BenguetCorp

SEC Reg. No. 11341

August 19, 2014

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

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

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

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

Gentlemen:

In compliance with the reportorial requirements of the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE), attached is Benguet Corporation's 2014 Second Quarter Report ended June 30, 2014.

Please note that on August 13, 2014, we requested for extension of deadline to submit the said report under SEC Form 17-L for SEC and a written request for PSE.

We hope that you will find everything in order.

Very truly yours,

BENGUET CORPORATION
By:

REYNALDO P. MENDOZA
Sr. Vice President, Legal Services/
Assistant Corporate Secretary

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

COVER SHEET

1	1	3	4	1					

SEC Registration Number

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

(Group's Full Name)

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

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

Mr. Reynaldo P. Mendoza
(Contact Person)

812-1380
(Group Telephone Number)

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

1 7 - Q
(Form Type)

0 5 *Month* **3 0** *Day*
(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable
Amended Articles Number/Section

16,978
Total No. of Stockholders

Total Amount of Borrowings

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, 2014**
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, 2014)
Convertible Preferred Class A	217,061 shares
Common Class A Stock	117,428,790 shares*
Common Class B Stock	77,614,394 shares*

Consolidated outstanding principal debt as of June 30, 2014-- ₱1.177 Billion

(*) Net of Treasury Shares

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

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

Yes [ ] No [X]

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 "A" on pages 10 to 36 incorporated herein and form part of this report (SEC Form 17-Q) which contained the following reports:

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

A. RESULTS OF OPERATIONS

2014 SECOND QUARTER VS. 2013 SECOND QUARTER

Consolidated net income for the second half of 2014 amounted to ₱227.1 million, substantially higher than the ₱36.6 million for the same period last year. The higher earnings was from operating revenue of ₱2.35 billion, ₱1.1 billion or 86% higher than ₱1.26 billion operating revenue for the same period last year.

Nickel revenue, comprising more than 74% of total revenues increased to ₱1.7billion this year, from ₱0.8 billion last year. These increases were the results of the 18 boatloads or 958,313 tons (combined 1.8% and 1.5%-1.6%) of nickel ore shipped this year compared to the 9 boatloads shipped last year and the improving nickel price. There were no low grade shipments for the first semester in 2013. Average realized metal prices for 1.8% nickel were $45.59 per ton on 478,775 tons of nickel ore sold. Last year, average realized metal price were $35.38 per ton nickel ore on 472,986 tons of nickel ore sold.

Operating costs and expenses this quarter increased to ₱1,058 million from ₱637 million for the same quarter last year mainly due to higher selling and general expenses, cost of services and taxes on revenue this quarter. For the same reasons, operating costs and expenses for the first semester of 2014 went up to ₱1,964 million from ₱1,266 million for the same period in 2013.

Interest expense for the quarter and first semester this year both decreased against for the same periods last year. The decline is due to the settlement of debt amortization for the first semester.

Other expense for the quarter amounted to ₱17 million compared with other income of ₱76 million for the same quarter last year. For the first semester this year, other expense amounted to ₱9 million compared with the other income of ₱139 million last year. In 2013, other income includes ₱50 million gain from debt settlement and ₱107 million from recovery of allowance for impairment losses.

The higher income for the first semester this year accounted for the increased in the provision for income tax to ₱112.0 million from ₱35.8 million for the same periods in 2013.

Operational Overview

Acupan Gold Project (AGP) - In the second quarter of this year, gold output improved to 3,395 ounces from 2,491 ounces last year due to increase in mill tonnage by 3,573 tons. AGP milled 29,022 tons of ore containing 4.45 grams of gold per ton for the quarter, compared to 18,118 tons containing 3.13 grams of gold per ton for the same quarter in 2013. For the six-month period, gold production increased by 27% to 7,010 ounces from 5,524 ounces for the same period last year.

Benguetcorp Nickel Mines, Inc. (BNMI) - Nickel operations under BNMI completed 18 shipments with a total volume of 958,313 tons, both for 1.8% and 1.5% to 1.6%, higher than 9 boatloads or 472,986 tons in 2013. There were no shipments of lower grade in 2013. In 2014, BNMI shipped out 9 boatloads of 1.5% - 1.6% or 479,538 tons and 9 boatloads of 1.8% or 478,775 tons. In June 2014, BNMI received a suspension order from EMB Region III due to complain of laterite deposit from farm land and river system. The order is limited to the transport of ore only, and did not affect the mining operations. Upon receipt of the order, BNMI immediately filed a request for reconsideration on the ground that environmental remediation activities required by the EMB have already been substantially performed.

In July 2014, BNMI received an order this time from MGB Region III suspending the extraction of ores and future expansion. The suspension order is temporary until BNMI is able to implement systematic mining and clean-up/transfer of ore prepiles to designated stockpile areas. The receipt of this Order comes at a time when BNMI has slowed down/ceased its mining operation due to onset of the rainy season (July–October) and is implementing an environmental care and maintenance program for the duration. BNMI is complying with the condition required by MGB and it is expected that the suspension will be lifted soon.

Benguet Management Corporation (BMC), a wholly owned subsidiary of the Company, and its subsidiaries posted a 22% rise in its net earnings to ₱22.2 million in the first six months of 2014 from ₱18.2 million for the same period last year. For the second quarter, BMC generated net earnings of ₱14.3 million, a ₱12.1 million jump from the ₱2.2 million net earnings for the same period last year. The improvement was mainly driven by the rise in net earnings of its subsidiaries, Arrow Freight Corporation (AFC) and Benguetrade, Inc. (BTI). AFC generated ₱19.5 million in net earnings for the first six months of 2014 from the prior year's ₱15.9 million. Its second quarter net earnings, likewise leapfrogged from the prior year's ₱0.3 million to the current ₱11.17 million. AFC is the land-based logistics support provider of the Company's nickel business. BTI posted net earnings of ₱2.69 million this year, more than doubling its ₱0.8 million performance for the first half of 2013. For the quarter, BTI showed similar results, with a 242% jump in its net earnings from ₱0.7 million in 2013 to this year's ₱2.5 million.

Keystone Port Logistics and Management Services, the port services provider of the Company's nickel business likewise showed favorable results. Net earnings of ₱11.3 million was generated for the first half of 2014, a 51% rise from the same period the prior year of ₱7.5 million.

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 2013, lower compared with the net earnings of ₱158.4 million and ₱184.9 million for the same periods 2012. 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 2013 second quarter increased by ₱314 million to ₱637 million from ₱323 million for the same quarter in 2012 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 of 2013 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 of 2013 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 in 2012. The increased was mainly due to the accrued interest during the second quarter and the first semester of 2013.

The other net income for the quarter and the first semester of 2013 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 in 2012. 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 in the first half of 2013, 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 of 2013, 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 in 2012.

Operational Overview

Gold production in 2013 substantially improved to 2,491 ounces from 1,520 ounces or 64% better than the second quarter of 2012 due to increase in mill tonnage by 5,215 tons. The Acupan Gold Project (AGP) milled 18,118 tons containing 3.13 grams of gold per ton for the quarter, compared to 12,903 tons containing 7.11 grams of gold per ton for the same quarter in 2012. For the six-month period in 2013, gold production increased by 79.1% to 5,456 ounces from 3,045 ounces for the same period in 2012. Despite low gold prices, the increased production enabled AGP to generate net earnings of ₱62.6 million (US$1.4 million) in the second quarter and ₱50.6 million (US$1.2 million) for the first half of 2013. 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 in 2012 as the US$202.99/oz decline in average gold prices took effect.

Nickel operations under Benguetcorp Nickel Mines, Inc. (BNMI) completed ten (10) shipments with a total sales volume of 526,071 tons for the first semester in 2013. Total revenues for the second quarter and first semester of 2013 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 2013 second quarter lower than the net earnings of ₱87.0 million (US$2.15 million) for the same period in 2012. For the first half of 2013, net loss amounted to ₱14.8 million (US$0.34 million) compared with the net earnings of ₱90.5 million (US$2.14 million) for the same period in 2012. The results of operation for the first half of 2013 was net of the ₱77.3 million marketing fee paid to Benguet Corporation. Income from operations before marketing fee amounted to ₱62.5 million. The decline in income is traced mainly to the UD$9.20/ton drop in nickel prices. BNMI is now implementing its cost reduction measures to counter the negative impact of the softening of nickel prices. These programs are expected to yield positive results and improve BNMI's bottom line in the succeeding quarter.

The Irisan Lime Project (ILP) net earnings for the second quarter of 2013 grew by 82% to ₱3.43 million (US$0.08 million) from ₱1.89 million (US$0.04 million) for the same period 2012. The increase was attributed to improvement in sales volume and lower production cost. For the six-month period of 2013, net earnings amounted to ₱5.43 million (US$0.13 million), higher compared to the net earnings of ₱4.13 million (US$0.10 million) for the same period in 2012.

Benguet Management Corporation (BMC), a wholly owned subsidiary of the Company, and its subsidiaries, reported consolidated net earnings of ₱2.2 million (US$0.05 million) in 2013 second quarter, lower than the net earnings of ₱77.1 million (US$1.82 million) for the same period in 2012. Likewise, for the six months period of 2013, 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 in 2012. Last year's income include a ₱93 million non-cash gain realized from the settlement of old debts.

BenguetCorp Laboratories, Inc. (BCLI), a wholly owned subsidiary, generated net earnings of ₱1.66 million (US$0.04 million) for the six months period on its first year of operation in 2013. The earnings reported are attributable to the clinic facility based in Baguio. The clinic facility, formerly with the Company, was consolidated under BCLI effective April of this year. The newly opened third clinic facility under the trade name MedCentral which is based in SM San Fernando continues to attract walk-in patient 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.

B. FINANCIAL POSITION

2014 SECOND QUARTER VS. YEAR ENDED 31 DECEMBER 2013

As of September 30, 2014, total consolidated assets amounted to ₱7.21 billion, slightly higher than ₱7.19 billion balance at the beginning of the year mainly because of the increases in cash and cash equivalents to ₱436 million from ₱358 million in 2013.

Receivables decreased to ₱598 million from ₱706 million last year, mainly from collection of nickel ore shipped in 2013. Decreased in inventories is attributed to the sale of low grade nickel ore. About 9 boatloads or 479,538 tons of low grade ore were sold this year. Other current assets increased to ₱748 million from ₱557 million last year mainly from input tax from various purchases of services and goods for nickel and gold operation.

Deferred exploration costs increased to ₱881 million from ₱840 million last year mainly due to expenses incurred in Balatoc Tailings Project, Sta. Cruz Nickel Project and Acupan Gold Project. Other non-current assets slightly increased to P603 million from P583 million last year.

Consolidated outstanding bank loans (inclusive of interest and penalties as of June 30, 2014 decreased to ₱1.18 billion from ₱1.64 billion in 2013, mainly due to settlement of debt amortization for the six month period this year.

Increased in income tax payable this quarter pertains to income tax payable of Benguet Nickel Mines, Inc., a wholly-owned subsidiary. Increased in other non-current liabilities to ₱367 million from ₱140 million last year pertains to the advances/downpayment of various nickel ore buyers.

Retained earnings improved to ₱1.842 billion from ₱1.616 billion in 2013 mainly due to the net income for the first semester of 2014. For the same reason. Stockholders Equity increased to ₱3.617 billion from ₱3.388 billion last year.

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 in 2012, attributed mainly from collection of nickel shipment. Additional nickel ore produced in the first semester of 2013 accounted for the increased in inventories to ₱367 million from ₱175 million in 2012.

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 in 2012 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 in 2012 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 in the first semester of 2013.

Income tax payable for the first semester slightly increased to ₱28.4 million from ₱26.5 million for the same period in 2012.

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 in 2012.

KNOWN TRENDS, EVENTS OR UNCERTAINTIES

The Company foresees improvement in its cash flow in the next twelve (12) months as the Company's AGP continues to increase gold production due to improve 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. Also, the Company's ILP maintained a steady market of quicklime and assured market for nickel ores of BNMI due to off-take agreements with foreign buyers.

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

Except for the Company's outstanding bank loans, there are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. Funding of maturing obligations shall be sourced from internally generated cash flow. As of June 30, 2014, the consolidated total outstanding principal debt amounted to ₱1.18 billion.

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

The Company continues to fund the capital requirements of Acupan mine expansion program, nickel and gold tailings projects in Zambales and Benguet Provinces, respectively. The anticipated increase gold production of AGP, higher quicklime sales from ILP and shipment of nickel ores from its Sta. Cruz Nickel Project are the sources of funds for capital expenditures or from borrowing under the available credit facilities.

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

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:

- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Material changes in the financial statements of the Company; and
- Seasonal aspects that had a material impact on the Company's results of operations.

KEY PERFORMANCE INDICATORS

1.) Working *Capital* – Working capital (current assets less current liabilities) and current ratio (current assets over current liabilities) measures the liquidity or debt paying ability of the Company. As of June 30, 2014, the Company current ratio is 0.94:1 versus 1.00:1 for the same period in 2013. 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 year-end 2014 will show a positive performance, which will ultimately benefit all stakeholders.

2.) M*etal 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$1,305.18 per ounce compared to US$1,411.15 per ounce for the same quarter in 2013. 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 continues expansion of gold operation and the off-take agreements assured ready market of high and low grade nickel ores of the Company's Sta. Cruz Nickel Project.

3.) T*ons Mill and Ore Grade* – Tons milled and ore grade determine gold production and sales volume. The higher the tonnage and ore grade, the more gold are produced and sold. This quarter, tons milled were 29,022 tons of shared ore with average grade of 4.45 grams per ton gold. Gold sold were 3,395 ounces. For the same quarter in 2013, 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. AGP continues its 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, 2014, the peso to dollar exchange rate was at ₱43.65, higher than the ₱43.20 for the same period in 2013. The volatility in the foreign currency exchange rates will continue to affect the operations in the foreseeable future.

5.) *Earnings Per Share* - The earnings per share reflect the Company's bottom line operating results expressed in amount per share of the Company's outstanding capital stock. Assuming a constant outstanding number of shares, as a Company's earnings increase, the earnings per share correspondingly increase. This quarter, earnings per share is ₱0.91 versus zero earnings per share for the same period of 2013. 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 ₱22.2 million for the second quarter and ₱14.3 million for the first semester this year versus ₱2.2 million and ₱18.2 million net earnings posted for the same respective periods in 2013.

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 P. MENDOZA** – SVP, Legal Services/Asst. Corporate Secretary

Principal Financial/Accounting Officer/Controller:

Renato A. Claravall

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

ANNEX "A"

BENGUET CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2014 AND DECEMBER 31, 2013

(Amounts in Thousands)

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	**₱436,326**	₱358,415
Trade and other receivables	**598,285**	706,253
Inventories	**126,123**	296,024
Other current assets	**747,851**	556,613
Total Current Assets	**1,908,585**	1,917,305
Noncurrent Assets		
Property, plant and equipment	**3,637,849**	3,663,641
Available-for-sale (AFS) investments	**12,026**	14,043
Deferred mine exploration costs	**880,999**	839,754
Investment property	**166,693**	166,817
Other noncurrent assets	**602,610**	583,450
Total Noncurrent Assets	**5,300,177**	5,267,705
TOTAL ASSETS	**₱7,208,762**	₱7,185,010
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of loans payable	**₱959,512**	₱1,129,387
Trade and other payables	**1,000,453**	1,016,978
Obligations under finance lease	**11,950**	11,395
Income tax payable	**67,122**	19,010
Total Current Liabilities	**2,039,037**	2,176,770
Noncurrent Liabilities		
Loans payable - net of current portion	**217,392**	505,494
Deferred income tax liabilities - net	**792,458**	792,458
Liability for mine rehabilitation	**59,930**	59,930
Pension liability	**93,134**	93,134
Obligations under finance lease - net of current portion	**22,625**	28,742
Other noncurrent liabilities	**367,314**	139,848
Total Noncurrent Liabilities	**1,552,853**	1,619,606
Total Liabilities	**3,591,890**	3,796,376

(Forward)

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Equity		
Capital stock		
Convertible preferred Class A - ₱3.44 par value		
Authorized - 19,652,912 shares		
Issued and outstanding - 217,061 shares in 2014 and 2013	**₱745**	₱745
Common Class A - ₱3.00 par value		
Authorized - 120,000,000 shares		
Issued and outstanding - 110,363,385 shares in 2014 and 2013	**331,090**	331,090
Common Class B - ₱3.00 par value		
Authorized - 80,000,000 shares		
Issued and outstanding - 66,795,822 shares in 2014 and 2013	**200,387**	200,387
Capital surplus	**161,844**	161,844
Deposit for future stock subscription	**162,000**	162,000
Other components of equity:		
Revaluation increment in land - net of deferred income tax liability	**836,679**	836,679
Cumulative translation adjustments of foreign subsidiaries	**42,411**	41,357
Cost of share-based payment	**58,183**	58,183
Unrealized gain on AFS investments	**787**	749
Remeasurement loss on pension liability	**(12,201)**	(12,201)
Retained earnings	**1,842,963**	1,615,817
	3,624,888	3,396,650
Cost of 116,023 shares held in treasury, ₱69 per share	**(8,016)**	(8,016)
Total Equity	**3,616,872**	3,388,634
TOTAL LIABILITIES AND EQUITY	**₱7,208,762**	₱7,185,010

BENGUET CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2014
(With Comparative Figures for the six months ended June 30, 2013)
(Amounts in Thousands)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2014	2013	**2014**	2013
REVENUES				
Sale of mine products	**₱1,213,273**	₱552,320	**₱2,192,161**	₱1,169,114
Sale of merchandise and services	**111,001**	53,363	**154,753**	90,009
	1,324,274	605,683	**2,346,914**	1,259,123
COSTS AND OPERATING EXPENSES				
Costs of mine products sold	**352,369**	445,412	**790,675**	904,918
Costs of merchandise sold and services	**94,393**	31,008	**134,097**	56,753
Selling and general	**536,547**	137,354	**909,008**	242,914
Taxes on revenue	**74,661**	23,536	**129,776**	61,660
	1,057,970	637,310	**1,963,556**	1,266,245
INCOME (LOSS) FROM OPERATIONS	**266,304**	(31,627)	**383,358**	(7,122)
INTEREST EXPENSE	**14,532**	31,720	**34,779**	59,363
OTHER INCOME				
Interest income	**692**	650	**696**	1,529
Foreign exchange gain (loss)	**(969)**	(11,106)	**(3,696)**	(8,348)
Miscellaneous - net	**(17,168)**	94,143	**(6,426)**	145,668
	(17,445)	83,687	**(9,426)**	138,849
INCOME BEFORE INCOME TAX	**234,327**	20,340	**339,153**	72,364
PROVISION FOR (BENEFIT FROM) INCOME TAX	**73,766**	20,008	**112,007**	35,805
NET INCOME	**₱160,561**	₱332	**₱227,146**	₱36,559
BASIC EARNINGS PER SHARE	**₱0.91**	₱0.00	**₱1.28**	₱0.21
DILUTED EARNINGS PER SHARE	**₱0.80**	₱0.00	**₱1.14**	₱0.20

BENGUET CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2014
(With Comparative Figures for the six months ended June 30, 2013)
(Amounts in Thousands)

	June 30, 2014 (Unaudited)	June 30, 2013 (Unaudited)	December 31, 2013 (Audited)
CAPITAL STOCK	**₱532,222**	₱532,222	₱532,222
CAPITAL SURPLUS	**161,844**	161,843	161,844
DEPOSIT FOR FUTURE STOCK SUBSCRIPTION	**162,000**	–	162,000
REVALUATION INCREMENT IN LAND	**836,679**	750,779	836,679
CUMULATIVE TRANSLATION ADJUSTMENT			
Balance at beginning of period	**41,357**	46,263	46,263
Translation adjustment	**1,054**	(7,805)	(4,906)
Balance at end of period	**42,411**	38,458	41,357
COST OF SHARE-BASED PAYMENT			
Balance at beginning of period	**58,183**	51,616	51,616
Employees' exercise of stock options	**–**	(304)	(304)
Options vested during the period	**–**	–	6,871
Balance at end of period	**58,183**	51,312	58,183
UNREALIZED GAIN ON AFS INVESTMENTS			
Balance at beginning of period	**749**	844	844
Unrealized gain (loss) on AFS investments	**38**	67	(95)
Balance at end of period	**787**	911	749
REMEASUREMENT LOSS ON PENSION LIABILITY	**(12,201)**	–	(12,201)
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of period	**1,615,817**	1,602,378	1,608,148
Effect of change in accounting for employee benefits	**–**	–	–
Net income for the period	**227,146**	36,559	7,669
Balance at end of period	**1,842,963**	1,638,937	1,615,817
TREASURY SHARES	**(8,016)**	(8,016)	(8,016)
TOTAL EQUITY	**₱3,616,872**	₱3,166,446	₱3,388,634

BENGUET CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2014
(With Comparative Figures for the six months ended June 30, 2013)
(Amounts in Thousands)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2014	2013	**2014**	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	**₱234,327**	₱20,340	**₱339,153**	₱72,364
Adjustments for:				
Depreciation, depletion and amortization	**76,526**	17,521	**103,110**	46,985
Unrealized foreign exchange loss (gain)	**969**	11,106	**3,696**	8,348
Realized loss on AFS investments	**–**	35	**–**	35
Recovery of Impairment	**–**	(107,202)	**–**	(107,202)
Gain on settlement of liabilities	**–**	–	**–**	(50,010)
Income taxes paid	**(61,237)**	(27,051)	**(63,895)**	(33,882)
Decrease (increase) in:				
Short-term investment	**–**	10,058	**–**	32,222
Trade and other receivables	**75,235**	217,502	**107,968**	307,893
Inventories	**106,241**	(68,466)	**169,901**	(192,035)
Prepaid expenses and other current assets	**(188,937)**	(162,569)	**(191,238)**	(179,108)
Increase in trade and other payables	**(76,012)**	150,997	**(20,221)**	371,759
Net cash from (used in) operating activities	**167,112**	62,271	**448,474**	277,369
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in:				
Property, plant and equipment	**(77,318)**	(21,420)	**(77,318)**	(49,801)
Deferred exploration costs	**220,851**	(95,368)	**(41,245)**	(160,052)
AFS investments	**2,055**	–	**2,055**	–
Other assets	**30,296**	(11,293)	**(17,982)**	(5,210)
Net cash from (used in) investing activities	**175,884**	(128,081)	**(134,490)**	(215,063)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net availment (repayment) of loans payable	**(304,426)**	20,928	**(463,539)**	(55,607)
Proceeds from issuance of common stocks	**–**	–	**–**	176
Decrease in other noncurrent liabilities	**74,004**	–	**227,466**	(564)
Net cash from (used in) financing activities	**(230,422)**	20,928	**(236,073)**	(55,995)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**112,574**	(44,882)	**77,911**	6,311
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**323,752**	558,862	**358,415**	507,669
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱436,326**	₱513,980	**₱436,326**	₱513,980

BENGUET CORPORATION AND SUBSIDIARIES

EARNINGS PER SHARE COMPUTATION

FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013

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

	June 30	
	2014	2013
Net income	**₱227,146**	₱36,559

Number of shares for computation of:

	June 30	
	2014	2013
Basic earnings per share		
Weighted average common shares issued	**177,275,230**	177,845,662
Less treasury stock	**116,023**	116,023
Weighted average common shares outstanding	**177,159,207**	177,729,639
Diluted earnings per share		
Weighted average common shares issued	**177,275,230**	177,845,662
Less treasury stock	**116,023**	116,023
	177,159,207	177,729,639
Conversion of preferred stock	**686,455**	–
Exercise of stock option	**4,126,607**	4,168,367
Exercise of stock option	**18,000,000**	–
	199,972,269	181,898,006
Basic earnings per share	**₱1.28**	₱0.21
Diluted earnings per share	**₱1.14**	₱0.20

BENGUET CORPORATION AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS

FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013

	June 30	
	2014	2013
Profitability Ratio		
Return on asset	**0.03:1**	0.01:1
Return on equity	**0.06:1**	0.01:1
Gross profit margin	**0.61:1**	0.24:1
Operating profit margin	**0.16:1**	0.10:1
Net profit margin	**0.10:1**	0.03:1
Liquidity and Solvency Ratio		
Current ratio	**0.94:1**	1.00:1
Quick ratio	**0.51:1**	0.58:1
Solvency ratio	**0.09:1**	0.02:1
Financial Leverage Ratio		
Asset to equity ratio	**1.99:1**	2.18:1
Debt ratio	**0.50:1**	0.54:1
Debt to equity ratio	**0.99:1**	1.18:1
Interest coverage ratio	**10.75:1**	2.22:1

BENGUET CORPORATION AND SUBSIDIARIES

AGING OF RECEIVABLES

AS OF JUNE 30, 2014

(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	₱44,932	₱47,024	₱86,112	₱18,264	₱39,666	₱5,997	₱241,995
Allowance for doubtful accounts	–	–	–	–	(1,381)	(5,997)	(7,378)
Trade receivables – net	44,932	47,024	86,112	18,264	38,285	–	234,617
Nontrade receivables:							
Officers and employees	24,647	64,718	20,741	42,023	38,104	7,888	198,121
Others	12,919	17,654	32,091	30,456	106,735	105,733	305,588
Total	37,566	82,372	52,832	72,479	144,839	113,621	503,709
Allowance for doubtful accounts	–	–	–	(1,584)	(24,836)	(113,621)	(140,041)
Nontrade receivables - net	37,566	82,372	52,832	70,895	120,003	–	363,668
Trade and other receivables - net	₱82,498	₱129,396	₱138,944	₱89,159	₱158,288	₱–	₱598,285

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, 2013.

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations [based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations] which became effective in 2014. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have significant impact on its financial statements. The relevant disclosures will be included in the notes to the financial statements when these become effective.

Effective January 1, 2014

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*
- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*

The above standards and amendments have been adopted by the Group but the adoption did not have an impact on the unaudited consolidated financial statements.

Effective on or after July 1, 2014

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*

Effective subsequent to 2014

- PFRS 9, *Financial Instruments*
- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*

The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The Group believes that the amendment will not have a material impact on the Group's consolidated financial statements when it becomes effective.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*

The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*

The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

- PAS 16, *Property, Plant and Equipment - Revaluation Method – Proportionate Restatement of Accumulated Depreciation*

The amendment clarifies that, –upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*

The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity.

The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*

The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*

The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*

The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*

The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

- PAS 40, *Investment Property*

The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has 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, 2014 and December 31, 2013, 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, 2014 and December 31, 2013, the Group has no financial liabilities at FVPL.

Loans and Receivables
Loans and receivables are nonderivative 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 date (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's 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, 2014 and December 31, 2013, 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, 2014 and December 31, 2013:

	June 30, 2014	December 31, 2013
Cash and cash equivalents	**₱436,326**	₱358,415
Trade and other receivables	**234,617**	397,067
Loans receivable	**49,767**	49,767
AFS investments	**12,026**	14,043
Total credit risk exposure	**₱732,736**	₱819,292

The tables below summarize the maturity profile of the Group's financial liabilities based in contractual undiscounted payments as of June 30, 2014 and December 31, 2013:

June 30, 2014

	On demand	**More than 90 days**	**More than 1 year**	**Total**
Loans payable	**₱414,784**	**₱544,728**	**₱217,392**	**₱1,176,904**
Trade and other payables*	**620,735**	**89,549**	**35,508**	**745,792**
Equity of claimowner in contract operations	**–**	**–**	**49,136**	**49,136**
Total	**₱1,035,519**	**₱634,277**	**₱302,036**	**₱1,971,832**

Excludes statutory payables

December 31, 2013

	On demand	More than 90 days	More than 1 year	Total
Loans payable	₱584,660	₱544,728	₱505,494	₱1,643,882
Trade and other payables*	571,554	76,093	25,746	673,393
Equity of claimowner in contract operations	–	–	49,136	49,136
Total	₱1,156,214	₱620,821	₱580,376	₱2,357,411

**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, 2014

	Neither Past Due Nor Impaired				
	High Grade	**Standard Grade**	**Past Due But Not Impaired**	**Impaired**	**Total**
Cash and cash equivalents					
Cash in banks	**₱323,630**	**₱–**	**₱–**	**₱–**	**₱323,630**
Short-term deposits	**111,664**	**–**	**–**	**–**	**111,664**
Trade and other receivables					
Trade	**91,956**	**86,112**	**56,549**	**7,378**	**241,995**
Others	**–**	**–**	**245**	**30,418**	**30,663**
Loans receivable	**–**	**49,767**	**–**	**–**	**49,767**
AFS investments	**5,192**	**6,834**	**–**	**–**	**12,026**
Total credit risk exposure	**₱532,442**	**₱142,713**	**₱56,794**	**₱37,796**	**₱769,745**

December 31, 2013

	Neither Past Due Nor Impaired				
	High Grade	Standard Grade	Past Due But Not Impaired	Impaired	Total
Cash and cash equivalents					
Cash in banks	₱223,751	₱–	₱–	₱–	₱223,751
Short-term deposits	133,869	–	–	–	133,869
Trade and other receivables					
Trade	188,876	62,355	145,570	7,378	404,179
Others	–	–	266	30,418	30,684
Loans receivable	–	49,767	–	–	49,767
AFS investments	4,931	9,112	–	–	14,043
Total credit risk exposure	₱551,427	₱121,234	₱145,836	₱37,796	₱856,293

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

a. 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.

b. 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, 2014 and December 31, 2013.

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, 2014 and December 31, 2013, 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, 2014

	Change in interest rates (in basis points)	Sensitivity of pretax income
PHP	**+100**	**(₱6,884)**
PHP	**-100**	**6,884**
USD	**+100**	**(8,275)**
USD	**-100**	**8,275**

December 31, 2013

	Change in interest rates (in basis points)	Sensitivity of pretax income
PHP	+100	(₱6,884)
PHP	-100	6,884
USD	+100	(9,464)
USD	-100	9,464

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, 2014 and December 31, 2013 follow:

	June 30, 2014		December 31, 2013	
	USD	**Peso Equivalent**	USD	Peso Equivalent
Financial Assets				
Cash	**$7,767**	**₱339,030**	$6,317	₱280,443
Trade receivables	**2,245**	**97,990**	6,306	279,955
Other current assets	**1,177**	**51,376**	1,177	52,253
Available-for-sale (AFS) investments	**40**	**1,746**	40	1,776
Total financial assets	**11,229**	**490,142**	13,840	614,427
Financial Liabilities				
Other loans	**9,593**	**418,734**	9,593	425,881
Secured bank loans	**11,726**	**511,840**	11,726	520,576
Total financial liability	**21,319**	**930,574**	21,319	946,457
Net financial asset (liability)	**($10,090)**	**(₱440,432)**	($7,479)	(₱332,030)

As of June 30, 2014 and December 31, 2013, the exchange rates of the Philippine peso to the USD are ₱43.65 and ₱44.40, 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, 2014 and December 31, 2013 is as follows:

June 30, 2014	Change in foreign exchange rate	Sensitivity of pretax income
	Strengthens by Php1.00	**₱10,090**
	Weakens by Php1.00	**(10,090)**

December 31, 2013	Change in foreign exchange rate	Sensitivity of pretax income
	Strengthens by Php1.00	₱7,479
	Weakens by Php1.00	(7,479)

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, 2014 and December 31, 2013:

	June 30, 2014		December 31, 2013	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Assets:				
AFS investments:				
Quoted	**5,192**	**5,192**	4,931	4,931
Unquoted	**6,834**	**6,834**	9,112	9,112
	₱12,026	**₱12,026**	₱14,043	₱14,043
Financial Liabilities:				
Loans payable	**₱1,176,904**	**₱1,176,904**	₱1,634,882	₱1,634,882

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%.

As at June 30, 2014 and December 31, 2013, the Group had quoted AFS investments amounting to ₱5,192 and ₱4,931, respectively, carried at fair value in the consolidated statement of financial position. 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 were no transfers between levels in 2014 and 2013.

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 2014 and 2013. The Group monitors capital using its parent company financial statements. As at June 30, 2014 and December 31, 2013, the Group has met its capital management objectives.

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

	June 30, 2014	December 31, 2013
Capital stock	**₱532,222**	₱532,222
Capital surplus	**161,844**	161,844
Retained earnings	**1,842,963**	1,615,817
Treasury shares	**(8,016)**	(8,016)
	₱2,529,013	₱2,301,867

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, 2014 and December 31, 2013 are as follows:

	June 30, 2014	December 31, 2013
Total liabilities (a)	**₱3,591,890**	₱3,796,375
Total equity (b)	**3,616,872**	3,388,635
Debt-to-equity ratio (a/b)	**0.99:1**	1.12:1

5. Seasonality and Cyclicality of Interim Operation

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

6. Events After End of Reporting Period

There are no significant event after end of reporting period.

ADDITIONAL DISCLOSURE TO FINANCIAL STATEMENTS OF THE COMPANY
(FOR THE SECOND QUARTER ENDED JUNE 30, 2014)

i.) The disclosure on significant accounting principles, policies, and practices are substantially the same with the disclosure made in 2013 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 2014, 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, and no unusual items that materially affect the Company's assets, liabilities, equity, net income or cash flows.

iii.) Issuances, Repurchases, Repayments of Debt and Equity Securities – For the second quarter of 2014, 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.

iv.) Dividends – Pursuant to the restrictions provided for in the Company's loan agreement with creditor banks, no cash dividends were declared during the second quarter 2014.

v.) Segment Information - The Company is principally engaged in mining industry. Its operating revenues as June 30, 2014 mainly consist sales of gold to Bangko Sentral Ng Pilipinas amounting to ₱414 million and nickel ores amounting to ₱1.7 billion.

vi.) 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.

vii.) 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 2013.