



BenguetCorp

SEC Reg. No. 11341

August 19, 2015

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

Attention: MR. VICENTE GRACIANO P. FELIZMENIO, JR.
Director, Markets & Securities Regulation 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 Commission and the Exchange, we submit hereto is Benguet Corporation's 2015 Second Quarter Report (SEC Form 17-Q) ended June 30, 2015.

Please note that on August 12, 2015, 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 trust that you will find everything in order.

Very truly yours,

BENGUET CORPORATION

By:

REYNALDO P. MENDOZA
Sr. Vice President, Public Affairs, Legal
and Assistant Corporate Secretary

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, 2015
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, 2015)

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, 2015-- **₱460 Million**

(*) Net of Treasury Shares

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

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

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

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

Yes [] No []

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

Yes [] No []

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

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

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PLEASE REFER TO ANNEX "A" on pages 12 to 40 incorporated herein and form part of this report (SEC Form 17-Q) which contained the following reports:

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

A. FINANCIAL PERFORMANCE

2015 SECOND QUARTER VS. 2014 SECOND QUARTER

Consolidated Results Of Operations

Consolidated net income for the second quarter of 2015 amounted to ₱45.5 million, a decrease of 72% or ₱115.02 million from ₱160.6 million for the same period in 2014. For the 1st semester of 2015, the Company's consolidated after-tax income grew to ₱400.2 million, surpassing last year's ₱227.2 million by 76% or ₱173.1 million. The increase/decrease in net income was the net effect of the following:

a) Revenues

The Company registered consolidated revenues of ₱1.0 billion for the 2nd quarter of 2015, 23% or ₱305.8 million lower than the ₱1.3 billion reported for the same quarter in 2014. The decline was mainly due to the decrease in nickel revenue brought about by the lower grade and price of nickel sold during the quarter. The price of nickel during the quarter averaged at \$27.73 per ton versus \$51.73 per ton for the same period in 2014. BNMI sold 1.4% to 1.55% Nickel ore in the quarter under review while it shipped a combination of 1.5% to 1.8% Ni ore in the same period last year. Consolidated revenue in the first half is ₱2.6 billion, higher by 9% or ₱221.4 million than the ₱2.3

billion in 2014. The increase is attributed to higher sales of Nickel ore on account of increase in shipment tonnage of Nickel ore from 958,313 tons in 2014 to 1,283,654 tons in 2015.

b) Operating and Other Expenses

Cost and operating expenses in the second quarter this year dropped by 16% to ₱890.6 million from ₱1,058.0 million for the same quarter in 2014 mainly due to decrease in cost of mine products sold by 22% or ₱178.0 million.]For the 1st semester of 2015 cost and operating expenses slightly increased to ₱1,999.9 million from ₱1,963.6 million for the same period in 2014.

Interest expense for the second quarter and first semester of 2015 were significantly lower compared to the same period in 2014. The decrease is mainly due to the full settlement of the Amsterdam Trade Bank (ATB) loan account, as well as lower Malayan Bank and PhilExim loan balances with regular debt servicing.

Other Expense for the quarter amounted to ₱42.4 million higher than the ₱17 million expense last year. For the first semester of 2015, Other Income amounted to ₱10.8 million as against the Other Expense of ₱9.4 million for the same period in 2014. Other Income in 2015 includes ₱55 million gain on sale of Arrow Freight Corporation (AFC) property in Valenzuela.

Provision for income tax was computed at ₱34.3 million for the second quarter and ₱167.3 million on a year to-date basis, compared to ₱73.8 million and ₱112.0 million last year. This year's income tax is mainly attributable to BNMI which posted income tax provisions of ₱17.8 million for 2nd quarter and ₱133.7 million for the 1st semester this year.

Operational Overview

Nickel revenues from the Company's wholly owned subsidiary, Benguetcorp Nickel Mines, Inc. (BNMI) in the second quarter this year closed at ₱751.5 million, 25% or ₱251.6 million lower than the ₱1,003.1 million generated for the same quarter last year. The decline was attributed mainly to the decrease in the price of 1.5% Ni ore, which was the majority of BNMI's shipment this quarter and in the first half. The price of Ni ore sold in the 2nd quarter of 2014 averaged \$51.73/MT while the price this quarter averaged at \$27.73/MT. For the quarter and for the first half, BNMI sold 1.4% to 1.55% Nickel ore while it shipped higher grade ores 1.5% to 1.8% Ni ore for the same periods last year. Majority of the ore sold this year were inventory carried over from the prior year's operation, which were prioritized for shipment as an operational and environmental requirement. BNMI shipped eleven (11) boatloads or 588,910 tons for the quarter as against eight (8) boatloads or 418,694 tons for the same quarter last year.

For the first half this year, nickel sales improved by 19% year-on-year, or ₱337.4 million from ₱1,737.4 million in 2014 to ₱2,074.8 million this year. BNMI shipped 24 boatloads or 1,283,654 tons, 34% higher as compared to 18 boatloads or 958,313 tons for the same period last year. Pre-tax income amounted to ₱412.5 million, higher than last year's ₱406.1 million. After tax net income for the first half this year reached ₱278.7 million, 50% higher than the ₱185.7 million reported for the same period last year. The upsurge is primarily attributed to the improvement in sales volume.

After the 24th shipment in the third week of June, BNMI declared the mining season closed since the rainy season in the Zambales region has already begun. As a subsequent event, on July 1, 2015, the Mines and Geosciences Bureau (MGB) Region III issued a new suspension order for the transport of ore to the four mining companies in Zambales including BNMI. The order reiterated the full compliance of certain conditions originally set but which, by view of the nature of the works to be done which compliance rests on actions from the LGU and third parties and are mostly beyond the control of BNMI, would take time to be completed. BNMI has been diligently complying with the conditions set forth by the regulatory agencies and as soon as the other participatory agencies deliver

the prerequisite documentation and approvals, BNMI expects that the suspension will be lifted prior to the start of the next mining season in October.

Increase in gold output of the Company's Acupan Gold Project (AGP) slightly improved revenues to ₱211.4 million this quarter from ₱193.4 million for the same quarter last year despite lower tonnage milled. The slight revenue growth is attributable to higher ore grade averaging 5.34 grams of gold per ton, as against 4.39 grams of gold per ton last year. AGP gold production reached 3,804.85 ounces this quarter from 3,394.96 ounces, 17% better than the second quarter last year.

For the first half this year, revenues declined by 7% or ₱28.5 million closing at ₱385.80 million from ₱414.3 million for the same period in 2014. This despite the slight increase in gold production for the first half of 2015. Gold production for the first half totaled 7,173 ounces, higher compared to the same period last year of 7,010 ounces mainly due to the increase in mill tonnage by 1,996 tons. The decline is mainly due to decrease in price of gold averaging US\$1,208.15 per ounce this year versus US\$1,292.16 per ounce for the same period last year. AGP incurred losses of ₱6.7 million and ₱18.3 million for the second quarter and first half of this year, respectively, a reversal from the net income of ₱20.7 million and ₱30.3 million, respectively for the same periods last year.

The Irian Lime Project (ILP) net income this quarter grew by 77% to ₱3.9 million from ₱2.2 million for the same period last year. For the first half this year, net income amounted to ₱6.6 million, 70% higher compared to the net income of ₱3.9 million for the same period last year. The increase was attributed to improvement in sales volume and lower costs as a result of the decline in fuel prices, regular fuel oil being a major cost in Irian's production process.

Subsidiaries and Affiliates

Benguet Management Corporation (BMC), a wholly owned subsidiary of the Company, and its subsidiaries, reported consolidated net income of ₱8.6 million this quarter, lower than the net income of ₱14.3 million for the same period last year. For the first half this year, BMC posted a net income of ₱74.0 million, 2.5 times higher than the net income of ₱22.2 million for the same period last year mainly due to the rise in revenues and gain in the sale of a property of Arrow Freight Corporation (AFC). AFC, the Company's logistics provider and BMC's main driver, reported net income of ₱7.9 million this quarter and ₱72.7 million for the first half this year, compared with the net income of ₱11.2 million and ₱19.5 million for the respective periods in 2014.

Keystone Port Logistics and Management Services Corporation (KPLMSC), the port management and barging services provider of the Company, reported net income of ₱3.7 million this quarter and ₱9.0 million for the first half this year, compared to the net income of ₱11.7 million and ₱11.3 million for the same periods in 2014.

Benguetcorp Laboratories, Inc. (BCLI) continued its gradual improvement. Revenues reached ₱32.3 million for the first half this year, up by 8% or ₱2.5 million versus the prior year's level of ₱29.8 million. The increasing volume of business is expected to improve BCLI's bottomline. BCLI reported a net loss of ₱3.8 million for the six months of operations this year.

Environmental Protection and Community Services

The Company continued to closely monitor the different environmental mitigation and enhancement programs for the year 2015. Construction of additional settling ponds, drainage canals and other environmental protection infrastructures were given utmost attention. Reforestation programs have commenced in time for the rainy season. To-date, BNMI continues to extend assistance to communities to desilt water tributaries, plant mangroves along coastal areas and continue with the established sediment flux monitoring system on various waterways in Sta. Cruz and Candelaria.

The Company continued to implement its Social Development and Management Programs as well as other CSR projects within the communities in its mining areas. The Company believes working with

the people is integral in achieving the inclusive growth it promised to these communities. During the second quarter, educational scholarships continued to be enjoyed by deserving young boys and girls in both the Benguet and Zambales Provinces. Infrastructure programs such as construction of farm to market roads, multipurpose halls, multipurpose sheds, repair of barangay roads and churches, installation of water systems and tramming facilities for goods have been provided. Various livelihood, health and training programs continued to touch the lives of its host communities.

2014 SECOND QUARTER VS. 2013 SECOND QUARTER

Consolidated Results of Operations

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 in 2013. 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 in 2013.

a) Revenues

Nickel revenue, comprising more than 74% of total revenues increased to ₱1.7billion in 2014, from ₱0.8 billion in 2013. 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 in 2013 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. In 2013, average realized metal price were \$35.38 per ton nickel ore on 472,986 tons of nickel ore sold.

b) Operating and Other Expenses

Operating costs and expenses in the second quarter of 2014 increased to ₱1,058 million from ₱637 million for the same quarter in 2013 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 second quarter and first semester of 2014 both decreased against for the same periods in 2013. The decline is due to the settlement of debt amortization for the first semester.

Other expense in the second quarter of 2014 amounted to ₱17 million compared with other income of ₱76 million for the same quarter in 2013. For the first semester of 2014, other expense amounted to ₱9 million compared with the other income of ₱139 million in 2013. In 2013, other income includes ₱50 million gain from debt settlement and ₱107 million from recovery of allowance for impairment losses.

The higher income in the first semester of 2014 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

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 complaint of laterite siltation of 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.

Acupan Gold Project (AGP) - In the second quarter of 2014, gold output improved to 3,395 ounces from 2,491 ounces in 2013 due to increase in mill tonnage by 9,859 tons. AGP milled 27,977 tons of ore containing 4.39 grams of gold per ton in the second quarter of 2014, compared to 18,118 tons containing 3.13 grams of gold per ton for the same quarter in 2013. For the six-month period of 2014, gold production increased by 27% to 7,010 ounces from 5,524 ounces for the same period in 2013.

Subsidiaries and Affiliates

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 in 2013. For the second quarter of 2014, BMC generated net earnings of ₱14.3 million, a ₱12.1 million jump from the ₱2.2 million net earnings for the same period in 2013. 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 2014 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 in 2014, more than doubling its ₱0.8 million performance for the first half of 2013. For the second quarter of 2014, BTI showed similar results, with a 242% jump in its net earnings from ₱0.7 million in 2013 versus ₱2.5 million in 2014.

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.

B. FINANCIAL POSITION

2015 SECOND QUARTER VS. YEAR ENDED 31 DECEMBER 2014

Assets

The Company ended the first semester of 2015 with consolidated total assets of ₱7.0 billion, slightly lower than ₱7.1 billion in 2014. The slight decrease is the net effect of the following:

Cash and cash equivalents slightly increased by ₱14.2 million mainly from cash collection of nickel ore.

Receivables decreased by 26% from ₱713.2 million to ₱526.9 million, mainly from collection of nickel ore shipped in 2014 and 1st half of 2015.

Inventories decreased by ₱14.3 million or 15% from the 2014 level of ₱94.9 million to ₱80.6 million in the 1st half 2015 mainly due to the sale of nickel ore.

Other current assets increased to ₱803.7 million from ₱719.6 million mainly due to increased in deferred input tax.

Decreased in assets classified as held for sale pertains to the sale of land and property, plant and equipment of Arrow Freight Corporation (AFC) in Valenzuela City.

Liabilities

Total consolidated liabilities as of June 30, 2015 amounted to ₱3,005.8 million, 17% lower than the ₱3,610.3 million total liability as of December 31, 2014. The ₱604.4 million decrease was due to the following:

Trade and other payables decreased by ₱431.4 million mainly due to payment made to contractors, suppliers and nickel ore customers.

Loans payable decreased by ₱217.1 million or 24% on account of the final and full repayment of Amsterdam Trade Bank (ATB) loan and BDO export packing credit, as well as the regular debt servicing of the PhilExim and Malayan Savings Bank loans.

Increased in income tax payable is attributed to higher income tax expense of BNMI amounting to ₱134 million.

Obligations under finance lease decreased on account of the repayment made during the year to BDO Leasing.

Equity

Stockholders Equity at year-end amounted to ₱3,963.5 million 13% higher than ₱3,511.9 million in 2014. The variance is attributed to increased retained earnings by 23% than the 2014 level of ₱1,713.0 million due to the registered net income of ₱400.2 million in the first six months of 2015, bringing the retained earnings to ₱2,113.3 million, as well as the ₱88.0 million capital infusion by RYM Business Management Corporation.

Consolidated Cash Flow

The cash provided by operating activities for the first semester amounted to ₱143.3 million compared with ₱448.5 million for the same period in 2014. The cash provided was mainly due to higher income posted by the nickel operations in Zambales.

During the semester, the Company invested ₱15.8 million in various exploration activities and ₱32.7 million in mine equipment for the expansion of its Acupan Gold Project and Sta. Cruz Nickel Operation. The net cash used in investing activities, was partly offset by the proceeds from the sale of Company property in Valenzuela of ₱59 million.

With the improved results of operation, proceeds from the sale of Valenzuela property and additional subscription from RYM Business Management Corporation, the Company was able to reduce loans payable by ₱223 million.

2014 SECOND QUARTER VS. YEAR ENDED 31 DECEMBER 2013

Assets

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

In the second quarter of 2014, receivables decreased to ₱598 million from ₱706 million in 2013, 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 in the second quarter of 2014. Other current assets increased to ₱748 million from ₱557 million in 2013 mainly from input tax from various purchases of services and goods for nickel and gold operation.

Deferred exploration costs in the second quarter of 2014 increased to ₱881 million from ₱840 million in 2013 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 in 2013.

Liabilities

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 in 2014.

Increased in income tax payable in the second quarter of 2014 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 in 2013 pertains to the advances/downpayment of various nickel ore buyers.

Equity

Retained earnings in the second quarter of 2014 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 in 2013.

KNOWN TRENDS, EVENTS OR UNCERTAINTIES

The Company does not foresee any cash flow problem over the next twelve (12) months as the Company's AGP continues to increase gold production. The Company's ILP has 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, 2015, the consolidated total outstanding principal debt amounted to ₱460 million.

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

The Company continues to fund the capital requirements of AGP expansion program. The sales of gold from AGP, quicklime from ILP and shipments of nickel ores from its wholly owned subsidiary, BNMI, 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, 2015, the Company's current ratio is 0.96:1 versus 0.94:1 for the same period in 2014. The Company is moving forward in the expansion of its gold and nickel operations. It remains optimistic that year-end 2015 will show a positive performance, which will ultimately benefit all stakeholders.
- 2.) *Metal Price* – The market price of gold in the Banko Sentral ng Pilipinas which is based from the world spot market prices provided by the London Metal Exchange for gold is the key indicator in determining the Company's revenue level. This quarter, the average market prices for gold sold were at US\$1,192.16 per ounce compared to US\$1,289.64 per ounce for the same quarter in 2014.. It is anticipated that revenues from gold and nickel will continue to grow due to continued 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.) *Tons Mill and Ore Grade* – Tons milled and ore grade determine gold production and sales volume. The higher the tonnage and ore grade, the more gold are produced and sold. This quarter, tons milled were 25,187 tons ore with average grade of 5.34 grams per ton gold. Gold sold were 4,007 ounces. For the same quarter in 2014, tons milled were 27,977 tons of ore with average grade of 4.39 grams per ton gold. Gold sold were 3,395 ounces.
- 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, 2015, the peso to dollar exchange rate was at ₱45.09, higher than the ₱43.65 for the same period in 2014. 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 the Company's earnings increase, the earnings per share correspondingly increase. This quarter, earnings per share is ₱0.23 versus ₱0.91 earnings per share for the same period of 2014. On a year-to-date basis, earnings per share of P2.05 reflects an increase of P0.77 or 60% over that of P1.28 last year,

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 ₱8.8 million for the second quarter and ₱74.0 million for the first semester this year versus ₱14.3 million and ₱22.2 million net earnings posted for the same periods in 2014.

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.

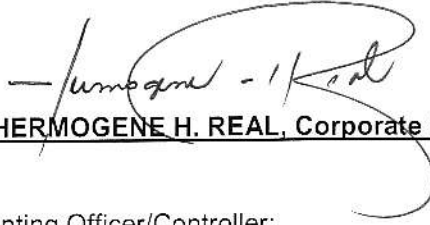
There are no other information for this interim period not previously reported in a report on SEC Form 17-C.

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: HERMOGENE H. REAL, Corporate Secretary

Principal Financial/Accounting Officer/Controller:



Signature and Title: MAX D. ARCEÑO – Vice President, Accounting & Treasurer

BENGUET CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2015 AND DECEMBER 31, 2014
(Amounts in Thousands)

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	₱272,294	₱258,113
Trade and other receivables	526,858	713,293
Inventories	80,573	94,886
Other current assets	803,650	719,577
Total Current Assets	1,683,375	1,785,869
Assets classified as held for sale	–	53,544
	1,683,375	1,839,413
Noncurrent Assets		
Property, plant and equipment	3,966,340	3,992,785
Available-for-sale (AFS) investments	11,461	11,423
Deferred mine exploration costs	631,644	615,850
Investment property	166,693	166,693
Other noncurrent assets	509,813	496,016
Total Noncurrent Assets	5,285,951	5,282,767
TOTAL ASSETS	₱6,969,326	₱7,122,180
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of loans payable	₱699,357	₱882,838
Trade and other payables	957,126	1,388,477
Obligations under finance lease	13,143	12,532
Income tax payable	86,604	30,170
Total Current Liabilities	1,756,230	2,314,017
Noncurrent Liabilities		
Loans payable - net of current portion	–	33,575
Deferred income tax liabilities - net	718,305	734,064
Liability for mine rehabilitation	50,513	50,513
Pension liability	73,017	73,017
Obligations under finance lease - net of current portion	9,483	16,210
Other noncurrent liabilities	398,284	388,872
Total Noncurrent Liabilities	1,249,602	1,296,251
Total Liabilities	3,005,832	3,610,268
(Forward)		

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Equity		
Capital stock		
Convertible preferred Class A - ₱3.44 par value		
Authorized - 19,652,912 shares		
Issued and outstanding - 217,061 shares in 2015 and 2014	₱745	₱745
Common Class A - ₱3.00 par value		
Authorized - 120,000,000 shares		
Issued and outstanding - 117,532,388 shares in 2015 and 2014	352,597	352,597
Common Class B - ₱3.00 par value		
Authorized - 80,000,000 shares		
Issued and outstanding - 77,626,819 shares in 2015 and 2014	232,880	232,880
Capital surplus	269,844	269,844
Deposit for future stock subscription	88,000	-
Other components of equity:		
Revaluation increment - net of deferred income tax liability	800,780	800,780
Cumulative translation adjustments of foreign subsidiaries	41,542	41,449
Cost of share-based payment	65,331	65,331
Unrealized gain on AFS investments	1,046	1,010
Remeasurement loss on pension liability	5,494	5,494
Retained earnings	2,113,251	1,713,027
Revaluation increment of assets held for sale	-	36,771
	3,971,510	3,519,928
Cost of 116,023 shares held in treasury, ₱69 per share	(8,016)	(8,016)
Total Equity	3,963,494	3,511,912
TOTAL LIABILITIES AND EQUITY	₱6,969,326	₱7,122,180

BENGUET CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2015
(With Comparative Figures for the six months ended June 30, 2014)
(Amounts in Thousands)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30		JUNE 30	
	2015	2014	2015	2014
REVENUES				
Sale of mine products	₱981,697	₱1,213,273	₱2,498,608	₱2,192,161
Sale of merchandise and services	36,816	111,001	69,746	154,753
	1,018,513	1,324,274	2,568,354	2,346,914
COSTS AND OPERATING EXPENSES				
Costs of mine products sold	623,637	801,468	1,384,409	1,239,774
Costs of merchandise sold and services	20,292	94,393	42,240	134,097
Selling and general	191,000	87,448	420,264	459,909
Taxes on revenue	55,699	74,661	152,948	129,776
	890,628	1,057,970	1,999,861	1,963,556
INCOME (LOSS) FROM OPERATIONS	127,885	266,304	567,493	383,358
INTEREST EXPENSE	5,617	14,532	11,770	34,779
OTHER INCOME				
Interest income	138	692	251	696
Foreign exchange gain (loss)	(30)	(969)	(381)	(3,696)
Miscellaneous- net	(42,557)	(17,168)	10,892	(6,426)
	(42,449)	(17,445)	10,762	(9,426)
INCOME BEFORE INCOME TAX	79,819	234,327	567,485	339,153
PROVISION FOR (BENEFIT FROM) INCOME TAX	34,276	73,766	167,261	112,007
NET INCOME	₱45,543	₱160,561	₱400,224	₱227,146
BASIC EARNINGS PER SHARE	₱0.23	₱0.91	₱2.05	₱1.28
DILUTED EARNINGS PER SHARE	₱0.22	₱0.80	₱1.95	₱1.14

BENGUET CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF CHANGES IN EQUITY
FOR THE SIXMONTHS ENDED JUNE 30, 2015
(With Comparative Figures for the six months ended June 30, 2014)
(Amounts in Thousands)

	June 30, 2015 (Unaudited)	June 30, 2014 (Unaudited)	December 31, 2014 (Audited)
CAPITAL STOCK	₱586,222	₱532,222	₱586,222
CAPITAL SURPLUS	269,844	161,844	269,844
DEPOSIT FOR FUTURE STOCK SUBSCRIPTION	88,000	162,000	–
REVALUATION INCREMENT	800,780	836,679	800,780
CUMULATIVE TRANSLATION ADJUSTMENT			
Balance at beginning of period	41,449	41,357	41,357
Translation adjustment	93	1,054	92
Balance at end of period	41,542	42,411	41,449
COST OF SHARE-BASED PAYMENT			
Balance at beginning of period	65,331	58,183	58,183
Options vested during the period	–	–	7,148
Balance at end of period	65,331	58,183	65,331
UNREALIZED GAIN ON AFS INVESTMENTS			
Balance at beginning of period	1,010	749	749
Unrealized gain (loss) on AFS investments	36	38	261
Balance at end of period	1,046	787	1,010
REMEASUREMENT LOSS ON PENSION LIABILITY	5,494	(12,201)	5,494
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of period	1,713,027	1,615,817	1,615,817
Net income for the period	400,224	–	97,210
Balance at end of period	2,113,251	227,146	1,713,027
REVALUATION INCREMENT OF ASSET HELD FOR SALE	–	1,842,963	36,771
TREASURY SHARES	(8,016)	(8,016)	(8,016)
TOTAL EQUITY	₱3,963,494	₱3,616,872	₱3,511,912

BENGUET CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2015
(With Comparative Figures for the six months ended June 30, 2014)
(Amounts in Thousands)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30		JUNE 30	
	2015	2014	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	₱79,819	₱234,327	₱567,485	₱339,153
Adjustments for:				
Depreciation, depletion and amortization	30,466	76,526	59,181	103,110
Unrealized foreign exchange loss (gain)	30	969	381	3,696
Gain on sale of property, plant and equipment	-	-	(58,239)	-
Income taxes paid	(108,321)	(61,237)	(110,827)	(63,895)
Decrease (increase) in:				
Trade and other receivables	(31,311)	75,235	186,435	107,968
Inventories	(20,649)	106,241	14,313	169,901
Prepaid expenses and other current assets	(96,728)	(188,937)	(84,073)	(191,238)
Increase in trade and other payables	(45,005)	(76,012)	(431,351)	(20,221)
Net cash from (used in) operating activities	(191,699)	167,112	143,305	448,474
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceed from sale of property, plant and equipment	-	-	59,253	-
Decrease (increase) in:				
Property, plant and equipment	(13,493)	(77,318)	(32,736)	(77,318)
Deferred exploration costs	(4,567)	220,851	(15,785)	(41,245)
AFS investments	-	2,055	-	2,055
Other assets	(15,866)	30,296	(13,797)	(17,982)
Net cash from (used in) investing activities	(33,926)	175,884	(3,065)	(134,490)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net availment (repayment) of loans payable	50,000	(304,426)	(223,471)	(463,539)
Deposit for future stock subscription	88,000	-	88,000	-
Decrease in other noncurrent liabilities	97,896	74,004	9,412	227,466
Net cash from (used in) financing activities	235,896	(230,422)	(126,059)	(236,073)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,271	112,574	14,181	77,911
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	262,023	323,752	258,113	358,415
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱272,294	₱436,326	₱272,294	₱436,326

BENGUET CORPORATION AND SUBSIDIARIES

EARNINGS PER SHARE COMPUTATION

FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014

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

	<u>June 30</u>	
	<u>2015</u>	<u>2014</u>
Net income	₱400,224	₱227,146

Number of shares for computation of:

	<u>June 30</u>	
	<u>2015</u>	<u>2014</u>
<u>Basic earnings per share</u>		
Weighted average common shares issued	195,159,207	177,275,230
Less treasury stock	116,023	116,023
Weighted average common shares outstanding	195,043,184	177,159,207
<u>Diluted earnings per share</u>		
Weighted average common shares issued	195,159,207	177,275,230
Less treasury stock	116,023	116,023
	195,043,184	177,159,207
Conversion of preferred stock	686,455	686,455
Exercise of stock option	–	4,126,607
Conversion of deposit for future stock subscription	9,777,778	18,000,000
	205,507,417	199,972,269
Basic earnings per share	₱2.05	₱1.28
Diluted earnings per share	₱1.95	₱1.14

BENGUET CORPORATION AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS

FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014

	June 30	
	2015	2014
Profitability Ratio		
Return on asset	0.06:1	0.03:1
Return on equity	0.10:1	0.06:1
Gross profit margin	0.44:1	0.61:1
Operating profit margin	0.23:1	0.16:1
Net profit margin	0.16:1	0.10:1
Liquidity and Solvency Ratio		
Current ratio	0.96:1	0.94:1
Quick ratio	0.46:1	0.51:1
Solvency ratio	0.15:1	0.09:1
Financial Leverage Ratio		
Asset to equity ratio	1.76:1	1.99:1
Debt ratio	0.43:1	0.50:1
Debt to equity ratio	0.76:1	0.99:1
Interest coverage ratio	49.21:1	10.75:1

BENGUET CORPORATION AND SUBSIDIARIES**AGING OF RECEIVABLES**

AS OF JUNE 30, 2015

(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	₱21,233	₱40,845	₱99,507	₱45,541	₱39,666	₱5,997	₱252,789
Allowance for doubtful accounts	–	–	–	–	(1,381)	(5,997)	(7,378)
Trade receivables – net	21,233	40,845	99,507	45,541	38,285	–	245,411
Nontrade receivables:							
Officers and employees	6,345	7,425	32,585	6,540	30,783	7,888	91,566
Others	2,357	11,523	44,981	49,767	115,539	105,734	329,901
Total	8,702	18,948	77,566	56,307	146,322	113,622	421,467
Allowance for doubtful accounts	–	–	–	(1,562)	(24,836)	(113,622)	(140,020)
Nontrade receivables - net	8,702	18,948	77,566	54,745	121,486	–	281,447
Trade and other receivables - net	₱29,935	₱59,793	₱177,073	₱100,286	₱159,771	₱–	₱526,858

BENGUET CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014

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, 2014.

Changes in Accounting Standards and Interpretation

The Group will adopt the standards and interpretations enumerated below when these become effective. 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 consolidated financial statements. The relevant disclosures will be included in the notes to the consolidated financial statements when these become effective.

Issued but not yet effective

- PFRS 9, *Financial Instruments* – Classification and Measurement (2010 version)
PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at FVPL. All equity financial

assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at FVPL. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the FRSC. Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- *Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation, when it becomes effective, will not have any impact on the consolidated financial statements of the Group.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by BOA.

Effective January 1, 2015

- *PAS 19, Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments)*
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRSs (2010–2012 cycle)

The Annual Improvements to PFRSs (2010–2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. These include:

- *PFRS 2, Share-based Payment – Definition of Vesting Condition*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
 - A performance condition must contain a service condition.
 - A performance target must be met while the counterparty is rendering service.
 - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group.
 - A performance condition may be a market or non-market condition.

- PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment in 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 are applied retrospectively and clarify that:
 - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
 - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The amendments affect disclosures only and have no impact on the Group's financial position or performance

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Revaluation Method: Proportionate Restatement of Accumulated Depreciation and Amortization*
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.
- PAS 24, *Related Party Disclosures – Key Management Personnel*
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011–2013 cycle)

The Annual Improvements to PFRSs (2011–2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. These include:

- PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
 - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
 - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

The Group shall consider this amendment in future business combinations.

- PFRS 13, *Fair Value Measurement – Portfolio Exception*
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable).

- PAS 40, *Investment Property*
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective January 1, 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its noncurrent assets.
- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture – Bearer Plants* (Amendments)
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as it does not have any bearer plants.
- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments)
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.
- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016 and are not expected to have any impact on the Group since it has no investments in associates and joint ventures.

- *PFRS 11, Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations (Amendments)*
 The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.
- *PFRS 14, Regulatory Deferral Accounts*
 PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRSs (2012–2014 cycle)

The Annual Improvements to PFRSs (2012–2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. These include:

- *PFRS 5, Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*
 The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment will not have an impact to the Group.
- *PFRS 7, Financial Instruments: Disclosures – Servicing Contracts*
 PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.
- *PFRS 7 – Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
 This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
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- PAS 19, *Employee Benefits – Regional Market Issue Regarding Discount Rate*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- PAS 34, *Interim Financial Reporting – Disclosure of Information ‘Elsewhere in the Interim Financial Report’*
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

- PFRS 9, *Financial Instruments – Hedge Accounting* and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

The adoption of PFRS 9 is not expected to have any impact on the Group’s consolidated financial statements.

- PFRS 9, *Financial Instruments* (2014 or final version)
In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The adoption of PFRS 9 affects disclosures only and have no impact on the Group’s financial position or performance.

The following new standard issued by the IASB has not yet been adopted by the FRSC

- *IFRS 15 Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

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, 2015 and December 31, 2014, 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, 2015 and December 31, 2014, 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" and "Trade and other receivables".

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

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

AFS Financial Assets

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

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

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

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

Other Financial Liabilities

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

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

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

This accounting policy relates to the Group’s “Loans payable”, “Trade and other payables” and “Other noncurrent liabilities”.

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

Determination of Fair Value

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

Fair Value of Financial Instruments

Financial instruments recognized in fair value are analyzed based on:

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

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

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

Derecognition of Financial Instruments

Financial Assets

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability,

and the difference in the respective carrying amounts of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or assumed is recognized in the consolidated statement of income.

Impairment of Financial Assets

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

Assets Carried at Amortized Cost

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

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

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

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

AFS Investments

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

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

'Day 1' Profit or Loss

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

Offsetting Financial Instruments

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

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

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

Judgments

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

Determining Functional Currency

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

Determining Operating Lease Commitments - Group as Lessee

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

Determining Operating Lease Commitments - Group as Lessor

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

Assessment Whether an Agreement is a Finance or Operating Lease

Management assesses at the inception of the lease whether an arrangement is a finance or operating lease based on who bears substantially all the risk and benefits incidental to the ownership of the leased item.

Based on management's assessment, the risk and rewards of owning the items leased by the Group are retained by the lessor and therefore accounts for such lease as operating lease.

Assessing Recoverability of Deferred Exploration Costs

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

Assessing Provisions and Contingencies

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results.

The Group currently does not believe that these proceedings will have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

Assessing Production Start Date

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

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

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

Classification of Financial Instruments

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

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

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

Estimates and Assumptions

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

Real Estate Revenue and Costs Recognition

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

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

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

Estimating Impairment Losses on Inventories

The Group maintains allowance for inventory losses at a level considered adequate to reflect the excess of cost of inventories over their NRV. NRV of inventories are assessed regularly based on prevailing estimated selling prices of inventories and the corresponding cost of disposal. Increase in the NRV of inventories will increase cost of inventories but only to the extent of their original acquisition costs.

Estimating Mineral Reserves and Resources

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

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

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

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

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

impaired. Any resulting impairment loss could have a material adverse impact on the consolidated financial condition and results of operations.

Estimating Impairment of AFS Investments

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

Estimating Useful Lives of Property, Plant and Equipment

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

Determining the Appraised Value of Land

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

Estimating Provision for Mine Rehabilitation

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

Estimating Cost of Share-Based Payment

The Groups’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, 2015 and December 31, 2014, 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, 2015 and December 31, 2014:

	June 30, 2015	December 31, 2014
Cash and cash equivalents	₱271,291	₱258,113
Trade and other receivables	477,091	419,522
Loans receivable	49,767	49,767
AFS investments	11,461	11,423
Total credit risk exposure	₱809,610	₱738,825

The tables below summarize the maturity profile of the Group's financial liabilities based in contractual undiscounted payments as of June 30, 2015 and December 31, 2014:

June 30, 2015

	On demand	More than 90 days	More than 1 year	Total
Loans payable	₱574,357	₱125,000	₱-	₱699,357
Trade and other payables*	732,976	-	25,513	758,489
Equity of claimowner in contract operations	-	-	49,136	49,136
Total	₱1,307,333	₱125,000	₱74,649	₱1,506,982

*Excludes statutory payables

December 31, 2014

	On demand	More than 90 days	More than 1 year	Total
Loans payable	₱457,026	₱425,812	₱33,575	₱916,413
Trade and other payables*	761,173	98,974	25,513	885,660
Equity of claimowner in contract operations	-	-	49,136	49,136
Total	₱1,218,199	₱524,786	₱108,224	₱1,851,209

*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, 2015

	Neither Past Due Nor Impaired		Past Due But Not Impaired	Impaired	Total
	High Grade	Standard Grade			
Cash and cash equivalents	₱271,291	₱-	₱-	₱-	₱271,291
Trade and other receivables					
Trade	85,225	16,956	143,266	7,342	252,789
Others	-	-	595	31,581	32,176
Loans receivable	-	49,767	-	-	49,767
AFS investments	6,452	5,009	-	-	11,461
Total credit risk exposure	₱362,968	₱71,732	₱143,861	₱38,923	₱617,484

December 31, 2014

	Neither Past Due Nor Impaired		Past Due But Not Impaired	Impaired	Total
	High Grade	Standard Grade			
Cash and cash equivalents					
Cash in banks	₱210,395	₱–	₱–	₱–	₱210,395
Short-term deposits	46,781	–	–	–	46,781
Trade and other receivables					
Trade	199,408	65,832	153,687	7,342	426,269
Others	–	–	595	31,581	32,176
Loans receivable	–	49,764	–	–	49,764
AFS investments	6,414	5,009	–	–	11,423
Total credit risk exposure	₱462,998	₱120,605	₱154,282	₱38,923	₱776,808

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

- Cash and cash equivalents and MRF are assessed as high grade since these are deposited in reputable banks, which have a low probability of default.
- Trade receivables, which pertain mainly to receivables from sale of nickel ore, and loans receivable were assessed as standard grade. These were assessed based on past collection experience and the debtors' ability to pay. Other than receivables which were fully provided with allowance, there were no history of default on the outstanding receivables as of June 30, 2015 and December 31, 2014.

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, 2015 and December 31, 2014, 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, 2015

	Change in interest rates (in basis points)	Sensitivity of pretax income
PHP	+100	(₱4,447)
PHP	-100	4,447
USD	+100	(348)
USD	-100	348

December 31, 2014

	Change in interest rates (in basis points)	Sensitivity of pretax income
PHP	+100	(P6,126)
PHP	-100	6,126
USD	+100	(3,016)
USD	-100	3,016

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, 2015 and December 31, 2015 follow:

	<u>June 30, 2015</u>		<u>December 31, 2014</u>	
	<u>USD</u>	<u>Peso Equivalent</u>	<u>USD</u>	<u>Peso Equivalent</u>
<u>Financial Assets</u>				
Cash	\$2,596	P117,054	\$2,056	P91,929
Trade receivables	1,136	51,222	6,418	287,000
Available-for-sale (AFS) investments	40	1,804	40	1,789
Total financial assets	3,772	170,080	\$8,514	380,718
<u>Financial Liabilities</u>				
Other loans	3,563	160,656	4,750	212,430
Secured bank loans	–	–	2,000	89,440
Total financial liability	3,563		6,750	301,870
Net financial asset (liability)	\$209	P9,424	\$1,764	P78,848

As of June 30, 2015 and December 31, 2014, the exchange rates of the Philippine peso to the USD are ₱45.09 and ₱44.72, 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, 2015 and December 31, 2014 is as follows:

<u>June 30, 2015</u>	Change in foreign exchange rate	Sensitivity of pretax income
	Strengthens by Php0.40	(₱84)
	Weakens by Php0.41	86
<u>December 31, 2014</u>	Change in foreign exchange rate	Sensitivity of pretax income
	Strengthens by Php0.40	(₱705)
	Weakens by Php0.41	722

Based on the historical movement of the foreign exchange rates, management believes that the reasonably possible change for the next quarter would result in an increase (decrease) of ₱0.40 (₱0.41).

Equity Price Risk

Equity price risk is the risk to earnings or capital arising from changes in stock exchange indices relating to its quoted equity securities. The Group's exposure to equity price risk relates primarily to its AFS investments in quoted shares.

The Group's policy is to maintain its risk to an acceptable level. Movement of share prices is monitored regularly to determine impact on the consolidated statement of financial position.

Management believes that its exposure to equity price risk is not material to the consolidated financial statements as a whole; thus, disclosure of equity price risk analysis was deemed unnecessary.

Fair Values of Financial Instruments

Fair value is defined as the amount at which a financial instrument can be exchanged in 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, 2015 and December 31, 2014:

	<u>June 30, 2015</u>		December 31, 2014	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Assets:				
AFS investments:				
Quoted	6,452	6,452	6,414	6,414
Unquoted	5,009	5,009	5,009	5,009
Financial Liabilities:				
Loans payable	₱699,357	₱699,357	₱916,413	₱916,413

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash and Cash Equivalents, trade and receivable from lessees of bunkhouses under “Trade and Other Receivables”, and trade and accrued expenses under “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, 2015 and December 31, 2014, the Group had quoted AFS investments amounting to ₱6.4 million and ₱4.9 million, 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 2015 and 2014.

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 2015 and 2014. The Group monitors capital using its parent company financial statements. As at June 30, 2015 and December 31, 2014, the Group has met its capital management objectives.

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

	June 30, 2015	December 31, 2014
Capital stock	₱586,222	₱586,222
Capital surplus	269,844	269,844
Other components of equity	914,193	950,835
Retained earnings	2,113,251	1,713,027
Treasury shares	(8,016)	(8,016)
	₱3,875,494	₱3,511,912

Further, the Group monitors capital using debt to equity ratio, which is total liabilities divided by total equity. Debt to equity ratios of the Group as at June 30, 2015 and December 31, 2014 are as follows:

	June 30, 2015	December 31, 2014
Total liabilities (a)	₱3,005,832	₱3,610,268
Total equity (b)	3,963,494	3,511,912
Debt-to-equity ratio (a/b)	0.76:1	1.03:1

5. Seasonality and Cyclicity of Interim Operation

There are no significant seasonality or cyclicity in its business operation that would have material effect on the Groups' 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, 2015)

- i.) The disclosure on significant accounting principles, policies, and practices are substantially the same with the disclosure made in 2014 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 2015, 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 2015, 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 2015.
- v.) Segment Information - The Company is principally engaged in mining industry. Its operating revenues as June 30, 2015 mainly consist sales of gold to Bangko Sentral Ng Pilipinas amounting to ₱385.8 million and nickel ores amounting to ₱2.1 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 2014.