



October 2, 2013

PHILIPPINE STOCK EXCHANGE
3rd Floor Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: **MS. JANET A. ENCARNACION**
Head, Disclosure Department

Gentlemen:

We furnish the Philippine Stock Exchange (PSE) a copy of the Amended 2013 Second Quarter Report (SEC Form 17-Q) of the Company which we have submitted to the Securities and Exchange Commission (SEC).

We hope that you will find everything in order.

Very truly yours,

BENGUET CORPORATION

By:


REYNALDO P. MENDOZA
Assistant Corporate Secretary



BenguetCorp

SEC Reg. No. 11341

October 2, 2013

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

Attention : ATTY. JUSTINA F. CALLANGAN
Director, Corporate Finance Department

Gentlemen:

In compliance to your letter dated September 10, 2013 which we received on October 1, 2013, we submit hereto an Amended 2013 Second Quarter Report (SEC Form 17-Q) of the Company recognizing the impact of the new financial reporting standards pursuant to SEC Memorandum Circular No. 6, Series of 2013 as follows:

- PAS 27 (Amended), Separate Financial Statements
- PAS 28 (Amended), Investments in Associates and Joint Ventures
- Amendments to PFRS 1, Government Loans
- Amendments to PFRS 7, Disclosure Offsetting Financial Assets and Financial Liabilities
- PFRS 10, Consolidated Financial Statements
- PFRS 11, Joint Arrangements
- PFRS 12, Disclosure of Interests in Other Entities
- PFRS 13, Fair Value Measurement

The above standards are applicable to the Company except for Amendments to PFRS 1, PFRS 11 and PFRS 12. The adoption of the new standards have no significant impact on the financial position or performance of the Company. Please refer to page 24 of the amended report.

We hope that you will find everything in order.

Thank you;

Very truly yours,

BENGUET CORPORATION

By:

RENATO A. CLARAVALL
SVP, Chief Finance Officer

COVER SHEET

“A”

1 1 3 4 1

SEC Registration Number

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

(Group's Full Name)

7 T h F l o o r , U n i v e r s a l R e B u i l D i n g ,
1 0 6 P A s e o d e R o X a s , M a k a t i C i t y

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

Mr. Reynaldo P. Mendoza

(Contact Person)

812-1380

(Group Telephone Number)

1 2 3 1
Month Day

(Calendar Year)

1 7 - Q

(Form Type)

0 5 3 0
Month Day

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

16,978

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended: **JUNE 30, 2013**
2. Commission identification number: **11341** 3. BIR Tax Identification No.: **000-051-037**
- BENGUET CORPORATION**
4. Exact name of issuer as specified in its charter
PHILIPPINES
5. Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
- 7F UNIVERSAL RE-BUILDING, 106 PASEO DE ROXAS, MAKATI CITY 1226**
7. Address of issuer's principal office Postal Code
(632) 812-1380 / 751-9137
8. Issuer's telephone number, including area code
9. Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA.

Number of shares of common stock
outstanding and amount of debt outstanding
(As of June 30, 2013)

Convertible Preferred Class A	217,061 shares
Common Class A Stock	110,259,787 shares*
Common Class B Stock	66,783,397 shares*

Consolidated outstanding principal debt as of June 30, 2013-- ₱1.8 Billion

(*) Net of Treasury Shares

11. Are any or all of the securities listed on a Stock Exchange? Yes [] No []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

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

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

Yes [] No []

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

Yes [] No []

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Financial Statements and, if applicable, Pro Forma Financial Statements meeting the requirements of SRC Rule 68, Form and Content of Financial Statements, shall be furnished as specified therein.

Financial Statements and, if applicable, Pro Forma Financial Statements meeting the requirements of SRC Rule 68, Form and Content of Financial Statements, shall be furnished as specified therein.

PLEASE REFER TO ANNEX “B” on pages 14 to 40 incorporated herein and form part of this report (SEC Form 17-Q) which contained the following reports:

<u>Description</u>	<u>Page No.</u>
1. Unaudited Interim Condensed Consolidated Statements of Financial Position (with audited comparative data for 2012)	14-15
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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

A. RESULTS OF OPERATIONS

2013 SECOND QUARTER VS. 2012 SECOND QUARTER

Consolidated operating revenues for the quarter and six months period of 2013 significantly increased to ₱605.7 million and ₱1,259.1 million respectively, from ₱474.5 million and ₱694.0 million for the same periods in 2012. The mining operations contributed 93% of the revenues. The Sta. Cruz Nickel Project (SCNP) accounted for ₱780 million from 10 shipments with a total sales volume of 526,071 tons while the Acupan Gold Project (AGP) contributed ₱351 million.

Consolidated results for the second quarter of 2013 showed a modest net earnings of ₱332 thousand and ₱36.6 million for the first half of this year, lower compared with the net earnings of ₱158.4 million and ₱184.9 million for the same periods last year. Low metal prices resulted to lower income. The averaged metal price for the first semester of 2013 were US\$1,546.82 for gold and US\$34.51 per ton for nickel. For the first semester in 2012, the averaged metal price were US\$1,614.14 for gold and US\$38.04 for nickel.

Operating costs and expenses for the second quarter increased by ₱314 million to ₱637 million from ₱323 million for the same quarter last year mainly due to higher cost of mine products sold, selling and general expenses and taxes on revenues. For the same reasons, the operating costs and expenses for the six months period this year also increased by ₱725 million to ₱1,266 million from ₱541 million for the same period in 2012. Milling costs increased due mainly to the increased tonnage milled and excise and royalty taxes increased due to higher volume of nickel and gold sold during the six months period.

Interest expense for the second quarter and the first semester this year amounted to ₱31.7 million and ₱59.4 million, respectively, compared with the interest expense of ₱16.4 million and ₱21.9 million for the same periods last year. The increased was mainly due to the accrued interest during the second quarter and the first semester.

The other net income for the quarter and the first semester this year amounted to ₱83.7 million and ₱138.8 million, respectively, compared with the other income of ₱58.5 million and ₱91.6 million for the same periods last year. The ₱54 million extraordinary gain from settlement of BC old debt and the recovery of impairment loss on the Acupan exploration project contributed to the other income this first half of the year, while the extraordinary gain from the settlement of Benguet Management Corporation (BMC) old debt accounted for the other income for the same period in 2012.

The provision for income tax for the second quarter and six months period this year, amounted to ₱20 million and ₱35.8 million, respectively, compared with the provision for income tax of ₱35.1 million and ₱37.8 million for the same period last year.

FINANCIAL POSITION

2013 SECOND QUARTER VS. YEAR ENDED 31 DECEMBER 2012

The Company ended the second quarter of 2013 with consolidated assets of ₱6.9 billion, higher than end-December 2012 level of ₱6.6 billion. Cash and cash equivalents slightly increased to ₱514 million from ₱508 million in 2012. Short-term investment decreased to ₱174 million from ₱206 million mainly from the pre-termination of time deposits to fund the exploration projects.

Receivables decreased to ₱413 million from ₱721 million last year, attributed mainly from collection of nickel shipment. Additional nickel ore produced this first semester accounted for the increased in inventories to ₱367 million from ₱175 million last year.

Increased in other current assets to ₱437 million from ₱258 million in 2012 pertains to input taxes on various purchases of materials and supplies and services and advanced office rental of the Company and its subsidiaries.

Deferred exploration costs increased to ₱1,075 million from ₱816 million last year mainly due to expenses incurred in Balatoc Tailings Project, Sta. Cruz Nickel Project and Acupan Gold Project.

Accounts payable and accrued expenses increased to ₱861 million from ₱490 million last year mainly due to various purchases for AGP's expansion program to increase its million capacity to 300 tons per day and Arrow Freight Corporation, an affiliate, payables to its sub-contractors for various services rendered to SCNP. The consolidated outstanding bank loans (inclusive of interest and penalties) decreased to ₱1.805 billion from ₱1.897 billion in 2012 mainly due to settlement of debt amortization to Amsterdam Trade Bank (ATB). As of June 30, 2013, the Company have paid US\$6 million out of the US\$20 million principal loan to ATB.

Obligations under finance lease slightly declined to ₱45.4 million from ₱50.5 million due to repayment made during the first semester.

Income tax payable for the first semester slightly increased to ₱28.4 million from ₱26.5 million for the same period last year.

Retained earnings improved to ₱1.639 billion from ₱1.602 billion in 2012 mainly due to the net income for the first semester of 2013. For the same reason, Stockholder's Equity increased to ₱3.166 billion from ₱3.137 last year.

For more detailed discussions on the Company's results and plan of operations, please refer to the Company's President Report – 2013 Second Quarter Report, which form as integral part of this report on pages 10 to 13, marked as Annex "A".

B. RESULTS OF OPERATIONS

2012 SECOND QUARTER VS. 2011 SECOND QUARTER

Consolidated net income for the second quarter and the six months period in 2012 amounted to ₱158.4 million and ₱184.9 million, respectively, compared to the net income of ₱122.0 million and ₱580.1 million for the same periods in 2011. The Sta. Cruz Nickel Project (SCNP) contributed the largest share in the consolidated earnings followed by Benguet Management Corporation's (BMC) extraordinary gain of ₱93 million from the debt settlement. Earnings would have been better had SCNP not been adversely affected by typhoons and torrential rains. The income booked in 2011 includes ₱549 million extraordinary gains from debt settlement.

Consolidated operating revenues for the second quarter and six months period of 2012 significantly increased to ₱474.5 million and ₱694.0 million, respectively from ₱191.1 million and ₱374.0 million for the same periods in 2011. The mining operations contributed ₱620.8 million in revenue mainly from SCNP (₱400.8 million) and Acupan Gold Project (AGP) (₱220.0 million).

Operating cost and expenses for the 2012 second quarter increased by ₱151 million to ₱323 million from ₱172 million for the same quarter in 2011 mainly due to higher cost of mine products sold and selling and general expenses. For the same reasons, the operating costs and expenses for six months period in 2012 also increased by ₱228 million to ₱541 million from ₱313 million for the same period in 2011.

The other net income for the second quarter and the first semester of 2012 amounted to ₱42 million and ₱70 million, respectively, lower compared with the other income of ₱104 million and ₱526 million for the same periods in 2011. The extraordinary gain from BMC debt settlement contributed to the other income in 2012. The income, however, is lower compared to the ₱102 million and ₱549 million extraordinary gain from debt settlement booked for the same periods in 2011.

The provision for income tax for the second quarter and six months period of 2012, amounted to ₱35 million and ₱38 million, respectively, compared with the provision for income tax of ₱0.9 million and ₱7.1 million for the same periods in 2011.

AGP reported net earnings of ₱37,435,000 and ₱74,549,000 for the second quarter and first semester of 2012 respectively, higher than the ₱21,943,000 and ₱45,754,000 posted for the same periods in 2011. Gold sold were 1,520 and 3,045 ounces for second quarter and first semester of 2012 versus 987 and 2,051 ounces for the same periods in 2011, respectively. AGP milled 12,903 tons of shared ore with an average grade of 7.11 grams of gold per ton, a threefold increase compared to total tons milled of 4,364 tons at 8.21 grade for the same period in 2011. Milling rate averaged 142 tons per day (tpd), 23% higher versus 115 tpd for the same period in 2011.

Benguetcorp Nickel Mines Inc. (BNMI), a wholly owned subsidiary, reported net earnings of ₱87,000,000 and ₱90,542,000 for second quarter and first semester of 2012, higher than the ₱16,952,000 and ₱28,199,000 posted for the same respective periods in 2011. The earnings reported are mainly due to sale of nickel ore from its contract mining and off-take agreements. A total of 17 boatloads of ore from BNMI were shipped, totalling 710,580 tons of high-quality ore, averaging a grade of 1.8% Ni. Of this, BNMI had shipped a total of 4 boatloads, equivalent to 198,007 tons of similar quality ore, under contracted supply agreements. In the second quarter of 2012, BNMI, for its own account, had mined 109,536 tons of ≥1.7% Ni to ≥1.8 Ni and 46,672 tons of ≥1.5% Ni to ≤1.69%

Ni ores. For the first six months period of 2012, BNMI has mined 374,792 tons of $\geq 1.7\%$ Ni to $\geq 1.8\%$ Ni; 127,912 tons of $\geq 1.5\%$ Ni to $\leq 1.69\%$ Ni ores for a total materials movement of 1,179,774 tons. Despite higher sales volume of 2,003 tons and 4,872 tons in the second quarter and first semester of 2012 versus sales volume of 1,856 tons and 4,871 tons for the same periods in 2011, respectively, the Company's Irisan Lime Project (ILP) posted slightly lower net earnings of ₱1,888,000 and ₱4,131,000 for in the second quarter and first semester of 2012, compared to the ₱2,043,000 and ₱5,088,000 net earnings posted for the same periods in 2011. The lower net earnings are attributed to higher operating costs, particularly the increase in price of bunker fuel by 16.94% in the second quarter and 17.71% for the first semester of 2012.

The Company's Benguet Laboratories (BL) generated net earnings of ₱1,583,000, 39% higher than the net earnings of ₱1,136,000 generated for the same quarter in 2011. Net earnings for the first half of 2012 amounted to ₱2,823,000, also higher than the ₱2,075,000 posted for the same period in 2011 by 36%. The positive performance was due to higher sales to institutional/corporate clients, lower operating cost on rental and city services; and relocation of BL to a much bigger area within SM City-Baguio has been deferred. BL is set to open its third branch in SM Pampanga in October 2012.

Benguet Management Corporation (BMC), a wholly owned subsidiary of the Company, together with its own subsidiaries, reported consolidated net earnings of ₱77,132,000 for the second quarter of 2012, a reversal from the loss of ₱541,000 incurred during the same period in 2011. Net earnings for the first half of 2012 also increased dramatically, generating ₱106,885,000 against the ₱2,147,000 loss incurred during the same period in 2011. The income was mainly due to the non-cash gain realized from the settlement of old debt.

FINANCIAL POSITION

2012 Second Quarter vs. Year Ended 31 December 2011

The Company ended the second quarter of 2012 with consolidated assets of ₱5.72 billion, higher than end-December 2011 level of ₱5.30 billion. Cash and cash equivalent decreased to ₱586 million from ₱1.2 billion in 2011 mainly from cash used by operating activities, equipment purchases for the AGP expansion and debt settlement.

The Company's financial position in the second quarter of 2012 versus year ended 31 December 2011 resulted as follows:

Trade and other receivables increased to ₱490 million from ₱82 million in 2011, attributed mainly from nickel shipment not yet collected. Loans receivable slightly decreased to ₱52 million from ₱59 million in 2011 mainly due to partial collection in the second quarter of 2012.

Inventories increased to ₱165.2 million from ₱37.3 million partly due to nickel inventories booked for the first semester in 2012.

Increased in other current assets to ₱184 million from ₱117 million in 2011 pertains to input taxes on various purchases of materials and supplies and services and advanced office rental of BC and subsidiaries.

Property, plant and equipment increased to ₱3,222 million from ₱3,127 million in 2011 mainly due to equipment purchases for the AGP expansion and SCNP.

Available for sale investments went up to ₱290 million from ₱14 million in 2011, mainly from the ₱275 million contribution to the investment management account with Maybank ATR Kim Eng Capital Partners, Inc. – Trust Department.

Mining exploration and project development costs increased to ₱376 million from ₱311 million in 2011 mainly due to expenses incurred in the Nickel Expansion Project and Balatoc Tailings Project.

Deferred charges and other assets increased to ₱186 million from ₱133 million in 2011 mainly due to expenses incurred in the AGP expansion program to increase its mining capacity to 300 tons per day and environmental fund for gold and nickel projects.

Trade and other payables declined to ₱206 million from ₱244 million in 2011 mainly due to payments to Mitsubishi Materials Corporation and other suppliers.

The outstanding loans (inclusive of interest and penalties) as of June 30, 2012 increased by ₱70 million to ₱1,638 million from ₱1,568 million in 2011, mainly from the ₱150 million short-term loan granted by Banco De Oro to fund the Company's exploration project and working capital requirements. The increase, however, was partially reduced by interest payments and with the strengthening of the peso over the US dollar.

Income tax payable in the second quarter of 2012 pertains mainly to the ₱38 million income tax payable of BNMI's Sta. Cruz Nickel Project. Other non-current liabilities increased to ₱72.6 million from ₱25.6 million mainly due to BNMI advances chargeable against future royalty from DMCI.

Deposit for future stock subscription pertains to the RYM Business Management Corporation additional subscriptions of ₱180 million under the terms and conditions of the Stock Subscription Agreement dated May 4, 2012 in pursuance to the Memorandum of Agreement (MOA) on Private Placement dated April 7, 2010 and Addendum to the MOA dated September 17, 2010.

Retained earnings improved to ₱1,160 million from ₱975 million in 2011 mainly due to the net income for the first semester of 2012. The net income for the first semester this year and the additional subscription from RYM Business Management Corporation increased the Stockholders Equity to ₱2.671 billion from ₱2.311 billion in 2011.

KNOWN TRENDS, EVENTS OR UNCERTAINTIES

The Company foresees improvement in its cash flow as the Company's AGP continues to improve its gold production, steady market of quicklime from ILP and assured market for nickel ores of Sta. Cruz Nickel Project due to the signing of off-take agreements.

Except for the Company's outstanding bank loans, there are no material events that will trigger direct or contingent financial obligations to the Company. As of June 30, 2013, the consolidated total outstanding principal debt amounted to ₱1.8 billion.

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

For the quarter in review, the Company continues to fund the capital requirements of its Acupan mine expansion program, nickel and gold tailings projects in Zambales and Benguet Provinces, respectively. The anticipated increase production of gold at AGP, higher quicklime sales from ILP and shipment of nickel ores from its Sta. Cruz Nickel Project will have a favorable impact on the Company's net sales and income.

As of June 30, 2013, except for what has been noted in the preceding, there are no material events or uncertainties known to management that had material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Company;

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

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, 2013, the Company current ratio is 1.00:1 versus 1.08:1 for the same period in 2012. The Company is moving forward in the development of its pioneering gold tailings reprocessing project, and the expansion of its gold and nickel operations. It remains optimistic that the coming year will show robust net income performance, which will ultimately benefit all stakeholders.
- 2.) *Metal Price* – The market price of gold in the Banko Sentral ng Pilipinas which is based from the world spot market prices provided by the London Metal Exchange for gold is the key indicator in determining the Company's revenue level. This quarter, the average market prices for gold sold were at US\$1,411.15 per ounce compared to US\$1,614.75 per ounce for the same quarter in 2012. The favorable metal prices will also have a favorable impact on the Company's revenue. It is anticipated that revenues from gold and nickel will continue to grow due to ongoing expansion of gold operation and the off-take agreements assured ready market of high and low grade nickel and high grade iron ores of the Company's Sta. Cruz Nickel Project.
- 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 18,118 tons of shared ore with average grade of 3.13 grams per ton gold. Gold sold were 2,491 ounces. For the same quarter in 2012, tons milled were 12,903 tons of shared ore with average grade of 7.11 grams per ton gold. Gold sold were 1,520 ounces. AGP is on expansion program for a higher gold production.
- 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, 2013, the peso to dollar exchange rate was at ₱43.20, higher than the ₱42.283 for the same period in 2012. 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, the Company's results of operation is almost break-even, hence, no earnings per share is reported versus ₱0.97 per share for the same period of 2012. With the projected higher gold production of AGP and assured market of nickel ores of SCNP, the Company anticipates improvement in the earnings per share.

The Company's key performance indicator used for its subsidiaries is Net Income.

Benguet Management Corporation (BMC) and its subsidiaries reported a consolidated net income of ₱2.2 million for the second quarter and ₱18.2 million for the first semester this year, lower than the ₱77.1 million and ₱106.7 million net earnings posted for the same respective periods in 2012.

PART II--OTHER INFORMATION

The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

There are no other information for this interim period not previously reported in a report on SEC Form 17-C.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer.....**BENGUET CORPORATION**.....

By:



Signature and Title: **REYNALDO B. MENDOZA** – SVP, Legal/Asst. Corporate Secretary

Principal Financial/Accounting Officer/Controller:



Signature and Title: **RENATO A. CLARAVALL** – SVP, Chief Finance Officer

**2013
SECOND QUARTER REPORT
BENGUET CORPORATION
AND SUBSIDIARIES**

Benguet Corporation generated revenues of ₱1.3 billion (US\$29.1 million) for the first half of 2013, more than double the ₱565.1 million revenue from the same period in 2012. For the second quarter, revenues jumped to ₱605.7 million (US\$14.02 million), 128% of the ₱474.5 million revenue recorded in the same period last year .

This significant increase in revenues enabled the Company to mitigate the persistent softening of both gold and nickel prices. Notwithstanding the prices-induced shrinkage in margins, the Company's operation provided cash operating income of ₱62.3 million (US\$1.4 million) and a ₱0.33 million (US\$0.01 million) after tax income in the second quarter, bringing its cash operating income todate to ₱277.4 million (US\$6.4 million) and net income after tax for the first half of the year to ₱36.6 million (US\$0.85 million).

The low metal prices was a significant factor in the decline of earnings for the quarter and the first semester this year vis-à-vis the same periods last year. The average price of gold in the second quarter was US\$1,411.15/oz, a US\$203.60/oz decline from the same period in 2012 which reached US\$1,614.75/oz. Nickel prices, on the other hand, fell 22% or US\$9.20/ton from the second quarter 2012 average of US\$42.30/ton to this year's second quarter average of US\$33.10 per ton.

Mining

Gold production in the second quarter reached 2,491 ounces, a substantial increase from the 1,520 ounces produced last year. The Acupan Gold Project (AGP) milled 18,118 tons ore, compared to 12,903 tons for the same quarter in 2012. For the six-month period, gold production increased by 79% to 5,456 ounces from 3,045 ounces for the same period last year.

The increased production enabled AGP to yield net earnings of ₱62.6 million (US\$1.4 million) this quarter and ₱50.6 million (US\$1.2 million) for the first half in spite of the lower gold price. In comparison, it posted net earnings of ₱37.4 million (US\$0.89 million) and ₱74.5 million (US\$1.76 million) during the same periods last year.

Improvements in the mill process and availability of new ore sources from the GG ore body vein suitable for bulk mining enhanced the milling and production capability of AGP and these are expected to reinforce the positive performance of the gold operations. Cost reduction programs have also been implemented, the impact of which will be reflected starting the third quarter. Meanwhile, AGP's drilling and expansion programs continued resulting in the conversion of more resource into mineable tonnage. Drilling at L-2000 is ongoing. Six (6) bore holes with a total meterage of 646.70 meters were drilled targeting GG ore body as source of ore.

Nickel operations under Benguetcorp Nickel Mines, Inc. (BNMI) completed ten shipments aggregating 526,071 tons for the first half this year. Total revenues for the second quarter and first semester amounted to ₱378.5 million (US\$8.76 million) and ₱779.9 million (US\$18.05 million), respectively, higher compared to the revenues of ₱327.0 million (US\$7.72 million) and ₱400.8 million (US\$9.47 million) for the same periods in 2012. BNMI generated net earnings of ₱16.2 million (US\$0.38 million) for the second quarter, lower than the net earnings of ₱87.0 million (US\$2.15 million) for the same period last year with the continued dumping of Indonesian ore in the market, coupled with the China slowdown which brought down nickel prices by an average of UD\$9.20 per ton. The nickel business contributed ₱99.2 million (US\$2.3 million) to the Benguet group for the quarter, and ₱182.2 million (US\$4.2 million) for the first six months of 2013 which is twice last year's ₱90.5 million (US\$2.1 million) contribution.

BNMI conducted a process review and identified improvement areas resulting in substantial cost savings to mitigate the negative impact of the declining nickel prices. These cost reduction programs have been implemented, the positive outcome of which will be reflected beginning the third quarter.

An independent PMRC Competent Person was commissioned to conduct a global resource calculation of the Sta. Cruz Nickel Project (SCNP). Based on the report, BNMI's mineral resource stands at 59.9 million wet metric tons (wmt) averaging 1.1% nickel grade at 0.5% nickel cut-off grade (COG). Of the total, 68% or 40.6 million wmt is under a "Measured" category, 8.7 million wmt or 14% is "Indicated", and 10.7 million wmt or 18% is "Inferred". The report also showed a 54.1% increase in Mineral Resource (MR) and higher nickel content. At 1.0% COG, SCNP contains 35.32 million wmt ore with an average nickel grade of 1.4% compared to the 2011 report which showed a 22.92 million wmt resource at an average nickel grade of 1.3%. The Mineral Resource Report has been duly disclosed to the SEC and PSE.

BNMI continues its exploration and development program to maximize the potential of its nickel resource and prepare for a potential entry into nickel processing.

The Irisan Lime Project (ILP) net earnings this quarter grew by 82% to ₱3.43 million (US\$0.08 million) from ₱1.89 million (US\$0.04 million) in the same period last year. The increase was attributed to improvement in sales volume and lower production cost. For the six-month period, net earnings amounted to ₱5.43 million (US\$0.13 million), 31% higher compared to the net earnings of ₱4.13 million (US\$0.10 million) for the same period last year.

Healthcare Services

BenguetCorp Laboratories, Inc. (BCLI), a wholly owned subsidiary providing outpatient medical and laboratory services, generated net earnings of ₱1.66 million (US\$0.04 million) for the six months period on its first year of operation. The earnings reported are attributable to the clinic facilities based in Baguio. The clinic facilities, formerly with the Company, was consolidated under BCLI effective April of this year. The newly opened third clinic facility under the trade name MedCentral based in SM San Fernando Pampanga continues to attract walk-in patients and corporate clients.

Expansion plans are already underway to build four more primary care and specialty facilities within Metro Manila and the Luzon Corridor in 2013, extending to other areas in the Visayas and Mindanao region in the short and medium term.

Logistics and Other Services

Benguet Management Corporation (BMC) and its subsidiaries, the Company's wholly owned logistics and services provider, reported consolidated revenue of ₱244.8 million (US\$5.7 million) and ₱583.9 million (US\$13.5 million) in the second quarter and first six months of the year, respectively, 130% and 210% higher compared to the ₱106.4 million (US\$2.5 million) and ₱188.5 million (US\$4.5 million) revenues generated in the same periods in 2012. Bulk of the revenue was provided by Arrow Freight Corporation from its BNMI operation. After tax net earnings this quarter was ₱2.2 million (US\$0.05 million), compared to the net earnings of ₱77.1 million (US\$1.82 million) for the same period last year. For the six months period, net earnings of ₱18.2 million (US\$0.42 million) is lower compared to the net earnings of ₱106.9 million (US\$2.53 million) for the same period last year. Last year's income include a ₱93 million (US\$2.2 million) non-cash book gain realized from the settlement of old debts.

Arrow Freight Corporation (AFC), BNMI's exclusive equipment contractor, registered revenues of ₱221.9 million (US\$5.1 million) and ₱583.9 million (US\$13.5 million) in the second quarter and first half of 2013, respectively, more than double the revenue of ₱102.8 million (US\$2.4 million) and ₱183.3 million (US\$4.3 million) revenues for the same periods last year. Modest after tax earnings of ₱0.3 million (US\$0.01 million) this quarter and ₱15.9 million (US\$0.37 million) for the six months period were reported this year, compared to the after tax earnings of ₱11.6 million (US\$0.274 million) and ₱15.8 million (US\$0.37 million) for the respective periods in 2012.

BMC Forestry Corporation (BFC), reported net income of ₱1.4 million (US\$0.03 million) this quarter and ₱2.6 million (US\$0.06 million) for the first half this year, higher compared to the net earnings of ₱0.8 million (US\$0.02 million) and ₱1.0 million (US\$0.02 million) posted for the same periods last year. BFC completed the development works of Woodspark Rosario Subdivision Project in La Union (Main Project and Socialized Project). To date, BFC has sold 249 lots totaling 32,881 square meters, 84 % of the 296 saleable lots aggregating 44,569 square meters.

Benguetrade, Inc. (BTI), the Company's trading arm turned around this year with its recent re-activation, coming from 10 years of inactivity. It now supplies the major materials, services and equipment requirements of the gold and nickel operations. Revenues in the second quarter and first half were ₱19.8 million (US\$0.458 million) and ₱30.0 million (US\$0.694 million), respectively. It reported after tax net earnings of ₱0.731 million (US\$0.017 million) this quarter, and ₱0.813 million (US\$0.019 million) for the six-month period of this year, a reversal from the net losses of ₱0.318 million (US\$0.008 million) and ₱0.646 million (US\$0.015 million) for the same periods last year.

Keystone Port Logistics and Management Services, Inc., the port manager of BNMI, reported net earnings of ₱0.8 million (US\$0.02 million) this quarter and ₱7.5 million (US\$0.17 million) for the first half this year compared to the net losses of ₱0.1 million (US\$0.003 million) and ₱0.4 million (US\$0.009 million) for the same periods in 2012. Keystone is in the process of improving the Candelaria port to accommodate six barges at any given time.

Exploration, Research & Development

Balatoc Gold Resources Corporation (BGRC), the Company's operator of the Balatoc Tailings Project (BTP), expects completion of the engineering and design of the BTP processing plant by the end of the third quarter. The construction and equipment installation is due for bidding within the year.

For the second quarter, 1,808.46 meters consisting of 14 drill holes were drilled for the Greater Acupan Drilling Project. For the first half ending June 30, 2013, the Company has drilled a total of 2,924.26 meters for this project consisting of 22 drill holes. As of mid-July 2013, total meterage drilled reached 3,441.02 meters composed of 28 drill holes. These holes were drilled from surface and underground targeting different ore bodies.

The Greater Acupan Drilling Project was designed to probe the GW breccia mineralization within Acupan to validate the extent of the Company's gold resources. This is apart from the vein-type mineralization the Company is currently mining.

Environmental Protection

The Company remains compliant with all environmental requirements and its nickel operating subsidiary, BNMI, was in fact endorsed by MGB-Region 3 as a candidate for the 2013 Presidential Mineral Industry Environmental Awards. In the endorsement, MGB-Region 3 stated that: "The Company has contributed to the long term economic, environmental and social sustainability particularly of the host and neighboring communities".

Reforestation activities and community-based agroforestry projects in collaboration with the Company's Community Relations are continuously being carried out in both the gold and nickel operations. These activities are in support of the National Greening Program of the Department of Environment and Natural Resources (DENR) and to serve as alternative livelihood of the communities. For the first half of 2013, 58,500 trees have been planted and survived (in addition to the 46,600 trees planted in 2012) in over 20 hectares and around 147,000 seedlings were raised in nurseries established in Impact Barangays and host communities.

Community Services

In coordination with local government units, relevant government agencies and host communities, Benguet Corporation has earmarked various improvements in the delivery of its Social Development and Management Programs (SDMP), particularly focused on education, livelihood and health programs. Total scholarship grantees rose to 180 beneficiaries this year, about 50% increase from last year's coverage. Supplemental Feeding programs in thirty two (32) elementary schools and day care centers continue since its conception in 2007. Mushroom propagation and livestock raising are providing additional income to hose and neighboring communities in Benguet. Medical, dental and optical missions are also regularly conducted in various host barangays. A twice a week medical consultation and provision of basic medicines to one of its major host barangays in Zambales, is now wanting to be duplicated in other barangays. In its aim to provide regular medical services, the Company has started to build Barangay Health Centers, one of which has recently been turned over to Barangay Binabalian in Candelaria, Zambales. Philhealth sponsorships to fifty (50) indigent families, is an annual health program. Five (5) schools are now benefitting from the Company's "Adopt-A-School-Program", a project envisioned to enhance learning and instructional tools of primary school as well as improve the structural conditions of the school buildings. Infrastructure projects such as improvement of day care centers, farm to market roads and bridge construction continue to make a headway.

The Company's agroforestry projects and community based nursery farms in all its operating areas in support of the National Greening Program of the DENR also serve as alternative livelihood of the host and surrounding communities.

Outlook

Benguet Corporation believes that it can continue to achieve profitability albeit the softening of metal prices through: 1) sustained implementation of efficiency improvements and cost-effective processes and programs; and 2) development of new projects and advancing the development of ongoing projects to generate more sources of income. The cost saving measures are already being implemented and are expected to show results in the succeeding months.

Expansion plans of the Company's gold and nickel businesses are already in various phases of development. For the gold operations, a drilling program designed to assess the resource potential of the Greater Acupan, which is the larger area beyond the present operations, is being gradually implemented. Results from the ongoing drilling will form the basis of a standards-compliant report, preliminary to the preparation of a bankable feasibility study. The Balatoc Tailings Project, meanwhile will create for the Company a new revenue flow from resources, previously considered as waste, through the extraction and processing of the remaining gold content in the tailings.

Expansion plans for the nickel business through a forward integration into processing is also being studied. The project, which involves the construction and installation of a nickel processing plant, is projected to provide additional revenue streams from both the sale of ore to the plant and a share in the income of the plant. It is envisioned that the Company partners with strategic and financial investors for this major undertaking.

The Company, at the same time, believes that it needs to diversify to cushion further the impact on its bottom line of the future dips in metal prices. Hence, studies are also being initiated on non-mining related projects.

Benguet Corporation maintains its goal to strengthen its mining operations, which will serve as its anchor when it expands to new business lines to enhance its income stream and improve shareholder value.

Benjamin Philip G. Romualdez
President & Chief Executive Officer

BENGUET CORPORATION AND SUBSIDIARIES
ANNEX “B”
**UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2013 AND DECEMBER 31, 2012
(Amounts in Thousands)**

	June 30, 2013 (Unaudited)	December 31, 2012 (Audited As Restated)
ASSETS		
Current Assets		
Cash and cash equivalents	₱513,980	₱507,669
Short-term investment	173,870	206,092
Trade and other receivables	413,421	721,314
Inventories	366,715	174,680
Other current assets	437,222	258,114
Total Current Assets	1,905,208	1,867,869
Noncurrent Assets		
Property, plant and equipment	3,275,318	3,272,153
Available-for-sale (AFS) investments	15,818	15,786
Deferred mine exploration costs	1,075,687	816,238
Investment property	167,166	167,515
Other noncurrent assets	472,217	467,007
Total Noncurrent Assets	5,006,206	4,738,699
TOTAL ASSETS	₱6,911,414	₱6,606,568
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of loans payable	₱1,007,015	₱965,739
Trade and other payables	861,317	489,558
Obligations under finance lease	5,304	10,361
Income tax payable	28,405	26,482
Total Current Liabilities	1,902,041	1,492,140
Noncurrent Liabilities		
Loans payable - net of current portion	797,695	931,183
Deferred income tax liabilities – net	812,620	812,620
Liability for mine rehabilitation	55,228	55,228
Pension liability	70,562	70,562
Obligations under finance lease - net of current portion	40,137	40,137
Other noncurrent liabilities	66,685	67,249
Total Noncurrent Liabilities	1,842,927	1,976,979
Total Liabilities	3,744,968	3,469,119
(Forward)		

	June 30, 2013 (Unaudited)	December 31, 2012 (Audited As Restated)
Equity		
Capital stock		
Convertible preferred Class A - ₱3.44 par value		
Authorized - 19,652,912 shares		
Issued - 217,061 shares in 2013 and 2012	₱745	₱745
Common Class A - ₱3.00 par value		
Authorized - 120,000,000 shares		
Issued - 110,363,385 shares in 2013 and 102,401,265 in 2012	331,090	307,204
Common Class B - ₱3.00 par value		
Authorized - 80,000,000 shares		
Issued - 66,795,822 shares in 2013 and 61,501,752 in 2012	200,387	184,505
Capital surplus	169,843	21,131
Deposit for future stock subscription	-	180,000
Other components of equity:		
Revaluation increment in land - net of deferred income tax liability	750,779	750,779
Cumulative translation adjustments of foreign subsidiaries	38,458	46,263
Cost of share-based payment	51,312	51,616
Unrealized gain on AFS investments	911	844
Retained earnings	1,638,937	1,602,378
	3,174,462	3,145,465
Cost of 116,023 shares held in treasury, ₱69 per share	(8,016)	(8,016)
Total Equity	3,166,446	3,137,449
TOTAL LIABILITIES AND EQUITY	₱6,911,414	₱6,606,568

BENGUET CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2013
(With Comparative Figures for the six months ended June 30, 2012)
(Amounts in Thousands)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30		JUNE 30	
	2013	2012	2013	2012
REVENUES				
Sale of mine products	₱552,320	₱433,860	₱1,169,114	₱620,845
Sale of merchandise and services	53,363	40,601	90,009	73,137
	605,683	474,461	1,259,123	693,982
COSTS AND OPERATING EXPENSES				
Costs of mine products sold	445,412	149,450	904,918	205,565
Costs of merchandise sold and services	31,008	23,877	56,753	46,270
Selling and general	137,354	140,913	242,914	276,789
Taxes on revenue	23,536	8,824	61,660	12,486
	637,310	323,064	1,266,245	541,110
INCOME (LOSS) FROM OPERATIONS	(31,627)	151,397	(7,122)	152,872
INTEREST EXPENSE	31,720	16,381	59,363	21,868
OTHER INCOME				
Interest income	650	1,466	1,529	2,973
Foreign exchange gain (loss)	(11,106)	3,150	(8,348)	1,872
Miscellaneous- net	94,143	53,910	145,668	86,775
	83,687	58,526	138,849	91,620
INCOME BEFORE INCOME TAX	20,340	193,542	72,364	222,624
PROVISION FOR (BENEFIT FROM) INCOME TAX	20,008	35,144	35,805	37,755
NET INCOME	₱332	₱158,398	₱36,559	₱184,869
BASIC EARNINGS PER SHARE	₱0.00	₱0.97	₱0.21	₱1.13
DILUTED EARNINGS PER SHARE	₱0.00	₱0.96	₱0.20	₱1.12

BENGUET CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF CHANGES IN EQUITY
FOR THE SIXMONTHS ENDED JUNE 30, 2013
(With Comparative Figures for the six months ended June 30, 2012)
(Amounts in Thousands)

	June 30, 2013 (Unaudited)	June 30, 2012 (Unaudited)	December 31, 2012 (Audited)
CAPITAL STOCK	₱532,222	₱492,412	₱492,454
CAPITAL SURPLUS	169,843	20,046	21,131
DEPOSIT FOR FUTURE STOCK SUBSCRIPTION	–	180,000	180,000
REVALUATION INCREMENT IN LAND	750,779	750,779	750,779
CUMULATIVE TRANSLATION ADJUSTMENT			
Balance at beginning of period	46,263	40,394	40,394
Translation adjustment	(7,805)	(6,060)	5,869
Balance at end of period	38,458	34,334	46,263
COST OF SHARE-BASED PAYMENT			
Balance at beginning of period	51,616	41,372	41,372
Employees' exercise of stock options	(304)	(308)	(1,211)
Options vested during the period	–	–	11,455
Balance at end of period	51,312	41,064	51,616
UNREALIZED GAIN ON AFS INVESTMENTS			
Balance at beginning of period	844	920	920
Unrealized gain (loss) on AFS investments	67	60	(76)
Balance at end of period	911	980	844
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of period	1,602,378	974,735	974,735
Net income for the period	36,559	184,869	627,643
Balance at end of period	1,638,937	1,159,604	1,602,378
TREASURY SHARES	(8,016)	(8,016)	(8,016)
TOTAL EQUITY	₱3,166,446	₱2,671,203	₱3,137,449

BENGUET CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2013
(With Comparative Figures for the six months ended June 30, 2012)
(Amounts in Thousands)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30		JUNE 30	
	2013	2012	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	₱20,340	₱193,542	₱72,364	₱222,624
Adjustments for:				
Depreciation, depletion and amortization	17,521	41,709	46,985	83,063
Unrealized foreign exchange loss (gain)	11,106	(3,150)	8,348	(1,872)
Realized loss on AFS investments	35	-	35	-
Recovery of Impairment	(107,202)	-	(107,202)	-
Gain on settlement of liabilities	-	(66,561)	(50,010)	(93,636)
Income taxes paid	(27,051)	-	(33,882)	-
Decrease (increase) in:				
Short-term investment	10,058	-	32,222	-
Trade and other receivables	217,502	(441,335)	307,893	(408,337)
Inventories	(68,466)	(123,897)	(192,035)	(127,890)
Prepaid expenses and other current assets	(162,569)	(48,004)	(179,108)	(67,213)
Increase in trade and other payables	150,997	178,492	371,759	(37,753)
Net cash from (used in) operating activities	62,271	(269,204)	277,369	(431,014)
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in:				
Property, plant and equipment	(21,420)	(100,387)	(49,801)	(132,587)
Deferred exploration costs	(95,368)	(31,545)	(160,052)	(64,605)
AFS investments	-	(275,000)	-	(275,000)
Other assets	(11,293)	57,045	(5,210)	(51,873)
Net cash from (used in) investing activities	(128,081)	(349,887)	(215,063)	(524,065)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net availment (repayment) of loans payable	20,928	150,000	(55,607)	150,000
Proceeds from issuance of common stocks	-	1,022	176	1,022
Deposit for future stock subscription	-	180,000	-	180,000
Decrease in other noncurrent liabilities	-	(47,567)	(564)	(47,006)
Net cash from (used in) financing activities	20,928	283,455	(55,995)	284,016
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(44,882)	(335,636)	6,311	(671,063)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	558,862	921,937	507,669	1,257,364
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱513,980	₱586,301	₱513,980	₱586,301

BENGUET CORPORATION AND SUBSIDIARIES

EARNINGS PER SHARE COMPUTATION

FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012

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

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
Net income	₱36,559	₱184,869

Number of shares for computation of:

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
<u>Basic earnings per share</u>		
Weighted average common shares issued	177,845,662	163,867,155
Less treasury stock	116,023	116,023
Weighted average common shares outstanding	177,729,639	163,751,132
<u>Diluted earnings per share</u>		
Weighted average common shares issued	177,845,662	163,867,155
Less treasury stock	116,023	116,023
	177,729,639	163,751,132
Conversion of preferred stock	–	686,455
Exercise of stock option	4,168,367	–
	181,898,006	164,437,587
Basic earnings per share	₱0.21	₱1.13
Diluted earnings per share	₱0.20	₱1.12

BENGUET CORPORATION AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS

FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012

	June 30	
	2013	2012
Profitability Ratio		
Return on asset	0.01:1	0.03:1
Return on equity	0.01:1	0.07:1
Gross profit margin	0.24:1	0.62:1
Operating profit margin	0.10:1	0.35:1
Net profit margin	0.03:1	0.27:1
Liquidity and Solvency Ratio		
Current ratio	1.00:1	1.08:1
Quick ratio	0.58:1	0.83:1
Solvency ratio	0.02:1	0.04:1
Financial Leverage Ratio		
Asset to equity ratio	2.18:1	2.14:1
Debt ratio	0.54:1	0.53:1
Debt to equity ratio	1.18:1	1.14:1
Interest coverage ratio	2.22:1	11.18:1

BENGUET CORPORATION AND SUBSIDIARIES**AGING OF RECEIVABLES**

AS OF JUNE 30, 2013

(Amounts in Thousands)

TYPE OF RECEIVABLES	LESS THAN 30 DAYS	30 TO 60 DAYS	LESS THAN ONE YEAR	ONE TO TWO YEARS	THREE TO FIVE YEARS	MORE THAN FIVE YEARS	TOTAL
Trade receivables	₱80,738	₱53,313	₱31,008	₱30,594	₱24,475	₱6,119	₱226,247
Allowance for doubtful accounts	–	–	–	–	(1,381)	(6,119)	(7,500)
Trade receivables – net	80,738	53,313	31,008	30,594	23,094	–	218,747
Nontrade receivables:							
Officers and employees	862	3,310	11,205	39,442	31,298	7,888	94,005
Others	3,237	6,833	3,048	53,309	65,775	105,734	237,936
Total	4,099	10,143	14,253	92,751	97,073	113,622	331,941
Allowance for doubtful accounts	–	–	–	–	(23,645)	(113,622)	(137,267)
Nontrade receivables – net	4,099	10,143	14,253	92,751	73,428	–	194,674
Trade and other receivables - net	₱84,837	₱63,456	₱45,261	₱123,345	₱96,522	₱–	₱413,421

BENGUET CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012

1. Corporate Information

Benguet Corporation (BC; the Parent Company) was incorporated in the Philippines on August 12, 1903.

On June 18, 1956 and June 19, 2006, the Philippine Securities and Exchange Commission (SEC) approved the extension of its corporate life for another fifty (50) years. BC is engaged in chromite, gold, and other metallic and nonmetallic mineral production, exploration, research and development and natural resource projects.

2. Summary of Significant Accounting Policies

Basis of Preparation

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

Statement of Compliance

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements of Benguet Corporation (the Company) and its subsidiaries (the Group) do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2012.

Changes in Accounting Policies

The Group applies, for the first time, certain standards and amendments. These include PAS 19 (Revised 2011) *Employee Benefits*, amendments to PAS 1, *Presentation of Financial Statements* and Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*. As required by PAS 34, the nature and effect of these changes are disclosed below.

PAS 1, *Presentation of Items of Other Comprehensive Income - Amendments to PAS 1*

The amendments to PAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

PAS 1, Clarification of the requirement for comparative information (Amendment)

The amendment to PAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under PAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

PAS 19 (Revised 2011), Employee Benefits

PAS 19 (Revised 2011) includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognized in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognized in profit or loss, instead, there is a requirement to recognize interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognized in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognized. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. Under PAS 34, these new disclosures will be included in the annual consolidated financial statements. The Group closes actuarial gains and losses to retained earnings every end of reporting period.

In case of the Group, the transition to PAS 19 (Revised) had an impact on the net defined benefit plan obligations due to the difference in accounting for interest on plan assets and unvested past service costs. The effect of the adoption of PAS 19 (Revised) is explained below.

Effect of Adoption of PAS 19 (Revised)

PAS 19, (Revised 2011) has been applied retrospectively from January 1, 2012. As a result, expected returns on plan assets of defined benefit plans are not recognized in consolidated profit or loss. Instead, interest on net defined pension obligation (asset) is recognized in the consolidated profit or loss, calculated using the discount rate used to measure the net defined pension obligation.

Also, unvested past service costs can no longer be deferred and recognized over the future vesting period. Instead, all past service costs are recognized at the earlier of when the amendment occurs and when the Group recognizes related restructuring or termination costs. Until 2012, the Group's unvested past service costs were recognized as an expense on a straight-line basis over the average period until the benefits become vested. Upon transition to PAS 19, (Revised 2011), past service costs are recognized immediately if the benefits have vested immediately following the introduction of, or changes to, a pension plan.

The Group reviewed its existing employee benefits and determined that the amended standard has a significant impact on its accounting for retirement benefits. The Group obtained the services of an external actuary to compute the impact to the consolidated financial statements upon adoption of the standard.

The effects are detailed below:

As at December 31, 2012			
	As Restated	As Previously Reported	Change
<u>Consolidated statements of financial position</u>			
Pension liability	₱70,562	₱56,522	₱14,040
Deferred income tax liabilities	812,620	816,832	(4,212)
Retained earnings	1,602,378	1,612,206	(9,828)
As at January 1, 2012			
	As Restated	As Previously Reported	Change
<u>Consolidated statements of financial position</u>			
Pension liability	₱118,386	₱29,700	₱88,686
Deferred income tax liabilities	953,654	980,260	(26,606)
Retained earnings	912,655	974,735	(62,080)

Philippine Interpretation IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to waste removal costs (“stripping costs”) that are incurred in surface mining activity during the production phase of the mine (“production stripping costs”). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met (“stripping activity asset”). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The interpretation has no material impact on the Group’s financial position or performance.

The following standards also became effective as of January 1, 2013:

- PAS 27 (Amended), *Separate Financial Statements*
- PAS 28 (Amended), *Investments in Associates and Joint Ventures*
- Amendments to PFRS 1, *Government Loans*
- Amendments to PFRS 7, *Disclosures Offsetting Financial Assets and Financial Liabilities*
- PFRS 10, *Consolidated Financial Statements*
- PFRS 11, *Joint Arrangements*
- PFRS 12, *Disclosure of Interests in Other Entities*
- PFRS 13, *Fair Value Measurement*

The above standards are applicable to the Group except for Amendments to PFRS 1, PFRS 11 and PFRS 12. The adoption of the new standards have no significant impact on the Group’s financial position or performance.

Financial Instruments

Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

All regular way purchases and sales of financial assets are recognized on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. Financial assets under PAS 39 are classified as either financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS financial assets. The Group's financial assets are of the nature of loans and receivables and AFS financial assets. As of June 30, 2013 and December 31, 2012, the Group has no financial assets at FVPL and HTM investments. Also under PAS 39, financial liabilities are classified as FVPL or other financial liabilities. The Group's financial liabilities are of the nature of other financial liabilities. As of June 30, 2013 and December 31, 2012, the Group has no financial liabilities at FVPL.

Loans and Receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS financial assets or designated as at FVPL. This accounting policy relates to the statement of financial position captions "Cash and cash equivalents", "Short-term investments" and "Trade and other receivables".

Receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, receivables are measured at amortized cost using the effective interest rate method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization, if any, is included in the "Other income (charges)" caption in the consolidated statement of income. The losses arising from impairment of receivables, if any, are recognized as "Provision for impairment losses" under "Selling and general expenses" in the consolidated statement of income. The level of allowance for impairment losses is evaluated by management on the basis of factors that affect the collectibility of accounts (see accounting policy on Impairment of Financial Assets).

Loans and receivables are classified as current assets when they are expected to be realized within twelve months after the reporting date or within the normal operating cycle, whichever is longer. Otherwise, they are classified as noncurrent assets.

AFS Financial Assets

AFS financial assets are nonderivative financial assets that are either designated in this category or not classified in any of the other categories. AFS financial assets are those purchased and held indefinitely and may be sold as the need arises. They are included in noncurrent assets unless management intends to dispose of the investment within twelve months from the reporting date. Included in this category are equity investments in publicly listed and private companies other than subsidiaries and associates. These are shown as a separate line item in the consolidated statement of financial position.

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are reported as "Unrealized gain (loss) on AFS investments" account in the equity section of the consolidated statement of financial position.

They are also reported as other comprehensive income in the consolidated statement of comprehensive income.

AFS financial assets whose fair value cannot be reliably established are carried at cost less an allowance for any possible impairment. This is normally applied to equity investments that are unquoted and whose cash flows cannot be reasonably and reliably determined.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated statement of income. Where the Group holds more than one investment in the same security, the disposal is deemed on a first-in first-out basis. Any interest earned on holding AFS financial assets is reported as interest income using the effective interest rate. Any dividend earned on holding AFS financial assets is recognized in the consolidated statement of income when the right of payment has been established. Any loss arising from impairment of such investments is recognized in the consolidated statement of income.

Other Financial Liabilities

Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Other financial liabilities are initially recorded at fair value, less directly attributable transaction cost. After initial measurement, other financial liabilities are measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral part of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities, if any, are recognized in "Foreign currency exchange gain (loss)" in the consolidated statement of income.

This accounting policy relates to the Group's "Loans payable", "Trade and other payables" and "Other noncurrent liabilities".

Other financial liabilities are classified as current liabilities when they are expected to be settled within twelve months from the financial position date or the Group has an unconditional right to defer settlement for at least twelve months from financial position date. Otherwise, they are classified as noncurrent liabilities.

Determination of Fair Value

The fair value of financial instruments traded in active markets at reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques and comparison to similar instruments for which market observable prices exist.

Fair Value of Financial Instruments

Financial instruments recognized in fair value are analyzed based on:

- Level 1 - quoted prices in active markets for identical asset or liability;
- Level 2 - those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 - those with inputs for asset or liability that are not based on observable market data (unobservable inputs).

When the fair value of listed equity and debt securities at the end of the reporting date are based on quoted market prices or binding dealer price quotations without any deduction for transaction costs, the instruments are included within Level 1 of the fair value hierarchy.

For all other financial instruments, the fair value is determined using valuation technique. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models and other relevant valuation model. For these financial instruments, inputs into models are market observable and are therefore included within Level 2 of the fair value hierarchy.

Derecognition of Financial Instruments

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. 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.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or assumed is recognized in the consolidated statement of income.

Impairment of Financial Assets

The Group assesses at each reporting date whether an asset or a group of assets is impaired.

Assets Carried at Amortized Cost

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not

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

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The amount of the loss shall be recognized in consolidated statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. The financial assets, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized.

AFS Investments

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as AFS, this would include a significant or prolonged decline in the fair value of the investments below its cost. The Group treats 'significant' generally as 30% or more of the original cost of investment, and 'prolonged' as greater than twelve months. If an AFS investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the consolidated statement of income as part of the "Provision for impairment losses" account. Reversals in respect of equity instruments classified as AFS are not recognized in consolidated statements of income.

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

'Day 1' Profit or Loss

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' profit or loss) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated

statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit or loss amount.

Offsetting Financial Instruments

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

3. **Summary of Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the 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. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

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.

Judgments

In the process of applying the Group's accounting policies, management has made judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements.

Determining Functional Currency

The Company, based on the relevant economic substance of the underlying circumstances, has determined its functional currency to be the Philippine peso. It is the currency of the primary economic environment in which the Company primarily operates.

Determining Operating Lease Commitments - Group as Lessee

The Group has entered into leases on its various locations. The Group has determined that it does not retain all the significant risks and rewards of ownership of these properties which are leased on operating leases.

Determining Operating Lease Commitments - Group as Lessor

The Group has entered into property leases on its mine infrastructure. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Assessment Whether an Agreement is a Finance or Operating Lease

Management assesses at the inception of the lease whether an arrangement is a finance or operating lease based on who bears substantially all the risk and benefits incidental to the ownership of the leased item. Based on management's assessment, the risk and rewards of owning the items leased by the Group are retained by the lessor and therefore accounts for such lease as operating lease.

Assessing Recoverability of Deferred Exploration Costs

A valuation allowance is provided for estimated unrecoverable deferred exploration costs based on the Group's assessment of the future prospects of the mining properties, which are primarily dependent on the presence of mineral reserves in those properties, and metal prices in the market which is the primary driver of returns on the production.

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 currently does not believe that these proceedings will 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 Production Start Date

The Group assesses the stage of each mine development project to determine when a mine moves into the production stage. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase. Some of the criteria include, but are not limited to the following:

- the level of capital expenditure compared to construction cost estimates;
- completion of a reasonable period of testing of the property, plant and equipment;
- ability to produce ore in saleable form; and
- ability to sustain ongoing production of ore.

The Group did not perform any assessment of production start date during the year.

Classification of Financial Instruments

The Group exercises judgments in classifying a financial instrument on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position.

In addition, the Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Group has no intention of selling its investments in stocks in the near term. These are being held indefinitely and may be sold in response to liquidity requirements or changes in market condition. Accordingly, the Group has classified its investments in stocks as AFS investments. The Group has no plans to dispose its AFS investments within twelve (12) months from the end of the reporting date.

Estimates and Assumptions

The key 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.

Real Estate Revenue and Costs Recognition

The Group's revenue and the costs related to the sale of real estate are recognized based on the percentage of completion and are measured principally on the basis of estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project.

Estimating Allowance for Impairment Losses on Trade and Other Receivables and Loan Receivables

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

Estimating Impairment Losses on Inventories

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.

Estimating Mineral Reserves and Resources

Mineral reserves and resources estimates for development projects are, to a large extent, based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of costs based upon anticipated tonnage and grades of ores to be mined and processed, the configuration of the ore body, expected recovery rates from the ore, estimated operating costs, estimated climatic conditions and other factors. Proven reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured.

All proven reserve estimates are subject to revision, either upward or downward, based on new information, such as from block grading and production activities or from changes in economic factors, including product prices, contract terms or development plans.

Estimates of reserves for undeveloped or partially developed areas are subject to greater uncertainty over their future life than estimates of reserves for areas that are substantially developed and depleted. As an area goes into production, the amount of proven reserves will be subject to future revision once additional information becomes available. As those areas are further developed, new information may lead to revisions. The Group estimated the Nickel laterite ore reserves of SCNP to be roughly 16.2 million tons.

Assessing Impairment of Property, Plant and Equipment, Investment Property, Deferred Exploration Costs and Other Noncurrent Assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the value of property, plant and equipment, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that the property, plant and equipment is impaired. Any resulting impairment loss could have a material adverse impact on the consolidated financial condition and results of operations.

Estimating Impairment of AFS Investments

The determination of impairment loss for AFS investments requires an estimation of the present value of the expected future cash flows and the selection of an appropriate discount rate. An impairment issue arises when there is an objective evidence of impairment, which involves significant judgment. In applying this judgment, the Group evaluates the financial health of the issuer, among others. In the case of AFS equity instruments, objective evidence of impairment includes a significant or prolonged decline in the fair value of the investments below its cost. The Group treats “significant” generally as 30% or more and “prolonged” as greater than twelve months. The Group expands its analysis to consider changes in the issuer’s industry and sector performance, legal and regulatory framework, changes in technology, and other factors that affect the recoverability of the Group’s investments.

Estimating Useful Lives of Property, Plant and Equipment

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property, plant and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Determining the Appraised Value of Land

The appraised value of land is based on a valuation by an independent appraiser firm, which management believes, holds a recognized and relevant professional qualification and has recent experience in the location and category of the land being valued. The appraiser firm used the market data approach in determining the appraised value of land.

Estimating Provision 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.

Estimating Cost of Share-Based Payment

The Groups’ Executive Stock Option Plan, or ESOP, grants qualified participants the right to purchase common shares of the Company at a grant price. The ESOP recognizes the services received from the eligible employees and an equivalent adjustment to the equity account over the vesting period. The Group 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. 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.

Estimating Pension Benefits

The determination of the Group's obligation and cost for pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. In accordance with PAS 19, actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the Group's recognized expense and recorded obligation in such future periods. 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 pension and other pension obligations.

Assessing Realizability of Deferred Income Tax Assets

The Group reviews the carrying amounts of deferred income tax assets at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group has deductible temporary differences excess MCIT and unused NOLCO for which deferred income tax assets were not recognized as it is not probable that sufficient taxable profit will be available against which the benefit of the deferred income tax assets can be utilized.

4. **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments comprise unsecured and secured bank loans. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group has financial instruments such as cash and cash equivalents, trade and other receivables and trade and other payables, which arise directly from its operations. Other financial asset includes Short-term investment (STI) and AFS investments.

The significant risks arising from the Group's financial instruments are liquidity risk, credit risk, interest rate risk and foreign currency risk. The BOD reviews and agrees policies for managing each of these risks and they are summarized below.

Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial liabilities. The Group's objective is to maintain a balance between continuity of funding in order to continuously operate and support its exploration activities. The Group considers its available funds and liquidity in managing its immediate financial requirements.

As of June 30, 2013 and December 31, 2012, cash and cash equivalents may be withdrawn anytime while quoted AFS investments may be converted to cash by selling them during the normal trading hours in any business day. The tables below summarize the maturity profile of the Group's financial assets as of June 30, 2013 and December 31, 2012:

	June 30, 2013	December 31, 2012
Cash and cash equivalents		
Cash on hand and with banks	P387,432	P354,908
Short-term deposits	126,548	152,761
Short-term investments	173,870	206,092
Trade and other receivables		
Trade	218,747	385,986
Others	144,912	1,574
Loans receivable	49,762	49,767
AFS investments	15,818	15,786
Total credit risk exposure	P1,117,089	P1,166,874

The tables below summarize the maturity profile of the Group's financial liabilities based in contractual undiscounted payments as of June 30, 2013 and December 31, 2012:

June 30, 2013

	On demand	More than 90 days	More than 1 year	Total
Loans payable	P1,012,319	P-	P837,832	P1,850,151
Trade and other payables*	470,679	104,165	108,775	683,619
Equity of claimowner incontract operations	-	-	49,136	49,136
Total	P1,482,998	P104,165	P995,743	P2,582,906

**Excludes statutory payables*

December 31, 2012

	On demand	More than 90 days	More than 1 year	Total
Loans payable	P542,027	P507,882	P1,105,066	P2,154,975
Trade and other payables*	236,681	32,724	15,166	284,571
Equity of claimowner in contract operations	-	-	49,136	49,136
Total	P778,708	P540,606	P1,169,368	P2,488,682

**Excludes statutory payables*

Credit Risk

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations as they fall 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, 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 component of the consolidated statements of financial position. The maximum exposure is shown at gross amount, before the effect of mitigation through the use of master netting and collateral agreements.

June 30, 2013

	Neither Past Due Nor Impaired		Past Due But Not Impaired	Impaired	Total
	High Grade	Standard Grade			
Cash and cash equivalents					
Cash in banks	P386,830	P-	P-	P-	P386,830
Short-term deposits	126,548	-	-	-	126,548
Short-term investments	173,870	-	-	-	173,870
Trade and other receivables					
Trade	134,051	31,008	53,688	7,500	226,247
Others	14,242	14,253	22,412	137,267	188,174
Loans receivable	-	49,762	-	-	49,762
Other noncurrent assets					
MRF	41,054	-	-	-	41,054
AFS investments	7,826	7,992	-	-	15,818
Total credit risk exposure	P884,421	P103,015	P76,100	P144,767	P1,208,303

December 31, 2012

	Neither Past Due Nor Impaired		Past Due But Not Impaired	Impaired	Total
	High Grade	Standard Grade			
Cash and cash equivalents					
Cash in banks	P354,106	P-	P-	P-	P354,106
Short-term deposits	152,761	-	-	-	152,761
Short-term investments	206,092	-	-	-	206,092
Trade and other receivables					
Trade	183,562	51,004	151,420	7,500	393,486
Others	-	-	1,574	30,418	31,992
Loans receivable	-	49,767	-	-	49,767
Other noncurrent assets					
MRF	42,016	-	-	-	42,016
AFS investments	7,794	7,992	-	-	15,786
Total credit risk exposure	P946,331	P108,763	P152,994	P37,918	P1,246,006

The Group has assessed the credit quality of the following financial assets:

- Cash and cash equivalents and MRF 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, and loans receivable were assessed as standard grade. These were assessed based on past collection experience and the debtors' ability to pay. Other than receivables which were fully provided with allowance, there were no history of default on the outstanding receivables as of June 30, 2013 and December 31, 2012.

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 of June 30, 2013 and December 31, 2012, 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 Treasury Bill (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.

The following table sets forth, for the years indicated, the impact of changes of interest rate on the consolidated statements of income:

June 30, 2013

	Change in interest rates (in basis points)	Sensitivity of pretax income
PHP	+100	(P8,495)
PHP	-100	8,495
USD	+100	(8,094)
USD	-100	8,094

December 31, 2012

	Change in interest rates (in basis points)	Sensitivity of pretax income
PHP	+100	(P7,947)
PHP	-100	7,947
USD	+100	(8,094)
USD	-100	8,094

There is no other impact on the Group's equity other than those already affecting the consolidated statements of income. Based on the historical movement of the interest rates, management believes that the reasonably possible change for the next quarter would result in an increase (decrease) of 100 basis points for USD LIBOR and PhP T-bill.

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, nickel ore and beneficiated chrome ore and the purchase of certain goods and services denominated in USD. All sales of gold and nickel ore are denominated in USD. 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 USD and the Philippine peso. The Group does not generally believe that active currency hedging would provide long-term benefits to stockholders.

The Group's foreign currency-denominated monetary assets and liabilities as of June 30, 2013 and December 31, 2012 follow:

	June 30, 2013		December 31, 2012	
	USD	Peso Equivalent	USD	Peso Equivalent
<u>Financial Assets</u>				
Cash	\$4,320	₱186,624	\$10,484	₱430,368
Trade receivables	5,237	226,238	7,984	327,743
Other current assets	–	–	5,021	206,112
Available-for-sale (AFS) investments	40	1,728	40	1,642
Total financial assets	9,597	414,590	23,529	965,865
<u>Financial Liabilities</u>				
Accrued interest and penalties	1,262	54,518	1,234	50,656
Other loans	23,470	1,013,904	29,394	1,206,624
Secured bank loans	777	33,566	777	31,896
Total financial liability	25,509	1,101,988	31,405	1,289,176
Net financial asset (liability)	(\$15,912)	(₱687,398)	(\$7,876)	(₱323,311)

As of June 30, 2013 and December 31, 2012, the exchange rates of the Philippine peso to the USD are ₱43.20 and ₱41.05, respectively.

The sensitivity to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's income before income tax as of June 30, 2013 and December 31, 2012 is as follows:

June 30, 2013	Change in foreign exchange rate	Sensitivity of pretax income
	Strengthens by Php1.00	₱15,912
	Weakens by Php1.00	(15,912)
December 31, 2012	Change in foreign exchange rate	Sensitivity of pretax income
	Strengthens by Php1.00	₱7,876
	Weakens by Php1.00	(7,876)

Based on the historical movement of the foreign exchange rate, management believes that the reasonably possible change for the next quarter would result in an increase (decrease) of ₱1.00.

Fair Values of Financial Instruments

Fair value is defined as the amount at which a financial instrument can be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation.

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 of June 30, 2013 and December 31, 2012:

	June 30, 2013		December 31, 2012	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Assets:				
Loans and receivables:				
Cash and cash equivalents				
Cash on hand and in banks	P387,432	P387,432	P354,908	P354,908
Short-term deposits	126,548	126,548	152,761	152,761
Short-term investments	173,870	173,870	206,092	206,092
Trade and other receivables				
Trade	218,747	218,747	385,986	385,986
Others	144,912	144,912	1,574	1,574
Loans receivable	49,762	49,762	49,767	49,767
Other noncurrent assets				
MRF	41,054	41,054	42,016	42,016
	1,142,325	1,142,325	1,193,104	1,193,104
AFS investments:				
Quoted	7,826	7,826	7,794	7,794
Unquoted	7,992	7,992	7,992	7,992
	15,818	15,818	15,786	15,786
	P1,158,143	P1,158,143	P1,208,890	P1,208,890
Financial Liabilities:				
Other financial liabilities:				
Trade and other payables				
Trade	P683,619	P683,619	P242,720	P242,720
Accrued expenses	57,472	57,472	41,851	41,851
Loans payable	1,850,151	1,859,912	1,896,922	2,154,975
Other noncurrent liabilities				
Equity of claimowner in contract operations	49,136	49,136	49,136	49,136
	P2,640,378	P2,650,139	P2,230,629	P2,488,682

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, Short-term Investment, Trade and Other Receivables, and Trade and Other Payables

The fair values of these instruments approximate their carrying amounts as of reporting date due to the short-term nature.

Loans Receivable

The fair value of loans receivable approximate their carrying amounts as of reporting date due to the short-term nature. Loans receivable carry interest at 9% per annum and are due and demandable.

AFS Investments

The fair value of investments that are actively traded in organized markets is determined by reference to quoted market bid prices at the close of business on reporting date. The fair value of unquoted AFS equity investments cannot be reliably measured and accordingly measured at cost, net of impairment.

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%.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 - other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3 - techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The quoted AFS investments are classified under Level 1 of the fair value hierarchy since these are based on quoted market prices or binding dealer price quotations. The Group has no financial instruments measured at fair value under Levels 2 and 3 of fair value hierarchy. There are no transfers between levels in 2013 and 2012.

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, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes in 2013 and 2012. The Group monitors capital using its parent company financial statements. As at June 30, 2013 and December 31, 2012, the Group has met its capital management objectives.

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

	June 30, 2013	December 31, 2012
Capital stock	₱532,222	₱492,421
Capital surplus	169,843	21,131
Deposit for future stock subscription	–	180,000
Retained earnings	1,638,937	1,602,378
Treasury shares	(8,016)	(8,016)
	₱2,324,986	₱2,287,914

Further, the Group monitors capital using debt to equity ratio, which is the total liabilities divided by total equity. Debt to equity ratio of the Group as of June 30, 2013 and December 31, 2012 are as follows:

	June 30, 2013	December 31, 2012
Total liabilities (a)	₱3,744,968	₱3,459,291
Total equity (b)	3,165,966	3,147,277
Debt-to-equity ratio (a/b)	1.18:1	1.10:1

**ADDITIONAL DISCLOSURE TO FINANCIAL STATEMENTS OF THE COMPANY
(FOR THE SECOND QUARTER ENDED JUNE 30, 2013)**

- i.) The disclosure on significant accounting principles, policies, and practices are substantially the same with the disclosure made in 2012 financial statements. Additional disclosures on the significant changes of accounts and subsequent events are presented in the Management Discussion and Analysis.
- ii.) During the second quarter of 2013, there were no seasonal or cyclical aspects that materially affect the operation of the Company, no substantial nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years.
- iii.) There were no unusual items that materially affect the Company's assets, liabilities, equity, net income or cash flows in the second quarter of 2013.
- iv.) Issuances, Repurchases, Repayments of Debt and Equity Securities – There were no securities sold by the Company which were not registered under the Revised Securities Act (now Securities Regulation Code (SRC)) including the sales of reacquired securities, new issues, securities issued in exchange of property, services or other securities and new securities resulting from the modification of outstanding securities.
- v.) Dividends – No cash or stock dividends were declared during the second quarter of 2013.
- vi.) Segment Information - The Company is principally engaged in mining industry. Its operating revenues as of June 30, 2013 mainly came from sales of gold to Bangko Sentral Ng Pilipinas amounting to ₱351 million and ₱780 million sales of nickel ore to China.
- vii.) Subsequent Material Events - There were no material events subsequent to the end of the quarter that have been reflected in the financial statements for the period.
- viii.) There were no changes in the composition of the Company, business combinations, acquisition or disposal of subsidiaries and long-term investments and no substantial changes in contingent liabilities and contingent assets from 2012.