

**BENGUET CORPORATION**  
**MINUTES**  
**OF THE ANNUAL STOCKHOLDERS' MEETING**  
**29 JUNE 2011**

The annual stockholders' meeting of Benguet Corporation (the "Company") was held at the Fairways Dining Room, Manila Golf & Country Club, Harvard Road, Forbes Park, Makati City, on Thursday, 29 June 2011.

**I. Call to Order**

Mr. Benjamin Philip Romualdez, Chairman & President presided over the meeting. The meeting was called to order at 3:10 in the afternoon. Atty. Hermogene H. Real, the Corporate Secretary, recorded the minutes of the meeting.

**II. Proof of Notice of the Meeting**

Upon query of the Chairman if notice of the meeting had been sent to the stockholders of the Company, the Corporate Secretary certified that written notices of the meeting, together with the Proxy Statement, were sent either by mail or through messengerial services at the respective addresses indicated in the books of the Company to each stockholder of record as of May 10, 2011, at least thirty (30) days before the annual meeting date in compliance with the Company's Amended By-Laws. The same notices were also published in Manila Standard Today and People's Tonight, both newspapers of general circulation, on Saturday, June 25, 2011 and on Monday, June 27, 2011, respectively. [The Affidavit of Service/Mailing of the Notice to resident and non-resident stockholders, and a

complete set of the notice and proxy materials are attached to the original of the Minutes of this meeting.<sup>1]</sup>

### **III. Determination of Quorum**

The Chairman requested the Corporate Secretary to confirm the presence of a quorum at the meeting. The Corporate Secretary further certified that a quorum existed for the transaction of business, there being present in person or represented by proxy a total of 117,718,745 shares or 72.02% of the Company's outstanding capital stock of 163,454,764 shares. [Appended to the original of the Minutes is the report dated June 29, 2011 of SGV & Co., the Company's external auditors, showing the results of tabulation of the number of shares present at the meeting.<sup>2]</sup>

There being a quorum present, the Chairman declared that the meeting was ready to proceed with the transaction of business. He then introduced to the stockholders each member of the Board of Directors present.

### **IV. Approval of the Minutes of the Last Regular Annual Stockholders' Meeting**

The Chairman requested the Corporate Secretary to read the Minutes of the Annual Stockholders' Meeting held on August 25, 2010.<sup>3]</sup> Considering that

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<sup>1</sup>Annex "A" - Affidavit, Notice and proxy Materials

<sup>2</sup>Annex "B" - Quorum Tabulation

<sup>3</sup>Annex "C" – Minutes of the Annual Stockholders Meeting held on August 25, 2010

copies of the Minutes of said meeting had earlier been furnished to the stockholders, upon motion duly made and seconded, the reading of said Minutes of the last Annual Stockholders' Meeting was dispensed with, and the stockholders unanimously adopted the following resolution:

**“RESOLVED**, as it is hereby resolved, that the Minutes of the Stockholders' Meeting held on August 25, 2010 be, as they are hereby, approved as presented.”

**V. Presentation of the President's Report**

The Chairman announced that the next order of business was the review of the Company's operations for the years 2010 - 2011 with some updates on BC's mineral production/exploration projects. He stated that copies of the Annual Report as well as SEC 17-A with the 2010 Audited Financial Statements were distributed in advance to the stockholders together with the Proxy Statement prior to the meeting, thus any questions on the report will be entertained after the presentation.

He then presented the 2010 Annual Report of the Company and reported the significant highlights of the Company's operations as well as its current activities, among others, to wit:

“Benguet Corporation took significant strides in 2010 and finally achieved its long-pursued goal of business turnaround with a reported ₱2.4 billion net income.

The ramped-up ACMP gold output, coupled with the resumption of commercial nickel ore shipments by Benguetcorp Nickel Mines Inc. (BNMI), a wholly owned subsidiary, provided your Company with a steady, recurring income base amid sustained high metal prices. Your Company was likewise able to resolve two long-standing concerns during the year. It successfully retired a substantial portion of its old debt. At the same time, it broke the Kingking impasse by negotiating a transactional arrangement with a third party, monetizing your Company's investment in the prospect. These major developments in 2010 have

collectively lifted a heavy burden and provided your Company with renewed hope and energy as it moves forward to sustained recovery.

## **CONSOLIDATED RESULTS**

Consolidated net earnings for 2010 amounted to ₱2.4 billion, a turnaround from the loss of ₱185 million in 2009. The net earnings in 2010 include extraordinary gain of ₱2.3 billion, resulting from the settlement of liabilities and non-refundable deposit from the Kingking transaction. Income from operations excluding accrued financing and other charges of ₱24 million amounted to ₱126 million.

The operating revenues of the Company significantly increased to ₱624 million in 2010 from ₱241 million in 2009, due to revenues generated from nickel which resumed its operation this year, the higher gold production of ACMP, and better metal prices in 2010.

## **MINING**

The **Acupan Contract Mining Project or ACMP** continued to improve with revenues of ₱77.8 million in 2010, 135% higher than ₱33.1 million in 2009. This was driven by increased gold production of 3,079 ounces in 2010 versus 2,129 ounces in 2009 and the rise in average gold price to US\$1,262/oz in 2010 against US\$981/oz in 2009. ACMP ended the year 2010 with an average milling rate of 93 tons per day. Your Company is targeting to further expand capacity of the ACMP mill to 150 tons per day by late 2011 and to 300 tons per day by the third quarter of 2012. Further, your Company obtained approval from the Philippine Export-Import Credit Agency (PhilEXIM) for a 5-year loan facility of up to ₱150 million to finance the expansion

**BNMI** reported net earnings of ₱101 million on its first year of operation, from the sale of 1.3 million tons of nickel ore out of its contractual arrangement with DMCI Mining Corporation (DMCI). The contract with DMCI is to mine and sell nickel ore from Area 1 of your Company's Santa Cruz Nickel Property or SCNP. Starting in 2011, BNMI will operate the remaining portions of SCNP and will undertake a feasibility study to develop a processing capability for value added exports.

Earnings from the **Irisan Lime Project** amounted to ₱12.8 million in 2010, slightly lower than the ₱16.5 million in the previous year, mainly due to decline in sales volume.

## **EXPLORATION, RESEARCH AND DEVELOPMENT**

Your Company signed on July 22, 2010 a Heads of Terms with St. Augustine Mining Ltd for the transfer of your Company's interest in, and withdrawal from, the **Kingking Porphyry Copper Gold Prospect**, subject to certain conditionalities. On October 22, 2010, St. Augustine made an initial payment of US\$8 million to your Company out of the total acquisition price of US\$25 million, with the balance to be paid over a period of seven years.

Your Company was issued a Mineral Processing Permit (MPP) for its **Balatoc Tailings Project** by the Mines and Geosciences Bureau and the DENR in September 2010. It likewise signed a Deed of Assignment transferring the MPP to BTP's operator, **Balatoc Gold Resources Corporation or BGRC**, a wholly

owned subsidiary of your Company. BGRC is currently updating cost estimates for critical BTP mine/mill and ancillary equipment/facilities as part of CAPEX review. Most of the government permits have been secured and BGRC sees financial closing within 2011.

#### **HEALTHCARE SERVICES**

Earnings from the **Benguet Laboratories** almost doubled to ₱6.1 million in 2010, from ₱3.2 million in 2009. Benguet Lab is in partnership with about 66 medical practitioners of various disciplines and expertise. It serves various Health Management Organizations catering to corporate and institutional clients, both from the private and government sectors that are located in Northern Luzon. Management of Benguet Lab envisions to be the leading healthcare provider in the Baguio-Benguet area including the Cordilleras.

#### **LAND DEVELOPMENT**

For the **Woodspark Rosario Subdivision**, cash collection in 2010 amounted to ₱4 million which brought up the total cash collection to-date to ₱36 million. Lot sales, reservations and dacion in 2010 totaled 29 lots with an aggregate area of 3,243 square meters valued at ₱6 million. Total lots sold and reserved to-date is 168 lots with an aggregate area of 25,000 square meters valued at ₱44 million. Woodspark attained 96% completion of its development for Phase 1, 93% for Phase 2 and 83% for Phase 3.

#### **ENVIRONMENTAL PROTECTION AND COMMUNITY SERVICES**

Your Company is committed to the protection and enhancement of our environment by ensuring that its mining operations are compliant with the strict regulations of the DENR-MGB and other government agencies. To meet the environmental obligations of its mining operations, your Company's BGO spent ₱3 million for the maintenance and structural rehabilitation of its tailings disposal system, drainage tunnels, mine waste dump, reforestation activities and other mining infrastructures. The activities are based on the approved Annual Environmental Protection and Management Programs. These are closely coordinated with and monitored by the Mine Monitoring Teams, the Mine Rehabilitation Fund Committees, the MGB-CAR, the Local Government Units and the Environment Management Bureau.

Your Company continues to fulfill its social environment obligations through implementation of various Social Development and Management Programs (SDMP) for Benguet Gold Operations and BNMI, in coordination with Local Government Units and government agencies. The SDMP has directly benefited residents within your Company's areas of operations as well as neighboring communities. Your Company also regularly undertakes other community development programs such as health and medical care, supplemental/malnutrition feeding, infrastructure and environmental protection activities, livelihood, waste management, and education/scholarship programs.

#### **GOOD CORPORATE GOVERNANCE**

Your Company adheres to the principles of good corporate governance and faithfully complies with the guidelines of the Securities and Exchange Commission and the Philippine Stock Exchange. The Company has adopted an

enterprise-wide system of identifying and managing risks. It likewise continually posts on its website corporate disclosures and reports which were submitted to the SEC and the PSE, for transparency and easy access and reference of the investing public.

## **DEBT STATUS**

In 2010, your Company was able to retire 80% of its secured debt and repurchased 17% of its unsecured debt, bringing the total to 95% of unsecured debt to-date. In March 2011, the Philippine National Bank (PNB) as the mortgage trustee of the consortium of creditor banks, formally informed your Company that it is withdrawing the notice of default it earlier issued since the majority creditors have already indicated their retraction of their previous instruction to PNB on the default declaration. As of the end of 2010, your Company's consolidated outstanding principal debt subject to the repayment plan amounted to ₱554 million or US\$12.6 million.

## **PRIVATE PLACEMENT**

On April 7, 2010, your Company's Board of Directors approved a Memorandum of Agreement between your Company and RYM Business Management Corporation for a private placement of up to ₱330 million in your Company's common shares, equivalent to 14.6 million Class "A" shares and 9.7 million Class "B" shares. The subscription to authorized and unissued shares of your Company is divided into two transactions. The first transaction was completed on April 23, 2010 with full payment of ₱150 million. The second transaction shall be completed within 180 days from listing of the shares under the first tranche.

## **OUTLOOK**

Your Company is now positioned to move forward with confidence.

The substantial resolution of the old debt issue has strengthened its financial condition. The task is not yet complete and your Company remains committed to a final and comprehensive settlement of all the old debt within 2011.

More importantly, the measures taken by your Company to develop a recurring earnings base has shown significant positive results. Revenues from gold had risen by 135% year-on-year and will continue to grow as the milling capacity increase to 300 metric tons per day is completed. Nickel delivered ₱281 million in revenues in 2010 compared to nil in the previous year and this is likewise expected to further improve in 2011. In both cases, your Company was able to benefit from the current level of commodity prices and expects that such levels will generally be sustained in the coming year. As of the first quarter of 2011, the operating revenues of your Company amounted to P183 million, or almost 300% year-on-year.

The gold tailings project of BGRC has likewise formally commenced with the recent signing of a contract for the detailed engineering requirements of the project. We also have contracted the rehabilitation of the tailings ponds and the re-enforcement of the silt dam. We further expect closing of a P430 million term loan facility to fund the debt component of the project within the third quarter of the year.

Your Company, therefore, expects that the coming year will again show a positive net income performance which will ultimately benefit its stakeholders. "

The following additional information was disclosed to the stockholders:

Organizationally, the Company has completed the necessary requirements to operate BNMI and BGRC as stand-alone business units. BNMI's authorized capital stock is now at P2.0 billion, of which P1.025 billion has been paid up. A term supply contract for up to 1.8 million metric tons of nickel ore is being finalized to complement the existing off-take arrangement with DMConsunji Inc. BGRC has recently signed a contract for detailed engineering requirements of the project and contracted the rehabilitation of the tailings ponds and reinforcement of the silt dam.

For and in behalf of the Company, the Chairman expressed his sincere appreciation to, and accordingly acknowledged the unwavering commitment of the officers, managers, employees and consultants of the Company who continue to respond to heavy work demands and see the Company through. Also, he expressed his gratitude to the members of the Board of Directors for their valuable inputs and continued guidance and to the stockholders as well for their continued trust and support.

After a brief review of the highlights of the Company's operations for the years 2010-2011, as well as the Company's projections in 2011, the Chairman then declared the table open for questions concerning the President's Statement, the Annual Report for the year 2010, the interim quarterly reports for the year 2011, and the 2010 Audited Financial Statements.

There being no comments or questions on the above-mentioned reports, upon motion duly made and seconded, said reports were noted and approved by the stockholders through the following resolution:

“**RESOLVED**, as it is hereby resolved, that the Annual Report containing the Management Report in SEC Form 17-A, together with the consolidated financial statements for the calendar year ended 2010 be, as they are hereby, approved as presented.”

**VI. Ratification of All Acts, Contracts, Resolutions, Investments and Proceedings Made and Entered into by Management and/or the Board of Directors during the period from August 25, 2010 to June 29, 2011**

The Chairman took up the next item in the Agenda which was the ratification of all acts, contracts, resolutions, investments and proceedings of the Board of Directors and its Corporate Officers for the period from August 25, 2010 to June 29, 2011.

On motion duly made and seconded, there being no objections, the stockholders unanimously adopted the following resolution:

“**RESOLVED**, as it is hereby resolved that all acts, resolutions, contracts and investments made by Management and/or the Board of Directors for the period from August 25, 2010 to June 29, 2011, be as they are hereby confirmed, ratified and approved .”

**VII. Election of Directors**

The Chairman proceeded to the next item in the Agenda which was the election of the Board of Directors of the Company for the years 2011-2012. He informed the stockholders that there are no other nominees for independent directors submitted to the Corporate Secretary and, as indicated in the Company's Proxy Statement, no further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting since the period for nominations of independent directors is not later than forty five (45) days prior to the stockholders' meeting. As disclosed in the Proxy Statement, the election of



directors is still enjoined under the Temporary Restraining Order (TRO) issued by the Supreme Court.

At this point, the Corporate Secretary referred the stockholders to the Notice of Annual Meeting of Stockholders and Information Statement, particularly on page 4 thereof labelled as Status of the TRO, where it was stated that “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.”

She then informed the body that as of the date and time of this meeting, no order lifting the TRO has been received by the Company. Hence, no election of directors could be held.

The Chairman declared and announced that the incumbent members of the Board of Directors of the Company shall continue to hold office on a hold-over capacity until such time that their successors shall have been duly elected and qualified, as follows:

- (1) To represent Common Class "B" Stock:  
Benjamin Philip G. Romualdez  
Andres G. Gatmaitan  
Isidro C. Alcantara, Jr.  
Bernardo M. Villegas, as independent director
- (2) To represent the Convertible Preferred Class "A" and Common Class "A" Stocks:  
Dennis R. Belmonte  
Maria Remedios R. Pompidou  
Daniel Andrew G. Romualdez  
Luis Juan L. Virata  
Rogelio C. Salazar  
Alberto C. Agra, as independent director

## **VIII. Other Business**

### **A. Conversion Premium for Convertible Preferred "A" shares**

The Chairman informed the shareholders that for the year 2010, the conversion premium for converting Convertible Preferred "A" shares into Common Class "A" shares is P8.07 per share.

**IX. Adjournment**

The Chairman inquired from the stockholders if there are other matters that they would like to take up.

There being no question and no other business to transact, upon motion duly made and seconded, the meeting was adjourned at 4:00 p.m.

Finally, the Chairman informed the body that since the TRO has not been lifted as of the date of this meeting, the 2011 annual stockholders' meeting will be adjourned for up to ninety (90) days or until September 29, 2010 to allow the election of directors in the event that the TRO is lifted anytime during the said 90-day period; and that the proxies for the June 29, 2011 Annual Stockholders' Meeting will still be valid for ninety (90) days from the date of the said meeting.

**HERMOGENE H. REAL**  
Corporate Secretary

**A T T E S T:**

**BENJAMIN PHILIP G. ROMUALDEZ**  
Chairman