes of the Annual Stockholders' Meeting held on November 7, 2019.  
The minutes of the annual stockholders' meeting may be accessed through the Company website [www.benguetcorp.com](http://www.benguetcorp.com). The brief summary of Minutes is presented below.

**BRIEF SUMMARY OF MINUTES OF NOVEMBER 7, 2019 ANNUAL STOCKHOLDERS' MEETING**

1. The Corporate Secretary certified that there is a quorum for the transaction of business, there being present in person or represented by proxy a total of 296,387,161 or 79.50% of Convertible Preferred Class A and Class A shares and a total of 126,667,859 or 51.69% of Class B shares or a combined total of 423,055,020 or 68.47% of Convertible Preferred Class A, Class A and B shares of the Company.
2. The Management Report to the stockholders present during the annual meeting highlighted the 2018 performance of the Company as follows:
  - The Company was able to capitalize on its deep portfolio of assets in 2018. This allowed the Company the opportunity to focus on implementing structural changes in its core business – mining. Aside from extracting efficiencies in the value chain of the gold operations, improved metal prices enabled the Acupan project to develop new areas with potential resources. The nickel business was still able to contribute from shipment of remaining stockpiles even as mining activities remain suspended.
  - The Company posted strong earnings in a year that was beset with tremendous market volatility. Consolidated revenues for this year reached ₱1.03 billion, only ₱504 million or 33% lower than revenues in 2017 of ₱1.53 billion.
  - Gross revenues from the mining businesses amounted to ₱939 million, down only by 32% or ₱441 million from last year's revenues of ₱1.38 billion considering that its revenue driver – the nickel business remained suspended. Mining revenues were driven mainly by the Gold operations, rallying behind solid fundamentals in its value-chain despite uncertainties.



- The non-mining businesses contributed an additional ₱89.5 million in gross revenues down 41% than previous year's revenues of ₱153 million. This is the learning curve of the logistics business which started diversifying outside its nickel mining services contracts.
  - Still with reduced nickel business activity, year-end Net Income was an improvement at ₱119 million, up by ₱98 million, or over five times last year's ₱21.5 million. Total Comprehensive Income reached ₱233 million, ₱188 million or five times higher than the prior year's income of ₱45.6 million.
  - Total Equity rose to ₱3.93 billion, higher by 6% than Total Equity in 2017 of ₱3.70 billion.
  - Consistent with management's strategic imperative to maximize the Company's various assets, the Total Assets as of 2018 are valued at ₱6.62 billion versus the ₱6.56 billion level in 2017.
  - A total of ₱42.7 million was spent for the Company's Environmental Protection and Enhancement Program (AEPEP) in 2018. The Company's nickel and gold mining operations continue to be ISO 14001:2015 certified. During the year, the Company propagated 411,399 of various seedlings in its company-owned nurseries and planted about 360,595 seedlings of various endemic species resulting in the rehabilitation of about 166.03 hectares in compliance to the Company's progressive rehabilitation program and Department of Environment and Natural Resources' (DENR's) National Greening Program.
  - The Company implemented various Social Development and Management Programs (SDMP) which supplemented the general welfare programs of the national and local governments. 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.
  - The Company will pursue the development and improvement of the operations of its business segments – mining, logistics, health care, and real estate.
  - With gold still the best earning commodity at current price above the US\$1,400/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 in mine development activity. Management is working closely with its mining contractors and BC 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). Bolstering local relations and strong market are essential to sustain the Company's commitment to haul and ship the remaining stockpile in compliance with the order of the 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 respectable, 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. Feasibility studies of new real estate projects are ongoing.
  - The Company will strive to meet its strategic thrust of deriving a balanced revenue from its mining with new mining projects, and non-mining business units through new real estate projects.
3. The stockholders approved the Minutes of the Annual Meeting of Stockholders held on November 8, 2018. The Company received votes in person and by proxy a total of 296,387,161 or 79.50% of Convertible Preferred Class A and Class A shares and a total of 126,667,859 or 51.69% of Class B shares or a combined total of 423,055,020 or 68.47% 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 November 8, 2018.
  4. The stockholders approved the Management Report and Audited Financial Statements for 2018. The Company received votes in person and by proxy a total of 296,387,161 or 79.50% of

Convertible Preferred Class A and Class A shares and a total of 126,667,859 or 51.69% of Class B shares or a combined total of 423,055,020 or 68.47% of Convertible Preferred Class A, Class A and B shares in favor of the approval of the Management Report and Audited Financial Statements for 2018.

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 296,387,161 or 79.50% of Convertible Preferred Class A and Class A shares and a total of 126,667,859 or 51.69% of Class B shares or a combined total of 423,055,020 or 68.47% 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 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. The Company received votes in person and by proxy a total of 296,387,161 or 79.50% of Convertible Preferred Class A and Class A shares and a total of 126,667,859 or 51.69% of Class B shares or a combined total of 423,055,020 or 68.47% of Convertible Preferred Class A, Class A and B shares in favor of the 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.
  7. The stockholders confirmed and ratified 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 up to November 7, 2019. The Company received votes in person and by proxy a total of 296,387,161 or 79.50% of Convertible Preferred Class A and Class A shares and a total of 126,667,859 or 51.69% of Class B shares or a combined total of 423,055,020 or 68.47% 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 November 8, 2018 Annual Stockholders' Meeting up to November 7, 2019.
  8. 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 Common Class "A" Shares of Stock:
      1. Ma. Remedios R. Pompidou
      2. Luis Juan L. Virata
      3. Jose Raulito E. Paras
      4. Romeo L. Go
      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. The Management Report (Annex "A") and the Audited Financial Statements for the year ended 31 December 2019 audited by the Company's independent external auditors, Sycip Gorres Velayo & Company (SGV) are contained in this Information Statement. The 2019 audited financial statements is also an attachment of the Company's 2019 Annual Report (SEC Form 17-A) as filed to the SEC and PSE. These are posted and accessible through the Company website [www.benquetcorp.com](http://www.benquetcorp.com) and may be accessed in the online system of PSE Edge Portal <https://edge.pse.com.ph> .

III. The following are acts, contracts, investments, resolutions, and proceedings made, passed and entered into by Management and/or the Board of Directors during the period November 5, 2019 until the date of the 2020 Annual Stockholders' Meeting:

- 1) Approved the resignation of Chairman Daniel G. Romualdez as Director from BC, BenguetCorp USA, Inc. and Benguetcorp International Limited and from all committee positions;
- 2) Approved the appointment of new Director, Atty. Romeo L. Go, representing Common Class A and Convertible Preferred Class A shares of stock;
- 3) Approved 2020 Budgets as presented;
- 4) Approved amended policy on Anti-Fraud and Whistleblowing to include Bribery and Anti-Corruption;
- 5) Noted and approved voluntary retrenchment under BCLI of Ms. Ana Margarita N. Hontiveros-Malvar and purchase of company-assigned vehicle as part of the package;
- 6) Approved to grant Christmas Gift for Managers/Officers (similar to 13<sup>th</sup> month pay of rank-and-file employees) of BC parent company and subsidiaries equivalent to one month basic pay;
- 7) Approved the amendment/update on authorized CHQ bank signatories to delete Ms. Ana Margarita Hontiveros-Malvar;
- 8) Approved Contract of Sublease between BC and Drake Business Services Asia;
- 9) Approved Drilling Contract with JCP Geo-ex Services, Inc. for Pantingan Project;
- 10) Approved BGO contracts as follows:
  - (a) ACMP contract between BC and Kidkid Simongo Mining Livelihood Assn., Inc.
  - (b) ACMP contract between BC and Mine Site Livelihood Association, Inc.
  - (c) ACMP contract between BC and RBSS Gold Ore Mining
  - (d) MOA between BC and Joeden C. Acay
  - (e) Contract of Work between BC and Joeden C. Acay
  - (f) Contract of Work between BC & Batuang, Lower Dalicno & Maligaya Civic Association, Inc.
  - (g) MOA between BC and Camado Clan Assn, Inc.
- 11) Appointed/re-elected/re-appointed the Chairman of the Board and Officers of the Company to the following positions:

Chairman of the Board	- Dr. Bernardo M. Villegas
Officer-in-Charge, Senior Vice President-Legal, and Asst. Corporate Secretary	- Atty. Reynaldo P. Mendoza
Officer-in-Charge, Senior Vice President- Finance & Controller- Vice President-Finance & Treasurer	- Atty. Lina G. Fernandez
Asst. Vice President-Bus Dev't and Special Projects	- Mr. Max D. Arceño
Asst. Vice President-Environmental Compliance	- Ms. Anna Vicedo-Montes
Asst. Vice President-Audit, & Risk	- Ms. Pamela M. Gendrano
Corporate Secretary	- Mr. Dale A. Tongco
	- Atty. Hermogene H. Real
- 12) Approved the re-appointment of principal legal counsel: Sycip Salazar Hernandez & Gatmaitan Law Office;
- 13) Approved the re-appointment of Stock Transfer Agent and Registrar – Stock Transfer Service, Inc. (STSI) for local and U.S. stockholders;
- 14) Approved the reconstitution of the following Board Committees:
  - (1) EXECUTIVE COMMITTEE  
Chairman: Jesse Hermogenes T. Andres  
Members: Maria Remedios Paz R. Pompidou  
Bernardo M. Villegas (Villegas (Independent Director)
  - (2) SALARY AND STOCK OPTION COMMITTEE  
Chairman: Jesse Hermogenes T. Andres  
Members: Bernardo M. Villegas (Independent Director)  
Jose Raulito E. Paras
  - (3) AUDIT COMMITTEE  
Chairman: Bernardo M. Villegas (Independent Director)  
Members: Rhodora L. Dapula (Independent Director)  
Jennelyn F. Go
  - (4) NOMINATION COMMITTEE  
Chairman: Rhodora L. Dapula (Independent Director)

- Members: Edgar Dennis A. Padernal  
Bernardo M. Villegas (Independent Director)
- (5) CORPORATE GOVERNANCE COMMITTEE  
Chairman: Reginald S. Velasco (Independent Director)  
Members: Rhodora L. Dapula (Independent Director)  
Bernardo M. Villegas (Independent Director)  
Lina G. Fernandez – Compliance Officer
- (6) BOARD RISK OVERSIGHT COMMITTEE (BROC)  
Chairman : Reginald S. Velasco (Independent Director)  
Members : Romeo L. Go  
Bernardo M. Villegas (Independent Director)  
Dale A. Tongco – Chief Risk Officer
- (7) RELATED PARTY TRANSACTIONS (RPT) COMMITTEE  
Chairman : Rhodora L. Dapula (Independent Director)  
Members : Reginald S. Velasco (Independent Director)  
Luis Juan L. Virata
- 15) Reconfirmed CHQ bank signatories as follows: Any two (2) of the following officers :  
Class A:- Reynaldo P. Mendoza, Lina G. Fernandez or any of them jointly with any one of: Class B:- Max D. Arceño, Valeriano B. Bongalos, Jr.
- 16) Noted and approved the declared beneficial owners in the GIS as required under SEC Memo Circular No. 15 (Series of 2019) citing beneficial owner definition category “(D) *having ability to exert dominant influence over management or policies of corporation*” to be disclosed as required in the new SEC General Information Sheet (GIS) as follows:  
Bernardo M. Villegas – Chairman of the Board  
Reginald S. Velasco – Independent Director  
Jesse Hermogenes T. Andres – Director  
Jennelyn F. Go – Director  
Lina G. Fernandez – Officer-in-Charge  
Reynaldo P. Mendoza – Officer-in-Charge
- 17) Approved the appointment of Mr. Valeriano B. Bongalos, Jr. as Vice President-Resident Manager for Benguet District Operations effective January 15, 2020;
- 18) Noted and approved the resignation of Ms. Ma. Anna G. Vicedo-Montes as Asst. Vice President for Business Development and Special Projects effective December 31, 2019;
- 19) Approved the sale of P1.00 car vehicle assigned to Ms. Montes pursuant to Officer Car Policy, to wit: 2013 Honda City Sedan with plate no. WOF-755;
- 20) Approved the 2019 Audited Financial Statements [Audited Consolidated Financial Statements (ACFS) and Audited Parent Financial Statements (APFS)] of the Company as of year ended December 31, 2019. The Board also approved and authorized the issuance of the Company's 2019 ACFS and APFS as audited by Sycip Gorres Velayo and Company.
- 21) Approved the appointment of Atty. Andrew Patrick R. Casino as Director representing Common Class A and Convertible Preferred Class A shares of the Company. He replaced Mr. Daniel Andrew G. Romualdez who resigned as Director.
- 22) Approved the holding of the virtual ASM on November 11, 2020 at 3'Oclock P.M., Benguet Corporation's Board Room, 7th Floor Universal Re-Building, 106 Paseo de Roxas, 1226 Makati City, and fixed September 21, 2020 as the record date for stockholders entitled to notice of, and to vote at this meeting. The Board approved and authorized stockholders to participate in the virtual ASM through remote communication and to exercise their rights to vote in absentia or proxy.
- 23) Approved the re-organization/appointment of the following members of the board of directors and officers of the Company in the Board Committees:
- (1) SALARY AND STOCK OPTION COMMITTEE  
Chairman: Jesse Hermogenes T. Andres  
Members: Bernardo M. Villegas (Independent Director)  
Romeo L. Go
- (2) AUDIT COMMITTEE  
Chairman: Rhodora L. Dapula (Independent Director)

- Members: Bernardo M. Villegas (Independent Director)  
Jennelyn F. Go
- (3) NOMINATION COMMITTEE  
Chairman: Bernardo M. Villegas (Independent Director)  
Members: Rhodora L. Dapula (Independent Director)  
Edgar Dennis A. Padernal
- (4) CORPORATE GOVERNANCE COMMITTEE  
Chairman: Bernardo M. Villegas (Independent Director)  
Members: Rhodora L. Dapula (Independent Director)  
Reginald S. Velasco (Independent Director)  
Lina G. Fernandez – Compliance Officer
- (5) BOARD RISK OVERSIGHT COMMITTEE (BROC)  
Chairman : Reginald S. Velasco (Independent Director)  
Members : Bernardo M. Villegas (Independent Director)  
Jose Raulito E. Paras  
Pamela M. Gendrano – Chief Risk Officer
- (6) RELATED PARTY TRANSACTIONS (RPT) COMMITTEE  
Chairman : Bernado M. Villegas (Independent Director)  
Members : Reginald S. Velasco (Independent Director)  
Luis Juan L. Virata
- 24) Approved the amendment/update to board resolution on authorized signatories to sign and file BC's application for renewal of Certificate of Public Convenience (CPC) for Virac Water System;
- 25) Approved the amendment/update to board resolution on authorized signatories with METROBANK Head office and/or any of its branches;
- 26) Approved amendment/update to BOD resolution on authorized signatories with Land Bank-Paseo de Roxas branch to include Mr. Valeriano B. Bongalos, Jr. for the following accounts: (1) Benguet Corporation-Acupan Contract Mining Project-Rehabilitation Cash Fund (RCF-BC ACMP); (2) Benguet Corporation-Acupan Contract Mining Project-Monitoring Trust Fund (MTF-BC ACMP); (3) Benguet Corporation-Acupan Contract Final Mine Rehabilitation and Decommissioning Plan (FMRDP-BC ACMP);
- 27) Approved the amendment/update to authorized signatories to file Complaints and sign Verification and non-forum shopping to include Mr. Valeriano B. Bongalos, Jr., VP/Resident Manager for Benguet District Operations (BDO);
- 28) Approved the nomination of its Vice President/Resident Manager – Benguet District Operations, Mr. Valeriano B. Bongalos, Jr., as Company nominee in its corporate membership with Baguio Country Club and to occupy BCC membership no. 5234 formerly assigned to Mr. Antonio L. Buenavista;
- 29) Approved management's recommendation to retain in its DENR appeal on APSA Denial only APSA 09 (Acupan claims and surroundings) and APSA 13 (Ampucaao) with approximate total area of 1,778 hectares (BC owned) or 2,080 hectares (BC owned / BC controlled claims), and the rest, such as APSA 10, APSA 11, Apsa 12 and APSA 15 (covering total area of 1,521 hectares) will be relinquished / returned to their respective claimowners, as previously approved by the Board.
- 30) Approved and ratified the following contracts:
- 1) BGO contracts: (a) Contract of Work between BC and JC Calubandi Eqpt Svcs; (b) Contract of Work between BC and Joeden C. Acay and (c) Contract of Work between BC and Graceron Construction;
  - 2) MOA with LIPMA and SERCO re: Use of Liang Tailings Dam for Minahang Bayan Processing Plant
  - 3) Contract for Security Services with Longinus
  - 4) Deed of Assignment of Lease Contract of BC with SM re: MedCentral Cyberzone branch
  - 5) Contract for Security Services with Jade Security Agency (CHQ)
- 31) Approved/noted the resignation of AVP-Audit and Risk, Mr. Dale A. Tongco effective Feb 15, 2020;
- 32) Approved the appointment of new Chief Risk Officer, Ms. Pamela M. Gendrano, who is currently AVP-Environmental Compliance

- 33) Approved and accepted the resignation of Atty. Jennelyn F. Go as Class "B" director and Auditcom member.
- 34) Approved the nomination and appointment of new Director, Mr. Lester C. Yee, representing common Class "B".
- 35) Approved the re-appointment of SGV & Co. as the Company independent external auditor for the period 2020-2021.
- 36) Approved the resolution to establish and open bank account with Land Bank of the Philippines, Paseo-Benavidez Makati Branch for Benguet Corporation-Benguet Antamok Gold Operation-Final Mine Rehabilitation and Decommissioning Plan (BC-BAGO-FMRDP).
- 37) Approved and authorized the filing of application for Coal Operation Contract (COC) with Department of Energy for BC's Surigao Coal Project and designated authorized signatories to apply, sign and execute the COC application and other related documents.
- 38) Approval and authorized designated BC representatives in all Field Base Investigation (FBI)/Free and Prior Informed Consent (FPIC) Process to be conducted by the National Commission on Indigenous Peoples (NCIP) and in any of Provincial Officers, including authority to negotiate with any concerned Indigenous Cultural Communities/Indigenous Peoples (FCCs/IPs).
- 39) Approved and ratified the following contracts: (1) Extension Agreement dated June 3, 2020 between Benguet Corporation (BC) and Joeden C. Acay; (2) Hauling and Delivery Contract dated April 27, 2020 between BC and Leon Garcia; (3) MOA dated July 20, 2020 between BC and JC Calubandi Equipment Services, Inc. (4) Contract of Work dated July 30, 2020 between BC and Leon Garcia; (5) Contract of Work dated Sept. 1, 2020 between BC and Leon Garcia; (5) Contract of Work dated Sept 1, 2020 between BC and Camado Clan Association, Inc.
- 40) Approved the sale for P1.00 of car vehicle assigned to Mr. Antonio L. Buenavista pursuant to Officer Car Policy, to wit: 2013 Mitsubishi Strada GLS SPT with place no. UKQ-152.
- 41) Approved and accepted the resignation of Common Class B Director, Atty. Edgar Dennis A. Padernal and Class A and Convertible Preferred Class A Director, Atty. Romeo L. Go.
- 42) Approved the appointment of Atty. Jesse Hermogenes T. Andres as member of the Nomination Committee as replacement of Atty. Edgar Dennis Padernal.
- 43) Approved the appointment of new Directors: Mr. Anthony M. Te, representing Class A and Convertible Preferred Class A shares and Mr. Kwok Yam Ian Chan, representing Class B share.
- 44) Approved designated BC authorized signatories with Home Development Mutual Fund to transact, sign and submit Employer's Data Form (EDF) and other related documents on various business transactions with HDMF
- 45) Approved and confirmed BOD authority and mandate given to Mr. Isidro C. Alcantara, Jr., to market or offer to investors mineral and non-mineral properties for sale, joint venture, operatorship or other financial arrangement, and the execution of an engagement agreement with Mr. Alcantara as Financial Advisor under terms and conditions beneficial to the Company.
- 46) Approved authority for Mr. Isidro C. Alcantara, Jr., /Financial Risk Resolution and for soliciting Investor/Capital Raising on BC mineral and non-mineral properties and the execution of Non-Disclosure Agreement (NDA) and Financial Advisory Agreement, subject to submission to the Board of a fixed rate instead of range and settlement with SSS through the nominees firm of Mr. Alcantara.

A VOTE OF THE STOCKHOLDERS REPRESENTING MAJORITY OF THE OUTSTANDING VOTING CAPITAL STOCK OF THE COMPANY IS REQUIRED FOR THE APPROVAL/RATIFICATION OF MINUTES OF THE NOVEMBER 7, 2019 ANNUAL STOCKHOLDERS' MEETING AND ALL ACTS, CONTRACTS, INVESTMENTS, RESOLUTIONS, AND PROCEEDINGS MADE AND ENTERED INTO BY MANAGEMENT AND/OR THE BOARD OF DIRECTORS DURING THE PERIOD NOVEMBER 5, 2019 UNTIL THE DATE OF THE 2020 ANNUAL STOCKHOLDERS' MEETING. MANAGEMENT RECOMMENDS A VOTE **FOR** THESE 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**

No action is to be taken at the annual meeting with respect to amendment of charter, by-laws or other documents

**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**

All matters requiring approval of stockholders as set forth in the Agenda of the Notice of Meeting will require only the affirmative vote of the stockholders owning at least a majority of the outstanding voting capital stock of the Company. The representation of the stockholders during the meeting shall either be in person (*through remote communication*), through proxy, or voting in absentia.

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.

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.

Votes will be cast through ballots or proxies. The ballots and proxies shall be submitted in time so as to be received by the Office of the Corporate Secretary/Stockholders Relation Office by mail or by email to [ASMvote@benguetcorp.com](mailto:ASMvote@benguetcorp.com) on or before 3:00 o'clock P.M. of November 10, 2020, which is the deadline for submission of ballots and proxies.

Before a stockholder can participate in the Meeting via remote communication and exercise his right to vote in absentia the stockholder must first register and be authorized. Please refer to Annex "C" of this information statement regarding procedure for authentication, participation through remote communication and voting in absentia.

**PART II. INFORMATION REQUIRED IN A PROXY FORM**

**Identification**

The Company's Chairman of the Board of Directors, Mr. Bernardo M. Villegas and/or the Corporate Secretary, Atty. Hermogene H. Real, 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 11, 2020 and at any and all other adjournment thereof.

**Instruction**

Instructions on how to accomplish and return the Proxy Form are set out in the Proxy Form and in the Notice of Annual Meeting of Stockholders. The 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 7, 2019 Annual Stockholders' Meeting; **"FOR"** approval of Management Report and Audited Financial Statements for 2019 **"FOR"** approval of the re-appointment of Sycip Gorres Velayo and Company (SGV) as the independent external auditor of the Company; **"FOR"** Ratification and approval of all acts, contracts, resolutions and proceedings made and entered into by Management and/or the Board of Directors during the period November 5, 2019 to until the date of the 2020 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.

Proxies shall be validated and tabulated by a special committee composed of the Corporate Secretary, the Stockholders Relations of the Company, and the Company's stock transfer agent, Stock Transfer Service Inc. (STSI) [by means of cross-checking the outstanding shares and signature of the stockholders against their records]. The tabulation of votes shall be done by the special committee and further reviewed by the Company's independent external auditor, Sycip Gorres Velayo & Co. (SGV), when necessary.

### **Revocability of Proxy**

In the event a stockholder decides to participate 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 11, 2020, the proxy will still be valid for ninety (90) days from said date, or up to February 9, 2021 and can still be exercised in the event the TRO is lifted after the November 11, 2020 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 mailing the annual report together with the proxy statement/card upon written request of stockholders is P30,000.00

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.

The following are incorporated and form part of this report:

1. Annex "A" - 2019 Management Report
2. Annex "B" - Interim Report/Unaudited Interim Consolidated Financial Statements for Second Quarter Report ending June 30, 2020
3. Annex "C" - Rules and Procedure for Holding of, and Participation by Stockholders in the ASM by Remote Communication and Voting in Absentia
4. Annex "D" - Sworn Certificate of Qualification of Independent Director, Bernardo M. Villegas
5. Annex "E" - Sworn Certificate of Qualification of Independent Director, Reginald S. Velasco
6. Annex "F" - Sworn Certificate of Qualification of Independent Director, Rhodora L. Dapula
7. Annex "G" - 2019 Audited Consolidated Financial Statements with:
  - a) Management's Responsibility for Financial Statements;
  - b) Independent Auditor's Report on Supplementary Schedules; and
  - c) Independent Auditor's Report on Components of Financial Indicators



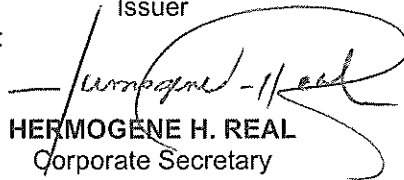
**SIGNATURE**

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 25, 2020.

**BENGUET CORPORATION**

Issuer

By:



**HERMOGENE H. REAL**  
Corporate Secretary

**BENGUET CORPORATION**

**MANAGEMENT REPORT**  
(Pursuant to Rule 20.4 of 2015 SRC Rules)

**I. CONSOLIDATED AUDITED FINANCIAL STATEMENTS**

The Audited Consolidated Financial Statements of Benguet Corporation and its Subsidiaries for the year ended 2019 with the corresponding statement of management responsibility, and the unaudited interim consolidated financial statements for the second quarter ended June 30, 2020 (Annex "F") are attached to the Information Statement and are incorporated by reference. These are posted and available on the Company website [www.benguetcorp.com](http://www.benguetcorp.com) and also, may be accessed through the PSE Edge Portal <https://edge.pse.com.ph>.

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

No event has occurred where independent public accountants, Sycip Gorres Velayo & Company (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.

The re-appointment of SGV as the Company's independent external auditor was approved by the Board of Directors in its regular board meeting held on August 15, 2019 and by the stockholders of the Company in the November 7, 2019 Annual Stockholders' Meeting. The lead audit partner who conducted the audit for Calendar Year 2019 is Mr. Peter John R. Ventura with Accreditation No. 1735-A (Group A) expiring on January 14, 2022. This is Mr. Ventura's first year as engagement partner for the Company. Other information on independent public accountants, SGV, may be found in Item 7 of the Information Statement.

**III. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION, AND RESULTS AND PLAN OF OPERATION**

The discussion summarizes the significant factors affecting the results of operations and financial condition of the Company for the years ended December 31, 2019, 2018 and 2017. The discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Company as at December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the years ended December 31, 2019, 2018 and 2017. All necessary adjustments to present fairly the consolidated financial performance, financial position, and cash flows of the Company as of December 31, 2019, and for all the other periods presented, have been made.

**A. REVIEW OF FINANCIAL RESULTS**

**FINANCIAL PERFORMANCE**

**Consolidated Results of Operations**

The consolidated net income in 2019 amounted to ₱115.7 million, 3% lower than ₱119.1 million net income in 2018, (significantly higher than ₱21.5 million net income in 2017, and 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:

*Revenues*

Total consolidated revenues for the year 2019 amounted to ₱802 million, 20% lower than ₱1,008.7 million in 2018 (45% lower versus ₱1,462.9 million in 2017 and 48% lower versus ₱1,534.2 million in 2016). The decline is due to lower volume of nickel ore sold and gold production.

BNMI sold only 1 boatload of 1.5% nickel ore aggregating 55,000 tons at an average price of US\$22.50/ton versus 4 boatloads of 1.4% to 1.5% nickel ore aggregating 218,635 tons at an average price of US\$19.73/ton in 2018, 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 and 15 boatloads ranging from 1.5% to 1.8% aggregating 778,485 tons at an average price of US\$23.05/ton in 2016. This resulted to lower nickel revenue to ₱65 million from ₱227 million in 2018, ₱604 million in 2017 and ₱810 million in 2016.

Gold sold decreased by 13% to 8,069 ounces from 9,263 ounces in 2018, lower versus 10,923 ounces in 2017, and 9,166 ounces in 2016. The lower gold sales resulted in a lower revenue to ₱577 million in 2019, from ₱615 million in 2018, ₱691 million in 2017 and ₱542 million in 2016.

Decline in gold production is attributable to lower tons milled totaled 41,151 in 2019 versus 44,073 tons in 2018, (24% lower than 53,893 tons in 2017 and slightly higher versus 40,156 tons in 2016)

#### *Operating Costs and Expenses*

Cost and operating expenses in 2019 amounted to ₱923.8 million, 24% lower than the ₱1,209.1 million in 2018 (38% lower versus ₱1,492.9 million in 2017 and 43% lower versus ₱1,608.1 million in 2016). The decrease was mainly due to lower shipment tonnage of nickel ore.

Other income for 2019 amounted to ₱272.1 million, compared with the ₱337.7 million income in 2018, ₱81.2 million in 2017 and other charges of ₱156.3 million in 2016.

In 2019, the Company recorded a ₱287.2 million gain on revaluation of investment property, ₱68.6 million gain on sale of investment property and ₱22.5 million gain on settlement of trade and other liabilities partly offset by the ₱94.9 million provision for impairment of deferred mine exploration cost.

In 2018, the Company booked ₱605.8 million revaluation gain on investment property, ₱53.0 million gain on settlement of trade and other liabilities partly offset by provision for impairment of deferred mine exploration cost of ₱72.1 million and other noncurrent assets of ₱95.4 million.

In 2017, the Company recognized ₱45.6 million gain on sale of equipment and ₱38.6 million gain on write-off of loans.

In 2016, the Company booked other charges of ₱156.3 million in 2016.

Provision for income tax in 2019 amounted to ₱32.6 million versus ₱13.4 million in 2018, ₱25.2 million in 2017 and Benefit from Income Tax of ₱76.4 million in 2016. The provision for income tax pertains to the regular and minimum corporate income tax of BC (Parent Company), Benguetcorp Nickel Mines, Inc. (BNMI) and Keystone Port Logistics and Management Services Corporation (KPLMSC).

### **FINANCIAL POSITION**

#### **Assets**

The Company's consolidated total assets as of December 31, 2019 amounted to ₱6.92 billion, 4% higher than ₱6.63 billion in 2018 (5% higher than ₱6.57 billion in 2017 and 5% higher versus ₱6.56 billion in 2016). The increase is the net effect of the following:

#### *Cash and Cash Equivalents*

As of December 31, 2019, Cash and Cash Equivalents amounted to ₱77.2 million 74% lower than ₱302.1 million in 2018 (20% higher versus ₱64.5 in 2017 and 81% higher versus ₱42.6 million in 2016).

In 2019, cash was used to fund the Company's operation, exploration projects and payment of loan with Malayan Savings Bank.

In 2018, the Company obtained ₱326.6 million tax refund from the Bureau of Internal Revenue

In 2017, cash was provided by operation and proceeds from sale of mine equipment

In 2016, the Company generated cash amounting to ₱194 million from disposal of its investment properties and PPE partly offset by additional PPE purchased (₱36 million), additional exploration costs (₱72 million) and repayment of bank loans (₱94 million)

#### *Accounts Receivable*

As of December 31, 2019, Accounts Receivable amounted to ₱290.0 million against ₱210.9 million in 2018, ₱761.7 million in 2017 and ₱723.1 million in 2016.

Increase in 2019 was mainly due to advances made to suppliers/contractors. Decreased versus 2017 and 2016 was mainly due to collection of nickel shipments sold in 2017 and 2016. As of December 31, 2019, outstanding receivables from nickel ore shipments amounted to ₱91 million and advances made to suppliers/contractors amounted to ₱190 million.

#### *Inventories*

Inventories slightly increased to ₱132.1 million in 2019 compared to ₱129.0 million in 2018, but lower compared to ₱167.3 million in 2017 and ₱238.2 million in 2016. The decrease versus 2017 and 2016 was mainly due to the recognition as expense of the beneficiated nickel ore inventory on account of the 4 boatloads in 2018 and 10 boatloads in 2017 of nickel ore exported to China.

#### *Other Current Assets*

Other current assets as of December 31, 2019 amounted to ₱314.1 million 50% lower than ₱632.1 million in 2018 (66% lower compared to ₱919.3 million in 2017 and 64% lower compared to ₱876.5 million in 2016). The decrease in 2018, 2017 and 2016 was mainly due to the input tax applied for VAT refund amounting to ₱40.23 million in 2019 and ₱80.30 million in 2018. In addition, VAT Tax Credit Certificate amounting to ₱59.14 million, which was granted by BIR in 2015 was encashed in 2019 and the creditable withholding tax was used in payment of income tax liabilities.

#### *Property Plant and Equipment*

As of December 31, 2019, the property, plant and equipment at revalued amount amounted to ₱1,673.3 million consisting of Land valued at ₱1,621.1 million and Artworks valued at ₱52.1 million. This is 35% higher than ₱1,236.5 million in 2018 (56% higher versus ₱1,070.3 million in 2017 and 37% lower versus ₱2,640.1 million in 2016). The increase/decrease was the net effect of the following:

The Company recognized revaluation increment on land amounting to ₱451.99 million in 2019 and ₱170.35 million in 2018 as determined by an independent appraiser. In 2017, the Company reclassified a property amounting to ₱1,574.7 million from property, plant and equipment to investment property that is held for long-term capital appreciation.

The Company recognized revaluation increment on artworks amounting to ₱30.8 million in 2019 and ₱4.9 million in 2017.

#### *Investment Properties*

As of December 31, 2019, the investment properties amounted to ₱2,478.9 million, 12% higher than ₱2,217.6 million in 2018 (54% higher versus ₱1,611.7 million in 2017 and substantially higher versus ₱31.9 million in 2016).

The Company recognized revaluation increment on land amounting to ₱287.2 million in 2019 and ₱605.8 million in 2018 as determined by an independent appraiser.

In 2017, the Company reclassified a property amounting to ₱1,574.7 million from property, plant and equipment to investment property that is held for long-term capital appreciation.

#### *Deferred Mine Exploration Costs*

Deferred mine exploration costs decreased by 16% to ₱449.2 million from ₱539.0 million in 2018 (28% lower versus ₱621.7 million in 2017 and 27% lower versus ₱616.0 million in 2016).

In 2019, the Company booked provision for impairment losses amounting to ₱94.9 million.

In 2018, the Company booked provision for impairment losses amounting to ₱72.1 million and wrote-off cost of exploration projects that are determined as not feasible amounting to ₱11.5 million.

#### *Deferred Tax Assets*

Deferred tax assets decreased by 35% to ₱47.7 million from ₱73.6 million in 2018 (31% lower versus ₱69.4 million in 2017 but higher by 38% versus ₱34.5 million in 2016).

Decrease versus 2018 and 2017 was mainly due to unused NOLCO and MCIT for which the deferred tax assets were not recognized in 2019 as the Company 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. Increase versus 2016 was due to lower NOLCO and MCIT in 2016.

#### *Other Noncurrent Assets*

Other noncurrent assets as of December 31, 2019 amounted to ₱482.0 million, compared to ₱307.6 million in 2018, ₱159.2 million in 2017 and ₱173.7 million in 2016. The increase was mainly due to higher nontrade receivables pertaining to advances and prepayments to contractors and suppliers for exploration and other related activities and projects.

#### **Liabilities**

As of December 31, 2019, total liabilities of the Company decreased to ₱2.510 billion from ₱2.689 billion, ₱2.861 billion and ₱2.902 billion as of end 2018, 2017 and 2016, respectively. The increase/decrease was due to the following:

#### *Trade and other payables*

Trade and other payables, mainly payables to suppliers and contractors, decrease by 33% to ₱576.9 million, from ₱858.6 million in 2018 (decrease by 44% versus ₱1.028 billion in 2017 and 44% versus ₱1.023 billion in 2016).

#### *Loans Payable*

Loans payable went down to ₱507.89 million from ₱530.67 million, ₱678.63 million in 2017 and ₱705.12 million in 2016. In 2019, the Company paid off ₱22.8 million as full settlement of its outstanding loan with Malayan Savings Bank. In 2018, the Company reclassified Contract Liabilities with a Chinese customer amounting to ₱100.736 million to Other Noncurrent Liabilities account. In 2017, the Company wrote-off loan payable to creditor amounting to ₱38.64 million since the creditor can no longer be located.

#### *Income Tax Payables*

Income tax payables amounted to ₱0.72 million in 2019, ₱0.02 million in 2018, ₱22.9 million in 2017 and ₱0.4 million in 2016 due to improved taxable income.

In 2018, the Company paid-off ₱22.9 million income tax liability.

#### *Liability for Mine Rehabilitation*

Liability for mine rehabilitation amounted to ₱91.6 million in 2019, ₱90.3 million in 2018, ₱100.9 million in 2017 and ₱95.9 million in 2016. Provision for Mine Rehabilitation Costs represent the Company's estimated mine closure costs.

#### *Pension Liability*

Pension liability amounted to ₱62.5 million in 2019, ₱54.1 million in 2018, ₱46.4 million in 2017 and ₱78.6 million in 2016. The Company has a funded, noncontributory pension benefit plan

covering all regular employees. The benefits are based on a certain percentage of the final monthly salary for every year of credited service of the employees. The defined pension benefit obligation is determined using the projected unit credit method. The Company's plan assets are being managed by a trustee bank. The retirement fund includes time deposits, shares of stocks, which are traded in the PSE, and unquoted shares of stocks.

#### *Deferred Tax Liability*

Deferred tax liability increased by 17% to ₱848.0 million from ₱725.7 million in 2018 (27% lower versus ₱665.8 million in 2017 but higher by 27% versus ₱666.2 million in 2016).

Increase versus 2018, 2017 and 2016 was mainly due to deferred tax liability on revaluation increment on land.

#### **Equity**

Total Equity as of December 31 amounted to ₱4.412 billion in 2019, 12% higher than the ₱3.938 billion in 2018, 19% higher than the ₱3.705 billion in 2017 and 21% higher than the ₱3.657 billion. The yearly increases from 2016 to 2019 were from the income earned yearly. In addition, increase in 2019 was due to revaluation increment on investment properties net of deferred tax.

#### **Consolidated Cash Flow**

Despite the suspension of the nickel operation in Zambales, the Company managed to fund its existing operations and exploration projects for possible expansion. In 2019, net cash used by the Company from operating activities amounted to ₱281.0 million compared to net cashflows generated in 2018 amounting to ₱268.0 million and ₱23.0 million in 2017. In 2016, the net cash used amounted to ₱40.2 million.

In 2019, cash was used to settle its trade payables. In 2018, the net cash generated is attributable mainly from the tax refund amounting to ₱326.6 million obtained from the Bureau of Internal Revenue.

Other than internally generated funds, the Company raised funds from borrowings and selling of investment properties and disposable equipment to finance the capital expenditures of the Acupan Gold Project, Sta. Cruz Nickel Project and other exploration activities.

Net cash provided by investing activities amounted to ₱97.8 million in 2019 versus ₱13.7 million in 2018, net cash used of ₱1.1 million in 2017 and net cash provided of ₱133.3 million in 2016.

In 2019, the Company generated ₱150.6 million from the sale of its real property. The Company invested ₱4.0 million in exploration activities and ₱28.0 million in mining equipment for the expansion of its Acupan Gold Project.

In 2018, 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 2017, the Company generated ₱46.6 million from the sale of Property, Plant and Equipment items. The Company invested ₱5.6 million in exploration activities and ₱56.2 million in mining equipment for the expansion of its Acupan Gold and Sta. Cruz Nickel Projects.

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

Net cash used by financing activities amounted to ₱41.8 million in 2019 versus ₱44.1 million in 2018, net cash provided of ₱0.1 million in 2017 and net cash used of ₱107.8 million in 2016.

Net cash provided by financing activities were principally derived from the availment of short-term loans amounting to ₱10.0 million in 2018, ₱70.0 million in 2017 and ₱250.0 million in 2016. The loan was used to repay in full the Company's loan with Malayan Savings Bank, credit facility with Philexim and fund the rehabilitation of mined-out areas amounting to ₱12.8 million.

## **B. OPERATIONAL OVERVIEW AND PLAN OF OPERATION**

### **MINING OPERATIONS**

#### *Acupan Gold Project (AGP)*

AGP delivered positive results this year derived from efficient operations and better metal prices. AGP ended the year with ₱29.9 million net earnings, a turnaround from the net loss of ₱27.0 million in 2018 and higher than the net earnings of ₱10.8 million in 2017 despite lower volume of 8,069 ounces from gold sales this year versus 9,216 ounces last year and 10,923 ounces in 2017, Gold prices improved averaging US\$1,384.64/Au oz, higher than the average selling price of US\$1,274.67/ Au oz last year and US\$1,260/Au.oz in 2017. Average Au grade for the year was slightly lower at 6.18 Au g/t compared to 6.50 Au g/t in 2018 and 6.83 Au g/t in 2017. AGP's average milling rate of 113 tons per day (tpd) this year is lower than the 121 tpd in 2018 and 148 tpd in 2017.

AGP is continuously reviewing systems, processes and equipment to enhance efficiency that will complement the improving gold prices. We expect margins to likewise improve in line with the optimistic outlook for gold. The outlook for the first quarter 2020 will not be as good as the 4th quarter 2019 due to major refurbishment of two ball mills at the plant. Moreover, the lockdown imposed toward the last month of the first quarter in response to the Pandemic (Covid-19) has caused disruption in production. The missed production opportunities, however, will be recouped in the succeeding quarters of 2020 after the lockdown is lifted.

#### *Benguetcorp Nickel Mines, Inc. (BNMI)*

BNMI provided a revenue stream to the Company from saleable stockpiled nickel ore while its mining operations remain suspended. The nickel business contributed revenues of ₱64.6 million in 2019, lower than revenues of ₱226.5 million in 2018 and ₱603.8 million in 2017. As a result, BNMI incurred net loss of ₱191.2 million this year, higher as compared to the net losses of ₱169.3 million in 2018 and ₱146.8 million in 2017. BNMI exported 55,000 tons grading 1.5% nickel ore this year, lower compared to 218,635 tons of nickel ore ranging from 1.3% to 1.4% Ni grade in 2018 and 530,690 tons of nickel ore ranging from 1.3% to 1.4% Ni grade in 2017, mainly due to shipments scheduled in the fourth quarter of 2019 were moved to the first quarter of 2020. Nickel ore was sold at a price of US\$22.50/ton this year, higher as compared to the average price of US\$19.73/ton in 2018 and US\$21.97/ton in 2017.

The lifting of Suspension Order on mining operation of BNMI is still under review by Department of Environment and Natural Resources (DENR). On February 19-20, 2020, a joint inspection of mining site was conducted by the validation team composed of Mines Geosciences Bureau (MGB)-Region 3, Environmental Management Bureau (EMB)-Region 3, DENR-Region 3, Provincial Environment and Natural Resources Office (PENRO) & Community Environmental Natural Resources Office (CENRO) and per the exit conference, the validation result is favorable to BNMI. A technical conference will be scheduled by MGB prior to preparation and submission of consolidated validation report and resolution by regulatory agencies of recommendation for lifting of Suspension Order to DENR. BNMI is optimistic that after lifting of the suspension order, it can resume mining operations and continue shipments of nickel ores. Notwithstanding its suspended operations, it continues to conduct infrastructure and maintenance activities, environmental enhancement and rehabilitation programs including the National Greening Program (NGP), Temporary Revegetation Program (TRP), and Progressive Rehabilitation Program (PRP) of the DENR, as well as perform its Social Development and Management Program.

#### *Irisan Lime Project (ILP)*

ILP generated net earnings of ₱20.4 million for this year, higher than the net earnings of ₱13.3 million in 2018 and ₱14.5 million in 2017. The improvement was mainly due to increased sales volume of 9,671 tons this year, as compared to 9,434 tons in 2018 and 9,522 tons in 2017 coupled with higher average selling price of ₱11,021/metric ton this year versus ₱10,233/metric ton in 2018 and ₱8,260/metric ton in 2017. The Mineral Processing Permit (MPP) for ILP was renewed and is valid until September 3, 2022.

#### *Benguet Antamok Gold Operation (BAGO)*

The revised Antamok Final Mine Rehabilitation and Decommissioning Plan (FMRDP) was submitted by the MGB to Contingent Liability and Rehabilitation Fund Steering Committee (CLRFSC) for approval due to new development, particularly on the actual rehabilitation needs considering current physical status of the area. The total costs to be incurred over a 4-year period starting 2019 was reduced from ₱43 million to ₱30 million. The aim of the FMRDP is principally to mitigate environmental risks and provide a sustainable final land use for the community. It includes 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.

On the Minahang Bayan, the operators have to comply with the requirements under the laws and other pertinent regulations, particularly on their Work Programs, SDMP-EPEP, Mineral Processing License and ECC, among others.

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

Exploration, research and development are currently undertaken by the Company's in-house team, with or assisted by consultants and other service providers, such as engineering and/or drilling contractors.

#### *Balatoc Tailings Project (BTP)*

The Company updated the BTP information memorandum and negotiation with potential financial consultant on engagement terms is ongoing.

#### *Pantingan Gold Prospect*

The Pantingan property is a viable prospect for epithermal gold mineralization and aggregates. Improvement in the price of gold has roused renewed interest in the Pantingan Gold Prospect. During the year, a diamond drilling exploration program was designed for a more exhaustive evaluation of this prospect. The Company commissioned JCP Geo-Ex to undertake exploration drilling program to assess and probe the behavior of the mineralization exposed on the surface. The Company has completed ground truthing, mapping and drill access road. Drilling will start on the first quarter of 2020. On the other hand, recent geological works in Pantingan property conducted by the Company's geologists revealed, identified and blocked 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 aggregates resources are located within and outside the MPSA. Exploration Permit Application covering 1,200 hectares for the aggregate resource outside the MPSA (north of the MPSA), was submitted and formally accepted by MGB.

#### **SUBSIDIARIES AND AFFILIATES**

##### *Arrow Freight Corporation (AFC)*

AFC a logistics provider of the Company reported net earnings of ₱1.9 million this year, in contrast to the net loss of ₱12.5 million in 2018 but lower than net earnings of ₱6.6 million in 2017. The positive variance was due to ₱17.5 million discount earned from the settlement of its liability with



Goldrich Construction and Trading. AFC is currently looking at resumption of its general cargo business.

*Keystone Port Logistics Management & Services Corporation (KPLMSC)*

KPLMSC the port and barging services provider of the Company was still not able to recoup its losses since its main client, BNMI, remained suspended. It incurred net loss of ₱5.3 million this year, compared to net loss of ₱40.2 million in 2018 and ₱6.8 million net earnings in 2017, mainly due to lower revenues from port usage on account of only 55,000 tons handled versus 267,994 tons in 2018 and 530,690 tons handled in 2017. With the reduced shipment volume coming out of BNMI operations, use of the Candelaria port is being offered for lease to third parties.

*BMC Forestry Corporation (BFC)*

BFC manages the lime kiln operation of Irisan Lime Project and various real estate projects. BFC continues to develop and sell subdivision lots in its real estate project in Rosario, La Union, the Woodspark Subdivision which reported net earnings of ₱1.6 million this year, higher as compared to the net earnings of ₱0.3 million in 2018 and ₱0.3 million in 2017. BFC continues to collect monthly amortizations from installment lot sales and sell the remaining lots.

*BenguetCorp Laboratories Inc. (BCLI)*

BCLI generated total revenues of ₱36.0 million this year, lower than 2018 revenues of ₱42.9 million and ₱64.2 million in 2017 due to challenges in sales operations. As a result, BCLI reported a net loss of ₱18.0 million, as compared to the net loss of ₱34.9 million in 2018 and ₱14.8 million in 2017. BCLI continues to serve its core customers and the Health Management Organizations in its clinics in Baguio City. BCLI performance is expected to improve next year as it completes the required medical team for the 3-year contract of clinic management and medical services with Texas Instrument in Baguio City and in Clark, Pampanga which commenced on January 1, 2020.

*BenguetCorp International Limited (BIL) in Hongkong*

In 1988, the Company acquired BenguetCorp International Limited (BIL), a Hongkong-based and wholly owned subsidiary for international operations, which remains largely inactive. BIL's subsidiary, BenguetCorp USA Limited (BUSIA) in Nevada, U.S.A. continue to hold interest as the claimowner of about 259 hectares of mineral property for gold/silver at Royston Hills, Nevada, which are currently being offered for sale to interested parties.

**C. KEY PERFORMANCE INDICATORS**

The Company's considered the following top five key performance indicators:

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, 2019, the Company's current ratio is 0.73:1 versus 0.92:1 in 2018, 1.11:1 in 2017.

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 on world spot market prices provided by the London Metal Exchange for gold is the key indicator in determining the Company's revenue level. The average market prices for gold sold were at US\$1,384.64 per ounce in 2019, US\$1,274.67 per ounce in 2018 and, US\$1,260 per ounce in 2017. Nickel ore was sold at effective average price of US\$22.50/ton in 2019, US\$19.73/ton in 2018 and, US\$21.97/ton in 2017.

Tons Milled and Ore Grade – the tons milled and ore grade are key measures of operating efficiency. Lower unit production cost both in ore milled and smelting operation will result in the Company meeting, if not exceeding, its profitability targets. In 2019, tons milled totaled 41,151 with average grade of 6.18 grams per ton of gold, compared to 44,073 tons in 2018 with average grade of 6.50 grams per ton of gold and, 53,893 tons in 2017 with average grade of 6.83 grams per ton of gold. Gold sold in 2019 were 8,069 ounces, 9,216 ounces in 2018 and, 10,923 ounces in 2017.

BNMI sold 1.5% grade nickel ore with an aggregate volume of 55,000 tons, compared to 218,635 tons of nickel ore ranging from 1.4% to 1.5% Ni grade in 2018 and, 530,690 tons of nickel ore ranging from 1.3% to 1.4% Ni grade in 2017.

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, 2019, the peso to dollar exchange rate was at ₱50.635, compared to ₱52.58 in 2018 and, ₱49.93 in 2017.

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 2019 and 2018 was ₱0.19, compared with the loss per share of (₱0.03) in 2017.

#### **D. KNOWN TRENDS, EVENTS OR UNCERTAINTIES**

The Company does not foresee any cash flow or liquidity problems over the next twelve (12) months. As of December 31, 2019, the Parent Company's outstanding principal debt subject to the 1992 Restructuring Agreement was reduced to ₱85.06 million. The Company has gold production from AGP which is directly sold to Bangko Sentral Ng Pilipinas, saleable stockpiled nickel ores from BNMI, steady market of ILP's quicklime, non-performing assets for disposal, tax refunds from the Bureau of Internal Revenue from which it expects to generate cash flow sufficient for the Company to meet its foreseeable requirements. The Company continues to expand its credit facilities and maintain optimum debt levels. Accordingly, efforts to reduce debt levels are continuing.

There are no known events 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.

There are no material off-balance sheet transactions, arrangements, 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, 2019 to December 31, 2018; and
- Seasonal aspects that had a material impact on the Company's financial condition or results of operations.

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

Benguet Corporation ("Benguet" or the "Company") is a publicly listed company that pioneered modern mining in the Philippines. It was established on August 12, 1903 and its 117 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. Benguet was initially organized as a sociedad anonima known as "Benguet Consolidated Mining Company". It was registered as a corporation with

the Securities and Exchange Commission (SEC) on June 18, 1956 under the name “Benguet Consolidated Inc.” and finally to its present corporate name of “Benguet Corporation” in 1980. Benguet is now on its third term of 50-year corporate life, with the last extension approved by the SEC on June 19, 2006.

Benguet started mining gold in 1903, chromite in 1934, copper in 1971 and nickel in 2007. The Company’s stature peaked in the 1980s when it was operating five major mines: gold mining at Benguet Gold Operations (BGO), Benguet Antamok Gold Operation (BAGO), and Paracale Gold Operation (PGO); producing copper concentrate (significant gold and silver by products) at Dizon Copper Gold Operation (DCO); and chromite at Masinloc Chromite Operation (MCO). 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.

In 2002, Benguet reopened BGO on a limited scale through the Acupan Contract Mining Project (ACMP) now renamed as the Acupan Gold Project (AGP). ACMP was initially conceived as a community based underground mining operation which started commercial operation in January 2003. AGP produces and markets gold (with silver by-product) and directly sells its gold produced to Banko Sentral Ng Pilipinas (BSP).

In 2007, Benguet developed the Sta. Cruz Nickel Project (SCNP), a surface nickel mining in Zambales Province, operated by its wholly owned subsidiary, Benguetcorp Nickel Mines, Inc. (BNMI). BNMI was incorporated and registered with the SEC on October 2, 2009. On December 10, 2010, subject to DENR approval, the Company transferred the mining permit denoted as Mineral Production Sharing Agreement (MPSA) No. 226-2005-III of its SCNP, to BNMI. The transfer of the MPSA was approved by the Mines and Geosciences Bureau (MGB) on January 16, 2012. BNMI produces nickel saprolite ore for export.

Benguet continues to review and package its various mineral properties for future development or sale. It remained focus on gold and nickel mine development, as gold remains a stable commodity and nickel consistently contributing revenues to the Company from saleable stockpiled nickel ores while mining operations remain suspended. It continues to stake claim on its Pantingan Gold Prospect in Bataan Province which is now in the exploration and development stages. The Pantingan property is a viable prospect for epithermal gold mineralization and aggregates. The Company also continues to hold interest in the Ampucao Copper-Gold, Zamboanga Gold, Surigao Coal, the Ilocos Norte and Apayao FTAA prospects, all in the Philippines, and gold/silver mining property in Royston Hills, Nevada, USA.

Aside from mining and mineral exploration, Benguet is also engaged in healthcare and diagnostics services through its subsidiary, BenguetCorp Laboratories, Inc.(BCLI)- incorporated and registered with the SEC on September 19, 2012; logistics services through subsidiary, Arrow Freight Corporation (AFC)- incorporated and registered with the SEC on October 16, 1962; trading of construction materials, equipment and supplies through subsidiary, Benguetrade, Inc. (BTI)- incorporated and registered with the SEC on March 5, 1997; port and shipping services through subsidiary, Keystone Port Logistics and Management Services Corporation (KPLMSC)- incorporated and registered with the SEC on September 11, 2008; and real estate development and lime kiln operation through subsidiary, BMC Forestry Corporation (BFC)- incorporated and registered in the Philippines on April 20, 1934. On December 23, 1950, Benguet acquired the Irisan Lime Project (ILP) in Baguio City from Mr. Richard L. Lile (formerly Lime Products Manufacturing). ILP is engaged in the production and trading of quicklime and hydrated lime.

For the past three years, Benguet and its subsidiaries have not been involved in any bankruptcy, consolidation, or purchase/sale of significant amount of assets not in the ordinary course of business.

## 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 record date September 21, 2020, 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 245,086,422 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 shares 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 record date September 21, 2020, the public float is 45% of the total outstanding shares of the Company.
- As of record date September 21, 2020, of the 616,043,444 total outstanding shares of the Company, or 14.66% are owned (90,309,766 common Class B shares) by foreign nationals.

### Market Price

As of September 24, 2020, the closing price in the PSE of the Company's common Class A share is P2.55 per share and the common Class B share is P2.68 per share. The closing price of the Company's Convertible Preferred Class A as of last trading day in the PSE as of June 23, 2016 is P12.02 per share.

For each Quarter 2019 and 2018 and, 2020 First Quarter & Second Quarter, the high and low prices of the Company's shares in the PSE are as follows:

	1 <sup>ST</sup> QUARTER		2 <sup>ND</sup> QUARTER		3 <sup>RD</sup> QUARTER		4 <sup>TH</sup> QUARTER		2020 1st Quarter	2020 2nd Quarter
	2019	2018	2019	2018	2019	2018	2019	2018		
CONVERTIBLE PREFERRED CLASS A*										
Highest Price/Share	P-	P-	P-	P-	P-	P-	P-	P-	P-	P-
Lowest Price/Share	-	-	-	-	-	-	-	-	-	-
COMMON CLASS A										
Highest Price/Share	P1.50	P1.99	P1.80	P1.70	P1.25	P1.70	P1.28	P1.55	P1.30	P1.46
Lowest Price/Share	1.12	1.61	1.08	1.45	1.10	0.97	0.98	1.00	0.96	0.70
COMMON CLASS B										
Highest Price/Share	P1.57	P1.96	P1.75	P1.84	P1.30	P1.70	P1.15	P1.50	P1.20	P1.39
Lowest Price/Share	1.11	1.60	1.11	1.41	1.02	0.87	1.02	0.90	0.89	0.95

(\*) No trading transactions in 2019, 2018, First & Second Quarter of 2020.

### Holder:

As of record date September 21, 2020, the total number of stockholders in the records of the Company's stock transfer agent, Stock Transfer Service Inc. (STSI) is 16,906 (consisting of 3,134 shareholders of Class A, 13,184 shareholders of Class B, and 588 shareholders of Convertible Preferred Class A). The list of top 20 stockholders for Common Class "A", Common Class "B" and Convertible Preferred Class "A" shares of the Company are as follows:

A. Common Class "A" Share

Name	Number of Shares Held	Percent to Total Outstanding/Class
PCD Nominee Corporation (Filipino)	175,970,477	47.42%
Palm Avenue Holding Company, Inc.	65,624,727	17.70%
Palm Avenue Holdings Co. and/or Palm Avenue Realty Corp.	63,920,490	17.24%
Palm Avenue Holdings Co. and/or Palm Avenue Realty Corp.	30,834,375	8.32%
House of Investment, Inc.	8,545,911	2.30%
FEBTC TA 4113-000204-5 (ESPP)	5,067,846	1.37%
FEBTC TA 4113-00204-5	3,016,623	0.81%
Cynthia Manalili Manalang	1,500,000	0.40%
RP Land Development Corporation	960,000	0.26%
Sysmart Corporation	868,956	0.23%
Pan-Asia Securities Coporation	590,400	0.16%
Paredes, Gabriel M. or Paredes, Marianne G.	564,900	0.15%
Pan Malayan Management and Investment Corporation	431,844	0.12%
RCBC TA #74-034-9	363,129	0.10%
Sun Hung Kai Sec. A/C# YUO34	356,625	0.10%
Marilex Realty Development Corporation	331,200	0.09%
Enrique T. Yuchengco, Inc.	257,376	0.07%
Luis Juan L. Virata	234,003	0.06%
Franciso M. Vargas	219,000	0.06%
The First National Investment Company	188,130	0.05%

B. Common Class "B" Share

Name	Number of Shares Held	Percent to Total Outstanding/Class
PCD Nominee (Filipino)	105,897,716	43.20%
Palm Avenue Realty and Development Co.	43,680,000	17.82%
PCD Nominee (Non-Filipino)	32,239,167	13.15%
Cede & Co	29,674,860	12.11%
David L. Sherman	2,961,747	1.21%
Pan Malayan Management & Investment Corporation	2,100,000	0.86%
Michael Vozar TOD Sharon K. Vozar Sub To Sta Tod Rules	736,260	0.30%
Charles F Carroll TTEE, UA 05/24/95 FBO Carroll Family Trust 1	543,000	0.22%
National Financial Services	504,033	0.21%
Fairmount Real Estate, Inc.	484,257	0.20%
Independent Realty Corporation	483,441	0.20%
Evelyn B. Stephanos TR US 05/12/11 Elizabeth Bakas Irrev Trust	450,000	0.18%
Richard Soltis & Veronica T. Soltis JT Ten	396,000	0.16%
Arthur H. Runk TTEE of Arthur H. Runk Liv Tr U/A dtd 08/17/1990	354,000	0.14%
HSBC Private Bank (Suisse) SA 9-17 Quai Des Bergues	303,795	0.12%
Edmund S. Pomon	300,000	0.12%
William David Courtright	300,000	0.12%
William T. Coleman	300,000	0.12%
Garry A. Gil TTEE FBO Arthur Weir Gill Rev Tr	300,000	0.12%
Sanford E. Halperin	251,364	0.10%

C. Convertible Preferred Class "A" Share

Name	Number of Shares Held	Percent to Total Outstanding/Class
PCD Nominee Corporation (Filipino)	64,780	29.84%
Fairmount Real Estate	59,262	27.30%

Jose Concepcion, Jr.	5,000	2.30%
Reginaldo Amizola	1,737	0.80%
Evangelina Alave	1,720	0.79%
Maverick Marketing Corporation	1,720	0.79%
Jayme Jalandoni	1,380	0.64%
Rosendo U. Alanzo	1,376	0.63%
Romelda E. Asturias	1,376	0.63%
Rosalina O. Ariacho	1,324	0.61%
CMS Stock Brokerage Inc.	1,324	0.61%
Luisa Lim	1,238	0.57%
Delfin GDN Jalandoni	1,118	0.52%
Ventura O. Ducat	1,032	0.48%
Conchita Arms	1,000	0.46%
Equitiworld Securities, Inc.	1,000	0.46%
Benito V. Jalbuena	1,000	0.46%
Remedios Rufino	1,000	0.46%
Carlos W. Ylanan	1,000	0.46%
B & M Incorporated	952	0.44%

#### Dividends

The Company has not declared any dividends in the two (2) most recent fiscal years 2019 and 2018 due to restrictions provided for in the Company's loan agreements with creditor banks.

#### Recent Sales of Unregistered or Exempt Securities

Under the present implementation of the Company's Stock Option Plan (the "Plan"), below are the transactions of sold stocks/exercised options in the past three years ended December 31, 2019, 2018 and 2017:

1. In the May 3, 2011 stock option grant:
  - a) 313,500 Class "A" shares at option price of ₱1.69/share with par value of ₱1.00/share; and
  - b) 94,800 Class "B" shares at option price of ₱1.91/share with par value of ₱1.00/share.
2. In the September 7, 2012 stock option grant:
  - a) 180,000 Class "A" shares at option price of ₱1.69/share with par value of ₱1.00/share; and
  - b) 120,000 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 further improve its current code of corporate governance practices and to develop an efficient and effective evaluation system and processes that governs the performance of the Board of Directors and management or determine the level of compliance of the Board of Directors and management with the new Manual of Corporate Governance (the "Manual") of the Company. The new Manual was adopted to institutionalize the principles of good corporate governance in the entire organization and in compliance with SEC Memorandum Circular No. 19, S2016, Corporate Governance Code for Publicly Listed Companies. For 2019, the Company formalized the Board Risk Oversight Committee Charter and new policies on Related Party Transaction; Anti-Fraud, Corruption and Whistleblowing; Enterprise Risk Management Framework; and self-assessment forms for Board, AuditCom and Board Risk Oversight Committee (BROC). The Company submitted to the Commission and Exchange, the SEC mandated annual report on Integrated Annual Corporate Governance Report 2019 (I-ACGR 2019), and the Sustainability Report 2019 as attachment of the Annual Report 2019 (SEC Form 17-A).

The directors, officers and employees substantially adhere to the leading practices and principles of good corporate governance. Corporate governance policies and principles were established to ensure

that the interest of stakeholders are always taken into account; that directors, officers and employees are conducting business in a safe and sound manner; and that transactions entered into between the Company and related interests are conducted at arm's length basis and in the regular course of business. There are no incidences of deviation from the Company's Manual requiring disclosure as to the person/s and sanction/s imposed.

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**

Upon the written request of the Stockholder, the Company undertakes to provide said Stockholder without charge a printed copy of the Company's Annual Report 2019 (SEC Form 17-A) and/or the Company's Quarter Report (SEC Form 17-Q) for the period ended June 30, 2020 as filed with the SEC. Such written request should be addressed to: THE MANAGER, Shareholder Relations Office, Benguet Corporation, 7<sup>th</sup> Floor Universal Re-Building, 106 Paseo de Roxas, 1226 Makati City, Philippines. The Company's Information Statement (SEC Form 20-IS), Annual Report (SEC Form 17-A), and Quarterly Report (SEC Form 17-Q) are posted and downloadable on the Company's website: <[www.benquetcorp.com](http://www.benquetcorp.com)> and may be access in the online system of PSE Edge Portal <https://edge.pse.com.ph>.

## ANNEX “B”

### INTERIM REPORT / UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2020

Information on the Company's results of operations and financial results contained in the Interim Unaudited Consolidated Financial Statements for the period ended June 30, 2020 as filed to the SEC and PSE the 2020 Second Quarterly Report under SEC Form 17-Q, are as follows:

#### A. REVIEW OF FINANCIAL RESULTS

##### SECOND QUARTER 2020 Vs. 2019

###### a. **Financial Performance**

###### *Consolidated Results of Operations*

The Company consolidated net income for the second quarter and first semester of 2020 amounted to ₱42.0 million and ₱98.7 million, respectively, a turnaround from the net loss of ₱7.0 million and ₱67.6 million for the same periods in 2019. The net income was the net effect of the following:

###### *Revenues*

The Company generated consolidated revenues of ₱293.1 million for the second quarter of 2020 and ₱701.6 million for the first semester of 2020, higher than the consolidated revenues of ₱238.1 million and ₱424.6 million reported for the same periods in 2019. The positive variance is attributable to higher revenue from mining business. For the first semester of this year, BNMI exported 5 boatloads of nickel ore ranging from 1.32% to 1.52% with an aggregate volume of 265,255 tons at an average price of US\$25.71 versus 1 boatload of 1.5% nickel ore with shipment volume of 55,000 tons at an average price of US\$22.50/ton in 2019. Despite the low production, the Acupan Gold Project (AGP) contributed a revenue of ₱308.7 million or 44% of the total revenue reported for the first semester this year. The increase is mainly due to higher price of gold. For the first semester of this year, AGP sold 3,720.46 ounces of gold at average price of US\$1,637.31 per ounce versus 3,861.18 ounces at an average price of US\$1,308.12 per ounce for the same period last year.

###### *Operating and Other Expenses*

Cost and operating expenses in the second quarter this year decreased to ₱245.1 million from ₱261.2 million for the same quarter in 2019, mainly due to decrease in cost of mine products sold by 28% or ₱53.6 million partly offset by increased in selling and general expenses by 59% or ₱31.2 million. For the first semester this year, cost and operating expenses went-up by 17% to ₱585.8 million from ₱501.9 million last year. The increase is mainly due to the cost incurred in selling 5 boatloads of nickel ore.

Interest expense for the second quarter and first semester of 2020 were higher compared to the same periods in 2019. The increase is mainly due to the accrued interest on finance lease, interest and penalty on late payment of withholding tax and bank charges booked during the quarter and first half this year.

Other income for the second quarter and first semester this year amounted to ₱3.0 million and ₱2.4 million, respectively. In contrast, other income for the second quarter and first semester in 2019 amounted to ₱22.3 million and ₱18.6 million, respectively. The other income in 2019 is attributable to the ₱24.3 million discount earned from the settlement of outstanding liability with Goldrich Construction and Trading and the ₱6.0 million gain on sale of property in Namayan, Mandaluyong City.



Provision for income tax of ₱7.5 million and ₱17.7 million for the second quarter and first semester this year pertains to the minimum regular corporate income tax of the BC (Parent company), Benguetcorp Nickel Mines, Inc. (BNMI) and Keystone Port Logistics and Management Services Corporation (Keystone).

## **SECOND QUARTER 2019 Vs. 2018**

### **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 2019 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 2019, 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 during the semester as against the same period in 2018.

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 2019 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 in 2018. 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 of 2019 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).

## **SECOND QUARTER 2020 vs. 2019**

### **b. Financial Condition**

#### *Assets*

The Company ended the second quarter of 2020 with consolidated total assets of ₱6.97 billion, slightly higher than ₱6.92 billion in 2019. The slight increase is the net effect of the following:

The cash and cash equivalent increased by 23% to ₱94.9 million from ₱77.2 million mainly from cash provided by operation; Receivables increased to ₱364.3 million from ₱290.0 million in 2019, mainly from nickel ore sold but not yet collected; Inventories decreased by 31% to ₱91.0 million from ₱132.2 million in 2019 mainly due to the five boatloads of stockpiled nickel ore sold this first semester of 2020; Other current assets slightly increased to ₱323.6 million from ₱314.1 million; and Decrease in Property, plant and equipment to ₱2,613.0 million from ₱2,637.2 million pertains to depreciation and amortization for the first semester this year.

#### *Liabilities*

The Company total consolidated liabilities as of June 30, 2020 decreased to ₱2.46 billion from ₱2.51 billion as of December 31, 2019. The decrease was due to the following:

Trade and other payables, mainly payables to suppliers and contractors, decreased by 8% to ₱532.7 million from ₱576.9 million in 2019 due to payment to various suppliers and contractors.

#### *Equity*

The Company stockholders equity for the first half this year amounted to ₱4,510.0 million higher than ₱4,412.0 million in 2019. The increase is due to the net income generated during the first semester of this year.

#### *Consolidated Cash Flow*

The Company net cash provided by operating activities for the first semester this year amounted to ₱35.0 million. In contrast, the net cash used for the same period last year amounted to ₱134.7 million.

During the first semester this year, the Company invested ₱1.2 million in property, plant and equipment, ₱4.5 million in exploration activities and ₱4.3 million in other assets pertaining to Mine Rehabilitation Fund in compliance with the requirement of Mines and Geo-sciences Bureau and input taxes on various purchases. Net cash used in financing activities amounted to ₱6.9 million. This pertains to the accrued forex gain on dollar cash advances from off-take Contract with Nickel buyer.

### **SECOND QUARTER 2019 Vs. 2018**

#### **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 in the second quarter 2019 was 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 in the second quarter 2019 was increased to ₱250.6 million from ₱210.9 million in 2018, mainly from exported nickel ore due for collection and cash advances subject for liquidation.

Inventories in the second quarter 2019 was decreased by 8% to ₱118.9 million from ₱129.0 million in 2018 mainly from the 1 boatload of nickel ore sold this first semester of 2019.

Other current assets in the second quarter 2019 was 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 of 2019.

##### *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 in 2019 from ₱858.6 million in 2018 due to payment to various suppliers and contractors.

Loans payable decreased to ₱507.9 million in 2019 from ₱530.7 million in 2018 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 2019 amounted to ₱134.7 million compared with ₱5.2 million cash used for the same period in 2018. During the first semester 2019, 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.

## **B. OPERATIONAL OVERVIEW AND PLAN OF OPERATION**

### **Mining Operations**

#### *Acupan Gold Project (AGP)*

Second quarter was very challenging for the Acupan Gold Project (AGP) as the COVID-19 pandemic that hit the country affected the AGP operation. The Local Government in Itogon and Baguio City imposed lockdown to control the spread of the virus. This resulted to lower turn-out of contractor's miners. Hence, gold production for the quarter reached only to 1,594.11 ounces, lower compared to 1,928.30 ounces for the same quarter last year. For the second quarter of this year, AGP milled 9,188 tons, lower than 11,328 tons for the same period last year. For the first half of this year, gold production decreased to 3,605.44 ounces from 3,841.42 ounces for the same period last year.

Despite lower production, AGP generated net income of ₱21.3 million for the second quarter and ₱36.5 million for the first half this year, a turnaround from the same respective periods in 2019 when AGP incurred net losses of ₱3.483 million and ₱9.1 million. This is attributable to higher average price of gold for the quarter at US\$1,711.55 per ounce and US\$1,637.31 per ounce for the first half this year versus the average price of US\$1,313.55 per ounce and US\$1,308.12 per ounce for the same respective periods in 2019.

AGP plan to hire additional company miners within the vicinity to increase its production in the second half while the price of gold remains high. It continued to monitor contractors' performance whose contracts undergoes periodic review, based not only on production performance but also on safety and other requirements. This time the effect of the COVID-19 crisis on their performance will be considered on the evaluation.

#### *Sta. Cruz Nickel Project (SCNP)*

The Company's nickel business under its wholly owned subsidiary, Benguetcorp Nickel Mines, Inc. (BNMI), operating the SCNP, generated net income for the second quarter and first semester this year amounted to ₱23.1 million and ₱43.3 million, respectively, a turnaround from the net loss of ₱29.0 million and ₱83.9 million for the same periods in 2019. BNMI exported 2 boatloads nickel ore equivalent to 106,605 tons at an average realized price of US\$24.58/ton for the quarter and 5 boatloads nickel ore

equivalent to 265,255 tons at an average realized price of US\$25.71/ton for the first semester this year, as compared to zero shipment and 1 boatload nickel ore equivalent to 55,000 tons at an average realized price of US\$22.50/ton for the same respective periods in 2019. Ore sold were stockpiled nickel ores from the mine site which the government allowed to be removed due to environmental risk the stockpiles may pose during the rainy season.

BNMI hopes for early lifting of suspension order on its mining operations following favorable recommendations from MGB/EMB Region 3 which is pending resolution by the DENR. BNMI is optimistic that after lifting of the suspension order and easing of community quarantine due to Covid-19, it can resume mining operations and continue shipments of nickel ores. Notwithstanding its suspended operations, it continues to conduct infrastructure maintenance activities, environmental enhancement and rehabilitation programs including the National Greening Program (NGP), Temporary Revegetation Program (TRP), and Progressive Rehabilitation Program (PRP) of the DENR.

#### *Benguet Antamok Gold Operation (BAGO)*

The Company is awaiting approval of the submitted revised Antamok Final Mine Rehabilitation and Decommissioning Plan (FMRDP) through MGB by Contingent Liability and Rehabilitation Fund Steering Committee (CLRFSC). The revised FMRDP was submitted due to new development on the actual rehabilitation works needed considering the current physical status of the area and the total costs to be incurred over a 4-year period starting 2019 was reduced from ₱43 million to ₱30 million. The aim of the FMRDP is principally to mitigate environmental risks and provide a sustainable final land use for the community. It includes 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. For the Minahang Bayan, the operators have to comply with the requirements under the laws and other pertinent regulations, particularly on their Work Programs, SDMP-EPEP, Mineral Processing License and ECC, among others.

#### *Irisan Lime Project (ILP)*

The Company's ILP generated net earnings of ₱4.4 million this quarter, or 24% lower than the ₱5.8 million net earnings generated for the same quarter in 2019. For the six-month period, pre-tax net earnings amounted to ₱9.6 million, or 44% lower than the pre-tax net earnings of ₱12.7 million generated for the same period last year. The decrease in the second quarter net earnings was mainly due to lower lime sales as a result of the pandemic from 2,417 metric tons in 2019 to 1,924 metric tons in 2020.

### **Exploration, Research and Development**

The Company continues preliminary drilling at the southern-half section of the MPSA tenement of Pantingan Gold Prospect to further test the vertical extension of the mineralized structures mapped previously in the claim area. A total down-dip extent of 340.60 meters for the final 2 boreholes were drilled this quarter bringing depth to a total meterage of 1,012.40 meters since the drilling operation was implemented in January 2020. Thus far, samples were submitted to Intertek Laboratory for analysis and the drill results is expected in the next quarter this year.

For the Pantingan aggregates project, geological evaluation continues through mapping and sampling works conducted on the 10-hectare blocks identified as highly prospective domains for mountain rock deposits and coarse rock aggregates situated northeast of the MPSA claim area. The larger block named PAB-1 was elected by the management to come-up with a bigger and wider resource materials for rock aggregates. Immediately north of PAB-1 are four-(4) of the applied Quarry Permit Areas (QPA) having a total area of 20 hectares. The blocks of PAB-1 and QPAs' are the main target domains being fully studied since May 2020 to locate prospective materials for rock aggregates. Head-sized and chip rock samples were strategically collected for megascopic analysis and physical laboratory tests to know its engineering properties.

## Subsidiaries and Affiliates

### *i. Logistics*

- Arrow Freight Corporation (AFC), the logistics provider of the Company, reported a net loss of ₱1.3 million in the second quarter this year and net income of ₱3.1 million for the first half of 2020, as compared to the net income of ₱11.4 million and ₱10.5 million for the same respective periods in 2019. The income last year was mainly due to ₱17.4 million discount earned in the settlement of outstanding liability with Goldrich Construction and Trading amounting to ₱87.6 million.
- Keystone Port Logistics and Management Services Corporation (KPLMSC), the port and barging services provider of the Company, generated net income for the second quarter and first semester this year amounted to ₱3.7 million and ₱9.6 million, respectively, as compared to net income of ₱3.1 million and ₱1.6 million for the same periods in 2019. This is mainly due to revenues of port usage on account of the 265,255 tons handled for the first semester this year, higher compared to 55,000 tons handled for the same period in 2019. With the reduced shipment volume coming out of BNMI operations, use of the Candelaria port is being offered for lease to third parties.

### *ii. Real Estate*

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 incurred net loss of ₱0.15 million this quarter and loss of ₱0.22 million for the first half of 2020, as compared to the net income of ₱0.34 million and ₱2.6 million for the same for the same respective periods in 2019. BFC continues to collect monthly amortizations and sell the remaining five (5) Woodspark Subdivision lots with an aggregate area of 1,763 square meters.

### *iii. Healthcare*

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 City. Total revenues in the first half of 2020 driven by this segment plus corporate accounts and others reached ₱15.7 million, lower than the revenues of ₱30.3 million for the same period last year due to lower sales in walk-in, HMO and corporate clients which were affected by Covid-19 pandemic and closure of its Taytay clinic in April 2020. Most of the medical consultants were hesitant to hold their clinic schedules because of the persistent pandemic issues, coupled with the controlled number of patients being treated daily and, strict implementation of safety and health protocols as monitored by DOH. As a result, BCLI incurred a net loss of ₱4.3 million for the first semester this year, lower than the loss of ₱5.0 million for the same period in 2019. A robust sales drive and increasing sales volumes for the succeeding quarters are expected to improve BCLI's performance

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

## C. KNOWN TRENDS, EVENTS OR UNCERTAINTIES

The Company continues to observe precautionary measures in response to the COVID-19 global pandemic to protect the health and safety of its employees. No active cases diagnosed among Benguet Corporation employees.

Further, as allowed by the Mines and Geosciences Bureau (MGB) to realign the unspent budget for 2019 which was carried over to 2020 Annual Social Development and Management Program (2020 Annual SDMP) in support to the Bayanihan to Heal as One Act amid the COVID-19 crisis, the Company has spent to-date ₱2.33 million from the SDMP funds for relief goods, medicines/vitamins and, personal protective equipment to frontliners and indigent families in the host and neighboring communities of BNMI, AGP and ILP.

Notwithstanding the lockdown and the current COVID-19 situation in the Philippines, the Company does not foresee any cash flow or liquidity problems over the next twelve (12) months. The Company continues gold production from AGP which is directly sold to Bangko Sentral Ng Pilipinas. Aside from AGP, there is steady market of ILP's quicklime, non-performing assets for disposal, tax refunds from the Bureau of Internal Revenue from which it expects to generate cash flow sufficient for the Company to meet its foreseeable requirements. The Company is likewise confident that the suspension order on mining operations of its wholly owned subsidiary BNMI will be lifted prior to the start of the next mining season in October 2020. BNMI is expecting that after the lifting of the suspension order and easing of community quarantine, it can resume mining operations and continue shipments of nickel ores.

There are no known events that will trigger direct or contingent financial obligation that are material to the Company, including any default or acceleration of an obligation that have not been booked, although the Company may be contingently liable for lawsuits and claims arising in the ordinary course of business which are not presently determinable.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities of other persons created during the reporting period.

As of June 30, 2020, except for what has been discussed and noted 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 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 and
- Seasonal aspects that had a material impact on the Company's financial condition or results of operations.

#### **D. 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, 2020, the Company current ratio is 0.82:1 versus 0.86:1 for the same period in 2019.

##### **2. Metal 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\$1,711.55 per ounce compared to US\$1,313.55 per ounce for the same quarter in 2019. Nickel ore was sold at average price of US\$24.58/ton versus US\$22.50/ton for the same period last year. The favorable metal prices will also have a favorable impact on the Company's revenue.

##### **3. Tons 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 9,188 tons of gold ore with average grade of 6.53 grams per ton gold versus last year of 11,328 tons of ore with average grade of 6.29 grams per ton gold. Gold sold this quarter were 1,594.11 ounces versus gold sold of 1,928.30 ounces for the same period last year. BNMI sold nickel ore this quarter with an aggregate volume of 106,605 tons versus 55,000 tons for the same period last year.

4. *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 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, 2020, the peso to dollar exchange rate was at ₱49.83, lower than the ₱51.24 for the same period in 2019. The volatility in the foreign currency exchange rates will continue to affect the operations in the foreseeable future.

5. *Earnings Per Share*

The earnings per share reflect the Company's bottom line operating results expressed in amount per share of the Company's outstanding capital stock. Assuming a constant outstanding number of shares, as a Company's earnings increase, the earnings per share correspondingly increase. This quarter, earnings per share is ₱0.07 versus ₱0.01 earnings per share for the same period of 2019.

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. Please refer to Operational Overview under "Subsidiaries & Affiliates" of the Second Quarter Report 2020 attached hereto by reference,

**BENGUET CORPORATION AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2020 AND DECEMBER 31, 2019**

<b>(Amounts in Thousands)</b>	<b>June 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	₱94,935	₱77,172
Trade and other receivables	364,263	289,955
Inventories	91,008	132,157
Other current assets	323,597	314,147
<b>Total Current Assets</b>	<b>873,803</b>	<b>813,431</b>
<b>Noncurrent Assets</b>		
Property, plant and equipment	2,612,816	2,637,152
Financial assets measured at fair value through other comprehensive income (FVOCI)	13,256	13,168
Deferred mine exploration costs	453,643	449,181
Investment property	2,478,862	2,478,862
Deferred tax assets – net	47,732	47,732
Other noncurrent assets	486,653	482,014
<b>Total Noncurrent Assets</b>	<b>6,092,962</b>	<b>6,108,109</b>
<b>TOTAL ASSETS</b>	<b>₱6,966,765</b>	<b>₱6,921,540</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Loans payable	₱507,893	₱507,893
Trade and other payables	532,747	576,856
Current portion of liability for mine rehabilitation	25,007	25,007
Current portion of lease liability	1,925	2,476
Income tax payable	738	721
<b>Total Current Liabilities</b>	<b>1,068,310</b>	<b>1,112,953</b>
<b>Noncurrent Liabilities</b>		
Deferred income tax liabilities – net	848,016	848,016
Liability for mine rehabilitation	66,575	66,575
Pension liability	60,909	62,562
Noncurrent portion of lease liability	5,603	5,583
Other noncurrent liabilities	407,847	414,201
<b>Total Noncurrent Liabilities</b>	<b>1,388,950</b>	<b>1,396,937</b>
<b>Total Liabilities</b>	<b>2,457,260</b>	<b>2,509,890</b>
<b>Equity</b>		
Capital stock	616,863	616,863
Capital surplus	380,382	380,382
Other components of equity	1,204,191	1,205,018
Retained earnings	2,316,085	2,217,403
	4,517,521	4,419,666
Cost of 116,023 shares held in treasury, ₱69 per share	(8,016)	(8,016)
<b>Total Equity</b>	<b>4,509,505</b>	<b>4,411,650</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱6,966,765</b>	<b>₱ 6,921,540</b>



**BENGUET CORPORATION AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED**  
**STATEMENTS OF INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2020**  
**(With Comparative Figures for the six months ended June 30, 2019)**  
**(Amounts in Thousands)**

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30		JUNE 30	
	2020	2019	2020	2019
<b>REVENUES</b>	<b>₱293,127</b>	<b>₱238,079</b>	<b>₱701,590</b>	<b>₱424,603</b>
<b>COSTS AND OPERATING EXPENSES</b>				
Costs of mine products sold	134,648	188,219	333,129	293,367
Costs of merchandise sold and services	8,856	8,486	19,565	15,357
Selling and general	84,449	53,259	189,931	176,568
Taxes on revenue	17,139	11,212	43,220	16,565
	<b>245,092</b>	<b>261,176</b>	<b>585,845</b>	<b>501,857</b>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>48,035</b>	<b>(23,097)</b>	<b>115,745</b>	<b>(77,254)</b>
<b>INTEREST EXPENSE</b>	<b>1,528</b>	<b>202</b>	<b>1,815</b>	<b>608</b>
<b>OTHER INCOME (EXPENSE)</b>				
Interest income	312	55	517	1,058
Foreign exchange gain (loss)	3,877	2,347	3,504	2,733
Miscellaneous – net	(1,180)	19,850	(1,589)	14,834
	<b>3,009</b>	<b>22,252</b>	<b>2,432</b>	<b>18,625</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>49,516</b>	<b>(1,047)</b>	<b>116,362</b>	<b>(59,237)</b>
<b>PROVISION FOR INCOME TAX</b>	<b>7,535</b>	<b>5,953</b>	<b>17,680</b>	<b>8,320</b>
<b>NET INCOME (LOSS)</b>	<b>₱41,981</b>	<b>(₱7,000)</b>	<b>₱98,682</b>	<b>(₱67,557)</b>
<b>BASIC EARNINGS (LOSS) PER SHARE</b>	<b>₱0.07</b>	<b>(₱0.01)</b>	<b>₱0.16</b>	<b>(₱0.11)</b>
<b>DILUTED EARNINGS (LOSS) PER SHARE</b>	<b>₱0.07</b>	<b>(₱0.01)</b>	<b>₱0.16</b>	<b>(₱0.11)</b>

**BENGUET CORPORATION AND SUBSIDIARIES**

UNAUDITED INTERIM CONDENSED CONSOLIDATED  
STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED JUNE 30, 2020  
(With Comparative Figures for the six months ended June 30, 2019)  
(Amounts in Thousands)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30		JUNE 30	
	2020	2019	2020	2019
<b>NET INCOME (LOSS)</b>	<b>₱41,981</b>	<b>(₱7,000)</b>	<b>₱98,682</b>	<b>(₱67,557)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<i>Items to be reclassified to profit or loss in subsequent periods:</i>				
Translation adjustment on foreign subsidiaries	(968)	97	(915)	103
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>				
Unrealized gain (loss) on equity instruments designated at FVOCI	44	(134)	88	6
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>(924)</b>	<b>(37)</b>	<b>(827)</b>	<b>109</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>₱41,057</b>	<b>(₱6,963)</b>	<b>₱97,855</b>	<b>(₱67,448)</b>

**BENGUET CORPORATION AND SUBSIDIARIES****UNAUDITED INTERIM CONDENSED CONSOLIDATED  
STATEMENTS OF CHANGES IN EQUITY****FOR THE SIX MONTHS ENDED JUNE 30, 2020****(With Comparative Figures for the six months ended June 30, 2019)****(Amounts in Thousands)**

	<b>June 30, 2020 (Unaudited)</b>	June 30, 2019 (Unaudited)	December 31, 2019 (Audited)
<b>CAPITAL STOCK</b>	<b>₱616,863</b>	₱616,863	₱616,863
<b>CAPITAL SURPLUS</b>	<b>380,382</b>	376,964	380,382
<b>REVALUATION INCREMENT</b>	<b>1,127,236</b>	839,669	1,127,236
<b>CUMULATIVE TRANSLATION ADJUSTMENT</b>			
Balance at beginning of period	<b>33,592</b>	32,721	32,721
Translation adjustment	<b>(915)</b>	103	871
Balance at end of period	<b>32,677</b>	32,824	33,592
<b>COST OF SHARE-BASED PAYMENT</b>			
Balance at beginning of period	<b>21,671</b>	25,089	25,089
Cancellation of stock options	-	-	(3,418)
Balance at end of period	<b>21,671</b>	25,089	21,671
<b>UNREALIZED GAIN ON FINANCIAL ASSETS AT FVOCI</b>			
Balance at beginning of period	<b>971</b>	1,013	1,013
Transfer of fair value reserve on disposed financial asset at FVOCI	-	-	(125)
Other comprehensive income (loss)	<b>88</b>	6	83
Balance at end of period	<b>1,059</b>	1,019	971
<b>UNREALIZED GAIN ON INTANGIBLE ASSET</b>	<b>135</b>	-	135
<b>REMEASUREMENT LOSS ON PENSION LIABILITY</b>	<b>21,413</b>	24,201	21,413
<b>RETAINED EARNINGS</b>			
Balance at beginning of period	<b>2,217,403</b>	2,029,559	2,029,559
Transfer of fair value reserve on disposed financial assets at FVOCI	-	-	125
Net income (loss) for the period	<b>98,682</b>	(67,557)	115,737
Balance at end of period	<b>2,316,085</b>	1,962,002	2,217,403
<b>TREASURY SHARES</b>	<b>(8,016)</b>	(8,016)	(8,016)
<b>TOTAL EQUITY</b>	<b>₱4,509,505</b>	₱3,870,615	₱4,411,650

**BENGUET CORPORATION AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2020**  
**(With Comparative Figures for the six months ended June 30, 2019)**  
**(Amounts in Thousands)**

	<b>THREE MONTHS ENDED</b>		<b>SIX MONTHS ENDED</b>	
	<b>JUNE 30</b>		<b>JUNE 30</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income (loss)	<b>₱41,981</b>	(₱1,047)	<b>₱98,682</b>	(₱39,374)
Adjustments for:				
Depreciation, depletion and amortization	<b>12,124</b>	10,549	<b>25,530</b>	31,513
Unrealized foreign exchange loss (gain)	<b>(4,091)</b>	97	<b>(4,240)</b>	326
Gain on sale of property, plant and equipment	-	6,188	-	6,188
Decrease (increase) in:				
Trade and other receivables	<b>(59,400)</b>	17,198	<b>(74,534)</b>	(39,742)
Inventories	<b>14,206</b>	7,796	<b>41,149</b>	10,074
Prepaid expenses and other current assets	<b>(6,216)</b>	85,901	<b>(9,433)</b>	86,483
Decrease in:				
Trade and other payables	<b>(39,362)</b>	(76,806)	<b>(40,470)</b>	(170,259)
Pension liability	<b>(1,653)</b>	-	<b>(1,653)</b>	-
Net cash from (used in) operating activities	<b>(42,411)</b>	49,876	<b>35,031</b>	(134,654)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Increase in:				
Property, plant and equipment	-	(2,935)	<b>(1,194)</b>	(14,014)
Deferred exploration costs	<b>(3,595)</b>	(313)	<b>(4,462)</b>	(543)
Other assets	<b>(2,063)</b>	(3,518)	<b>(4,639)</b>	(6,181)
Available for sale investments	<b>(44)</b>	(772)	<b>(88)</b>	(1,332)
Net cash from (used in) investing activities	<b>(5,702)</b>	(7,538)	<b>(10,383)</b>	(22,070)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payment of:				
Loans payable	-	-	-	(23,000)
Lease liabilities	<b>(116)</b>	-	<b>(531)</b>	-
Decrease in other noncurrent liabilities	<b>(6,740)</b>	(28,282)	<b>(6,354)</b>	(2,575)
Net cash used in financing activities	<b>(6,856)</b>	(28,282)	<b>(6,885)</b>	(25,575)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(54,969)</b>	14,056	<b>17,763</b>	(182,299)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>149,904</b>	105,763	<b>77,172</b>	302,118
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>₱94,935</b>	₱119,819	<b>₱94,935</b>	₱119,819

## BENGUET CORPORATION AND SUBSIDIARIES

### EARNINGS PER SHARE COMPUTATION FOR THE THREE MONTHS ENDED JUNE 30, 2020 AND 2019 (Amounts in Thousands, Except for the Number of Shares)

	June 30	
	2020	2019
Net income (loss)	<b>₱98,682</b>	(₱67,557)

Number of shares for computation of:

	June 30	
	2020	2019
<u>Basic earnings per share</u>		
Weighted average common shares issued	<b>616,119,252</b>	616,119,252
Less treasury stock	<b>348,069</b>	348,069
Weighted average common shares outstanding	<b>615,771,183</b>	615,771,183
<u>Diluted earnings per share</u>		
Weighted average common shares issued	<b>616,119,252</b>	616,119,252
Less treasury stock	<b>348,069</b>	348,069
	<b>615,771,183</b>	615,771,183
Conversion of preferred stock	<b>2,059,366</b>	—
	<b>617,830,549</b>	615,771,183
Basic earnings (loss) per share	<b>₱0.16</b>	(₱0.07)
Diluted earnings (loss) per share	<b>₱0.16</b>	(₱0.07)

**BENGUET CORPORATION AND SUBSIDIARIES****FINANCIAL SOUNDNESS INDICATORS****FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019**

	<b>June 30</b>	
	<b>2020</b>	<b>2019</b>
<b>Profitability Ratio</b>		
Return on asset	<b>0.01:1</b>	(0.01):1
Return on equity	<b>0.02:1</b>	(0.02):1
Gross profit margin	<b>0.44:1</b>	0.27:1
Operating profit margin	<b>0.16:1</b>	(0.18):1
Net profit margin	<b>0.14:1</b>	(0.16):1
<b>Liquidity and Solvency Ratio</b>		
Current ratio	<b>0.82:1</b>	0.86:1
Quick ratio	<b>0.43:1</b>	0.31:1
Solvency ratio	<b>2.84:1</b>	2.55:1
<b>Financial Leverage Ratio</b>		
Asset to equity ratio	<b>1.54:1</b>	1.64:1
Debt ratio	<b>0.35:1</b>	0.39:1
Debt to equity ratio	<b>0.54:1</b>	0.64:1
Interest coverage ratio	<b>65.11:1</b>	96.43:1

**BENGUET CORPORATION AND SUBSIDIARIES****AGING OF RECEIVABLES**

AS OF JUNE 30, 2020

(Amounts in Thousands)

<b>TYPE OF RECEIVABLES</b>	<b>LESS THAN 30 DAYS</b>	<b>30 TO 60 DAYS</b>	<b>LESS THAN ONE YEAR</b>	<b>ONE TO TWO YEARS</b>	<b>THREE TO FIVE YEARS</b>	<b>MORE THAN FIVE YEARS</b>	<b>TOTAL</b>
Trade receivables	₱40,089	₱13,744	₱10,155	₱–	₱20,860	₱49,229	₱134,077
Allowance for doubtful accounts	–	–	–	–	–	(27,882)	(27,882)
<b>Trade receivables – net</b>	<b>40,089</b>	<b>13,744</b>	<b>10,155</b>	<b>–</b>	<b>20,860</b>	<b>21,347</b>	<b>106,195</b>
<b>Nontrade receivables:</b>							
Officers and employees	5,812	1,630	1,980	14,608	13,492	35,892	73,414
Others	2,456	1,789	17,530	16,143	105,894	166,380	310,192
<b>Total</b>	<b>8,268</b>	<b>3,419</b>	<b>19,510</b>	<b>30,751</b>	<b>119,386</b>	<b>202,272</b>	<b>383,606</b>
Allowance for doubtful accounts	–	–	–	–	–	(125,538)	(125,538)
<b>Nontrade receivables – net</b>	<b>8,268</b>	<b>3,419</b>	<b>19,510</b>	<b>30,751</b>	<b>119,386</b>	<b>76,734</b>	<b>258,068</b>
<b>Trade and other receivables – net</b>	<b>₱48,357</b>	<b>₱17,163</b>	<b>₱29,665</b>	<b>₱30,751</b>	<b>₱140,246</b>	<b>₱98,081</b>	<b>₱364,263</b>

**BENGUET CORPORATION AND SUBSIDIARIES**  
**NOTES TO UNAUDITED INTERIM CONDENSED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019**

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**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.

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**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, 2019.

Changes in Accounting Standards and Interpretation

*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*

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

Financial assets

*Initial Recognition and Measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through OCI (FVOCI) and FVTPL.



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, *Revenue from contracts with customers*.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely payment of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the 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. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the 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)*  
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 cash in banks and short-term deposits under "cash and cash equivalents", trade receivables, receivables from lessees of bunkhouses, loans receivable under "trade and other receivables", advances to contractors and nontrade under "other current assets" and "other noncurrent assets", respectively.

- *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 FVOCI 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 FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its UITF and quoted shares under this category.

#### *Derecognition*

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 is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### *Impairment*

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. 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 cash and cash equivalents and short-term investments, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses publicly available ratings from (i.e. Standard and Poor's (S&P), Moody's and Fitch) to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

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.

### Financial liabilities

#### *Initial Recognition and Measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, 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.

The Group's financial liabilities include trade payables and accrued expenses under "trade and other payables", lease liabilities, and equity of claim owners on contract operations under "other noncurrent liabilities".

#### *Subsequent measurement - Financial liabilities at amortised cost (loans and borrowings)*

After initial measurement, interest-bearing loans and borrowings are measured at amortized cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of income.

This category generally applies to the Group's loans payable.

#### *Derecognition*

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.

### 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 participant 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.

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### **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 ₱364,263 and ₱289,955 as at June 30, 2020 and December 31, 2019, 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, 2020 and December 31, 2019, deferred mine exploration costs amounted to ₱453,643 and ₱449,181, 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, 2020 and December 31, 2019, property, plant and equipment (at revalued amount and at Cost amounted to ₱2,612,816 and ₱2,637,152, 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, 2020 and December 31, 2019, the carrying value of inventories amounted to ₱91,008 and ₱132,157, 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 ₱810,250 and ₱796,161 as at June 30, 2020 and December 31, 2019, 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, 2020 and December 31, 2019, the appraised value of land and artworks, and investment properties amounted to ₱4,152,150.

#### *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 ₱91,582 as at June 30, 2020 and December 31, 2019.

#### *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 ₱21,671 as at June 30, 2020 and December 31, 2019.

#### *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 ₱58,758 as at June 30, 2020 and December 31, 2019. Net pension liability of AFC amounted to ₱2,151 as at June 30, 2020 and December 31, 2019.

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 ₱52,383 as at June 30, 2020 and December 31, 2019. The Group has unused NOLCO, MCIT and deductible temporary differences 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.

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#### **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 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, 2020 and December 31, 2019, cash and cash equivalents may be withdrawn anytime while quoted FVOCI 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, 2020 and December 31, 2019.

<b>June 30, 2020</b>	<b>On demand</b>	<b>0-90 days</b>	<b>More than 90 days</b>	<b>More than one year</b>	<b>Total</b>
<b>Cash and cash equivalents</b>					
<b>Cash in banks</b>	<b>₱31,654</b>	<b>₱–</b>	<b>₱–</b>	<b>₱–</b>	<b>₱31,654</b>
<b>Short-term deposits</b>	<b>62,706</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>62,706</b>
<b>Trade and other receivables</b>					
<b>Trade</b>	<b>40,089</b>	<b>13,744</b>	<b>10,155</b>	<b>42,207</b>	<b>106,195</b>
<b>Receivables from lessees     of bunkhouses</b>	<b>1,001</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,001</b>
<b>Advances under other   current assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>63,356</b>	<b>63,356</b>
<b>Nontrade under other   noncurrent assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>202,917</b>	<b>202,917</b>
<b>FVOCI</b>					
<b>UITF</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>12,812</b>	<b>12,812</b>
<b>Quoted shares</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>444</b>	<b>444</b>
<b>Total</b>	<b>₱135,450</b>	<b>₱13,744</b>	<b>₱10,155</b>	<b>₱321,736</b>	<b>₱481,085</b>
<b>Loans payable</b>	<b>₱507,893</b>	<b>₱–</b>	<b>₱–</b>	<b>₱–</b>	<b>₱507,893</b>
<b>Trade and other payables</b>					
<b>Trade</b>	<b>191,442</b>	<b>–</b>	<b>59,472</b>	<b>63,258</b>	<b>314,172</b>
<b>Nontrade</b>	<b>24,137</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>24,137</b>
<b>Accrued expenses</b>	<b>49,576</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>49,576</b>
<b>Lease liability</b>	<b>1,083</b>	<b>–</b>	<b>1,393</b>	<b>8,730</b>	<b>11,206</b>
<b>Other noncurrent liabilities</b>					
<b>Equity of claimowner in     contract operations</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>49,136</b>	<b>49,136</b>
<b>Total</b>	<b>₱774,131</b>	<b>₱–</b>	<b>₱60,865</b>	<b>₱121,124</b>	<b>₱956,120</b>

*\*Excluding statutory payables*

<b>December 31, 2019</b>	<b>On demand</b>	<b>0-90 days</b>	<b>More than 90 days</b>	<b>More than one year</b>	<b>Total</b>
<b>Cash and cash equivalents</b>					
<b>Cash in banks</b>	<b>₱69,298</b>	<b>₱–</b>	<b>₱–</b>	<b>₱–</b>	<b>₱69,298</b>
<b>Short-term deposits</b>	<b>7,874</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>7,874</b>
<b>Trade and other receivables</b>					
<b>Trade</b>	<b>53,645</b>	<b>9,139</b>	<b>–</b>	<b>–</b>	<b>62,784</b>

Receivables from lessees of bunkhouses	1,344	–	–	–	1,344
Advances under other noncurrent assets	–	–	63,356	–	63,356
Nontrade under other noncurrent assets	–	–	–	202,917	202,917
FVOCI					
UITF	–	–	–	12,724	12,724
Quoted shares	–	–	–	444	444
<b>Total</b>	<b>₱132,161</b>	<b>₱9,139</b>	<b>₱63,356</b>	<b>₱216,085</b>	<b>₱420,741</b>
			More than	More than	
December 31, 2019	On demand	0-90 days	90 days	one year	Total
Loans payable	₱507,893	₱–	₱–	₱–	₱507,893
Trade and other payables					
Trade	292,619	–	74,039	–	366,658
Nontrade*	30,443	–	–	–	30,443
Accrued expenses	6,958	–	34,202	–	41,160
Lease liability	1,083	–	1,393	7,978	11,721
Other noncurrent liabilities					
Equity of claimowner in contract operations	–	–	–	49,136	49,136
<b>Total</b>	<b>₱838,996</b>	<b>₱–</b>	<b>₱109,634</b>	<b>₱57,114</b>	<b>₱1,006,561</b>

### 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, receivables from lessees of bunkhouses and loans receivable under trade and other receivables, advances under other noncurrent assets and FVOCI, 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 each instrument's carrying amount, before the effect of mitigation through the use of master netting and collateral agreements.

	<b>June 30, 2020</b>	December 31, 2019
Cash and cash equivalents		
Cash in banks	<b>₱31,654</b>	₱68,621
Short-term deposits	<b>62,706</b>	7,874

	June 30, 2020	December 31, 2019
Trade and other receivables		
Trade	106,195	62,784
Receivables from lessees of bunkhouses	1,001	1,344
Advances under other current assets	63,356	63,356
Nontrade under other noncurrent assets	202,917	202,917
	<b>₱467,829</b>	<b>₱406,896</b>

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

June 30, 2020	Neither past due nor impaired		Past due but not impaired	Impaired	Total
	High-grade	Standard- grade			
<b>Cash and cash equivalents</b>					
Cash in banks	₱31,654	₱-	₱-	₱-	₱31,654
Short-term deposits	62,706	-	-	-	62,706
<b>Trade and other receivables</b>					
Trade	-	106,195	-	27,882	134,077
Receivables from lessees of bunkhouses	-	-	1,001	3,644	4,645
Loan receivable	-	-	-	49,763	49,763
<b>Advances under other current assets</b>	-	-	63,356	2,411	65,767
<b>Nontrade under other noncurrent assets</b>	-	-	202,917	151,892	354,809
<b>Total credit risk exposure</b>	<b>₱94,360</b>	<b>₱106,195</b>	<b>₱267,274</b>	<b>₱235,592</b>	<b>₱703,421</b>

December 31, 2019	Neither past due nor impaired		Past due but not impaired	Impaired	Total
	High-grade	Standard- grade			
<b>Cash and cash equivalents</b>					
Cash in banks	₱68,621	₱-	₱-	₱-	₱68,621
Short-term deposits	7,874	-	-	-	7,874
<b>Trade and other receivables</b>					
Trade	-	62,784	-	27,882	90,666
Receivables from lessees of bunkhouses	-	-	1,344	3,644	4,988
Loan receivable	-	-	-	49,763	49,763
<b>Advances under other current assets</b>	-	-	63,356	2,411	65,767
<b>Nontrade under other noncurrent assets</b>	-	-	202,917	151,892	354,809
<b>Total credit risk exposure</b>	<b>₱76,495</b>	<b>₱62,784</b>	<b>₱267,617</b>	<b>₱235,592</b>	<b>₱642,488</b>

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 standard-grade. These were assessed based on past collection experience and the debtors' ability to pay.
- c. UITF and quoted financial assets at FVOCI 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 to contractors under other current assets and nontrade under other noncurrent assets were assessed as standard-grade, based on past collection experience and debtors' ability to pay.

#### *Impairment of Financial Assets*

The Group has financial assets consisting of cash and cash equivalent, trade receivables, UITF and quoted financial asset at FVOCI, receivables from lessees of bunkhouses, loan receivable, advances to contractors under "other current assets" and nontrade under "other noncurrent assets". While cash and cash equivalent are also subject to the impairment requirements of PFRS 9, the identified impairment loss were immaterial.

The Group applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables. On the other hand, the general approach was used in measuring ECL for receivables from lessees of bunkhouses, loan receivable, advances to contractors under "other current assets" and nontrade under "other noncurrent assets".

#### 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, 2020 and December 31, 2019, 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.

##### *Foreign Currency Risk*

Foreign currency risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial performance and cash flows. The Group has transactional currency exposures. Such exposure arises from the sale of gold and nickel ore and the purchase of certain goods and services denominated in US\$. All sales of gold and nickel ore are denominated in US\$. Dollar conversion of metal sales to Philippine peso is based on the prevailing exchange rate at the time of sale.

The Group's policy is to maintain foreign currency exposure within acceptable limits. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative

limits for an institution engaged in the type of business in which the Group is involved. The Group did not seek to hedge the exposure on the change in foreign exchange rates between the US\$ and the Philippine peso. The Group believes that active currency hedging would not provide long-term benefits to stockholders.

The Group's foreign currency-denominated monetary assets and liabilities as at June 30, 2020 and December 31, 2019 follow:

	June 30, 2020		December 31, 2019	
	US\$	Peso equivalent	US\$	Peso equivalent
<u>Financial Assets</u>				
Cash in banks	\$16	₱797	\$8	₱405
Trade receivables under "trade and other receivables"	1,526	76,041	527	26,685
Total monetary assets	\$1,542	₱76,838	\$535	₱27,090

As at June 30, 2020 and December 31, 2019, the exchange rates of the Philippine peso to the US\$ based on the Philippine Dealing System are ₱49.83 and ₱50.64, respectively.

The sensitivity to a reasonably possible change in the US\$ exchange rate, with all other variables held constant, of the Group's income before income tax as at June 30, 2020 and December 31, 2019 is as follows:

	Change in foreign exchange rate	Income before income tax effect
<b>June 30, 2020</b>		
	Strengthens by 1.25%	₱960
	Weakens by 2.33%	(1,790)
<b>December 31, 2019</b>	Change in foreign exchange rate	Income before income tax effect
	Strengthens by 1.25%	₱338
	Weakens by 2.33%	(632)

#### *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.

#### 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 2020, and 2019. The Group monitors capital using the parent company financial statements. As at June 30, 2020 and December 31, 2019, the Group has met its capital management objectives.

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

	<b>June 30, 2020</b>	December 31, 2019
Capital stock	<b>₱616,863</b>	₱616,863
Capital surplus	<b>380,382</b>	380,382
Retained earnings	<b>2,316,085</b>	2,217,403
Other components of equity	<b>1,204,191</b>	1,205,018
Treasury shares	<b>(8,016)</b>	(8,016)
	<b>₱4,509,505</b>	₱4,411,650

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 June 30, 2020 and December 31, 2019 are as follows:

	<b>June 30, 2020</b>	December 31, 2019
Total liabilities (a)	<b>₱2,457,260</b>	₱2,509,890
Total equity (b)	<b>4,509,505</b>	4,411,650
Debt-to-equity ratio (a/b)	<b>0.54:1</b>	0.57:1

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#### 5. **Seasonality and Cyclicity of Interim Operation**

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

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

##### *COVID-19 Outbreak*

In early January 2020, an outbreak of a respiratory illness caused by the COVID-19 coronavirus was identified in Wuhan, Hubei Province, China. In a move to contain this outbreak in the Philippines, on March 13, 2020, the Office of the President issued a Memorandum directive to impose stringent social

distancing measures and partial lockdown in the National Capital Region (NCR) effective March 15, 2020. During this partial lockdown, land, domestic air, and domestic sea travel to and from Metro Manila were suspended until April 14, 2020, while international departures were permitted. Mass transportation within Metro Manila was also suspended and only limited utility services were continued to operate with social distancing guidelines.

On March 17, 2020, the Office of the President announced the placement of the entire island of Luzon on enhanced community quarantine (ECQ). On April 7, 2020, the ECQ was extended until April 30, 2020. On April 24, it was further extended until May 15, 2020. On May 12, 2020, the ECQ was still in force and was further modified, as Metro Manila was placed under modified enhanced community quarantine (MECQ) until May 31, 2020. Effective June 1, 2020, NCR was placed under general community quarantine (GCQ).

This event has no significant impact on the Group in 2020, aside from additional costs for the rapid testing kits, protective devices, facemasks, alcohol and sanitizers, hand soap, and thermal scanner provided to and for the use of Group personnel.

As at June 30, 2020, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the Group's future operations.



## ANNEX “C”

### RULES AND PROCEDURE FOR HOLDING OF, AND PARTICIPATION BY STOCKHOLDERS IN THE ASM BY REMOTE COMMUNICATION AND VOTING IN ABSENTIA

In the light of the Covid-19 pandemic, which fostered the advent of the “New Normal” in business activities wherein public gathering or assembly is discouraged, the Board of Directors of Benguet Corporation (the “Company”) in its regular meeting held on June 4, 2020 has approved the holding of the virtual or electronic Annual Stockholders’ Meeting (ASM) on November 11, 2020 at 3:00 P.M., with record date September 21, 2020 for stockholders entitled to notice of and to vote at this meeting. The Board has also approved and authorized stockholders to participate in the virtual ASM through remote communication and to exercise their rights to vote in absentia pursuant to the provisions of SEC Memorandum Circular No. 6 Series of 2020,

#### **A. Registration:**

Stockholders intending to participate by remote communication in the virtual ASM and exercise their right to vote in absentia should notify the Company by email to [ASMregister@benguetcorp.com](mailto:ASMregister@benguetcorp.com) on or before November 3, 2020, and by submitting there the following supporting documents/information, subject to verification and validation.:

:

- a) Individual Stockholders
  - i. Copy of valid government-issued ID of stockholder/proxy.
  - ii. If appointing a proxy, copy of proxy form duly signed by stockholder.
  - iii. Valid and active email address and contact number of stockholder/proxy.
- b) Stockholders with Joint Accounts
  - i. Copy of valid government-issued ID of stockholder/proxy
  - ii. Proof of authority of stockholder voting the shares signed by the other registered stockholders, for shares registered in the name of multiple stockholders.
  - iii. Valid and active email address and contact number of stockholder/proxy.
- c) Corporate Stockholders
  - i. A secretary’s certificate appointing and authorizing proxy to participate in the ASM.
  - ii. Copy of valid government-issued ID of the representative.
  - iii. Valid and active email address and contact number of authorized representative.
- d) Stockholders under PCD Participant/Brokers account
  - i. A broker certification on the stockholder’s number of shareholdings.
  - ii. Copy of stockholder’s valid government issued ID.
  - iii. If appointing a proxy, copy of proxy form duly signed by stockholder.
  - iv. Valid and active email address and contact number of stockholder or proxy.

Note: The Company reserves the right to reject processing of registration and deny access to ASM facilities for incomplete documents or for any discrepancy found in the information provided. Stockholders who have successfully registered will receive an electronic invitation via email containing the Meeting ID and Password, including the rules and procedures for the ASM.

## **B. Participation in the ASM by Remote Communications**

- a.) Only registered stockholders are entitled to attend and participate and to vote through remote communication or in absentia during the ASM.
- b.) As the ASM will be conducted virtually, questions and/or comments limited to the items in the Agenda of the meeting may be sent prior to or during the ASM to [ebarcelona@benquetcorp.com](mailto:ebarcelona@benquetcorp.com).
- c.) During the virtual meeting, the Company will have an Open Forum. Stockholders will be given an opportunity to raise their questions/comments limited to the items in the Agenda. The Company will exert best efforts to answer as many of the questions/comments received from stockholders as time will allow. Any additional questions or questions received but not entertained during the open forum due to time constraints will be addressed by the Company through the specified email address provided by the stockholder.

## **C. Voting in Absentia**

- a.) Stockholders voting in absentia, who are duly registered and whose shareholdings have been authenticated and verified, may cast their votes using a ballot/proxy where they can write their votes on every item in the Agenda or proposed resolution. Ballot/Proxy forms are downloadable on the Company's website [www.benquetcorp.com](http://www.benquetcorp.com).
- b.) Registered stockholder should submit a scanned copy of duly accomplished ballot on or before 3:00 o'clock p.m. on November 10, 2020 via email to [ASMvote@benquetcorp.com](mailto:ASMvote@benquetcorp.com) or physical copy to the Office of the Corporate Secretary / Stockholders Relation Office, Benguet Corporation, 7<sup>th</sup> Floor Universal Re-Building, 106 Paseo de Roxas, Makati City, for validation.
- c.) Registered stockholders who wish to appoint a proxy should submit a scanned copy of duly accomplished proxy form on or before 3:00 O'clock PM on November 10, 2020 via email to [ASMvote@benquetcorp.com](mailto:ASMvote@benquetcorp.com) or physical copy to the Office of the Corporate Secretary / Stockholders Relation Office, Benguet Corporation, 7<sup>th</sup> Floor Universal Re-Building, 106 Paseo de Roxas, Makati City, for validation.

## **Important Notes:**

- a.) The Company will not hold a physical meeting and will conduct the ASM virtually through livestreaming. Stockholders can therefore only participate by remote communication, by voting through sending of ballots by email or digitally or by proxy.

- b.) Stockholders of records as of September 21, 2020 who have registered and whose shares have been verified and proxies validated shall be counted in the determination of a quorum at the ASM. By participating remotely by proxy, stockholder shall be deemed present for the purpose of quorum.
- c.) The Company shall ensure confidentiality of all votes for tabulation, including those cast by proxy, with assistance from the Company's stock transfer agent (Stock Transfer Service, Inc.) and subject to further review by SGV & Co., when necessary.
- d.) The ASM proceedings will be recorded in audio and video format and a copy of which shall be made available to a stockholder upon request.
- e.) Electronic Copies of Relevant Documents – Pursuant to SEC Notice issued on April 20, 2020, electronic copies of the Notice of Meeting, Definitive Information Statement and Management Report, 2019 Annual Report (SEC Form 17-A) and other related documents in connection with the virtual ASM may be accessed through the Company's website [www.benguetcorp.com](http://www.benguetcorp.com) and through the PSE Edge Portal <https://edge.pse.com.ph>

**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 designated independent director of the Company since 2002, although I've been a director prior to the issuance of SEC Memorandum Circular No. 16 dated November 29, 2002.

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

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Filipino Fund, Inc.	Director	2009 to present
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.

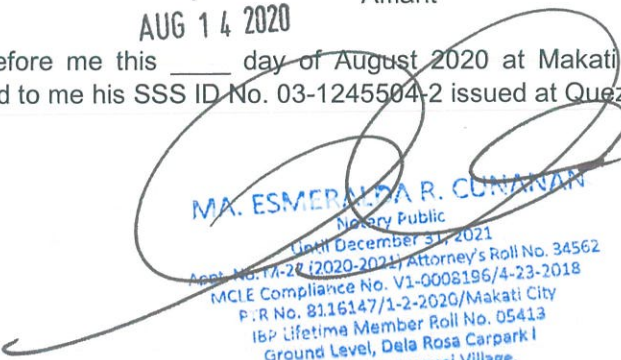
Done, this \_\_\_\_ day of August, 2020 at Makati City

  
**BERNARDO M. VILLEGAS**  
 Affiant

AUG 14 2020

SUBSCRIBED AND SWORN to before me this \_\_\_\_ day of August 2020 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. 413 ;  
 Page No. 84 ;  
 Book No. XX ;  
 Series of 2020.

  
**MA. ESMERALDA R. CUNANAN**  
 Notary Public  
 Until December 31, 2021  
 Appt. No. 171-20 (2020-2021) Attorney's Roll No. 34562  
 MCLE Compliance No. V1-0008196/4-23-2018  
 P.R No. 81.16147/1-2-2020/Makati City  
 IBP Lifetime Member Roll No. 05413  
 Ground Level, Dela Rosa Carpark I  
 Dela Rosa St. Legaspi Village,  
 Makati City

## 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 \_\_\_\_ day of August, 2020 at Makati City



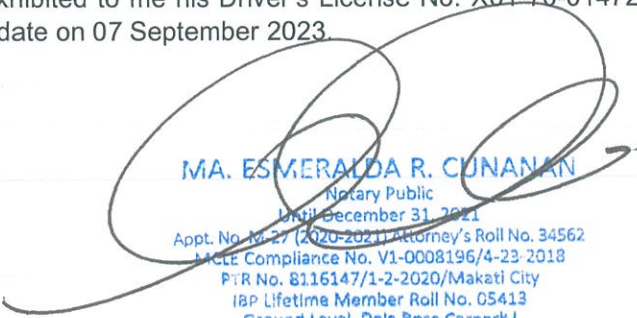
**REGINALD S. VELASCO**

Affiant

AUG 14 2020

SUBSCRIBED AND SWORN to before me this \_\_\_\_ day of August 2020 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. 411 ;  
Page No. 84 ;  
Book No. XXV ;  
Series of 2020.



**MA. ESMERALDA R. CUNANAN**  
Notary Public  
Until December 31, 2021  
Appt. No. M-27 (2020-2021) Attorney's Roll No. 34562  
MCE Compliance No. V1-0008196/4-23-2018  
PTR No. 8116147/1-2-2020/Makati City  
IBP Lifetime Member Roll No. 05413  
Ground Level, Dela Rosa Carpark I  
Dela Rosa St. Legaspi Village,  
Makati City

## 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 \_\_\_\_ day of August, 2020 at Makati City

  
**RHODORA L. DAPULA**  
 Affiant

SUBSCRIBED AND SWORN to before me this AUG 14 2020 day of August 2020 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.

  
**MA. ESMERALDA R. CUNANAN**

Notary Public  
 Until December 31, 2021  
 Appt. No. M-27 (2020-2021) Attorney's Roll No. 34562  
 MCLE Compliance No. V1-0008196/4-23-2018  
 P.R. No. 8116147/1-2-2020/Makati City  
 IBP Lifetime Member Roll No. 05413  
 Ground Level, Dela Rosa Carpark I  
 Dela Rosa St. Legaspi Village,  
 Makati City

Doc. No. 412 ;  
 Page No. 89 ;  
 Book No. XXI ;  
 Series of 2020.

**COVER SHEET**  
for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

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**COMPANY NAME**

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

**PRINCIPAL OFFICE** ( No. / Street / Barangay / City / Town / Province )

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Form Type

A	A	C	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A
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**COMPANY INFORMATION**

Company's Email Address	Company's Telephone Number	Mobile Number
admin@benguetcorp.com	(02) 8812-1380	N/A
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
16,906	November 11	December 31

**CONTACT PERSON INFORMATION**

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Lina G. Fernandez	lfernandez@benguetcorp.com	(02) 8812-1380	N/A

**CONTACT PERSON'S ADDRESS**

65 Sikap Street, Mandaluyong City
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**NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2:** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.





BenguetCorp

STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR CONSOLIDATED FINANCIAL STATEMENTS

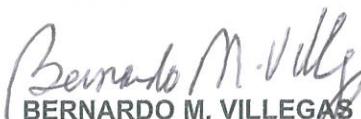
The management of Benguet Corporation (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019, 2018 and 2017, in accordance with the prescribed financial reporting 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.

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, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
BERNARDO M. VILLEGAS  
Chairman of the Board

  
REYNALDO P. MENDOZA  
Officer-In-Charge / Sr. Vice President  
Legal/Asst. Corporate Secretary

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

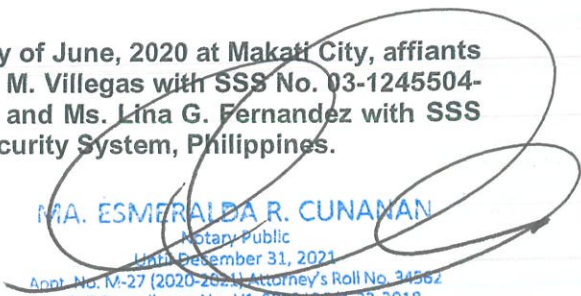
Signed this 10<sup>th</sup> day of June, 2020.

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

JUN 10 2020

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_th day of June, 2020 at Makati City, affiants exhibited to me their identifications, to wit: Mr. Bernardo M. Villegas with SSS No. 03-1245504-2, Mr. Reynaldo P. Mendoza with SSS No. 03-3865936-9, and Ms. Lina G. Fernandez with SSS No. 03-75370258, all issued by the Office of the Social Security System, Philippines.

Doc. No. 28  
Page No. 07  
Book No. XV  
Series of 2020.

  
MA. ESMERALDA R. CUNANAN  
Notary Public  
Until December 31, 2021  
Appt. No. M-27 (2020-2021) Attorney's Roll No. 34562  
MCLE Compliance No. V1-0008196/4-23-2018  
P.R. No. 81.16147/1-2-2020/Makati City  
ISP Lifetime Member Roll No. 05413  
Ground Level, Dela Rosa Carpark I  
Dela Rosa St. Legaspi Village,  
Makati City



## 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, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 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, 2019, land classified as investment properties amounts to ₱2,478.86 million and represents 36% of the consolidated total assets while land classified as property, plant and equipment amounts to ₱1,621.15 million represents 23%. 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 land as a key audit matter.

The disclosures relating to investment properties are included in Note 12 while those relating to property, plant and equipment are included in Note 10 to the consolidated financial statements.

#### ***Audit Response***

We evaluated the competence and capabilities of the external appraisers by considering their qualifications, experience and reporting responsibilities. We assessed the methodology adopted by referencing common valuation models and reviewed the relevant information supporting the sales and listings of comparable properties. We also inquired from the external appraisers the basis of adjustments made to the sales price.

### ***Recoverability of Deferred Mine Exploration Costs***

As at December 31, 2019, the carrying value of the Group's deferred mine exploration costs amounted to ₱449.18 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 11 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, 2019, 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 disclosures 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, composition of estimates, and the discount rate used. We also evaluated the assumptions used by management which include the expected life of the mining project, forecasted production levels and costs as well as external inputs such as forecasted average commodity prices 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, Mines and Geosciences Bureau and Environmental Management Bureau, 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 review commissioned by Mining Industry Coordinating Council 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 obtained an understanding of management's legal position and basis on this matter. We also 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, 2019 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, 2019 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 Peter John R. Ventura.

SYCIP GORRES VELAYO & CO.



Peter John R. Ventura

Partner

CPA Certificate No. 0113172

SEC Accreditation No. 1735-A (Group A),

January 15, 2019, valid until January 14, 2022

Tax Identification No. 301-106-741

BIR Accreditation No. 08-001998-140-2018,

December 17, 2018, valid until December 16, 2021

PTR No. 8125315, January 7, 2020, Makati City

June 4, 2020



**BENGUET CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(Amounts in Thousands)**

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	₱77,172	₱302,118
Trade and other receivables (Note 5)	289,955	210,872
Inventories (Note 6)	132,157	128,999
Other current assets (Note 7)	314,147	632,107
<b>Total Current Assets</b>	<b>813,431</b>	<b>1,274,096</b>
Asset classified as held for sale (Note 9)	–	4,130
	<b>813,431</b>	<b>1,278,226</b>
<b>Noncurrent Assets</b>		
Property, plant and equipment (Note 10)		
At revalued amount	1,673,288	1,236,471
At cost	963,864	964,211
Financial assets measured at fair value through other comprehensive income (FVOCI) (Note 8)	13,168	10,798
Deferred mine exploration costs (Note 11)	449,181	538,998
Investment properties (Note 12)	2,478,862	2,217,566
Deferred tax assets - net (Note 31)	47,732	73,591
Other noncurrent assets (Note 13)	482,014	307,616
<b>Total Noncurrent Assets</b>	<b>6,108,109</b>	<b>5,349,251</b>
<b>TOTAL ASSETS</b>	<b>₱6,921,540</b>	<b>₱6,627,477</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Note 15)	₱576,856	₱858,586
Loans payable (Note 14)	507,893	530,670
Lease liabilities (Note 16)	2,476	–
Liability for mine rehabilitation (Note 17)	25,007	–
Income tax payable	721	28
<b>Total Current Liabilities</b>	<b>1,112,953</b>	<b>1,389,284</b>
<b>Noncurrent Liabilities</b>		
Lease liabilities - net of current portion (Note 16)	5,583	–
Liability for mine rehabilitation - net of current portion (Note 17)	66,575	90,329
Pension liability (Note 30)	62,562	54,127
Deferred tax liabilities - net (Note 31)	848,016	725,721
Other noncurrent liabilities (Note 18)	414,201	429,953
<b>Total Noncurrent Liabilities</b>	<b>1,396,937</b>	<b>1,300,130</b>
<b>Total Liabilities</b>	<b>2,509,890</b>	<b>2,689,414</b>
<b>Equity</b>		
Capital stock (Note 19)	616,863	616,863
Capital surplus (Note 19)	380,382	376,964
Retained earnings	2,217,403	2,029,559
Other components of equity (Note 19)	1,205,018	922,693
	4,419,666	3,946,079
Treasury shares (Note 19)	(8,016)	(8,016)
<b>Total Equity</b>	<b>4,411,650</b>	<b>3,938,063</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱6,921,540</b>	<b>₱6,627,477</b>

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		
	2019	2018	2017
<b>REVENUE</b> (Note 21)	<b>₱802,067</b>	₱1,008,704	₱1,462,893
<b>COSTS AND OPERATING EXPENSES</b>			
Costs of mine products sold (Note 22)	(504,267)	(688,362)	(859,143)
Costs of services and other sales (Note 23)	(49,795)	(67,980)	(96,543)
Selling and general expenses (Note 24)	(340,343)	(407,618)	(480,666)
Excise taxes and royalty fees (Notes 21 and 33)	(29,375)	(45,163)	(56,533)
	<b>(923,780)</b>	(1,209,123)	(1,492,885)
<b>INTEREST EXPENSE</b> (Notes 14, 16 and 37)	<b>(2,031)</b>	(4,828)	(4,556)
<b>OTHER INCOME</b> - net (Note 27)	<b>272,073</b>	337,690	81,195
<b>INCOME BEFORE INCOME TAX</b>	<b>148,329</b>	132,443	46,647
<b>PROVISION FOR INCOME TAX</b> (Note 31)	<b>32,592</b>	13,401	25,175
<b>NET INCOME</b>	<b>₱115,737</b>	₱119,042	₱21,472
<b>BASIC AND DILUTED EARNINGS</b>			
<b>PER SHARE</b> (Note 32)	<b>₱0.19</b>	₱0.19	₱0.03

*See accompanying Notes to Consolidated Financial Statements.*





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

	Years Ended December 31		
	2019	2018	2017
<b>NET INCOME</b>	<b>₱115,737</b>	₱119,042	₱21,472
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>			
<i>Items to be reclassified to profit or loss in subsequent periods:</i>			
Translation adjustment on foreign subsidiaries	871	(127)	(277)
Unrealized gain on changes in fair value of AFS financial assets (Note 8)	–	–	203
Realized gain on disposal of AFS financial asset (Note 8)	–	–	(10)
	<b>871</b>	<b>(127)</b>	<b>(84)</b>
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Revaluation of land (Note 10)	316,392	119,241	–
Revaluation of artworks (Note 10)	21,562	–	3,399
Remeasurement gains (loss) on pension liability (Note 30)	(2,788)	(5,073)	20,845
Unrealized gain on intangible asset (Note 13)	135	–	–
Unrealized gain on equity instruments designated at FVOCI (Note 8)	83	336	–
	<b>335,384</b>	<b>114,504</b>	<b>24,244</b>
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>	<b>336,255</b>	114,377	24,160
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱451,992</b>	₱233,419	₱45,632

*See accompanying Notes to Consolidated Financial Statements.*



**BENGUET CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017**  
**(Amounts in Thousands)**

	Other comprehensive income - net of deferred tax effect											Total
	Capital stock (Note 19)	Capital surplus (Note 19)	Cost of share-based payment (Notes 19 and 20)	Revaluation increment on land and artworks (Note 19)	Cumulative translation adjustment on foreign subsidiaries (Note 19)	Remeasurement gain on pension liability (Note 30)	Unrealized gain on financial assets at FVOCI (Note 8)	Unrealized gain on intangible asset (Note 13)	Total other comprehensive income	Retained earnings	Treasury shares (Note 19)	
<b>Balances at January 1, 2017</b>	<b>₱616,155</b>	<b>₱367,862</b>	<b>₱32,995</b>	<b>₱717,029</b>	<b>₱33,125</b>	<b>₱8,429</b>	<b>₱866</b>	<b>₱-</b>	<b>₱759,449</b>	<b>₱1,888,663</b>	<b>(₱8,016)</b>	<b>₱3,657,108</b>
Stock options vested	-	-	660	-	-	-	-	-	-	-	-	660
Stock options exercised	708	5,123	(4,587)	-	-	-	-	-	-	-	-	1,244
Expiration and forfeiture of stock options	-	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
<b>Balances at December 31, 2017</b>	<b>616,863</b>	<b>375,726</b>	<b>26,327</b>	<b>720,428</b>	<b>32,848</b>	<b>29,274</b>	<b>1,059</b>	<b>-</b>	<b>783,609</b>	<b>1,910,135</b>	<b>(8,016)</b>	<b>3,704,644</b>
Cancellation of stock options (Note 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
<b>Balances at December 31, 2018</b>	<b>616,863</b>	<b>376,964</b>	<b>25,089</b>	<b>839,669</b>	<b>32,721</b>	<b>24,201</b>	<b>1,013</b>	<b>-</b>	<b>897,604</b>	<b>2,029,559</b>	<b>(8,016)</b>	<b>3,938,063</b>
Cancellation of stock options (Note 19)	-	3,418	(3,418)	-	-	-	-	-	-	-	-	-
Realization of revaluation increment on sale of investment property (Note 12)	-	-	-	(50,387)	-	-	-	-	(50,387)	50,387	-	-
Realization of deferred tax liability on sale of investment property (Note 12)	-	-	-	-	-	-	-	-	-	21,595	-	21,595
Transfer of fair value reserve on disposed financial asset at FVOCI	-	-	-	-	-	-	(125)	-	(125)	125	-	-
Net income	-	-	-	-	-	-	-	-	-	115,737	-	115,737
Other comprehensive income (loss)	-	-	-	337,954	871	(2,788)	83	135	336,255	-	-	336,255
Total comprehensive income (loss)	-	-	-	337,954	871	(2,788)	83	135	336,255	115,737	-	451,992
<b>Balances at December 31, 2019</b>	<b>₱616,863</b>	<b>₱380,382</b>	<b>₱21,671</b>	<b>₱1,127,236</b>	<b>₱33,592</b>	<b>₱21,413</b>	<b>₱971</b>	<b>₱135</b>	<b>₱1,183,347</b>	<b>₱2,217,403</b>	<b>(₱8,016)</b>	<b>₱4,411,650</b>

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2019	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	₱148,329	₱132,443	₱46,647
Adjustments for:			
Provision for impairment losses on deferred mine exploration costs (Note 11)	94,930	72,059	–
Depreciation and depletion (Notes 10 and 26)	38,502	83,130	124,075
Noncapitalizable additions to liability for mine rehabilitation (Notes 17 and 27)	18,373	–	–
Change in estimate of liability for mine rehabilitation (Notes 17 and 27)	(9,672)	(8,226)	(5,771)
Accretion expense (Notes 17 and 27)	6,467	4,940	4,267
Movements in pension liability	4,452	457	(2,407)
Interest expense (Notes 14, 16 and 37)	2,031	4,828	4,556
Provision for impairment loss on other noncurrent assets (Notes 13 and 27)	1,838	95,374	–
Interest income (Notes 4, 13 and 27)	(1,727)	(261)	(264)
Stock option expense (Notes 19 and 23)	–	–	660
Loss (gain) on:			
Revaluation on investment property (Notes 12 and 27)	(287,213)	(605,820)	(5,167)
Sale of investment property (Notes 12 and 27)	(68,592)	–	–
Net foreign exchange	(11,491)	7,083	(726)
Retirement of property, plant and equipment (Notes 10 and 27)	–	60,404	–
Write-off of deferred mine exploration costs (Notes 11 and 27)	–	11,462	–
Legal settlement (Notes 13 and 27)	–	9,425	–
Disposal of property, plant and equipment (Notes 10 and 27)	–	(1,507)	(45,573)
Write-off of loans (Notes 14 and 27)	–	–	(38,644)
Disposal of financial assets at FVOCI and AFS financial assets (Note 8)	–	–	(15)
Operating income (loss) before working capital changes	(63,773)	(134,209)	81,638
Decrease (increase) in:			
Trade and other receivables	(13,961)	276,210	(38,646)
Inventories	(2,853)	38,275	70,897
Other current assets	81,763	287,180	(42,779)
Increase (decrease) in trade and other payables	(281,800)	(165,868)	4,594
Net cash flows generated from (used in) operations	(280,624)	301,588	75,704
Income taxes paid	(32)	(29,006)	(48,441)
Interest received	1,727	261	264
Interest expense paid	(2,031)	(4,828)	(4,544)
Net cash flows from (used in) operating activities	(280,960)	268,015	22,983
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of:			
Investment properties (Note 12)	144,614	–	–
Property, plant and equipment (Note 10)	3,173	3,551	46,554
Financial assets at FVOCI and AFS financial assets (Note 8)	3,163	1,928	1,115
Additions to:			
Property, plant and equipment (Note 10)	(28,019)	(8,235)	(56,234)
Financial assets at FVOCI and AFS financial assets (Note 8)	(5,450)	(949)	(1,500)
Deferred mine exploration costs (Note 11)	(4,018)	(848)	(5,551)
Decrease (increase) in other noncurrent assets	(15,696)	18,258	14,498
Net cash flows from (used in) investing activities	97,767	13,705	(1,118)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of:			
Loans payable (Note 14)	(22,777)	(57,223)	(58,339)
Principal portion of lease liability (Note 16)	(2,699)	–	–
Obligations under finance lease (Note 37)	–	–	(2,427)
Proceeds from:			
Availment of loans (Note 14)	–	10,000	70,000
Employees' exercise of stock options	–	–	1,244
Rehabilitation costs (Note 17)	(12,788)	–	–
Increase (decrease) in other noncurrent liabilities	(3,554)	3,077	(10,341)
Net cash flows from (used in) financing activities	(41,818)	(44,146)	137

(Forward)



	Years Ended December 31		
	2019	2018	2017
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(₱225,011)	₱237,574	₱22,002
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	65	16	(61)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	302,118	64,528	42,587
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱77,172	₱302,118	₱64,528

*See accompanying Notes to Consolidated Financial Statements.*



## BENGUET CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

#### 1. Corporate Information and Status of Business Operations

##### Corporate Information

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

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:

	<i>Prior to quasi-reorganization</i>	<i>Effect of quasi-reorganization</i>	<i>After quasi-reorganization</i>
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:

	<i>Prior to quasi-reorganization</i>	<i>Effect of quasi-reorganization</i>	<i>After quasi-reorganization</i>
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 ₱199.85 million and ₱65.82 million retained earnings of BMC as at December 31, 2019 and 2018, respectively, the amount of ₱1.00 million and ₱11.79 million, which represent the remaining revaluation increment that was offset against the deficit as at those dates 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 partly 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 18, 2019, 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 15, 2022, makes BGO fully compliant with the requirement of Department of Environment and Natural Resources (DENR) Administrative Order (DAO) No. 2015-07.

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:

- Republic Act (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 its Appeal Memorandum. As of June 4, 2020, the Office of the President has not yet resolved the appeal.

In November 2019, the DENR directed the regional offices of the Mines and Geosciences Bureau (MGB) and Environmental Management Bureau (EMB) to validate the environmental compliance of BGO as input to early resolution of the appeal. In January 2020, MGB submitted a favorable validation report to DENR.

*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. On February 28, 2011, the Philippine SEC approved the amended Articles of Incorporation of BNMI covering the increase in authorized capital stock from 10,000,000 to 2,000,000,000 shares, with par value of ₱1 per share and increase in number of directors from five to seven. The transfer of the MPSA was approved by the MGB on January 16, 2012.

On March 11, 2016, TUV Rheinland, an independent evaluation and certification service body, issued to the 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 the BNMI fully compliant with the requirement of Department of Environment and Natural Resources (DENR) Department Administrative Order (DAO) No. 2015-07. In August 2019, BNMI passed the recertification audit.

On July 8, 2016, BNMI received from the regional offices of the DENR, MGB, and 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 case filed in the Supreme Court in the case filed by the Concerned Citizens of Sta. Cruz, Zambales
- Executive Order No. 1 issued by the provincial government of Zambales declaring moratorium on mining operations in the said province
- 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 order alleged that BNMI's operations has overlapped a 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 its appeal memorandum on March 21, 2017. As of June 4, 2020, 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 lifted the moratorium and allowed 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 on the Kalikasan case issued by the Supreme Court was lifted.

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 orders, thereby impeding these orders to become final and operative, and that BNMI continues to address the deficiency based on Mining Industry Coordinating Council





Mining Industry Coordinating Council'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 9,671 tons, 9,820 tons and 9,374 tons of quicklime in 2019, 2018 and 2017, respectively. On September 4, 2017, the Mineral Processing Permit (MPP) for the ILP was renewed for a period of five years or until September 3, 2022.

*Benguet Antamok Gold Operation (BAGO)*

The 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.

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

On December 26, 2016, the Parent Company argued that there was no negligence because the incident is due to force majeure and the tailings 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 its infrastructure in BAGO has been under care and maintenance since then up to the present. On January 1, 2017, the case was elevated to the 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 June 4, 2020, 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 on July 8, 2007, the Parent Company has transferred back the mine to CMI. As at June 4, 2020, 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 MPP No. 13-2010-Cordillera Administrative Region covering the BTP subject to approval by the DENR. 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.

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, 2019, 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, 2019, 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.

*Pantangan 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.

Recent geological works in the Pantangan property have also led to the identification of two parcels composed of Block-1 and Block-3 area located inside the mineral tenement hosting high quality mountain rock deposits with favorable potential for rock aggregates. The potential rock formations comprise of consolidated volcanic conglomerate and massive andesite units based on their actual ground analysis. The Group shall implement drillworks in the property in late 2019 and early 2020.

*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 Orelina 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 subject of 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 FTAA application in Ilocos Norte (denominated as AFTA-000003-I) and Apayao (denominated as AFTA No. 033-CAR) are undergoing Free, Prior and Informed consent requirement through the Regional Office of the National Commission of Indigenous Peoples. 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 then filed a case against BWD with the Regional Trial Court.

In 2019, pursuant to a Memorandum of Agreement with Manila Water Company, Inc. (MWCI) regarding the assignment of water rights in Laboy River in connection with MWCI's bulk water supply proposal to Baguio City, the Parent Company has withdrawn the case for specific performance against BWD without prejudice to filing of a new case for recovery of cost and damages due to the aborted bidding award.

*Water Rights of Agua de Oro Ventures Corporation (ADOVC)*

ADOVC, a 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, 2019. 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, 2019 and 2018, the cost and accumulated amortization of the water rights amounted to ₱4.59 million. The Company accrued and paid water permit fees amounting to ₱0.03 million in 2019 and 2018, respectively.



d. Land Development Project

*Kelly Special Economic Zone (KSEZ)*

The Parent Company has approved an initial ₱4.9 million 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 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, 2019, 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 Philippine SEC. Final liquidation will take place after the Philippine SEC's approval of the said application. As at June 4, 2020, CMSC and CMSI have not yet received the clearance letter from the BIR.

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. In 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.

Due to the continuous losses of the branches in Taytay and San Fernando, the BOD of BLI approved their closure on March 15, 2019 and August 15, 2019, respectively.

*Recovery of Deferred Exploration Costs*

The Group's ability to realize its deferred exploration costs with carrying value amounting to ₱449.18 million and ₱539.00 million as at December 31, 2019 and 2018, respectively (see Note 11), 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.

*Net Negative Working Capital Position of the Group*

The Group's current liabilities exceeded its current assets by ₱299.52 million and ₱111.06 million as at December 31, 2019 and 2018, respectively. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern for the next 12 months. The Group believes that it will be able to generate sufficient cash flows from its future operations to meet its obligations as and when they fall due.



Authorization for the Issuance of the Consolidated Financial Statements

The consolidated financial statements of the Group as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, were authorized for issuance by the BOD on June 4, 2020.

**2. Summary of Significant Accounting Policies**

Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for land and artworks classified as property, plant and equipment, which have been measured at revalued amounts, financial assets at FVOCI, intangible asset under “other noncurrent assets” and investment properties, which have been measured at fair value and asset classified as held for sale in 2018 which has been measured at fair values less costs to sell. 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.

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 provide comparative information in respect of the previous period.

Basis of Consolidation and Group Information

As at December 31, 2019 and 2018, 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

(Forward)



	Nature of business	Country of incorporation	Effective percentage of ownership
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. Specifically, the Parent Company controls an investee if, and only if, the Parent Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

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 arrangements 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.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.



If the Parent Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other component of equity, while any resultant gain or loss is recognized on profit or loss. Any investment retained is recognized at fair value.

#### 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, 2019. Adoption of these pronouncement did not have any significant impact on the Group's financial position or performance, unless otherwise indicated.

- PFRS 16, *Leases*

PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the consolidated statement of financial position.

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. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

As a lessee, the Group adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC 4 at the date of initial application.

The effect of adoption of PFRS 16 as at January 1, 2019 is, as follows:

	Increase (decrease)
<b>Assets</b>	
Property, plant and equipment - at cost	P14,741
Other current assets	(1,470)
Other noncurrent assets	(2,431)
<b>Liabilities</b>	
Lease liabilities	10,758
Trade and other payables	(82)

The Group has lease contracts for various office spaces, clinic spaces, machinery, tools and equipment, and land. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets.





*Leases previously accounted for as operating leases*

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for these leases were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application

Based on the above, as at January 1, 2019:

- Property, plant and equipment at cost were recognized amounting to ₱14.74 million representing the amount of right-of-use assets set up on transition date.
- Additional lease liabilities of ₱10.76 million were recognized.
- Prepaid expenses of ₱1.47 million under “Other current assets”, prepaid rent of ₱2.43 million under “Other noncurrent assets” and accrued expenses - others under “trade and other payables” of ₱81.81 million related to previous operating leases arising from straight lining under PAS 17 were derecognized.

The lease liability at as January 1, 2019 as can be reconciled to the operating lease commitments as of December 31, 2018 follows:

<b>Operating lease commitments as at December 31, 2018</b>	₱22,449
Less: Commitments relating to short term leases	(6,446)
<b>Undiscounted operating lease commitments at January 1, 2019</b>	16,003
Weighted average incremental borrowing rate at January 1, 2019	8.61%
<b><u>Lease liabilities recognized at January 1, 2019</u></b>	<b><u>₱10,758</u></b>

Due to the adoption of PFRS 16, the Company’s operating profit in 2019 has slightly decreased, while its interest expense has increased. This is due to the change in the accounting for rent expense related to leases that were classified as operating leases under PAS 17.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- 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.

This clarification provides that entities might have to recognize a past service cost, or a gain or loss on settlement, that reduces a surplus that was not recognized before. Changes in the effect of the asset ceiling are not netted with such amounts.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- *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*

#### Standards issued but not yet effective

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements.

#### *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*

#### 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 is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purposes of trading
- Expected to be realized within 12 months after the reporting period or



- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

#### Cash and Cash Equivalents

Cash consists of cash on hand and in banks. Cash in banks earns interest at the respective bank deposit rates. Cash equivalents include 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

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.

#### Financial Assets (Prior to adoption of PFRS 9 at the beginning of 2018)

##### *Date of recognition*

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the 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. The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market.

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

Financial assets include available for sale (AFS) financial assets comprising of equity investments and unit investment trust fund (UITF). Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL.

##### *Subsequent Measurement*

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 assets (Upon adoption of PFRS 9 at the beginning of 2018)

##### *Initial Recognition and Measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through OCI (FVOCI) and FVTPL.

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, *Revenue from contracts with customers*.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely payment of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the 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. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the 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)*

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 cash in banks and short-term deposits under "cash and cash equivalents", trade receivables, receivables from lessees of bunkhouses, loans receivable under "trade and other receivables", advances to contractors and nontrade under "other current assets" and "other noncurrent assets", respectively.

- *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 FVOCI 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 FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its UITF and quoted shares under this category.

#### *Derecognition*

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 is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### *Impairment*

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. 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 cash and cash equivalents and short-term investments, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses publicly available ratings from (i.e. Standard and Poor's (S&P), Moody's and Fitch) to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

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.

#### Financial liabilities (Prior to and upon adoption of PFRS 9)

##### *Initial Recognition and Measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, 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.

The Group's financial liabilities include trade payables and accrued expenses under "trade and other payables", lease liabilities, and equity of claim owners on contract operations under "other noncurrent liabilities".

##### *Subsequent measurement - Financial liabilities at amortised cost (loans and borrowings)*

After initial measurement, interest-bearing loans and borrowings are measured at amortized cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of income.



This category generally applies to the Group's loans payable.

#### *Derecognition*

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.

#### 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 participant 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.

#### Inventories

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

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

Materials and supplies	-	at purchase price less purchase discount, returns and rebates on a first-in, first-out method
Beneficiated nickel ore	-	at cost on a moving average production method during the year exceeding a determined cut-off grade
Quicklime and slakelime	-	at cost on a moving average production method
Gold buttons	-	at cost on a moving average production method
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 beneficiated nickel ore, quicklime and slakelime, gold bullions or buttons, and subdivision lots 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 and Noncurrent Assets

Other current and noncurrent assets include various prepaid expenses, advances to contractors, value-added tax (VAT), creditable withholding taxes (CWTs), and intangible asset.

#### *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.

#### *Advances to Contractors*

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, or cash payments, depending on the individual agreements.

#### *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 arises from the Groups' unsettled purchase of services and will be claimed as input VAT upon payment.

#### *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.

#### *Intangible Asset*

The Group's intangible asset pertains to a non-proprietary golf club share. The golf club share was initially measured at cost. Following initial recognition, the intangible asset is carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible asset pertaining to a golf club share is not amortized, but is tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

A revaluation surplus is recorded in OCI and credited to the unrealized gain on intangible asset in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit or loss. A revaluation deficit is recognized in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized as unrealized gain on intangible asset in equity.

Upon disposal, any unrealized gain on intangible asset in equity is transferred to retained earnings.

An intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

#### Deferred Mine Exploration Costs

Exploration and evaluation activity involve the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity include:

- 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 amortizes 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.

Effective January 1, 2019, it is the Group's policy to classify right-of-use assets as part of property and equipment. Prior to that date, all of the Group's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the statement of financial position. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term, as follows:

<u>Lease assets</u>	<u>Lease terms</u>
Land	10 to 25 years
Office spaces	5 to 8 years
Clinic spaces	3 years
Machinery, tools and equipment	2 years

Right of use assets are subject to impairment.

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:

<u>Category</u>	<u>Number of years</u>
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 manner intended by management. Depreciation, depletion and amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5 and the date the asset is derecognized.

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

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

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

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

#### *Mine and Mining Properties*

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

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

No depletion is charged during the mine development phases.

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

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

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



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

#### Investment Properties

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

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

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

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

If an owner-occupied property becomes an investment property that will be carried at fair value, the Group shall apply PAS 16, *Property, Plant and Equipment*, up to the date of change in use. The Group shall treat any difference at that date between the carrying amount of the property and its fair value in the same way as a revaluation in accordance with PAS 16. On subsequent disposal of the investment property, the revaluation surplus included in equity shall be transferred to retained earnings.

#### Impairment of Nonfinancial Assets

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 of successful development or by sale

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

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



## Provisions

### *General*

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

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

### *Liability for Mine Rehabilitation*

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

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

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

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

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



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

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

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

#### Capital Stock and Capital Surplus

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

#### *Deposits for Future Stock Subscriptions*

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

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

- The unissued authorized capital stock of the entity is insufficient to cover the number 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
- Unrealized gain on intangible asset

#### 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 at the beginning of 2018)

Revenue is recognized to the extent that 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 principal in all of its revenue arrangements since it is the primary obligor in all 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 transactions involving the rendering of services can be estimated reliably.

#### *Trucking Services*

Revenue is recognized when the services are rendered and can be estimated reliably.

#### *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 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 reward 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 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.

#### Contract balances

##### *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, 2019 and 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.

#### Interest Income

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 - the Group as a Lessee (prior to adoption of PFRS 16)

##### *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).

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.

#### Leases - the Group as a Lessee (upon adoption of PFRS 16)

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.



In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

*Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of clinic spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Leases - Group as a Lessor (prior to and upon adoption of PFRS 16)

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

Pension and other post-employment benefits

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

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

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

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

Past services costs are recognized in the consolidated statement of income on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

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

The Group recognizes the following changes in the net defined benefit obligation under costs of mine products sold, costs of services and selling and general expenses in the consolidated statement of income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements



- Net interest expense or income

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

#### Share-based Payment Transactions

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

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

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

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

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

When the terms of an equity-settled award are 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.

#### Income Taxes

##### *Current Tax*

Current 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 authority. 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 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.

#### Uncertainty Over Income Tax Treatments

The Group assesses at the end of each financial reporting period whether it has any uncertain tax treatments by reviewing the assumptions about the examination of tax treatments by the taxation authority, determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and considering changes in relevant facts and circumstances. The Group then evaluates how likely is it that a certain tax treatment will be accepted by the taxation authority. If it is probable that the taxation authority will accept a certain tax treatment, the Group concludes that it has no uncertain tax treatment and will measure tax amounts in line with the income tax filings. If it is not probable that the taxation authority will accept a certain tax treatment, the Group measures tax amounts based on the 'most likely amount' method (better predicts uncertainty if the possible outcomes are binary or are concentrated on one value) or 'expected value' method (better predicts uncertainty if there is a range of possible outcomes that are neither binary nor concentrated on one value). The Group





presents uncertain tax liabilities as part of current income tax liabilities or deferred income tax liabilities.

#### Earnings Per Share (EPS)

Basic EPS amount is calculated by dividing net income for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year.

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

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

#### Operating Segments

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

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

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

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

#### Contingencies

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

#### Events After the Reporting Period

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



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### 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. Uncertainty about these judgements, estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

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 34).

#### 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.

#### *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 2021 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.



In 2019, 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, management concluded that its parcels of land in San Marcelino, Zambales are investment properties.

Management also concluded that the parcels of land in Irisan, Baguio City which were originally held for long-term capital appreciation have become owner-occupied properties in 2019 and are reclassified to property, plant and equipment.

#### *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.

#### *Assessment Whether an Asset is Classified as 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 advanced stage
- The shareholders approved the plan to sell.

In 2019, due to events and conditions beyond the control of the Group and the potential buyer, the sale of the parcel of land did not materialize. As such, the parcel of land has been reclassified back to property, plant and equipment in the same year.

#### Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year, are discussed below. 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.

#### *Provision for Expected Credit Losses on Trade and Other Receivables*

The Group uses the simplified approach and general approach model in the assessment of the ECL for its trade and other receivables, respectively. An assessment of the ECL relating to these financial



assets is undertaken upon initial recognition and each financial year and 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 2019 and 2018 amounted to ₱20.09 million and ₱66.62 million, respectively (see Notes 5 and 24). The carrying amount of trade and other receivables amounted to ₱289.96 million and ₱210.87 million as at December 31, 2019 and 2018, respectively (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 2019 and 2018, the Group recognized provision for impairment losses on deferred mine exploration costs amounting to ₱94.93 million and ₱72.06 million, respectively (see Notes 11 and 27). As at December 31, 2019 and 2018, deferred mine exploration costs amounted to ₱449.18 million and ₱539.00 million, respectively (see Note 11).

#### *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 profit or loss 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 2019, 2018 and 2017 on property, plant and equipment.

As at December 31, 2019 and 2018, property, plant and equipment (at cost) amounted to ₱963.86 million and ₱964.21 million, 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. Decrease in the NRV of inventories resulting in an amount lower than the original acquisition cost is accounted for as an impairment loss that is recognized in profit or loss. As at December 31, 2019 and 2018, the carrying value of inventories amounted to ₱132.16 million and ₱129.00 million, 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 ₱1.84 million and ₱95.37 million was recognized in 2019 and 2018, respectively (see Note 13).

The total carrying value of other current assets and other noncurrent assets amounted to ₱799.16 million and ₱939.72 million as at December 31, 2019 and 2018, 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, 2019 and 2018, the appraised value of land and artworks, and investment properties amounted to ₱4,152.15 million and ₱3,454.04 million, respectively (see Notes 10 and 12).

#### *Leases - Estimating the Incremental Borrowing Rate*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

The Group’s lease liabilities amounted to ₱8.06 million as at December 31, 2019 (see Note 16).

#### *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 ₱3.63 million and ₱7.26 million for the years ended December 31, 2019 and 2018, respectively (see Note 10). Liability for mine rehabilitation amounted to ₱91.58 million and ₱90.33 million as at December 31, 2019 and 2018, respectively (see Note 17).

#### *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 employee stock ownership incentive plan (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 20. 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 ₱21.67 million and ₱25.09 million as at December 31, 2019 and 2018, respectively (see Notes 19 and 20).



#### *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 Group amounted to ₱62.56 million and ₱54.13 million as at December 31, 2019 and 2018, respectively (see Note 30).

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 30.

#### *Fair value measurement of financial instruments*

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, the fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 36 for further disclosures.

#### *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. Management believes that there is no assurance that the Group will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized.

The Group recognized deferred tax assets amounting to ₱195.90 million and ₱219.29 million as at December 31, 2019 and 2018, respectively (see Note 31).

The Group did not recognize deferred tax assets totaling ₱288.79 million and ₱284.26 million as at December 31, 2019 and 2018, respectively, on the remaining unused NOLCO, MCIT and deductible temporary differences (see Note 31).

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#### 4. Cash and Cash Equivalents

	2019	2018
Cash on hand and in banks	<b>₱69,298</b>	₱302,060
Short-term deposits	<b>7,874</b>	58
	<b>₱77,172</b>	₱302,118



The Group has United States Dollar (US\$) denominated cash in banks amounting to US\$8, equivalent to ₱0.41 million and US\$99, equivalent to ₱5.21 million as at December 31, 2019 and 2018, respectively.

Interest income from cash and cash equivalents amounted to ₱1.55 million, ₱0.05 million and ₱0.19 million in 2019, 2018 and 2017, respectively (see Note 27).

## 5. Trade and Other Receivables

	2019	2018
Trade	₱90,666	₱137,305
Nontrade	160,775	29,047
Advances to officers and employees	57,837	50,640
ESOIP (Note 28)	58,416	58,416
Loan receivable	49,763	49,763
Receivables from lessees of bunkhouses	4,988	2,867
Others	20,930	25,673
	<b>443,375</b>	353,711
Less allowance for ECLs/impairment losses	153,420	142,839
	<b>₱289,955</b>	₱210,872

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 comprise 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 ECLs/impairment losses are as follows:

	2019							Total
	Trade Receivables	Nontrade Receivables	Advances to officers and employees	ESOIP (Note 28)	Receivables from lessees of bunkhouses	Loans receivable	Others	
Balances at beginning of year	₱13,227	₱13,071	₱2,884	₱58,416	₱-	₱49,763	₱5,478	₱142,839
Provisions (Note 24)	14,655	-	68	-	3,644	-	1,718	20,085
Recoveries	-	(4,662)	(1,122)	-	-	-	(3,720)	(9,504)
Balances at end of year	₱27,882	₱8,409	₱1,830	₱58,416	₱3,644	₱49,763	₱3,476	₱153,420

	2018							Total
	Trade receivables	Nontrade Receivables	Advances to officers and employees	ESOIP (Note 28)	Receivables from lessees of bunkhouses	Loans receivable	Others	
Balances at beginning of year	₱5,798	₱11,732	₱2,157	₱58,416	₱35,079	₱-	₱1,811	₱114,993
Provisions (Note 24)	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





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 receivable from this loan, including accrued interest, amounted to ₱49.76 million, net of allowance amounting to ₱49.76 million as at December 31, 2019 and 2018.

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**6. Inventories**

	2019	2018
Beneficiated nickel ore - at cost	₱97,669	₱105,487
Materials and supplies - at cost	329,231	325,662
Gold button - at cost	7,675	-
Quicklime and slakelime - at cost	5,570	4,496
Subdivision lots and housing units for sale - at cost	2,284	4,529
	<b>442,429</b>	440,174
Less allowance for impairment loss on materials and supplies	<b>310,272</b>	311,175
	<b>₱132,157</b>	₱128,999

Movements in subdivision lots are as follows:

	2019	2018
Balances at beginning of year	₱4,529	₱5,509
Sales (recognized as cost of real estate sales; Note 23)	(2,245)	(980)
Balances at end of year	₱2,284	₱4,529

As at December 31, 2019 and 2018, the NRV of the Group's beneficiated nickel ore, gold button, quicklime and slakelime, and subdivision lots is higher than the related cost.

The gold button inventory represents 167.62 ounces of gold and 4.85 ounces of silver by-product produced by the Group in 2019. These mineral products were immediately sold on January 2 and 3, 2020 for a total consideration of ₱12.85 million which was recognized in the Group's revenue in 2020. The gold button inventory includes depreciation and depletion related to the production of gold amounting to ₱0.31 million (see Note 26).

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 ₱31.29 million, ₱121.25 million and ₱234.75 million in 2019, 2018 and 2017, respectively.

The aggregate cost of beneficiated nickel ore inventory that increased cost of mine products sold amounted to ₱7.82 million, ₱35.27 million and ₱63.40 million in 2019, 2018 and 2017, respectively (see Note 22).

The NRV of materials and supplies, amounted to ₱18.96 million and ₱14.49 million as at December 31, 2019 and 2018, respectively.



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

	2019	2018
Balances at beginning of year	<b>₱311,175</b>	₱291,152
Recoveries (Note 27)	<b>(903)</b>	-
Provision (Note 27)	-	20,216
Write-off	-	(193)
<b>Balances at end of year</b>	<b>₱310,272</b>	<b>₱311,175</b>

Materials and supplies amounting to nil and ₱0.19 million, which were already provided with allowance for impairment loss, were written off as the Group assessed that such can no longer be used as at December 31, 2019 and 2018, respectively.

Materials and supplies charged to current operations amounted to ₱131.96 million, ₱143.17 million and ₱157.80 million in 2019, 2018 and 2017, respectively (see Notes 22, 23 and 24). There are no purchase commitments related to inventories or inventories pledged as security for liabilities as at December 31, 2019 and 2018.

## 7. Other Current Assets

	2019	2018
Advances to contractors	<b>₱102,610</b>	₱52,373
Input VAT - net	<b>88,551</b>	249,541
CWTs	<b>79,059</b>	204,658
Deferred input VAT	<b>56,487</b>	79,152
Prepaid expenses	<b>17,869</b>	79,858
Others	<b>17,538</b>	8,472
	<b>362,114</b>	674,054
Less allowance for impairment losses	<b>47,967</b>	41,947
	<b>₱314,147</b>	<b>₱632,107</b>

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 2019 and 2018, the Group applied for VAT refund amounting to ₱40.23 million and ₱80.30 million, respectively, for its input VAT related to export sales in 2017 and 2016, respectively. The BIR disallowed input VAT claims filed for refund in 2019 and 2018 and TCC in 2017 by BNMI and KPLMSC totaling ₱6.70 million, ₱11.15 million and ₱4.49 million in 2019, 2018 and 2017, respectively, and are recognized as other expenses (see Note 27).

In 2019, the Group encashed its TCC amounting to ₱59.14 million, which was granted by BIR in 2015 for input VAT related to export sales from April 2013 to December 2013.

In 2019, the Group wrote off advances to contractors amounting to ₱2.69 million as management believes these may no longer be realized. Allowance for impairment losses amounted to ₱47.97 million and ₱41.95 million as at December 31, 2019 and 2018, respectively.

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.



Movements in allowance for impairment loss on other current assets are as follows:

	2019	2018
Balances at beginning of year	₱41,947	₱30,812
Provision (Note 27)	8,714	11,135
Writeoff	(2,694)	-
Balances at end of year	₱47,967	₱41,947

#### 8. Financial Assets at FVOCI and AFS Financial Assets

	2019	2018
UITF	₱12,724	₱10,278
Quoted shares	444	520
	₱13,168	₱10,798

Movements in financial assets at FVOCI in 2019 and 2018 are as follows:

	2019	2018
Balances at beginning of year	₱10,798	₱11,441
Additions	5,450	949
Disposals	(3,163)	(1,928)
Change in fair value	83	336
Balances at end of year	₱13,168	₱10,798

The unrealized gain representing the change in fair value of these financial assets amounting to ₱0.97 million and ₱1.01 million as at December 31, 2019 and 2018, 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. The fluctuations in value of these investments are also reported as part of other comprehensive income in the consolidated statements of comprehensive income.

Movements in unrealized gain on financial assets at FVOCI recognized as a separate component of equity are as follows (see Note 19):

	2019	2018	2017
Balances at beginning of year	₱1,013	₱1,059	₱866
Unrealized gain on fair value change	83	336	203
Realized gain on sale of financial asset at FVOCI transferred to retained earnings	(125)	(382)	-
Realized gain on sale of AFS financial assets recycled to consolidated statement of income	-	-	(10)
Balances at end of year	₱971	₱1,013	₱1,059

In 2019, 2018 and 2017, the Group sold AFS financial assets with cost amounting to ₱3.04 million, ₱1.55 million and ₱1.12 million, respectively. Proceeds from these disposals amounted to ₱3.16 million, ₱1.93 million and ₱1.12 million, respectively, resulting in realized gain amounting to ₱0.12 million and ₱0.38 million transferred directly to retained earnings in 2019 and 2018, respectively. Realized gain amounting to ₱0.02 million were recycled to consolidated statement of income in 2017 (see Note 27).



## 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 ₱4.13 million, met the criteria to be classified as held for sale due to 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 advanced stage
- The shareholders approved the plan to sell.

In 2019, due to events and conditions beyond the control of the Group and the potential buyer, the sale of the parcel of land did not materialize. Moreover, the Company no longer undertakes any operational activity in the said properties other than to hold these for capital appreciation. As such, the parcel of land has been reclassified to investment property at a fair value of ₱4.13 million as at reclassification date (see Note 12).

## 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:

	2019	2018
Land	₱1,621,149	₱1,215,134
Artworks	52,139	21,337
	<b>₱1,673,288</b>	<b>₱1,236,471</b>

### 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 2019 and is categorized under level 3. 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 2019 and 2018, the Group recognized revaluation increment on land amounting to ₱451.99 million and ₱170.35 million, respectively. Correspondingly, amounts charged to consolidated statements of comprehensive income amounted to ₱316.39 million and ₱119.24 million, net of deferred tax liability of ₱135.60 million and ₱51.11 million in 2019 and 2018, respectively.

In 2019, the Group ceased operational activities on the parcels of land located in San Marcelino, Zambales consisting of 2,768,540 square meters other than for long-term capital appreciation. This resulted to a reclassification from property, plant and equipment to investment property amounting to ₱83.06 million (see Note 12).



In the same year, parcels of land in Irisan, Baguio City with fair value of ₱37.08 million were reclassified from investment property to property, plant and equipment due to change in use from being held for long-term capital appreciation to being owner-occupied properties (see Note 12).

	<b>2019</b>		
	<b>Cost</b>	<b>Revaluation increment</b>	<b>Total</b>
Balances at beginning of year	₱35,356	₱1,179,778	₱1,215,134
Change in fair value	–	451,989	451,989
Reclassification:			
From investment property (Note 12)	37,082	–	37,082
To investment property (Note 12)	(4,040)	(79,016)	(83,056)
Balances at end of year	₱68,398	₱1,552,751	₱1,621,149

	<b>2018</b>		
	<b>Cost</b>	<b>Revaluation increment</b>	<b>Total</b>
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

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 Heritage Arts & Antiquities, Inc., an independent appraiser, on January 20, 2020 and May 27, 2020 in which the fair value measurement is categorized under Level 3. 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, 2019 and 2018, the revalued amount of the artworks amounted to ₱52.14 million and ₱21.34 million, respectively. The artworks would have been recorded at ₱0.90 million in the consolidated statement of financial position had these been carried at cost.

	<b>2019</b>		
	<b>Cost</b>	<b>Revaluation increment</b>	<b>Total</b>
Balances at beginning of year	₱896	₱20,441	₱21,337
Change in fair value	–	30,802	30,802
Balances at end of year	₱896	₱51,243	₱52,139



	2018		
	Cost	Revaluation increment	Total
Balances at beginning and end of year	₱896	₱20,411	₱21,337

In 2019, the Group recognized revaluation increment on artworks amounting to ₱30.80 million. Correspondingly, amount charged to consolidated statement of comprehensive income amounted to ₱21.56 million, net of deferred tax liability of ₱9.24 million.

The management assessed that the residual value of the artworks approximates the revalued amount as at December 31, 2019 and 2018, and therefore, no depreciation was recognized in both years.



b. Property, Plant and Equipment - at cost

	2019							
	Land improvements	Buildings	Machinery, tools and equipment	Mine and mining properties	Port facilities	CIP	Right-of-use of assets	Total
Cost:								
At as January 1, as previously reported	₱74,083	₱309,701	₱906,159	₱1,626,907	₱101,517	₱78,164	₱-	₱3,096,531
Effect of adoption of PFRS 16 (Note 2)	-	-	-	-	-	-	14,741	14,741
At as January 1, as restated	74,083	309,701	906,159	1,626,907	101,517	78,164	14,741	3,111,272
Additions	-	-	19,572	8,447	-	-	-	28,019
Initial recognition of mine rehabilitation asset (Note 17)	-	-	-	2,498	-	-	-	2,498
Disposals	-	-	(3,400)	-	-	-	-	(3,400)
Change in estimate of the liability for mine rehabilitation (Note 17)	-	-	-	(3,625)	-	-	-	(3,625)
Retirements	-	(4,911)	(13,242)	-	-	-	-	(18,153)
Reclassification	-	-	9,405	-	-	(9,405)	-	-
Ending balance	74,083	304,790	918,494	1,634,227	101,517	68,759	14,741	3,116,611
Accumulated depreciation and depletion:								
At as January 1	66,789	292,777	906,159	843,449	23,146	-	-	2,132,320
Depreciation and depletion (Note 26)	1,874	12,782	2,687	11,789	4,236	-	5,439	38,807
Disposals	-	-	(227)	-	-	-	-	(227)
Retirements	-	(4,911)	(13,242)	-	-	-	-	(18,153)
Ending balance	68,663	300,648	895,377	855,238	27,382	-	5,439	2,152,747
Net book values	₱5,420	₱4,142	₱23,117	₱778,989	₱74,135	₱68,759	₱9,302	₱963,864



	2018						
	Land improvements	Buildings	Machinery, tools and equipment	Mine and mining properties	Port facilities	CIP	Total
<b>Cost:</b>							
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 17)	–	–	–	(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
<b>Accumulated depreciation and depletion:</b>							
Beginning balance	64,915	291,438	873,408	827,976	18,910	–	2,076,647
Depreciation and depletion (Note 26)	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





The Group's CIP includes the development of an enhanced mill production line in Balatoc, Benguet to increase the milling capacity of its gold operations. As of December 31, 2019, and 2018, construction of this production line is suspended.

Proceeds totaling ₱3.17 million, ₱3.55 million and ₱46.55 million in 2019, 2018 and 2017, respectively, from the disposal of property, plant and equipment items resulted in net gain of nil, ₱1.51 million, and ₱45.57 million in 2019, 2018 and 2017, respectively (see Note 27).

The Group recognized loss on retirement of property, plant and equipment amounting to nil, ₱60.40 million and nil in 2019, 2018 and 2017, respectively (see Note 27).

The cost of fully depreciated property, plant and equipment still being used in the Group's operations amounted to ₱962.21 million and ₱895.53 million as at December 31, 2019 and 2018, respectively.

Movements in mine and mining properties in 2019 and 2018 are as follows:

	2019			Total
	Mine and mining properties	Mine development cost	Mine rehabilitation asset	
Cost:				
Balances at beginning of year	₱1,513,745	₱-	₱113,162	₱1,626,907
Addition	-	8,447	-	8,447
Initial recognition of mine rehabilitation asset (Note 17)	-	-	2,498	2,498
Change in estimate of the liability for mine rehabilitation (Note 17)	-	-	(3,625)	(3,625)
Balances at end of year	1,513,745	8,447	112,035	1,634,227
Accumulated depletion:				
Balances at beginning of year	809,723	-	33,726	843,449
Depletion (Note 26)	9,433	-	2,356	11,789
Balances at end of year	819,156	-	36,082	855,238
Net book values	₱694,589	₱8,447	₱75,953	₱778,989

	2018			Total
	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 17)	-	(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 26)	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

Additions to mine rehabilitation asset pertains to a liability for mine rehabilitation recognized by the Group in 2019 for one of its projects amounting to ₱2.50 million (see Note 17).



Movements in right of use of assets in 2019 are as follows:

	<b>2019</b>				
	<b>Office Space</b>	<b>Clinic Space</b>	<b>Machinery, tools and equipment</b>	<b>Land</b>	<b>Total</b>
Cost:					
Balances at beginning of year	P-	P-	P-	P-	P-
Effect of adoption of PFRS 16 (Note 2)	4,378	2,683	1,084	6,596	14,741
Balances at end of year	4,378	2,683	1,084	6,596	14,741
Accumulated depreciation:					
Balances at beginning of year	-	-	-	-	-
Depreciation (Note 16)	2,492	1,119	1,037	791	5,439
Balances at end of year	2,492	1,119	1,037	791	5,439
Net book values	<b>P1,886</b>	<b>P1,564</b>	<b>P47</b>	<b>P5,805</b>	<b>P9,302</b>

## 11. Deferred Mine Exploration Costs

Movements in deferred mine exploration costs are as follows:

	<b>2019</b>	<b>2018</b>
Balances at beginning of year	<b>P611,057</b>	P621,671
Additions	<b>4,018</b>	848
Translation adjustment	<b>1,095</b>	-
Write-off (Note 27)	-	(11,462)
	<b>616,170</b>	611,057
Less allowance for impairment losses	<b>166,989</b>	72,059
Balances at end of year	<b>P449,181</b>	P538,998

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

Translation adjustment in 2019 pertains to the translation from USD to Philippine Peso of the Group's deferred exploration costs on mining claims in Nevada, USA held by BUSA, a foreign subsidiary.

Movements in allowance for impairment loss on deferred mine exploration costs are as follows:

	<b>2019</b>	<b>2018</b>
Balances at beginning of year	<b>P72,059</b>	P-
Provision (Note 27)	<b>94,930</b>	72,059
Balances at end of year	<b>P166,989</b>	P72,059

Provisions in 2019 and 2018 relate to deferred mine explorations costs for which further exploration is not budgeted nor planned in the near future.



## 12. Investment Properties

	2019	2018
Balances at beginning of year	₱2,217,566	₱1,611,746
Revaluation (Note 27)	287,213	605,820
Reclassifications:		
From property, plant and equipment (Note 10)	83,056	-
From asset classified as held for sale (Note 9)	4,130	
To property, plant and equipment (Note 10)	(37,082)	-
Disposals	(76,021)	-
<b>Balances at end of year</b>	<b>₱2,478,862</b>	<b>₱2,217,566</b>

At the beginning of 2019, investment properties include parcels of land located in Irisan, Baguio City with an area of 18,541 square meters, and a cost of ₱31.92 million. During the year, the properties were reclassified to property, plant and equipment due to change in use of from being held for long-term capital appreciation to being an owner-occupied property. The fair value as at reclassification date amounted to ₱37.08 million (see Note 10).

In the same year, parcels of land in San Marcelino, Zambales with a revalued amount of ₱83.06 million were reclassified from property, plant and equipment to investment properties due to the change in use from being owner-occupied properties to being held for long-term capital appreciation (see Note 10). Portions of these properties amounting to ₱76.02 million were subsequently sold for ₱144.61 million, resulting in a gain of ₱68.59 million recognized in other income (see Note 27). Correspondingly, revaluation increment amounting to ₱50.39 and deferred tax liability on the revaluation increment from the portion sold amounting to ₱21.60 million were transferred to retained earnings.

Investment properties also include parcels of land located in Itogon, Benguet.

On February 28, 2020 and May 29, 2020, the Group engaged an independent appraiser to assess the fair market value of the land under investment properties as at December 31, 2019. The appraisal was performed by Cuervo Appraisers, Inc. and Asian Appraisal Company, Inc. The fair 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.

The Group recognized revaluation gain amounting to ₱287.21 million, ₱605.82 million and ₱5.17 million in 2019, 2018 and 2017, respectively, and were included as other income (see Note 27).

In 2018, certain parcels of land totaling ₱237.08 million are used as collateral for the loan of the Parent Company. In 2019, the Parent Company settled the loan in full, which released the land as collateral to secure the said loan (see Note 14).



### 13. Other Noncurrent Assets

	2019	2018
Nontrade	<b>₱361,341</b>	₱423,670
Input VAT	<b>228,603</b>	–
Mine Rehabilitation Fund (MRF)	<b>36,197</b>	29,192
Intangible asset	<b>250</b>	–
Prepaid rent	–	2,431
Others	<b>7,515</b>	2,377
	<b>633,906</b>	457,670
Less allowance for impairment losses on other noncurrent assets	<b>151,892</b>	150,054
	<b>₱482,014</b>	₱307,616

Nontrade noncurrent assets pertain to advances and prepayments of the Group to its contractors and suppliers for exploration and other related activities and projects that are expected to be settled beyond 12 months from the end of the reporting period.

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 ₱0.18 million, ₱0.21 million and ₱0.07 million in 2019, 2018 and 2017, respectively (see Note 27).

In November 2018, the amount of ₱13.00 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 ₱9.43 million in 2018 (see Note 27).

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

In 2019, the Group acquired the intangible asset at a cost of ₱0.11 million. This has been assessed as having an indefinite useful life as of December 31, 2019. As at December 31, 2019, the revalued amount of this intangible asset amounted to ₱0.25 million, after revaluation increment of ₱0.14 million, recognized in other comprehensive income. No impairment loss was recognized during the year for this intangible asset.

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.

Movements in allowance for impairment loss on other noncurrent assets are as follows:

	2019	2018
Balances at beginning of year	<b>₱150,054</b>	₱54,680
Provision (Note 27)	<b>1,838</b>	95,374
Balances at end of year	<b>₱151,892</b>	₱150,054



#### 14. Loans Payable

	2019	2018
Unsecured loans	<b>₱270,062</b>	₱270,062
Accrued interest and penalties	<b>237,831</b>	237,831
Secured loans	–	22,777
	<b>₱507,893</b>	<b>₱530,670</b>

a. Unsecured loans

In 2015, BNMI obtained an interest-bearing loan from Trans Middle East Phils. Equities, Inc. amounting to ₱250.00 million. During the same year, BNMI paid ₱65.00 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 ₱185.00 million as at December 31, 2019 and 2018.

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 ₱85.06 million as at December 31, 2019 and 2018.

In 2017, the Parent Company wrote-off a loan payable to a creditor and realized a gain amounting to ₱38.64 million since the Parent Company can no longer locate the said creditor (see Note 27).

b. Secured loans

The Parent Company has a revolving secured promissory note from a local bank to finance its working capital requirements. In 2019, the Parent Company settled this loan in full. As such, certain parcels of land amounting to ₱237.08 million ceased being collaterals to secure the loan.

This loan facility has an outstanding balance of nil and ₱22.78 million as at December 31, 2019 and 2018, respectively.

Total proceeds from these loans amounted to nil, ₱10.0 million and ₱70.00 million in 2019, 2018, and 2017, respectively. Total principal payments for these loans amounted to ₱22.80 million, ₱57.20 million and ₱58.30 million in 2019, 2018 and 2017, respectively.

Accrued interest and penalties represent cumulative interest and default charges as at December 31, 2019 and 2018. Total interest expense related to loans payable amounted to ₱1.21 million, ₱4.83 million and ₱4.10 million in 2019, 2018 and 2017, respectively.



## 15. Trade and Other Payables

	2019	2018
Trade	<b>₱366,658</b>	₱608,712
Nontrade	<b>117,753</b>	127,291
Output VAT	<b>39,907</b>	79,988
Accrued expenses:		
Professional fees and contracted services	<b>12,672</b>	14,168
Others	<b>28,488</b>	14,859
Excise taxes and royalties	<b>8,892</b>	8,401
Contract liabilities	<b>896</b>	1,451
Others	<b>1,590</b>	3,716
	<b>₱576,856</b>	₱858,586

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 37.

	2019	2018
Current	<b>₱896</b>	₱1,451
Noncurrent (Note 18)	<b>333,065</b>	348,745
	<b>₱333,961</b>	₱350,196

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.

In 2019, the Group recognized a gain of ₱22.46 million representing the discount provided by one of its suppliers for the settlement of its trade and other liabilities amounting to ₱121.4 million (Note 27).

## 16. Lease Commitments

### *Group as a lessee*

The Group has lease contracts for various office spaces, clinic spaces, machinery, tools and equipment, and land, which generally have lease terms, as follows:

Lease	Lease terms
Land	10 to 25 years
Office spaces	3 to 8 years
Clinic spaces	3 years
Machinery, tools and equipment	2 years



The Group also has certain leases of clinic space with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemption for these leases. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

The following are the amounts recognized in consolidated statement of income:

	2019
Depreciation expense of right-of-use assets included in property, plant and equipment (Note 10)	₱5,439
Expenses related to short-term leases included in selling and general expenses (Note 24)	6,193
Expenses related to short-term leases included in cost of services (Note 23)	5,471
Interest expense on lease liabilities	822
Income from subleasing of right of use assets	(269)
<b>Total amount recognized in consolidated statement of income</b>	<b>₱17,656</b>

The rollforward analysis of lease liabilities follows:

	2019
Effect of adoption of PFRS 16 (Note 2)	₱10,758
Interest expense	822
Payments of	
Principal portion	(2,699)
Interest portion	(822)
<b>Total amount of lease liabilities</b>	<b>8,059</b>
<b>Less noncurrent portion</b>	<b>5,583</b>
<b>Current portion</b>	<b>₱2,476</b>

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	Within five years	More than five years	Total
Extension options expected not to be exercised	₱-	₱1,500	₱1,500

Shown below is the maturity analysis of the undiscounted lease payments:

	2019
1 year	₱3,293
more than 1 years to 2 years	1,799
more than 2 years to 3 years	799
more than 3 years to 4 years	818
more than 5 years	4,562



*Group as a lessor*

Future minimum rentals receivable under non-cancellable operating leases as at December 31, 2019 are as follows:

	2019
1 year	₱1,780
more than 1 years to 2 years	1,746
more than 2 years to 3 years	160
more than 3 years to 4 years	140

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## 17. Liability for Mine Rehabilitation

Movements in this account are as follows:

	2019	2018
Balances at beginning of year	<b>₱90,329</b>	₱100,871
Additions:		
Recognized in statement of income (Note 27)	<b>18,373</b>	-
Recognized in mine rehabilitation asset (Note 10)	<b>2,498</b>	-
Change in estimate:		
Recognized in statement of income (Note 27)	<b>(9,672)</b>	(8,226)
Recognized as adjustment to the mine rehabilitation asset (Note 10)	<b>(3,625)</b>	(7,256)
Actual rehabilitation costs	<b>(12,788)</b>	-
Accretion (Note 27)	<b>6,467</b>	4,940
	<b>91,582</b>	90,329
Less noncurrent portion	<b>66,575</b>	90,329
Current portion	<b>₱25,007</b>	₱-

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 in inflation rates (2.69% in 2019 and 2.72% in 2018) and changes in discount rates (4.02% in 2019 and 7.01% 2018).

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.

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## 18. Other Noncurrent Liabilities

	2019	2018
Contract liabilities (Note 15)	<b>₱333,065</b>	₱348,745
Equity of claimowners in contract operations	<b>49,136</b>	49,136
Deposit for future stock subscriptions	<b>32,000</b>	32,000
Others	–	72
	<b>₱414,201</b>	₱429,953

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, 2019 and 2018, the remaining balance of the advances amounted to US\$4.35 million and US\$1.92 million, respectively.

- 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, 2019 and 2018, the remaining advances amounted to \$1.92 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, 2019.

As at December 31, 2019 and 2018, 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. The Company filed the application for the increase in authorized capital stock with the Philippine SEC on November 23, 2018 and is waiting for approval as at June 4, 2020.

Others pertain to payables of the Group not expected to be paid within 12 months after the reporting period.



## 19. Equity

### Capital Stock

	2019		2018	
	No. of shares	Amount	No. of shares	Amount
<b>Authorized</b>				
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 2019 and 2018 and ₱3 par value in 2016	430,380,000	430,874	430,380,000	430,874
Common Class B - ₱1 par value in 2019 and 2018 and ₱3 par value in 2016	286,920,000	287,135	286,920,000	287,135
	<b>736,952,912</b>	<b>785,509</b>	<b>736,952,912</b>	<b>785,509</b>
<b>Issued</b>				
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
<b>Total shares issued and subscribed</b>	<b>616,336,313</b>	<b>616,863</b>	<b>616,336,313</b>	<b>616,863</b>
<b>Treasury Shares</b>				
Convertible Preferred Class "A"	—	—	—	—
Common Class "A"	310,794	7,158	310,794	7,158
Common Class "B"	37,275	858	37,275	858
<b>Total treasury shares</b>	<b>348,069</b>	<b>8,016</b>	<b>348,069</b>	<b>8,016</b>
<b>Outstanding</b>				
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
<b>Total outstanding shares</b>	<b>615,988,244</b>	<b>₱608,847</b>	<b>615,988,244</b>	<b>₱608,847</b>

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 ₱717.30 million (consisting of 430,380,000 Common Class A shares and 286,920,000 Common Class B shares, both having a par value of ₱1.00 each) to ₱762.30 million (consisting of 475,380,000 Common Class A shares and 286,920,000 Common Class B shares, both having a par value of ₱1.00 each). After the amendment, the total authorized capital stock of the Parent Company has increased from ₱785.50 million to ₱830.50 million.



The application for the increase was approved by the stockholders during the annual meeting held on November 8, 2018. As at June 4, 2020, the Parent Company has not yet filed the application for the increase in authorized capital stock with the Philippine SEC.

There had been no issuance of shares during 2019 and 2018.

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 Preferred shares	50,000,000 6,000,000	3.00 5.00	150,000 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 Common class B Convertible preferred shares	30,000,000 20,000,000 19,652,912	3.00 3.00 3.43	90,000 60,000 67,500
July 27, 1989	Increase in number of common shares Common class A Common class B Convertible preferred shares	120,000,000 80,000,000 19,652,912	3.00 3.00 3.43	360,000 240,000 67,500
September 28, 2015	Increase in number of common shares Common class A Common class B Convertible preferred shares	143,460,000 95,640,000 19,652,912	3.00 3.00 3.43	430,874 287,135 67,500
July 29, 2016	Increase in number of common shares and reduction in par value Common class A Common class B Convertible preferred shares	430,380,000 286,920,000 19,652,912	1.00 1.00 3.43	430,874 287,135 67,500
<b>As at December 31, 2019:</b>	<b>Increase in number of common shares and reduction in par value</b> <b>Common class A</b> <b>Common class B</b> <b>Convertible preferred shares</b>	<b>430,380,000</b> <b>286,920,000</b> <b>19,652,912</b>	<b>₱1.00</b> <b>1.00</b> <b>3.43</b>	<b>₱430,874</b> <b>287,135</b> <b>67,500</b>

As at December 31, 2019 and 2018, the Parent Company has 16,906 and 16,931 stockholders, respectively.

*Other Components of Equity*

	2019	2018
Revaluation increment - net of deferred tax	<b>₱1,127,236</b>	₱839,669
Cumulative translation adjustments of foreign subsidiaries - net of deferred tax	<b>33,592</b>	32,721
Cost of share-based payment (Note 20)	<b>21,671</b>	25,089
Remeasurement gain on retirement obligation - net of deferred tax (Note 30)	<b>21,413</b>	24,201
Unrealized gain on FVOCI and AFS financial assets (Note 8)	<b>971</b>	1,013
Unrealized gain on intangible asset (Note 13)	<b>135</b>	-
	<b>₱1,205,018</b>	₱922,693



As at December 31, 2019 and 2018, the Parent Company has 300,000 shares held in treasury amounting to ₱8.02 million at ₱23 per share.

Movement in cost of share-based payment follows:

	<b>2019</b>	2018
Balances at beginning of year	<b>₱25,089</b>	₱26,327
Stock options expired	<b>(3,418)</b>	(1,238)
Balances at end of year	<b>₱21,671</b>	₱25,089

Movement in capital surplus follows:

	<b>2019</b>	2018
Balances at beginning of year	<b>₱376,964</b>	₱375,726
Expiration of stock options	<b>3,418</b>	1,238
Balances at end of year	<b>₱380,382</b>	₱376,964

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## 20. 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.

The amendments include an increase in the maximum award per employee from 200,000 shares over the life of the plan to 500,000 shares per grant and an increase in the shares reserved for issuance under the Plan from the total of 9,906,661 shares to 22,000,000 shares.

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

The options under the Plan are non-transferable and are exercisable to the extent of 30% after one year from the date of the grant, 60% after two years from the date of the grant, and 100% after three years from the date of grant. No option is exercisable after 10 years from the date of grant.



Unexercised share options per grant are as follows:

	Unexercised share options as at January 1, 2019	Expired in 2019	Unexercised share options as at December 31, 2019
Class A - May 2011 Grant	1,866,297	(198,000)	1,668,297
- September 2012 Grant	396,000	(90,000)	306,000
- May 2014 Grant	1,080,000	(216,000)	864,000
Class B - May 2011 Grant	1,358,745	(132,000)	1,226,745
- September 2012 Grant	264,000	(60,000)	204,000
- May 2014 Grant	720,000	(144,000)	576,000
<b>Total</b>	<b>5,685,042</b>	<b>(840,000)</b>	<b>4,845,042</b>

	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
<b>Total</b>	<b>5,910,042</b>	<b>(225,000)</b>	<b>5,685,042</b>

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

Total number of shares available for future option grants is 33,124,698 shares and 33,604,698 shares as at December 31, 2019 and 2018, respectively.



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

Stock option expense relating to the Plan recognized in 2019 and 2018 amounted to nil, and in 2017 amounted to ₱0.66 million (see Note 25).

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

	2019	2018
Outstanding at beginning of year	5,685,042	5,910,042
Expiration	(840,000)	(225,000)
Outstanding and exercisable at end of year	4,845,042	5,685,042

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 ₱21.67 million and ₱25.09 million as at December 31, 2019 and 2018, respectively (see Note 19).



## 21. Revenue

	2019	2018	2017
Revenue from contracts with customers:			
Sale of mine products	<b>₱747,726</b>	₱939,131	₱1,379,761
Sale of goods and services	<b>40,569</b>	46,972	68,358
Trucking services	<b>4,969</b>	7,647	7,634
Port and barge management services	<b>1,602</b>	10,875	4,106
Others	<b>5,407</b>	2,151	1,132
Total revenue from contracts with customers	<b>800,273</b>	1,006,776	1,460,991
Rental income	<b>1,794</b>	1,928	1,902
	<b>₱802,067</b>	₱1,008,704	₱1,462,893

Sale of mine products includes sales of nickel, gold, silver and lime, which are subject to 4% excise tax based on gross revenues in 2019 and 2018 and to 2% excise tax in 2017.

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 ₱29.38 million, ₱45.16 million and ₱56.53 million in 2019, 2018 and 2017, respectively (see Note 33).

Set out below is the disaggregation of the Group's revenue from contracts with customers in 2019 and 2018:

Segments	2019				Total
	Mining	Health Services	Logistics	Others	
<b>Type of product:</b>					
Gold	₱575,363	₱-	₱-	₱-	₱575,363
Nickel	64,649	-	-	-	64,649
Lime	106,581	-	-	-	106,581
Silver	1,133	-	-	-	1,133
Health services	-	35,964	-	-	35,964
Port and barge management services	-	-	1,602	-	1,602
Trucking	-	-	4,969	-	4,969
Sale of goods	-	-	4,605	-	4,605
Real estate sales	-	-	-	5,407	5,407
<b>Total revenue from contracts with customers</b>	<b>₱747,726</b>	<b>₱35,964</b>	<b>₱11,176</b>	<b>₱5,407</b>	<b>₱800,273</b>
<b>Location of customer:</b>					
Within the Philippines	₱683,077	₱35,964	₱11,176	₱5,407	₱735,624
Outside the Philippines	64,649	-	-	-	64,649
<b>Total revenue from contracts with customers</b>	<b>₱747,726</b>	<b>₱35,964</b>	<b>₱11,176</b>	<b>₱5,407</b>	<b>₱800,273</b>
<b>Timing of revenue recognition:</b>					
Transferred at a point in time	₱747,726	₱-	₱4,605	₱5,407	₱757,738
Transferred over time	-	35,964	6,571	-	42,535
<b>Total revenue from contracts with customers</b>	<b>₱747,726</b>	<b>₱35,964</b>	<b>₱11,176</b>	<b>₱5,407</b>	<b>₱800,273</b>



Segments	2018				Total
	Mining	Health Services	Logistics	Others	
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
<b>Total revenue from contracts with customers</b>	<b>₱939,131</b>	<b>₱42,917</b>	<b>₱18,522</b>	<b>₱6,206</b>	<b>₱1,006,776</b>
Location of customer:					
Within the Philippines	₱712,610	₱42,917	₱18,522	₱6,206	₱780,255
Outside the Philippines	226,521	-	-	-	226,521
<b>Total revenue from contracts with customers</b>	<b>₱939,131</b>	<b>₱42,917</b>	<b>₱18,522</b>	<b>₱6,206</b>	<b>₱1,006,776</b>
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
<b>Total revenue from contracts with customers</b>	<b>₱939,131</b>	<b>₱42,917</b>	<b>₱18,522</b>	<b>₱6,206</b>	<b>₱1,006,776</b>

## 22. Costs of Mine Products Sold

	2019	2018	2017
Outside services	<b>₱208,382</b>	₱262,493	₱320,389
Materials and supplies (Note 6)	<b>110,890</b>	114,908	124,327
Personnel expenses (Note 25)	<b>58,393</b>	57,989	58,140
Power, rent and utilities	<b>43,144</b>	49,009	41,892
Contractor fees	<b>27,988</b>	78,348	139,434
Repairs and maintenance	<b>17,272</b>	22,386	22,755
Depreciation and depletion (Note 26)	<b>14,694</b>	56,622	65,703
Smelting, refining and marketing	<b>6,199</b>	6,788	7,062
Travel and transportation	<b>523</b>	375	369
Taxes and licenses	<b>50</b>	41	26
Others	<b>8,915</b>	4,130	15,649
	<b>496,450</b>	653,089	795,746
Net change in benefited nickel ore (Note 6)	<b>7,817</b>	35,273	63,397
	<b>₱504,267</b>	₱688,362	₱859,143

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.





### 23. Cost of Services and Other Sales

	2019	2018	2017
Personnel expenses (Note 25)	₱14,495	₱22,093	₱29,234
Materials and supplies (Note 6)	10,543	16,959	17,615
Depreciation and depletion (Note 26)	9,372	7,905	11,422
Rent (Note 16)	5,471	8,863	8,906
Retainers and consultancy fees	3,697	4,852	1,645
Cost of real estate sold (Note 6)	2,245	980	334
Professional fees	1,208	1,020	22,237
Travel and transportation	548	787	1,400
Repairs and maintenance	113	236	709
Others	2,103	4,285	3,041
	<b>₱49,795</b>	<b>₱67,980</b>	<b>₱96,543</b>

Rent pertains to the expenses related to short-term leases (see Note 16).

Others consist of various direct charges, which are individually insignificant.

### 24. Selling and General Expenses

	2019	2018	2017
Personnel expenses (Note 25)	₱101,339	₱100,609	₱124,406
Outside services	61,183	62,440	76,917
Representation	29,340	14,413	10,671
Community development programs	22,912	34,673	38,597
Provision for impairment losses on receivables (Note 5)	20,085	66,623	1,368
Professional fees	18,475	3,390	769
Depreciation and depletion (Note 26)	14,436	18,603	46,950
Communication, light and power	12,650	13,067	10,605
Taxes and licenses	11,295	15,501	25,982
Materials and supplies (Note 6)	10,530	11,307	15,856
Repairs and maintenance	6,232	4,634	11,709
Rent (Note 16)	6,193	14,298	47,753
Transportation and travel	4,774	6,581	8,473
Freight and handling	2,385	15	313
Insurance	1,217	1,685	166
Wharfage fees	538	2,037	4,940
Contract labor	-	15,776	25,833
Others	16,759	21,966	29,358
	<b>₱340,343</b>	<b>₱407,618</b>	<b>₱480,666</b>

Rent pertains to the expenses related to short-term leases (see Note 16).

Others consist of various administrative expenses, which are individually insignificant.



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## 25. Personnel Expenses

	2019	2018	2017
Salaries and wages	<b>₱129,440</b>	₱155,044	₱177,833
Benefits and allowances	<b>32,214</b>	14,513	19,240
Pension expense (Note 30)	<b>12,573</b>	11,134	14,047
Stock option expense (Note 20)	–	–	660
	<b>₱174,227</b>	₱180,691	₱211,780

Total personnel expenses were distributed as follows:

	2019	2018	2017
Selling and general expenses (Note 24)	<b>₱101,339</b>	₱100,609	₱124,406
Cost of mine products sold (Note 22)	<b>58,393</b>	57,989	58,140
Cost of services and other sales (Note 23)	<b>14,495</b>	22,093	29,234
	<b>₱174,227</b>	₱180,691	₱211,780

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## 26. Depreciation and Depletion

Total depreciation and depletion are composed of the following (see Note 10):

	2019	2018	2017
Depreciation	<b>₱27,018</b>	₱67,657	₱104,149
Depletion	<b>11,789</b>	15,473	19,926
	<b>₱38,807</b>	₱83,130	₱124,075

Depreciation and depletion are broken down as follows:

	2019	2018	2017
Cost of mine products sold (Note 22)	<b>₱14,694</b>	₱56,622	₱65,703
Selling and general expenses (Note 24)	<b>14,436</b>	18,603	46,950
Cost of services and other sales (Note 23)	<b>9,372</b>	7,905	11,422
Gold button inventory (Note 6)	<b>305</b>	–	–
	<b>₱38,807</b>	₱83,130	₱124,075



27. Other Income - net

	2019	2018	2017
Gains (losses) on:			
Revaluation of investment properties (Note 12)	<b>₱287,213</b>	₱605,820	₱5,167
Sale of investment properties (Note 12)	<b>68,592</b>	-	-
Settlement of trade and other liabilities (Note 15)	<b>22,459</b>	52,985	-
Foreign currency exchange	<b>11,491</b>	(15,598)	(4,827)
Disposal of property, plant and equipment (Note 10)	-	1,507	45,573
Disposal of AFS financial assets (Note 8)	-	-	15
Write-off of loans (Note 14)		-	38,644
Provision for impairment on:			
Deferred mine exploration cost (Note 11)	<b>(94,930)</b>	(72,059)	-
Input VAT (Note 7)	<b>(8,714)</b>	(11,135)	(4)
Other noncurrent assets (Note 13)	<b>(1,838)</b>	(95,374)	-
Noncapitalizable additions to liability for mine rehabilitation (Note 17)	<b>(18,373)</b>	-	-
Recovery of allowance for impairment loss (Notes 5 and 6)	<b>10,407</b>	-	-
Change in estimate of liability for mine rehabilitation (Note 17)	<b>9,672</b>	8,226	5,771
Losses on:			
Disallowed input VAT (Note 7)	<b>(6,704)</b>	(11,147)	(4,485)
Retirement of property, plant and equipment (Note 10)	-	(60,404)	-
Inventory obsolescence (Note 6)	-	(20,216)	(97)
Legal settlement (Note 13)	-	(9,425)	-
Accretion on the liability for mine rehabilitation (Note 17)	<b>(6,467)</b>	(4,940)	(4,267)
Interest income (Notes 4 and 13)	<b>1,727</b>	261	264
Write-off of deferred mine exploration costs (Note 11)	-	(11,462)	-
Penalties	-	(9,179)	(1,010)
Demurrage	-	-	(13,891)
Others – net	<b>(2,462)</b>	(10,170)	14,342
	<b>₱272,073</b>	₱337,690	₱81,195

Starting 2018, demurrage has been recognized under revenue from contracts with customers (see Note 21).

Others consist of various income and expenses, which are not directly related to the operations of the Group.



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## 28. 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 ₱58.42 million as at December 31, 2019 and 2018 and was provided an allowance for the same amount (see Note 5).

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## 29. 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.

The Group's related party transactions which are, individually or in aggregate over a 12-month period, 10% and above of the latest audited consolidated total assets are reviewed and evaluated by the Related Party Transaction Committee and Management Committee. Afterwards, these are approved by at least two-thirds (2/3) vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transaction. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the majority vote of the shareholders, or two-thirds (2/3) of the outstanding capital stock.

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



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.

	2019	2018	2017
Short-term benefits	<b>₱28,003</b>	₱33,127	₱61,444
Post-employment benefits	<b>5,438</b>	5,132	6,940
	<b>₱33,441</b>	₱38,259	₱68,384

Employee benefits include net pension expense and stock compensation expense.

**30. 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.

The component of net pension expense are as follows:

	2019	2018	2017
<i>Parent Company</i>			
Current service cost	<b>₱6,288</b>	₱8,014	₱9,517
Net interest cost	<b>3,850</b>	2,406	3,851
Past service cost	<b>2,129</b>	–	–
	<b>12,267</b>	10,420	13,368
<i>AFC</i>			
Current service cost	<b>177</b>	503	496
Net interest cost	<b>129</b>	211	183
	<b>306</b>	714	679
Net pension expense	<b>₱12,573</b>	₱11,134	₱14,047

Pension liability as at December 31, 2019 and 2018 are as follows:

	2019			2018		
	Parent Company	AFC	Total	Parent Company	AFC	Total
Present value of defined benefit obligation	<b>₱60,980</b>	<b>₱2,151</b>	<b>₱63,131</b>	₱52,906	₱1,819	₱54,725
Fair value of plan assets	<b>(569)</b>	–	<b>(569)</b>	(598)	–	(598)
Pension liability	<b>₱60,411</b>	<b>₱2,151</b>	<b>₱62,562</b>	₱52,308	₱1,819	₱54,127



Reconciliation of other comprehensive income - net of tax:

	2019			2018		
	Parent Company	AFC	Total (Note 19)	Parent Company	AFC	Total (Note 19)
Balances at beginning of year	(P23,723)	(P478)	(P24,201)	(P29,814)	P540	(P29,274)
Loss (gain) on remeasurement of pension liability	2,770	18	2,788	6,091	(1,018)	5,073
Balances at end of year	(P20,953)	(P460)	(P21,413)	(P23,723)	(P478)	(P24,201)

Changes in the present value of defined benefits obligation are as follow:

	2019			2018		
	Parent Company	AFC	Total	Parent Company	AFC	Total
Balances at beginning of year	P52,906	P1,819	P54,725	P47,673	P3,766	P51,439
Interest cost	3,894	129	4,023	2,689	211	2,900
Current service cost	6,288	177	6,465	8,014	503	8,517
Past service cost	2,129	-	2,129	-	-	-
Actuarial losses (gains)	3,884	26	3,910	8,416	(1,453)	6,963
Benefits paid	(8,121)	-	(8,121)	(13,886)	(1,208)	(15,094)
Balances at end of year	60,980	P2,151	P63,131	P52,906	P1,819	P54,725

Breakdown of actuarial gains (losses) on defined benefits obligation are as follows:

	2019			2018		
	Parent Company	AFC	Total	Parent Company	AFC	Total
Change in financial assumptions	P10,212	P310	P10,522	(P8,135)	(P1,272)	(P9,407)
Experience adjustments	(6,328)	(284)	(6,612)	16,551	(181)	16,370
	P3,884	P26	P3,910	P8,416	(P1,453)	P6,963

Fair value of plan assets of the Parent Company follows:

	2019	2018
Balances at beginning of year	P598	P5,016
Remeasurement	(73)	(284)
Asset return in net interest cost	44	283
Benefits paid	-	(4,417)
Balances at end of year	P569	P598

The plan assets of the Parent Company comprised mostly of cash in bank as at December 31, 2019 and 2018.

	2019	2018
Investment in shares	99.93%	1.92%
Cash in bank	0.07%	96.19%
Fixed income securities	-	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.



The Parent Company expects to contribute ₱10.00 million to ₱15.00 million to the defined benefits retirement plan in 2020.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2019:

Plan Year	Expected benefit payments	
	Parent Company	AFC
Less than 1 year	₱15,289	₱135
More than 1 year to 5 years	36,756	1,817
More than 5 years to 10 years	13,609	437
More than 10 years to 15 years	20,420	2,168
More than 15 years to 20 years	57,147	–
More than 20 years	364,267	4,200

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 average duration of the defined benefit obligations of the Parent Company and AFC is 19 years and 13 years, respectively.

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

	Parent Company		AFC	
	2019	2018	2019	2018
Discount rate	<b>4.92%</b>	7.36%	<b>4.59%</b>	7.12%
Salary increase rate	<b>5.00%</b>	5.00%	<b>11.00%</b>	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, 2019	
	Increase (decrease)	Present value of the defined benefit obligation
<b>Discount rates</b>	<b>5.92% (+1.00%)</b>	<b>₱56,257</b>
	<b>4.92% actual</b>	<b>60,980</b>
	<b>3.92% (-1.00%)</b>	<b>66,743</b>
<b>Salary increase rate</b>	<b>6.00% (+1.00%)</b>	<b>₱66,414</b>
	<b>5.00% actual</b>	<b>60,980</b>
	<b>4.00% (-1.00%)</b>	<b>56,439</b>
	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



AFC	December 31, 2019	
	Increase (decrease)	Present value of the defined benefit obligation
Discount rates	5.59% (+1.00%)	₱2,017
	4.59% (actual)	2,152
	3.59% (-1.00%)	2,306
Salary increase rate	12% (+1.00%)	₱2,287
	11% (actual)	2,152
	10% (-1.00%)	2,030
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

### 31. Income Taxes

The provision for (benefit from) current and deferred tax in 2019, 2018 and 2017 include the following:

	2019	2018	2017
RCIT	₱1,385	₱4,623	₱64,282
MCIT	5,464	1,523	6,675
Provision for (benefit from) deferred taxes	25,743	7,255	(45,782)
	₱32,592	₱13,401	₱25,175

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

	Deferred tax assets - net		Deferred tax liabilities - net	
	2019	2018	2019	2018
Deferred tax assets on:				
NOLCO	₱33,872	₱46,160	₱-	₱-
MCIT	6,685	16,785	-	-
Allowance for inventory loss, impairment loss and others	4,415	2,471	116,412	116,355
Depletion of asset retirement obligation	2,404	2,404	-	-
Accumulated accretion on liability for mine rehabilitation	2,400	1,959	-	-
Accrued pension liability	2,376	2,432	27,103	25,860
Straight-line amortization of accrued rent	-	293	-	-
Unrealized foreign exchange loss	231	4,570	-	-
	52,383	77,074	143,515	142,215

(forward)





	Deferred tax assets - net		Deferred tax liabilities - net	
	2019	2018	2019	2018
Deferred tax liabilities on:				
Unrealized foreign exchange gain	<b>(₱2,538)</b>	(₱1,531)	<b>(₱1,121)</b>	₱-
Remeasurement gain on retirement liability	<b>(1,730)</b>	(1,738)	<b>(8,980)</b>	(10,167)
Revaluation increment on land	<b>(214)</b>	(214)	<b>(941,596)</b>	(827,601)
Excess of lease payments over depreciation and interest expense	<b>(169)</b>	-	<b>(55)</b>	-
Cumulative translation adjustment of foreign subsidiaries	-	-	<b>(14,397)</b>	(14,027)
Revaluation increment on property, plant and equipment	-	-	<b>(10,009)</b>	(10,009)
Revaluation increment on artworks	-	-	<b>(15,373)</b>	(6,132)
	<b>(4,651)</b>	(3,483)	<b>(991,531)</b>	(867,936)
Net deferred tax assets (liabilities)	<b>₱47,732</b>	₱73,591	<b>(₱848,016)</b>	(₱725,721)

The Group has deductible temporary differences, unused NOLCO and MCIT, for which the deferred tax assets totaling ₱288.79 million and ₱284.26 million as at December 31, 2019 and 2018, respectively, were not 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:

	2019	2018	2017
Allowance for inventory loss, impairment loss and others	<b>₱479,647</b>	₱502,410	₱16,216
NOLCO	<b>339,858</b>	316,377	185,070
Accumulated accretion on liability for mine rehabilitation	<b>54,170</b>	53,259	51,298
Share-based payment	<b>21,670</b>	25,146	26,327
Accumulated depletion on asset retirement obligation	<b>20,766</b>	18,514	38,294
MCIT	<b>11,364</b>	5,252	690
Accrued expenses	<b>8,002</b>	8,002	8,662
Excess of depreciation and interest expense over lease payments	<b>626</b>	-	-
Unrealized foreign exchange losses	-	5,802	925
Straight-line amortization of accrued rent	-	499	384

As at December 31, 2019, 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:

	2019	2018	2017
Balances at beginning of year	<b>₱470,244</b>	₱338,937	₱252,651
Additions	<b>130,093</b>	208,911	150,758
Expirations	<b>(137,114)</b>	(77,604)	(58,693)
Application	<b>(10,458)</b>	-	(5,779)
Balances at end of year	<b>₱452,765</b>	₱470,244	₱338,937



Movements of MCIT follow:

	2019	2018	2017
Balances at beginning of year	₱22,037	₱17,475	₱11,057
Additions	5,464	4,623	6,675
Expirations	(9,452)	(61)	(45)
Application	–	–	(212)
Balances at end of year	₱18,049	₱22,037	₱17,475

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
2017	2020	₱147,185	₱6,675
2018	2021	175,487	5,910
2019	2022	130,093	5,464
		₱452,765	₱18,049

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:

	2019	2018	2017
Pretax income (loss) computed at statutory rate	₱44,499	(₱39,733)	₱13,994
Add (deduct) effects of:			
Nontaxable income	(99,344)	(199,891)	(24,676)
Expiration of NOLCO	41,134	23,281	17,608
Nondeductible expenses	31,813	33,546	25,284
Expiration of MCIT	9,452	–	–
Changes in unrecognized deferred tax assets	4,531	195,922	(7,587)
Forfeiture and expiry of stock options	1,025	354	822
Interest income subject to final tax	(518)	(78)	(58)
Application of MCIT	–	–	(212)
	₱32,592	₱13,401	₱25,175

### 32. 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 2019, 2018 and 2017 diluted EPS, the Parent Company did not consider the effect of stock options outstanding since these are anti-dilutive.

	2019	2018	2017
Net income	₱115,737	₱119,042	₱21,472
Current dividends on preference shares	(60)	(60)	(60)
Adjusted net income	₱115,677	₱118,982	₱21,412



Number of shares for computation of EPS as a result of stock split:

	2019	2018	2017
<b>Basic EPS</b>			
Weighted average common shares issued	616,119,252	616,119,252	615,647,052
Less: treasury shares	348,069	348,069	348,069
Weighted average common shares outstanding	615,771,183	615,771,183	615,298,983
<b>Diluted EPS</b>			
Weighted average common shares issued	616,119,252	616,119,252	615,647,052
Less: treasury shares	348,069	348,069	348,069
Convertible preferred shares	2,059,366	2,059,366	2,059,366
Stock options	–	–	–
Weighted average common shares outstanding	617,830,549	617,830,549	617,358,349
Basic EPS	₱0.19	₱0.19	₱0.03
Diluted EPS	₱0.19	₱0.19	₱0.03

### 33. 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.

2019							
	Mining	Health services	Logistics	Others	Total	Eliminations	Consolidated
<b>Revenue</b>							
External customers	₱747,726	₱35,964	₱11,176	₱7,201	₱802,067	₱-	₱802,067
Interest income	177	10	37	1,503	1,727	-	1,727
Inter-segment	-	-	8,479	-	8,479	(8,479)	-
Other income	301,535	1,752	21,876	236,178	561,341	(159,454)	401,887
	1,049,438	37,726	41,568	244,882	1,373,614	(167,933)	1,205,681
<b>Cost and Expenses</b>							
Interest expense	2,084	202	-	3	2,289	(258)	2,031
Direct costs	489,243	27,962	13,787	2,417	533,409	(3,413)	529,996
Selling and general expenses	272,718	16,722	21,318	23,065	333,823	(7,916)	325,907
Accretion expense	6,467	-	-	-	6,467	-	6,467
Impairment losses	100,266	1,341	-	6,915	108,482	-	108,482
Depreciation, depletion and amortization (Note 26)	118,634	10,870	4,544	8,086	142,134	(103,632)	38,502
Excise taxes and royalty fees (Note 21)	29,375	-	-	-	29,375	-	29,375
Other expenses	123,434	1	70	15,951	139,456	(16,109)	123,347
Income (loss) before tax	(92,743)	(19,372)	1,849	188,445	78,179	(36,605)	41,574
Provision for income tax	32,139	16	(467)	904	32,592	-	32,592
Net income (loss)	(₱124,882)	(₱19,388)	₱2,316	₱187,541	₱45,587	(₱36,605)	₱8,982
Operating assets	₱9,478,109	₱26,811	₱465,472	₱1,285,064	₱11,255,456	(₱4,381,648)	₱6,873,808
Operating liabilities	(₱2,463,015)	(₱68,573)	(₱440,574)	(₱576,245)	(₱3,548,407)	₱1,186,533	(₱3,548,407)
Other disclosure:							
Capital expenditure	₱21,683	₱30	₱3,400	₱6,924	₱32,037	₱-	₱32,037

2018							
	Mining	Health services	Logistics	Others	Total	Eliminations	Consolidated
<b>Revenue</b>							
External customers	₱939,131	₱42,917	₱18,522	₱8,134	₱1,008,704	₱-	₱1,008,704
Interest income	199	6	1	55	261	-	261
Inter-segment	-	-	27,994	-	27,994	(27,994)	-
Other income	621,904	4	1,171	3,195	626,274	(7,500)	618,774
	1,561,234	42,927	47,688	11,384	1,663,233	35,494	1,627,739
<b>Cost and Expenses</b>							
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 (Note 26)	134,674	6,688	5,893	6,168	153,423	(70,293)	83,130
Excise taxes and royalty fees (Note 21)	45,163	-	-	-	45,163	-	45,163
Other expenses	284,563	265	8,890	21,317	315,035	-	315,034
Income (loss) before tax	129,822	(34,777)	(16,658)	(30,274)	47,663	84,780	132,443
Provision for income tax	12,819	66	122	394	13,401	-	13,401
Net income (loss)	₱117,003	(₱34,843)	(₱16,780)	(₱31,118)	₱34,262	₱84,780	₱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 (Note 26)	163,312	15,132	6,468	5,830	190,742	(66,667)	124,075
Excise taxes and royalty fees (Note 21)	56,533	-	-	-	56,533	-	56,533
Other expenses	23,193	948	8,225	221	32,587	-	32,587
Income (loss) before tax	(24,204)	(21,584)	14,749	(5,196)	(36,235)	82,882	46,647
Provision for 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

Notes to operating segments:

- Inter-segment revenue, cost and expenses, assets and liabilities are eliminated upon consolidation and reflected in the 'eliminations' column.
- Capital expenditures consist of additions to property, plant and equipment and deferred mine exploration costs.
- Further information of the Group's revenue about products and services as well as geographical areas are presented in Note 21.
- 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, 2019, 2018 and 2017 are presented below:

	2019	2018	2017
Customer 1	₱575,363	₱614,775	₱688,896
Customer 2	-	171,436	178,833
	₱575,363	₱786,211	₱867,729

### 34. 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 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, 2019 and 2018, cash and cash equivalents may be withdrawn anytime while quoted FVOCI 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, 2019 and 2018.

	2019				Total
	On demand	0-90 days	More than 90 days	More than one year	
<i>Financial assets</i>					
Cash and cash equivalents					
Cash on hand and in banks	P69,298	P-	P-	P-	P69,298
Short-term deposits	7,874	-	-	-	7,874
Trade and other receivables					
Trade	53,645	9,139	-	-	62,784
Receivables from lessees of bunkhouses	1,344	-	-	-	1,344
Advances to contractors under "other current assets"	-	-	63,356	-	63,356
Nontrade under "other noncurrent assets"	-	-	-	202,917	202,917
FVOCI					
UITF	-	-	-	12,724	12,724
Quoted shares	-	-	-	444	444
	<b>P132,161</b>	<b>P9,139</b>	<b>P63,356</b>	<b>P216,085</b>	<b>P420,741</b>
<i>Financial liabilities</i>					
Loans payable	P507,893	P-	P-	P-	P507,893
Trade and other payables					
Trade	292,619	-	74,039	-	366,658
Nontrade*	30,443	-	-	-	30,443
Accrued expenses	6,958	-	34,202	-	41,160
Lease liability	1,083	-	1,393	7,978	11,721
Other noncurrent liabilities					
Equity of claimowner incontract operations	-	-	-	49,136	49,136
	<b>P838,996</b>	<b>P-</b>	<b>P109,634</b>	<b>P57,114</b>	<b>P1,006,561</b>
Net financial assets (liabilities)	<b>(P706,835)</b>	<b>P9,139</b>	<b>(P46,278)</b>	<b>P158,971</b>	<b>(P585,820)</b>

\*Excluding statutory payables



	2018				Total
	On demand	0-90 days	More than 90 days	More than one year	
<i>Financial assets</i>					
Cash and cash equivalents					
Cash on hand and in banks	₱302,060	₱-	₱-	₱-	₱302,060
Short-term deposits	58	-	-	-	58
Trade and other receivables					
Trade	124,078	-	-	-	124,078
Receivables from lessees of bunkhouses	-	-	2,867	-	2,867
Nontrade under other noncurrent assets	-	-	-	272,934	272,934
FVOCI					
UITF	-	-	-	10,278	10,278
Quoted shares	-	-	-	520	520
	₱426,196	₱-	₱2,867	₱283,212	₱712,795
<i>Financial liabilities</i>					
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
	₱621,570	₱-	₱556,514	₱49,136	₱1,227,220
Net financial assets (liabilities)	(₱195,374)	₱-	(₱553,647)	₱234,596	(₱514,425)

### 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, receivables from lessees of bunkhouses and loans receivable under trade and other receivables, advances under other noncurrent assets and FVOCI, 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 each instrument's carrying amount, before the effect of mitigation through the use of master netting and collateral agreements.

	2019	2018
Cash and cash equivalents		
Cash in banks	₱68,621	₱300,878
Short-term deposits	7,874	58
Trade and other receivables		
Trade	62,784	124,078
Receivables from lessees of bunkhouses	1,344	2,867
Advances to contractors under "other current assets"	63,356	-
Nontrade under "other noncurrent assets"	202,917	272,934
	₱406,896	₱700,815



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

2019	Neither past due nor impaired		Past due but not impaired	Impaired	Total
	High-grade	Standard- grade			
Cash and cash equivalents					
Cash in banks	₱68,621	₱-	₱-	₱-	₱68,621
Short-term deposits	7,874	-	-	-	7,874
Trade and other receivables					
Trade		62,784	-	27,882	90,666
Receivables from lessees of bunkhouses	-	-	1,344	3,644	4,988
Loan receivable	-	-	-	49,763	49,763
Advances to contractors under "other current assets"	-	-	63,356	2,411	65,767
Nontrade under "other noncurrent assets"	-	-	202,917	151,892	354,809
<b>Total credit risk exposure</b>	<b>₱76,495</b>	<b>₱62,784</b>	<b>₱267,617</b>	<b>₱235,592</b>	<b>₱642,488</b>

2018	Neither past due nor impaired		Past due but not impaired	Impaired	Total
	High-grade	Standard- grade			
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
Nontrade under "other noncurrent assets"	-	-	272,934	150,054	422,988
<b>Total credit risk exposure</b>	<b>₱412,745</b>	<b>₱993</b>	<b>₱287,077</b>	<b>₱213,044</b>	<b>₱913,859</b>

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

- Cash and cash equivalents are assessed as high-grade since these are deposited in reputable banks, which have a low probability of default.
- Trade receivables, which pertain mainly to receivables from sale of nickel ore, were assessed as standard-grade. These were assessed based on past collection experience and the debtors' ability to pay.
- UITF and quoted financial assets at FVOCI 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.
- Other financial assets such as receivables from lessees of bunkhouses, loans receivables, advances to contractors under other current assets and nontrade under other noncurrent assets were assessed as standard-grade, based on past collection experience and debtors' ability to pay.

#### *Impairment of Financial Assets*

The Group has financial assets consisting of cash and cash equivalent, trade receivables, UITF and quoted financial asset at FVOCI, receivables from lessees of bunkhouses, loan receivable, advances to contractors under "other current assets" and nontrade under "other noncurrent assets". While cash and cash equivalent are also subject to the impairment requirements of PFRS 9, the identified impairment loss were immaterial.

The Group applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables. On the other hand, the general approach was used in measuring ECL for receivables from lessees of bunkhouses, loan receivable, advances to contractors





under “other current assets” and nontrade under “other noncurrent assets”. The Group provided a provision for ECLs for all financial assets amounted to ₱235.59 million and ₱213.04 million in 2019 and 2018, respectively.

**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, 2019 and 2018, the Group’s exposure to the risk for changes in market interest rate relates primarily to its secured bank loans. 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.

<b>2019</b>	<b>Change in interest rates (in basis points)</b>	<b>Sensitivity of pretax Income</b>
	+100	(₱-)
	-100	-
<b>2018</b>	<b>Change in interest rates (in basis points)</b>	<b>Sensitivity of pretax Income</b>
	+100	(₱228)
	-100	228

*Foreign Currency Risk*

Foreign currency risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial performance and cash flows. The Group has transactional currency exposures. Such exposure arises from the sale of gold and nickel ore and the purchase of certain goods and services denominated in US\$. All sales of gold and nickel ore are denominated in US\$. Dollar conversion of metal sales to Philippine peso is based on the prevailing exchange rate at the time of sale.

The Group’s policy is to maintain foreign currency exposure within acceptable limits. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for an institution engaged in the type of business in which the Group is involved. The Group did not seek to hedge the exposure on the change in foreign exchange rates between the US\$ and the Philippine peso. The Group believes that active currency hedging would not provide long-term benefits to stockholders.



The Group's foreign currency-denominated monetary assets and liabilities as at December 31, 2019 and 2018 follow:

	2019		2018	
	US\$	Peso equivalent	US\$	Peso equivalent
<b>Financial Assets</b>				
Cash in banks	\$8	₱405	\$99	₱5,205
Trade receivables under "trade and other receivables"	527	26,685	527	27,710
<b>Total monetary assets</b>	<b>\$535</b>	<b>₱27,090</b>	<b>\$626</b>	<b>₱32,915</b>

As at December 31, 2019 and 2018, the exchange rates of the Philippine peso to the US\$ based on the Bankers Association of the Philippines are ₱50.635 and ₱52.58, respectively.

The sensitivity to a reasonably possible change in the US\$ exchange rate, with all other variables held constant, of the Group's income before income tax as at December 31, 2019 and 2018 is as follows:

	Change in foreign exchange rate	Income before income tax effect
<b>2019</b>		
	Strengthens by 1.25%	₱338
	Weakens by 2.33%	(632)
<b>2018</b>		
	Change in foreign exchange rate	Income before income tax effect
	Strengthens by 1.39%	₱458
	Weakens by 1.27%	(418)

#### *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 quoted shares under 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.

The table shows the sensitivity to a reasonably possible change in equity prices of quoted equity instruments as at December 31, 2019 and 2018, except equity-linked investments.

	Average change in market indices (in percentage)	Sensitivity to equity
<b>2019</b>		
	14.49%	₱91
	-14.49%	(91)



2018	Average change in market indices (in percentage)	Sensitivity to equity
	21.24%	₱133
	-21.24%	(133)

The equity impact is arrived using the reasonably possible change of the relevant market indices and the specific adjusted beta of each stock the Group holds. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.

#### 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, 2018 and 2017. The Group monitors capital using the parent company financial statements. As at December 31, 2019 and 2018, the Group has met its capital management objectives.

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

	2019	2018
Capital stock	<b>₱616,863</b>	₱616,863
Capital surplus	<b>380,382</b>	376,964
Retained earnings	<b>2,217,403</b>	2,029,559
Other components of equity	<b>1,205,018</b>	922,693
Treasury shares	<b>(8,016)</b>	(8,016)
	<b>₱4,411,650</b>	₱3,938,063

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, 2019 and 2018 are as follows:

	2019	2018
Total liabilities (a)	<b>₱2,509,890</b>	₱2,689,414
Total equity (b)	<b>4,411,650</b>	3,938,063
Debt-to-equity ratio (a/b)	<b>0.57:1</b>	0.68:1



### 35. Changes in Liabilities arising from Financing Activities

Movements on the reconciliation of liabilities arising from financing activities are as follows:

	January 1, 2019	Effect of adoption of PFRS 16	Cash flows	Foreign exchange movement	Additions	Reclassifi- cation	Others	December 31, 2019
	₱530,670	₱-	(₱22,777)	₱-	₱-	₱-	₱-	₱507,893
Loans payable								
Lease liability – net of current portion	-	10,758	(3,521)	-	-	(2,476)	822	5,583
Liability for mine rehabilitation	90,329	-	(12,788)	-	20,871	(25,007)	(6,830)	66,575
Other noncurrent liabilities	429,953	-	(3,554)	(12,198)	-	-	-	414,201
	<b>₱1,050,952</b>	<b>₱10,758</b>	<b>(₱42,640)</b>	<b>(₱12,198)</b>	<b>₱20,871</b>	<b>(₱27,483)</b>	<b>(₱6,008)</b>	<b>₱994,252</b>

	January 1, 2018	Cash flows	Foreign exchange movement	December 31, 2018
Loans payable	₱577,893	(₱47,223)	₱-	₱530,670
Other noncurrent liabilities	418,799	3,077	8,077	429,953
	<b>₱996,692</b>	<b>(₱44,146)</b>	<b>₱8,077</b>	<b>₱960,623</b>

Others include interest expense, accretion expense, and changes in estimate of liability for mine rehabilitation (see Notes 14, 16 and 17)

### 36. Fair Value Measurement

#### Fair Values

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, 2019 and 2018:

	Carrying amounts		Fair values	
	2019	2018	2019	2018
<b>Financial Assets:</b>				
FVOCI:				
UITF	<b>₱12,724</b>	₱10,278	<b>₱12,724</b>	₱10,278
Quoted	<b>444</b>	520	<b>444</b>	520
<b>Financial Liabilities:</b>				
Loans payable	<b>₱507,893</b>	₱530,670	<b>₱507,893</b>	₱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, advances under Other Current Assets, nontrade under Other Noncurrent Assets, 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 approximates the 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.

*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%.

*Lease Liabilities*

The fair value of lease liabilities approximates their carrying values, which are also the present value of these liabilities.

Fair Value Hierarchy

Set out below is the fair value hierarchy of the Group's assets measured at fair value.

	2019		
	Fair value measurement using		
	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Land at revalued amounts	P-	P-	P1,621,149
Artworks at revalued amounts	-	-	52,139
Investment properties	-	-	2,478,862
Financial assets at FVOCI	13,168	-	-
Intangible asset under "Other noncurrent assets"	250	-	-
	<b>P13,418</b>	<b>P-</b>	<b>P4,152,150</b>

	2018		
	Fair value measurement using		
	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Land at revalued amounts	P-	P-	P1,215,134
Artworks at revalued amounts	-	-	21,337
Investment properties	-	-	2,217,566
Financial assets at FVOCI	10,798	-	-
	<b>P10,798</b>	<b>P-</b>	<b>P3,454,037</b>

As at December 31, 2019 and 2018, the fair value of land at revalued amounts, artworks at revalued amounts and investment property are calculated using the sales comparative approach, which resulted in measurement being classified as Level 3 in the fair value hierarchy.

As at December 31, 2019 and 2018, the Group's FVOCI and intangible asset under "other noncurrent assets" are classified under Level 1 of the fair value hierarchy since these are based on quoted market prices or binding dealer price quotations.



There are no other assets and liabilities measured at fair value using any of the valuation techniques as at December 31, 2019 and 2018. There were no transfers between levels in 2019 and 2018.

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### 37. Leases, Agreements, and Contingencies

#### Lease Agreements (prior to adoption of PFRS 16)

##### *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 nil, ₱5.70 million and ₱12.10 million in 2019, 2018 and 2017, respectively.

Future minimum lease payments for the said operating leases are as follows:

	2019	2018
Lease payments due in:		
Less than one year	<b>₱3,293</b>	₱7,185
Between one and five years	<b>3,416</b>	12,250
More than five years	<b>4,562</b>	3,014
Future minimum lease payments	<b>₱11,271</b>	₱22,449

##### *Finance Lease*

In 2012, the Parent Company entered into a lease agreement with a leasing and finance company for the purchase of an item of property and equipment and in 2017, the Parent Company fully settled its lease obligation.

In 2017, principal lease payments under the said finance lease amounted to ₱2.43 million while interest expense amounted to ₱0.46 million.

Interest expense recognized on the above finance lease obligations amounted to nil, nil and ₱0.46 million in 2019, 2018 and 2017, 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.

- 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, 2019, the remaining balance amounts to US\$4.4 million.

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### 38. Subsequent Event

In early January 2020, an outbreak of a respiratory illness caused by the COVID-19 coronavirus was identified in Wuhan, Hubei Province, China. In a move to contain this outbreak in the Philippines, on March 13, 2020, the Office of the President issued a Memorandum directive to impose stringent social distancing measures and partial lockdown in the National Capital Region effective March 15, 2020. During this partial lockdown, land, domestic air, and domestic sea travel to and from Metro Manila were suspended until April 14, 2020, while international departures were permitted. Mass transportation within Metro Manila was also suspended and only limited utility services were continued to operate with social distancing guidelines.

On March 17, 2020, the Office of the President announced the placement of the entire island of Luzon on enhanced community quarantine (ECQ). On April 7, 2020, the ECQ was extended until April 30, 2020. On April 24, 2020, it was further extended until May 15, 2020. On May 12, 2020, the ECQ was still in force and was further modified, as Metro Manila was placed under modified enhanced community quarantine until May 31, 2020. Effective June 1, 2020, NCR was placed under general community quarantine.

The outbreak's impact on the mining and related logistics activities of the Group is minimal, compared to the manufacturing, food, entertainment, tourism, and other sectors where risks of transmission are high. Thus, this event has no significant impact on the Group in 2020, aside from additional costs for the rapid testing kits, protective devices, facemasks, alcohol and sanitizers, hand soap, and thermal scanner provided to and for the use of Group personnel.



The Group considered the measures taken by the government as a non-adjusting subsequent event, which did not impact its financial position and performance as at December 31, 2019 and December 31, 2018. The measures taken to manage the risks include subjecting the Group personnel who travelled to other region to rapid testing and quarantine, disinfection of equipment and working areas, provision of facemask, alcohol or sanitizers, hand soap, designation of a safety officer and requiring employees to always observe physical distancing and wear face mask, wash and sanitize hands frequently, undergo temperature checks, hold videoconferencing or online meetings and receive medical assistance (in compliance with protocols issued by the government).







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## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders  
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, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, included in this Form 17-A and have issued our report thereon dated June 4, 2020. 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 the Revised Securities Regulation Code Rule 68, 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.

Peter John R. Ventura  
Partner  
CPA Certificate No. 0113172  
SEC Accreditation No. 1735-A (Group A),  
January 15, 2019, valid until January 14, 2022  
Tax Identification No. 301-106-741  
BIR Accreditation No. 08-001998-140-2018,  
December 17, 2018, valid until December 16, 2021  
PTR No. 8125315, January 7, 2020, Makati City

June 4, 2020





SyCip Gorres Velayo & Co.  
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1226 Makati City  
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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 COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders  
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 (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated June 4, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Peter John R. Ventura  
Partner  
CPA Certificate No. 0113172  
SEC Accreditation No. 1735-A (Group A),  
January 15, 2019, valid until January 14, 2022  
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December 17, 2018, valid until December 16, 2021  
PTR No. 8125315, January 7, 2020, Makati City

June 4, 2020



**BENGUET CORPORATION AND SUBSIDIARIES**  
**INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY SCHEDULES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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Amounts receivable from related parties which are eliminated during the consolidation of financial statements	C
Long-term debt	D
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Guarantees of securities of other issuers	F
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**SCHEDULE I**  
**RECONCILIATION OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**As at December 31, 2019**

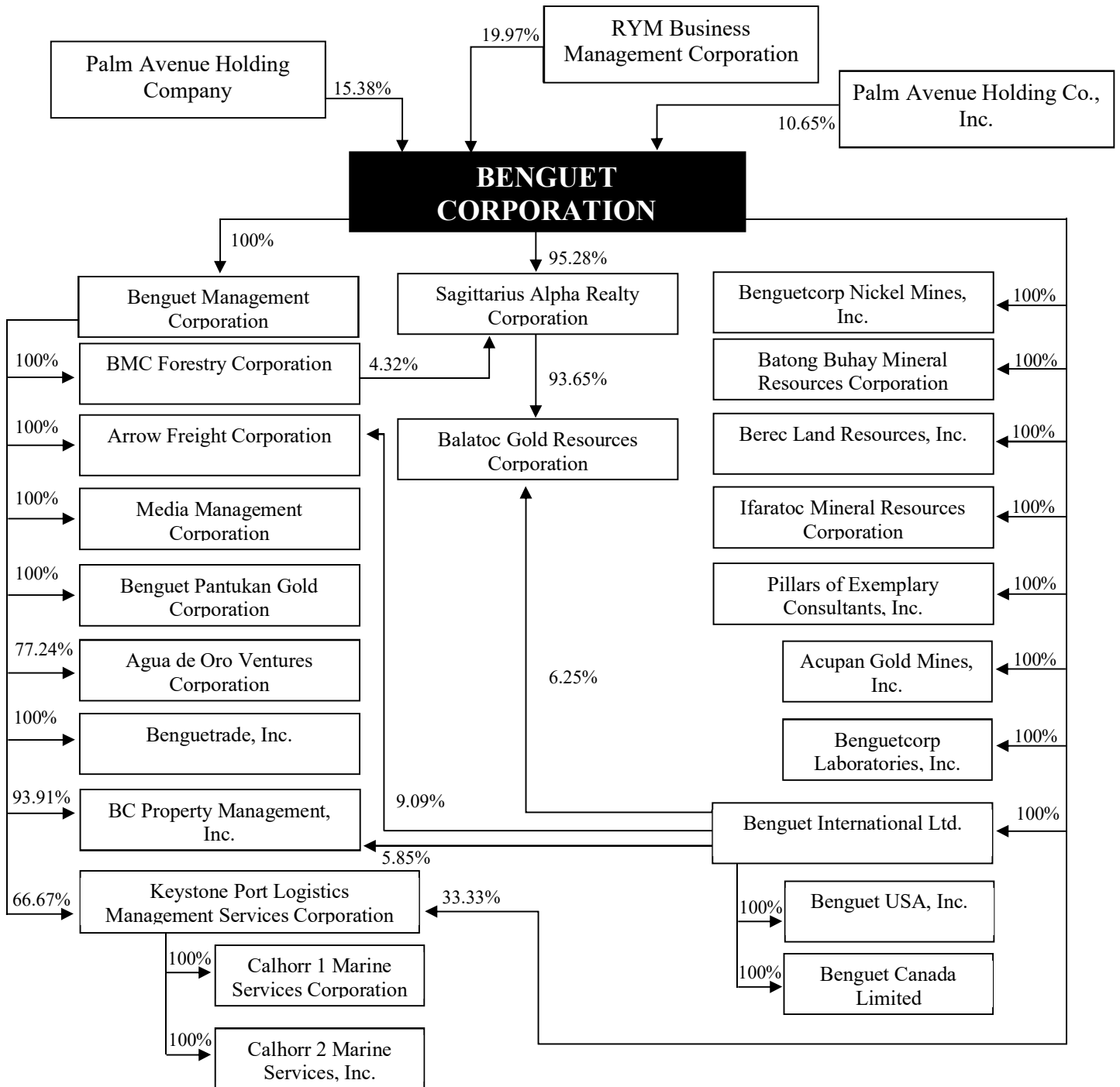
**BENGUET CORPORATION**  
**7th Floor Universal Re-Building, 106 Paseo de Roxas, Makati City**

<b>Unappropriated Retained Earnings, beginning</b>	<b>₱2,204,398</b>
Effect of quasi-reorganization on revaluation increment	(1,010,848)
<b>Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning</b>	<b>1,193,550</b>
<b>Add: Net income actually earned/ realized during the period</b>	
Net income during the period closed to Retained Earnings	141,553
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)	(3,723)
Fair value adjustment (mark-to-market gains)	-
Fair value adjustment of Investment Property resulting to gain	(245,872)
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	8,702
Subtotal	(240,893)
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)	-
	-
<b>Net income (loss) actually incurred during the period</b>	<b>(99,340)</b>
<b>Add (Less):</b>	
Dividend declarations during the period	-
Appropriations of Retained Earnings during the period	-
Reversals of appropriations	-
Effects of prior period adjustments	-
Treasury shares	(8,016)
	<b>(8,016)</b>
<b>TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND</b>	<b>₱1,086,194</b>

**SCHEDULE II**  
**BENGUET CORPORATION AND SUBSIDIARIES**  
**FINANCIAL RATIOS**  
**PURSUANT TO REVISED SRC RULE 68**  
**DECEMBER 31, 2019**

	2019	2018
<b><u>Profitability Ratios:</u></b>		
Return on assets	1.71%	1.80%
Return on equity	1.31%	3.12%
Gross profit margin	30.92%	25.02%
Operating profit margin	(15.17%)	19.87%
Net profit margin	14.43%	11.80%
<b><u>Liquidity and Solvency Ratios:</u></b>		
Current ratio	0.73:1	0.92:1
Quick ratio	0.33:1	0.37:1
Solvency ratio	2.76:1	2.46:1
<b><u>Financial Leverage Ratios:</u></b>		
Asset to equity ratio	1.57:1	1.68:1
Debt ratio	0.36:1	0.41:1
Debt to equity ratio	0.57:1	0.68:1
Interest coverage ratio	74.03:1	28.43:1

**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, 2019**



**SCHEDULE A**

**BENGUET CORPORATION AND SUBSIDIARIES  
FINANCIAL ASSETS  
DECEMBER 31, 2019  
(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
<div style="border: 1px solid black; padding: 5px; display: inline-block;">NOT APPLICABLE</div>			

**SCHEDULE B**

**BENGUET CORPORATION AND SUBSIDIARIES**  
**AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS**  
**(OTHER THAN RELATED PARTIES)**  
**DECEMBER 31, 2019**  
**(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 <i>VP Finance, Treasurer, Taxation/Materials</i>	₱1,052	₱-	₱450	₱-	₱602	₱-	₱602
Reynaldo P. Mendoza <i>SVP - Public Affairs, Asst. Corp. Sec. (Legal)</i>	1,267	1	-	-	1,268	-	1,268
Cynthia Lazaro <i>Sec. Mgr - Insurance (Treasury)</i>	548	-	-	-	548	-	548
Marcelo A. Bolano <i>SVP-Operation (CHQ)</i>	526	-	-	-	526	-	526
Romy L. Tangalin <i>Legal Assistant (Legal)</i>	492	40	-	-	532	-	532
Sheena Irish Barra <i>Finance Manager (Accounting)</i>	251	100	-	-	351	-	351
Camilo Bernaldo <i>Section Mgr - Gov't Liaison (Legal)</i>	162	-	68	-	94	-	94
Maricel Ulep <i>Group Asst. for SVP-Finance &amp; SVP- Nickel Op'n (Logistics)</i>	119	-	-	-	119	-	119
Lanolyn Pangilinan <i>Sec. Mgr - Programmer (Accounting)</i>	66	-	-	-	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 <i>Sec. Mgr - Accounting (Accounting)</i>	₱24	₱-	₱24	₱-	₱-	₱-	₱-
Eden Barcelona <i>Asst. to the Chief of Staff (Corplan)</i>	112	-	1	-	111	-	111
Ana Margarita Hontiveros <i>VP-Healthcare (Office of the President)</i>	46	-	46	-	-	-	-
Mary Jean Dalit <i>Accountant (Accounting)</i>	35	-	-	-	35	-	35
Pamela Gendrano <i>AVP - Environmental Compliance (Compliance)</i>	13	126	60	-	79	-	79
Marlene Villanuevaloa <i>Purchasing Asst (Materials)</i>	41	-	34	-	7	-	7
Lourdes O. Calub <i>Finance Manager (Finance)</i>	20	-	-	-	20	-	20
Harold Jacinto <i>Technical Asst. (Trade)</i>	15	-	-	-	15	-	15
Dale A. Tongco <i>AVP - Audit</i>	(7)	16	-	-	9	-	9
Neilsen Olfindo <i>HR/Admin Manager</i>	48	30	17	-	61	-	61

**SCHEDULE C**

**BENGUET CORPORATION AND SUBSIDIARIES  
AMOUNTS RECEIVABLE FROM RELATED PARTIES  
WHICH ARE ELIMINATED DURING THE  
CONSOLIDATION OF FINANCIAL STATEMENTS  
DECEMBER 31, 2019  
(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.	(P635,208)	P51,543	P-	P-	(P583,665)	P-	(P583,665)
Balatoc Gold Resources Corporation	79,702	-	(1,309)	-	78,393	-	78,393
Benguetrade, Inc.	(47,158)	2,308	-	-	(44,850)	-	(44,850)
Benguetcorp Laboratories, Inc.	30,862	7,474	-	-	38,336	-	38,336
Berec Land Resources, Inc.	(36,482)	263	-	-	(36,219)	-	(36,219)
BC Property Management, Inc.	30,144	146	-	-	30,290	-	30,290
Ifaratoc Mineral Resources Corporation	29,775	63	-	-	29,838	-	29,838
Benguet-Pantukan Gold Corporation	29,555	44	-	-	29,599	-	29,599
BMC Forestry Corporation	(24,481)	-	(296)	-	(24,777)	-	(24,777)
Media Management Corporation	22,183	-	(10,000)	-	12,183	-	12,183
Arrow Freight Corporation	(520)	-	(3,711)	-	(4,231)	-	(4,231)
Benguet Management Corporation	(18,431)	115,431	-	-	97,000	-	97,000
Agua de Oro Ventures Corporation	11,649	350	-	-	11,999	-	11,999
Keystone Port Logistics Management Services Corporation	17,521	-	(644)	-	16,877	-	16,877
BenguetCorp International Limited	3,349	889	-	-	3,659	-	4,238
Sagittarius Alpha Realty Corporation	(5,822)	-	(24,261)	-	(30,083)	-	(30,083)
Batong Buhay Mineral Resources Corporation	2,407	44	-	-	2,451	-	2,451
Acupan Gold Mines, Inc.	(2,147)	43	-	-	(2,104)	-	(2,104)
Pillars of Exemplary Consultants, Inc.	662	41	-	-	703	-	703

**SCHEDULE D**

**BENGUET CORPORATION AND SUBSIDIARIES  
LONG-TERM DEBT  
DECEMBER 31, 2019  
(Amounts in Thousands)**

<u>Title of issue and type of obligation</u>	<u>Amount authorized by indenture</u>	<u>Amount shown under the caption 'Current Portion of long-term borrowings' in related balance sheet</u>	<u>Amount shown under the caption 'Long-term borrowings - net of current portion' in related balance sheet</u>
Unsecured loans, including interest	₱507,893	₱507,893	₱-
	₱507,893	₱508,893	₱-

**SCHEDULE E**

**BENGUET CORPORATION AND SUBSIDIARIES  
INDEBTEDNESS TO RELATED PARTIES  
(LONG-TERM LOANS FROM RELATED COMPANIES)  
DECEMBER 31, 2019**

Name of related party	Balance at beginning of period	Balance at end of period	
<table border="1"><tr><td>NOT APPLICABLE</td></tr></table>			NOT APPLICABLE
NOT APPLICABLE			

**SCHEDULE F**

**BENGUET CORPORATION AND SUBSIDIARIES  
GUARANTEES OF SECURITIES OF OTHER ISSUERS  
DECEMBER 31, 2019**

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
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NOT APPLICABLE

**SCHEDULE G****BENGUET CORPORATION AND SUBSIDIARIES  
CAPITAL STOCK  
DECEMBER 31, 2019**

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, 2019, shares issued and outstanding totaled 615,988,244 held by 16,906 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