BenguetCorp

SEC Reg. Code No. 11341

09 August 2010

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

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

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

Attention : Ms. JANET E. ENCARNACION
Head – Disclosure Department

Gentlemen:

In compliance with the reportorial requirements of the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE), we submit herewith Benguet Corporation's 2010 Second Quarter Report under SEC Form 17-Q.

We hope that you will find everything in order.

Very truly yours,

BENGUET CORPORATION
By:

HERMOGENE H. REAL
Corporate Secretary

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

COVER SHEET

11341

SEC Registration Number

BENGUET CORPORATION

(Group's Full Name)

7th FlOor, Universal Re BuilDing,
106 Paseo de Roxas, Makati City

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

Mr. Reynaldo P. Mendoza

(Contact Person)

812-1380

(Group Telephone Number)

12	31	17-Q		
Month	*Day*	(Form Type)	*Month*	*Day*
(Calendar Year)			(Annual Meeting)	

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

17,180

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 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, 2010**

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
Convertible Preferred Class A	217,061 shares
Common Class A Stock	100,700,845 shares*
Common Class B Stock	61,473,467 shares*
Total amount of principal loan as of June 30, 2010	₱1.6 Billion

(*) – Include issued shares of the Company which is subject for listing to PSE as follows: 6,617,640 class A common shares and 4,411,770 class B common shares subscribed under the private placement transaction between the Company and RYM Business Management Corporation

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

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

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

12. Indicate by check mark whether the registrant:
    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26

and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [X] No [ ]

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

Yes [ ] No [X]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

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

PLEASE REFER TO ANNEX "B" which is incorporated herein as part of this report (SEC Form 17-Q), on pages 13 to 21 which contained the following:

1. The unaudited consolidated financial statements of Benguet Corporation and Subsidiaries for the second quarter ended June 30, 2010 (with audited comparative data for 2009) were prepared in conformity with accounting principles generally accepted in the Philippines and reflect amounts that are based on best estimates and informed judgment of management with an appropriate consideration to materiality;
2. Aging of Accounts Receivable as of June 30, 2010; and
3. Financial Risk Management Objectives and Policies

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

RESULTS OF OPERATIONS

2010 Second Quarter versus 2009 Second Quarter

Consolidated net loss for the second quarter of 2010 amounted to ₱71.8 million, higher than the loss of ₱17.9 million for the same quarter last year. The negative variance was partly from the foreign exchange loss of ₱45.7 million this quarter versus foreign exchange gain of ₱9.6 million for the same period last year. For the six months period, the consolidated net loss went down to ₱88.3 million from ₱106.7 million for the same period last year. The decreased was mainly due to improved gold production and receipts from nickel ore. The losses for the six months period this year is after the ₱95.8 million non-cash charges in accrued interest expenses of ₱79.5 million, foreign exchange loss of ₱2.6 million and depreciation and amortization of ₱13.7 million.

Operating revenues this quarter and for the six months period increased to ₱85.8 million and ₱134.3 million from ₱33.8 million and ₱66.3 million for the same periods last year. The increased is attributed to improve gold production in ACMP and mining receipts from nickel ore.

Operating costs and expenses this quarter of ₱85.1 million is higher than ₱57.5 million for the same quarter last year mainly due to higher selling and general expenses this year. For the same reasons, the operating costs and expenses for six months period this year is also higher by ₱37 million to ₱149 million from ₱112 million for the same period in 2009.

For the quarter this year, other expenses amounted ₱87.5 million compared to other income of ₱6.1 million for the same quarter last year. The negative variance was partly due to the foreign exchange loss of ₱45.7 million this quarter versus foreign exchange gain of ₱9.6 million and gain on sale of Catitipan property in Davao for the same period last year. Other expense for the first semester this year amounted to ₱77.1 million, higher than the P69.5 million for the same period last year.

For more detailed discussion on the Company's results of operations and plan of operation, please refer to the Company's President Report for Second Quarter 2010 which form as integral part of this report and marked as Annex "A" on pages 9 to 12.

2009 Second Quarter versus 2008 Second Quarter

Consolidated net loss in the 2nd quarter of 2009 amounted to ₱17.9 million, substantially lower than the loss of ₱127 million for the same quarter in 2008. The decline was mainly from the ₱47 million gain on sale of the Catitipan property and foreign exchange gain of ₱9 million as against foreign exchange loss of ₱127 million for the same period in 2008. For the same reasons, the consolidated net loss of ₱106.7 million for the six months period in 2009 was lower compared with the ₱212 million loss in 2008. The losses for the six months period include non-cash accrued interest expenses of ₱96.3 million, foreign exchange loss of ₱19.7 million and depreciation of ₱12.8 million.

Operating revenues in the second quarter of 2009 decreased to ₱34 million from ₱95 million for the same quarter in 2008. For the six months period, operating revenues also decreased to ₱66.3million from ₱136 million for the same period in 2008 mainly due to lower sales of chrome fines and expiration of Arrow Freight Corporation contracts with major clients, in 2009.

Operating costs and expenses in the second quarter of 2009 decreased to ₱57 million from ₱70 million for the same quarter in 2008 mainly due to lower cost of merchandise and services in 2009. For the six months period in 2009, operating costs and expenses is also lower by ₱21 million to ₱171 million from ₱192 million for the same period in 2008.

For the second quarter in 2009, other income amounted to ₱6 million as compared to other expenses of ₱200 million for the same quarter in 2008. The variance was mainly due to ₱47 million gain on sale of Catitipan Property and foreign exchange gain this quarter of ₱9 million as against foreign exchange loss of ₱127 million for the same period in 2008. For the same reasons, other expense of ₱70 million for the first semester of 2009 is much lower than ₱273 million for the same period in 2008.

FINANCIAL POSITION

2010 Second Quarter versus 2009 Second Quarter.

The Company ended the second quarter of 2010 with consolidated assets of ₱3.741 billion, higher than end-December 2009 level of ₱3.580 billion. The increased was attributed to the ₱150 million initial subscription of RYM Business Management Corporation (RBMA). Cash and cash equivalents is almost the same as in 2009.

Receivables significantly increased to ₱252 million from ₱131 million mainly from the sale of nickel and chromite ore not yet collected this quarter. Prepaid and other current assets slightly decreased to ₱26 million from ₱29 million.

Deferred charges and other assets increased to ₱580 million from ₱528 million in 2009 mainly due to expense incurred in Balatoc Tailings Project and Acupan Contract Mining Project expansion program to increase its milling capacity to 100 tons per day.

Accounts payable and accrued expenses slightly decreased to ₱585 million from ₱595 million in 2009.

The outstanding bank loans (inclusive of interest and penalties as of June 30, 2010 increased to ₱3.771 billion from ₱3.694 billion in 2009, mainly due to accrued interest booked this quarter. The Company offered to settle its obligations under current market conditions and especially as they relate to the Special Purpose Vehicle (SPV) Law and existing jurisprudence. During the quarter in review, the Board approved the proposed buy-back from Strato International Holdings Ltd. of BC debt papers equivalent to a significant portion of the secured debt, and a proposal for similar debt buy-back or debt restructuring to other creditors/holders of debt papers. Negotiations are ongoing.

Stockholder's equity increased to ₱486 million as of the end of this quarter from ₱453 million end of 2009. The increased was mainly from the ₱150 million initial subscription of RYM Business Management Corporation. For the same reason, capital surplus improved to ₱1.151 billion this quarter from ₱1.033 billion in 2009.

Capital deficiency as of June 30, 2010 slightly decreased to ₱1.733 billion from ₱1.796 billion in 2009 attributed mainly to the ₱150 million initial subscription of RYM Business Management Corporation partly offset by the net losses for the first semester of 2010.

The Company's current liability still exceeded its current assets by ₱4,027 million in June 2010 and ₱4,073 million in 2009.

Among the plans and activities that the company will undertake in the next twelve months to bring its negative equity to positive equity are as follows:

1. The Company plan to expand ACMP's milling capacity to 100 tons per day by end 2010 and 300 tons per day by 2011;
2. Operate its Nickel Project in Sta. Cruz, Zambales Province;
3. Operate its Gold Tailings Reprocessing Project in Itogon Province; and
4. Buy-back or debt restructuring of debt papers as discussed above.

These projects will generate significant cash flow and income to bring its negative equity to positive equity.

The Company has incorporated the Special Purpose Vehicle namely, Benguetcorp Nickel Mines, Inc. (BNMI) and Balatoc Gold Resources Corporation (BGRC) to undertake the activities of its nickel project in Zambales and gold tailings reprocessing project in Itogon, respectively. BNMI and BGRC will be responsible for the financing, development and operation of the projects.

On October 7, 2009, BNMI signed a mining contractorship and off-take agreement with DMCI Mining Corporation. The agreement calls for the mining and sale of high grade nickel ore with 2% nickel cut-off grade for 200,000 tons per year for the next three years.

On October 28, 2009, BNMI signed a three years Agreement with Sino Phil (Surigao) Group Limited and Ryanyx CGS Corporation to operate a specific area. The agreement calls for the mining and sale of low grade nickel and high grade iron ores.

In October 2009, the Company appointed First Metro Investment Corporation to be the Financial Advisor, Issue Manager and Lead Underwriter for its nickel project and ATR Kim Eng Capital Partners, Inc. to be its financial advisor to raise funds for its Balatoc Tailings Project.

<u>2009 Second Quarter versus 2008 Second Quarter</u>

The improvement in the Acupan Contract Mining Project (ACMP) gold production from 40 tons/day to 70 tons/day and the Irisan Lime Project net earnings and the proceeds from the sale of Catitipan Property in Davao continued to provide cash flow to satisfy the Company's operating requirements. The Company, however, will continue to dispose its non-performing assets, chromite sand, lime and improve its production volume of gold to generate cash to fund its other exploration prospect. The Company foresees improvement in its cash flow for the third quarter in 2009, as the Company's ACMP continued to improved its gold production coupled with the steady price of gold at US$900/oz level.

The Company's consolidated total assets as of June 30, 2009 stood at ₱3,622 million compared with ₱3,628 million in 2008. Cash and cash equivalents decreased to ₱91 million from ₱128 million in 2008 mainly from cash used by operating activities and mine exploration and development of the Company's Nickel Project in Sta. Cruz, Zambales, Kingking Project in Compostella Valley in Davao del Norte and Balatoc Tailings Project in Itogon.

Accounts receivable slightly increased to ₱139 million from ₱132 million mainly due to sales of gold and lime still subject for collection. Prepaid and other current assets decreased to ₱35 million from ₱45 million mainly due to amortization of prepaid insurance and deferred high valued materials and supplies.

Accounts payable and accrued expenses slightly increased to ₱591 million from ₱575 million as of year-end 2008. The outstanding bank loans (inclusive of interest and foreign exchange loss as of June 30, 2009 increased to ₱3,673 million from ₱3,578 million in 2008, mainly due to accrued interest booked in the second quarter of 2009. The Company continues to discuss with the creditors its business recovery plan and debt payment/restructuring. Among the plan to service its debt is the monetization of its interest in the Kingking Copper Gold Porphyry and dacion of its Antamok Mill.

Capital deficiency as of June 30, 2009 increased to ₱1,716 million from ₱1,612 million in 2008 mainly due to net losses for the six-month period. The Company's current liability still exceeded its current assets by ₱3,969 million in June 2009 and ₱3,827 million in 2008.

Among the plans and activities that the company will undertake in the next twelve months to bring its negative equity to positive equity are as follows:

5. The Company plan to expand ACMP's capacity from 70 tons per day to 300 tons per day;
6. Operate its Nickel Project in Sta. Cruz, Zambales Province; and
7. Operate its Gold Tailings Reprocessing Project in Itogon Province

These projects will generate significant cash flow and profitability to bring its negative equity to positive equity. The Company plans to implement its Ni Project and Gold Tailings Reprocessing Project through a Special Purpose Vehicle (SPV) which will be responsible for the financing, development and operation of the projects.

A comprehensive review of the Company's asset base has revealed an array of vastly undervalued holdings, which if recognized at their proper worth will indicate a brighter prospect for the Company's future. These assets are essentially mining properties whose true significance, estimated at ₱6 billion, is excluded from the Company books under generally accepted accounting principles. These assets include the King-king, Acupan and Ampucao prospects, and several major pieces of mill and mine equipment among others.

KNOWN TRENDS, EVENTS OR UNCERTAINTIES

The Company foresees improvement in its cash flow as the Company's ACMP continues to improve its gold production, steady market of quicklime from ILP and assured market for nickel ores of Sta. Cruz Nickel Project due to the signing of off-take agreement with DMCI Mining Corporation and Sino Phil (Surigao) Group Limited. The agreements assured the Company of a market for high and low grade nickel and high grade iron ores for the next three (3) years.

Except for the Company's outstanding bank loans, there are no material events that will trigger direct or contingent financial obligations to the Company. With the passage of Republic Act No. 9182 or the Special Purpose Vehicle (SPV) Act of 2002, most of the Company's creditors have sold their debt holdings to SPV Companies. As of June 30, 2010, the Parent Company's principal loans subject to the repayment plan amounted to ₱1.5 billion. On October 30, 2009, the Company made specific and firm proposals for the settlement of its debt through the PNB Trust Banking Group, as Trustee bank under the Restructuring Agreement (RA)/Mortgage Trust Indenture (MTI). The Company offered to settle its obligations under current market conditions and especially as they relate to the Special Purpose Vehicle

(SPV) Law and existing jurisprudence. Recently, the Board approved the proposed buy-back from Strato International Holdings Ltd. of BC debt papers equivalent to a significant portion of the secured debt with a proposal for similar debt buy-back or debt restructuring to the other creditors/holders of debt papers. The Company feels confident that the debt settlement proposal will lead to an early resolution of its outstanding obligation.

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

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

As of June 30, 2010, except for what has been noted in the preceding, there are no material events or uncertainties known to management that had material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

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

KEY PERFORMANCE INDICATORS

1.) *Working Capital* - Working capital (current assets less current liabilities) and current ratio (current assets over current liabilities) measures the liquidity or debt paying ability of the Company. The Company's current liabilities exceeded its current assets by ₱4.0 billion as of June 30, 2010 and December 31, 2009. The Company plans in regard to these matters will focus on the exploration and development of its mineral properties such as the Sta. Cruz Nickel Project, the Surigao Coal project, Balatoc Tailings Project and Acupan gold mine. The activities being undertaken during the quarter were discussed in the Company's President's Report for Second Quarter 2010, marked as Annex "A".

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$1,203.88 per ounce compared to US$924.45 per ounce for the same quarter in 2009. The steady increase in gold and nickel price will have a favorable impact on the Company's revenue.

3.) *Tonnes Mill and Ore Grade* - Tonnes 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, tonnes milled were 3,011 of shared ore grading 8.43 grams per tonne gold. Gold sold were 690 ounces. For the same quarter in 2009, tonnes milled were 2,606 of shared ore grading 6.47 grams per tonne gold. Gold sold were 480 ounces.

4.) *Foreign Exchange Rate* - As the Company's sales proceeds are mainly in U.S. dollars, a higher Philippine peso to U.S. dollar exchange rate means higher peso sales but would also reflect a foreign exchange loss on the restatement of the Company's dollar obligations. Conversely, a lower exchange rate reduces the Company's revenue in pesos but brings foreign exchange income on the loans. As of June 30, 2010, the Parent Company had outstanding foreign currency borrowings amounting to about US$18 million. The significant depreciation of the peso will substantially increase the outstanding balances of the Company's US dollar-denominated borrowings in terms of pesos resulting in substantial net foreign exchange losses. The volatility in the foreign currency exchange rates will continue to affect the operations in the foreseeable future. As of June 30, 2010, the peso to dollar exchange rate was at ₱46.310, lower than the ₱48.308 for the same period in 2009.

5.) *Earnings Per Share* - The earnings per share reflect the Company's bottom line operating results expressed in amount per share of the Company's outstanding capital stock. Assuming a constant outstanding number of shares, as a Company's earnings increase, the earnings per share correspondingly increase. This quarter, the Company is still at a loss of ₱0.44 per share which is higher than the net loss per share of ₱0.12 for the same period in 2009. With the ongoing expansion program of ACMP to increase gold production coupled with the prevailing favorable metal price and the ongoing development of the Company's Sta. Cruz Nickel Project which has assured market for its nickel ores, the Company anticipates improvement in the earnings per share.

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

Benguet Management Corporation (BMC) and its subsidiaries reported a consolidated net loss of ₱2.2 million, significantly lower compared with last year's net loss of ₱3.5 million. BMC maintains a 280-hectare mango plantation in Iba, Zambales which is currently being offered for sale to interested parties.

PART II–OTHER INFORMATION

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

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

SIGNATURES

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

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

By:

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

Principal Financial/Accounting Officer/Controller:

Renato A. Claravall

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

Annex “A”

2010
SECOND QUARTER REPORT
BENGUET CORPORATION
AND SUBSIDIARIES

For the second quarter of 2010, the Acupan Contract Mining Project (ACMP) and the Irisan Lime Project (ILP) continued to improve their profitability. During the quarter, your Company signed a Memorandum of Agreement (MOA) with RYM Business Management Corporation (RBMC) for a private placement in your Company’s common shares. The capital infusion is earmarked for general corporate purposes and to fund in part the development of your Company’s mining projects.

CONSOLIDATED RESULTS
Consolidated net loss for the second quarter of 2010 amounted to ₱71,800,000 (US$1,550,000) or ₱0.44 (US$0.010 per share), higher compared to the loss of ₱17,900,000 (US$371,000) or ₱0.12 (US$0.002) per share for the same quarter of 2009 mainly from non-cash accrued for foreign exchange loss of ₱45,704,000 (as against foreign exchange gain of ₱9,644,000 and ₱47,576,000 income from the sale of the Catitipan property last year). For the six-month period, consolidated net loss amounted to ₱88,300,000 (US$1,907,000) or ₱0.54 (US$0.012) per share, lower than the loss of ₱106,700,000 (US$2,209,000) or ₱0.71 (US$0.15) per share, for the same period last year. This year’s loss is inclusive of ₱95,826,000 non-cash charges in accrued interest expense amounting to ₱79,507,000, foreign exchange loss of ₱2,573,000 and depreciation and amortization of ₱13,746,000.

Operating revenues increased to ₱85,800,000 (US$1,853,000) for the second quarter, from ₱33,800,000 (US$700,168) for the same quarter last year. Likewise, operating revenues for the six-month period, rose by 103% to ₱134,300,000 (US$2,899,000) from ₱66,300,000 (US$1,371,000) for the same period in 2009. The increase is attributed to improved gold production in ACMP and mining receipts from Santa Cruz Nickel Project (SCNP).

MINING OPERATIONS
Due to higher gold production and metal prices, your Company’s ACMP posted higher net earnings of ₱17,588,000 (US$380,000) and ₱30,893,000 (US$667,000) for the second quarter and first semester 2010 against ₱5,500,000 (US$114,000) and ₱11,666,000 (US$241,000) for the same periods last year, respectively. Gold sold were 690 and 1,323 ounces for this quarter and semester versus 480 and 983 ounces for the same periods last year, respectively. Average gold prices were US$1,203.88 and US$1,161.26 per ounce higher than the US924.45 and US917.99 per ounce for the same quarter and semester last year, respectively.

ACMP milled 3,011 tons of shared ore with an average grade of 8.43 grams of gold per ton this quarter, as compared to 2,606 tons at 6.47 grade for the same period last year. ACMP is currently implementing a program to increase capacity to 100 tons per day (tpd) within 2010 and 300 tpd by 2011. Milling rate for this quarter averaged 90 tpd, higher compared to 66 tpd for the same period last year.

ILP generated net earnings of ₱2,858,000 (US$62,000) this quarter, lower than the ₱4,575,000 (US$95,000) for the same period last year despite the higher sales of 1,815 tons of lime sold this quarter versus 1,723 tons for the same period last year. This is mainly due to higher fuel cost. Net earnings for the six-month period was ₱6,726,000 (US$145,000), lower compared to the net earnings of ₱9,457,000 (US$196,000) for the same period last year.

EXPLORATION, RESEARCH AND DEVELOPMENT
SCNP through its mining contractors, had six shipments for the quarter totaling 306,527 tons of three different ore grades ranging from 1.8% to 2.1%. For the last six months, SCNP made eleven shipments totaling 499,805 tons.

Benguetcorp Nickel Mines, Inc. (BNMI), SCNP's operator, continues to drill the property and had completed 387 drill holes. On a long term basis, BNMI will implement a comprehensive drilling program with the objective of upgrading the current resource/reserve by about 50% to 100%. This would enhance the property's value by as much as 50% or two fold.

In June 2010, your Company was issued Mineral Processing Permit (MPP) No. 13-2010-CAR for its Balatoc Tailings Project (BTP***)*** by the Mines and Geosciences Bureau (MGB)-Cordillera Administrative Region (CAR) and the Department of Environment Natural Resources (DENR). BTP will recover gold from the mill tailings. A separate subsidiary, Balatoc Gold Resources Corporation (BGRC) was organized to manage BTP.

Your Company is pursuing a pre-feasibility study on the possible construction and operation of a coal-fired mine mouth power plant in the Surigao Coal Project. Your Company's energy industry consultant has submitted his initial report and is awaiting the final inputs from a parallel study on the coal mining operation that would support the plant. Initial indications show that a minimum 70 megawatts plant could be built and expanded to 140 megawatts and further to 210 megawatts capacity, depending on the coal resource, supply gap and power rate assumptions. The study is expected to be completed by the third quarter 2010. In the meantime, pre-development activities in the area include negotiating with the Sammilia Federation of People's Forest Development Cooperative on the conduct of tree inventory and cutting and the rehabilitation, maintenance, and use of the logging road, obtaining clearance from the National Commission on Indigenous People, and port site selection.

Your Company's Board of Directors approved in principle the proposed transaction with St. Augustine Mining Ltd., a subsidiary of Russell Mining & Minerals Inc., concerning resolution of the issues in the Kingking Porphyry Copper Gold Project involving your Company's interest in the property, subject to execution of a detailed agreement.

For your Company's Financial and Technical Assistance Agreement (FTAA)- applied prospects in Ilocos Norte, a prospective joint venture partner signified interest and proposed to finance the exploration of the area. The proposal is being evaluated by your Company and a decision is expected within the next two months. Meanwhile, your Company is required to conduct scoping work/survey in the concerned municipalities to obtain Free, Prior and Informed Consent from the Indigenous People in the area.

For the Apayao FTAA application, your Company submitted the required exploration and environmental work programs to MGB-CAR. The next step is the publication of the FTAA application.

HEALTH CARE SERVICES

Your Company's Benguet Laboratories (BL) generated net earnings of ₱1,380,000 (US$30,000), higher than the net earnings of ₱931,000 (US$19,000) for the same quarter in 2009. BL's net earnings for the six-month period amounted to ₱2,678,000 (US$58,000), higher than the ₱1,365,000 (US$28,000) for the same period in 2009 due to sustained increase in walk-in clients and sales to corporate accounts

SUBSIDIARIES

Benguet Management Corporation (BMC), a 100% owned subsidiary, and its subsidiaries, reported a consolidated net loss of ₱2,193,000 (US$47,000) this quarter and ₱4,534,000 (US$98,000) for the six-month period of this year, lower compared with the net loss of ₱3,500,000 (US$72,000) and ₱6,278,000 (US$130,000) for the respective periods in 2009. The loss was mainly due to negative performance of its subsidiaries. BMC maintains a 280-hectare mango plantation in Iba, Zambales which is currently being offered for sale to interested parties.

Benguetrade, Inc. (BTI) incurred a net loss of ₱382,000 (US$8,000) this quarter, lower than the ₱751,000 (US$15,000) net loss it incurred during the same period in 2009. For the six-month period, BTI lost ₱503,000 (US$11,000), lower than the loss of ₱1,314,000 (US$27,000) for the same period last year. Arrow Freight Corporation (AFC) reported a net loss of ₱673,000 (US$15,000) this quarter and ₱1,871,000 (US$40,000) for the six-month period this year, 56% and 81% lower than the respective periods in 2009 when it incurred a net loss of ₱1,200,000 (US$25,000) and ₱2,300,000 (US$50,000), respectively.

BMC Forestry Corporation (BFC) generated net earnings of ₱257,000 (US$6,000) this quarter, a turn-around from the ₱140,000 (US$3,000) net loss incurred for the same period last year. Net earnings for the first half of 2010 is ₱508,000 (US$11,000) versus ₱273,000 (US$6,000) net loss incurred for the same period last year. For the Woodspark Rosario Subdivision Project, BFC recorded sales/reservations for the quarter of 14 lots with an aggregate area of 1,314 square meters valued at ₱2.299 million. Total lot sales/reservations to-date is at 161 lots with an aggregate area of 24,819 square meters valued at ₱42,306,000. Development activities for the period were road preparation and concreting along Phases 2 and 3 and the installation of water distribution network in Phases 1 and 2.

BenguetCorp International Limited (BIL), your Company's Hongkong-based and 100% owned subsidiary for international operations, remains largely inactive. BIL's wholly-owned subsidiaries, BenguetCorp Canada Limited in Vancouver, B.C. and BenguetCorp USA Limited in Nevada, U.S.A. continue to hold interests in mining properties in Royston Hills, Nevada, which are currently being offered for sale to interested parties.

COMMUNITY RELATIONS/SOCIAL DEVELOPMENT AND MANAGEMENT PROGRAM

Your Company implemented various Social Development and Management Programs that have provided opportunities for growth and development in the various barangays directly and indirectly affected by its mining operations in the provinces of Benguet and Zambales. In Itogon, Benguet Province, your Company conducted medical and dental mission in barangays Virac and Poblacion. As part of your Company's information education campaign program on mining, delegates from Mongolia were given a thorough briefing and tour of the community based mining concept of the mining operations of ACMP. The tour visit was arranged by MGB-CAR for the delegates to observe the partnership between a big scale operator and small scale mining associations. In Santa Cruz, Zambales Province, nutritional feeding and scholarship programs continue to benefit various elementary schools from different localities and deserving students for high school and vocational/technical trainings. Your Company also conducted educational tours for barangay councils, purok leaders and non-government organizations of barangay Guisguis and as part of their inspection and monitoring of actual mining activities as well as environmental programs being implemented at SCNP.

DEBT STATUS

With the passage of Republic Act No. 9182 or the Special Purpose Vehicle (SPV) Act of 2002, most of your Company's original creditors sold their debt holdings to SPV companies. Your Company has offered to settle its obligations under current market conditions and especially as related to the Special Purpose Vehicle (SPV) Law and existing jurisprudence. Last year, your Company made specific and firm proposals for the settlement of its debt through the Philippine National Bank Trust Banking Group as Trustee bank under the Restructuring Agreement (RA)/ Mortgage Trust Indenture (MTI). During the quarter in review, the Board approved the proposed buy-back from Strato International Holdings Ltd. of your Company's debt papers equivalent to a significant portion of the secured debt, and a proposal for similar debt buy-back or debt restructuring to other creditors/holders of BC debt papers. Negotiations are ongoing.

PRIVATE PLACEMENT

On April 7, 2010, your Company's Board of Directors approved the MOA between your Company and RBMC for a private placement in your Company's common shares up to ₱330,000,000 (US$7,126,000), where RBMC will subscribe to 14,558,880 class "A" and 9,705,840 class "B" of your Company's unissued common shares at ₱12.00 per class "A" share and ₱16.00 per class "B" share. The subscription or placement is divided into two transactions: the first transaction was completed on April 23, 2010 upon full payment of ₱150,000,000 (US$3,239,000) by RBMC to your Company for RBMC to acquire 6,617,640 class "A" common shares and 4,411,770 class "B" common shares, which is the subject of the Stock Subscription Agreement dated April 23, 2010; and the second transaction shall be completed within 180 days from date of signing of the MOA upon full payment of ₱180,000,000 (US$3,887,000) by RBMC to your Company to acquire 7,941,240 class “A” common shares and 5,294,070 class “B” common shares. The securities offered or sold herein shall come entirely from the authorized and unissued capital stock of your Company.

The funds from the private placement will be utilized for general corporate purposes and to fund in part the development of the various mining projects of your Company, which would include the BTP and the ACMP. In turn, the income generated from these projects will be used to advance the other mineral properties of your Company.

OUTLOOK

The initiatives undertaken by your Company are now producing positive results. The ongoing expansion of ACMP is showing an increase in revenue. More importantly, a new revenue stream is being developed through the nickel ore off-take agreements. The entry of new equity has augmented working capital, enabling your Company to pursue the development of its projects. A proposed transaction for the retirement of a significant portion of your Company’s loan underscores your Company’s belief that a comprehensive settlement of the debt obligations is possible. Both BTP and SCNP are generating interest from various partners. If the present trend continues, your Company may soon be able to access both the credit and equity markets. As aptly stated in our report for the first quarter 2010, “your Company faces the balance of 2010 with guarded optimism”. The results of the second quarter strengthens this statement.

BENJAMIN PHILIP G. ROMUALDEZ
Chairman, President & Chief Executive Officer

Annex "B"

BENGUET CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 WITH COMPARIATIVE DATA FOR 2009
(Amounts In Thousands)

	2010	AUDITED 2009
CURRENT ASSETS		
Cash and cash equivalents	**₱30,234**	₱29,883
Accounts receivable – net	**252,049**	131,345
Inventories – net	**21,527**	26,581
Prepaid expenses and other current assets	**26,790**	29,136
Total Current Assets	**330,600**	216,945
Available for Sale Investments	**13,416**	16,860
Property, plant and equipment – net	**2,488,419**	2,489,630
Mining exploration & project development costs	**162,180**	161,747
Investment Property	**166,693**	166,693
Deferred charges and other assets	**579,820**	528,087
TOTAL ASSETS	**₱3,741,128**	₱3,579,962
LIABILITIES & STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	**₱585,362**	₱595,695
Current portion of long-term debt	**3,311,878**	3,233,013
Bank loans	**460,840**	461,162
Total Current Liabilities	**4,358,080**	4,289,870
NONCURRENT LIABILITIES		
Liability for Mine Rehabilitation	**12,318**	12,318
Accrued Retirement Liability	**15,413**	15,413
Equity of Claimowners and Others	**81,323**	49,696
Deferred Tax Liabilities	**1,006,281**	1,008,083
Bank Loans- Net of current portion	**380**	380
Total Non-Current Liabilities	**1,115,716**	1,085,890
TOTAL LIABILITIES	**₱5,473,796**	₱5,375,760
STOCKHOLDERS' EQUITY		
Convertible Preferred Class A - P3.44 par value		
Authorized – 19,652,912 shares: Issued – 217,061 shares in 2010 and 2009	**₱745**	₱745
Common Class A - P3.00 par value		
Authorized – 120,000,000 shares: Issued – 100,700,845 in 2010 and 93,865,185 shares in 2009.	**301,839**	281,596
Common Class B - P3.00 par value		
Authorized – 80,000,000 shares: Issued – 61,473,467 shares in 2010 and 57,061,697 in 2009.	**184,420**	171,005
Capital surplus	**1,150,836**	1,032,817
Revaluation Increment	**1,612,988**	1,612,988
Cumulative Translation Adjustment	**42,015**	42,022
Cost of Share-based Payment	**42,758**	43,148
Unrealized Gain on AFS Investment	**2,229**	2,085
Retained earnings (deficit)	**(5,062,483)**	(4,974,188)
Total capital and retained earnings	**(1,724,652)**	(1,787,782)
Less cost of treasury stock – 116,023 shares in 2010 and 2009	**8,016**	8,016
STOCKHOLDERS' EQUITY	**(1,732,668)**	(1,795,798)
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	**₱3,741,128**	₱3,579,962

BENGUET CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE SIX MONTHS ENDED JUNE 30, 2010 (WITH COMPARATIVE DATA FOR 2009)
(Amounts In Thousands, Except Loss Per Share)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2010	**2009**	**2010**	**2009**
OPERATING REVENUE				
Sales of mine products	**₱53,096**	₱22,172	**₱85,713**	₱44,230
Sales of merchandise and services	**18,359**	11,643	**34,168**	22,025
Royalty Income	**14,381**	0	**14,381**	0
	85,835	33,815	**134,262**	66,254
OPERATING COSTS AND EXPENSES				
Cost of mine products sold	**9,479**	8,238	**20,237**	22,785
Cost of merchandise and services sold	**13,305**	7,911	**24,056**	14,022
Selling and general	**61,210**	40,813	**102,918**	74,585
Taxes on revenues	**1,098**	529	**1,751**	1,035
	85,093	57,491	**148,963**	112,426
INCOME FROM OPERATIONS	**743**	(23,676)	**(14,701)**	(46,172)
OTHER INCOME (EXPENSES)				
Interest income	**21**	113	**41**	130
Foreign exchange gain (loss)	**(45,704)**	9,644	**(2,637)**	(19,778)
Interest expense	**(40,162)**	(44,671)	**(79,507)**	(96,323)
Miscellaneous - net	**(1,696)**	40,996	**4,998**	46,463
	(87,541)	6,082	**(77,104)**	(69,508)
INCOME (LOSS) BEFORE INCOME TAX	**(86,799)**	(17,594)	**(91,805)**	(115,680)
PROVISION FOR INCOME TAX	**(15,009)**	310	**(3,510)**	(8,946)
NET INCOME (LOSS)	**(71,790)**	(17,904)	**(88,295)**	(106,734)
RETAINED EARNINGS (DEFICIT) AT BEGINNING OF PERIOD	**(4,990,693)**	(4,877,721)	**(4,974,188)**	(4,788,891)
RETAINED EARNINGS (DEFICIT) AT END OF PERIOD	**(₱5,062,483)**	(₱4,895,625)	**(₱5,062,483)**	(₱4,895,625)
EARNINGS (LOSS) PER SHARE	**(₱0.44)**	(₱0.12)	**(₱0.54)**	(₱0.71)

BENGUET CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2010 (WITH COMPARATIVE DATA FOR 2009)
(Amounts In Thousands)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2010	**2009**	**2010**	**2009**
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	**(₱71,790)**	(₱17,904)	**(₱88,295)**	(₱106,734)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation, depletion and amortization	**6,967**	6,452	**13,746**	12,802
Unrealized deferred foreign exchange (gain) loss	**45,705**	(9,644)	**2,637**	19,778
Provision for (benefit from) deferred income tax	**(15,009)**	310	**(3,510)**	(8,946)
Changes in Assets and Liabilities:				
Decrease (Increase) in:				
Accounts Receivable – net	**(145,547)**	46,952	**(120,704)**	(8,076)
Inventories – net	**3,510**	(4,421)	**5,054**	(9,506)
Prepaid expenses and other current assets	**(1,088)**	1,709	**2,346**	10,571
Increase (decrease) in accounts payable and Accrued expenses	**72,943**	(85,745)	**10,333**	(13,425)
Net Cash Provided by (Used in) Operating Activities	**(104,310)**	(62,290)	**(178,393)**	(103,535)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property, plant and equipment – net	**36,667**	60,002	**34,433**	59,428
Mining exploration and development costs	**(1,919)**	(2,157)	**(2,461)**	(6,037)
Investments in Stocks	**0**	0	**0**	0
Increase in deferred charges and other assets	**(82,205)**	(4,220)	**(3,068)**	13,298
Net Cash Provided By (Used in) Investing Activities	**(47,457)**	53,624	**28,904**	66,688
CASH FLOWS FROM FINANCING ACTIVITIES				
Net availments (repayments) of long-term debt And bank loans	**(71)**	0	**(160)**	0
Proceeds from issuance of common stocks	**150,000**	0	**150,000**	0
Increase (decrease) in deferred credit and others	**0**	0	**0**	0
Net Cash Provided by (Used in) Financing Activities	**149,929**	0	**149,840**	0
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,838)**	(8,666)	**351**	(36,847)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**32,073**	99,803	**29,883**	127,983
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱30,234**	₱91,136	**₱30,234**	₱91,136

BENGUET CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (CAPITAL DEFICIENCY) -(Amounts in Millions, Except Number of Shares)

	Unaudited June 30, 2010	Unaudited June 30, 2009	Audited 2008
CAPITAL STOCK	**₱487**	₱453	₱453
SUBSCRIPTION RECEIVABLE	**-**	-	-
CAPITAL SURPLUS	**1,151**	1,033	1,033
	1,638	1,486	1,486
REVALUATION INCREMENT IN LAND			
Balance at beginning of Year	**1,643**	1,613	1,613
Increase (decrease) in revaluation increment	**-**	-	-
Balance – End	**1,613**	1,613	1,613
ACCUMULATED TRANSLATION ADJUSTMENT			
Balance at beginning of Year	**42**	43	43
Increase in revaluation increment	**-**	2	(1)
Balance – End	**42**	45	42
COST OF SHARE BASED PAYMENT			
Balance at beginning of Year	**43**	43	43
Cost of share-based payment	**-**	-	-
Balance – End	**43**	43	43
UNREALIZED LOSS ON AFS INVESTMENTS			
Balance at beginning of Year	**2**	**-**	**-**
Unrealized loss on AFS investments	**-**	-	2
Balance – End	**2**	-	2
DEFICIT			
Balance at beginning of year	**(4,974)**	(4,789)	(4,789)
Net loss	**(88)**	(107)	(185)
Balance – End	**(5,062)**	(4,896)	(4,974)
TREASURY STOCKS – 116,023 shares	**(8)**	(8)	(8)
TOTAL CAPITAL DEFICIENCY	**(₱1,732)**	(₱1,717)	(₱1,796)

BENGUET CORPORATION – LOSS PER SHARE COMPUTATION		
	Six Months Ended June 30	
	2010	**2009**
Net Loss ('000)	**₱88,000**	₱107,000
Number of shares for computation of :		
Basic loss per share		
Weighted average common shares		
Issued	**162,174,312**	150,926,882
Less Treasury Stock	**116,023**	116,023
Weighted Average Common Shares		
Outstanding	**162,058,289**	150,810,859
Dilutive loss per share		
Weighted average common shares		
Issued	**162,174,312**	150,926,882
Less Treasury Stock	**116,023**	116,023
Weighted Average Common Shares		
Outstanding	**162,058,289**	150,810,859
Exercise of Stock Options	**-**	-
Conversion of Preferred Stocks	**-**	-
Basic Loss Per Share	**₱0.54**	₱0.71

Dilutive loss per share is antidilutive as a result of the net loss, therefore, the basic EPS & diluted EPS are the same.

BENGUET CORPORATION AND SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLE
AS OF JUNE 30, 2010

TYPE OF ACCOUNTS RECEIVABLE	TOTAL	1 Month	2 - 3 Months	4 – 6 Months	7 Months To 1 Year	1 – 2 Years	3 – 5 Years	5 Years - Above	Past Due Accts & Item in Litgn
a) Trade Receivables:									
1) Chrome Shipments (Export/Local)	₱58,192,965	₱ -	₱ -	₱24,575,305	₱860,219	₱17,973,503	₱14,783,938	₱ -	₱ -
2) Lime Deliveries	13,597,238	6,025,241	7,447,454	-	-	-	124,543	-	-
3) Merchandise & Services	64,052,954	4,785,862	2,325,878	2,110,797	1,718,424	4,408,192	14,520,377	34,183,424	-
Sub-Total	135,843,157	10,811,103	9,773,332	26,686,102	2,578,643	22,381,695	29,428,858	34,183,424	-
Less: Allow. for Doubtful Acct.	19,140,011	-	-	-	-	1,195,148	2,595,719	15,349,144	-
Net Trade Receivable	116,703,145	10,811,103	9,773,332	26,686,102	2,578,643	21,186,547	26,833,139	18,834,280	-
b) Non-Trade Receivables									
1) Officers & Employees	25,108,044	1,023,100	724,001	1,925,530	2,646,995	4,747,309	4,725,535	9,315,574	-
2) Due from Subsidiaries	170,867,465	3,079,247	7,153,481	23,632,857	26,259,867	17,754,405	66,699,368	26,288,239	-
3) Others	134,690,712	4,922,064	740,558	2,731,383	3,134,419	25,796,284	5,172,428	92,193,576	-
Sub-Total	330,666,220	9,024,411	8,618,039	28,289,770	32,041,282	48,297,998	76,597,331	127,797,389	-
Less: Allow. for Doubtful Acct.	195,320,343	-	-	-	586,681	32,224,188	58,696,429	103,813,045	-
Net Non-trade Receivable	₱135,345,878	₱9,024,411	₱8,618,039	₱28,289,770	₱31,454,601	₱16,073,810	₱17,900,901	₱ 23,984,344	₱ -
Net Receivables (a + b)	**₱252,049,023**								

Note: The non-trade receivables - others include receivables under the Employee Stock Ownership Incentive Plan amounting to P58.5M.

ADDITIONAL DISCLOSURE TO FINANCIAL STATEMENTS OF THE COMPANY
(FOR THE SECOND QUARTER ENDED JUNE 30, 2010)

i.) The disclosure on significant accounting principles, policies, and practices are substantially the same with the disclosure made in 2009 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 2010, there were no seasonal or cyclical aspects that materially affect the operation of the Company, no substantial nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years.

iii.) Except for the payment of first transaction for stock subscription by RYM Business Management Corporation, there were no unusual items that materially affect the Company's assets, liabilities, equity, net income or cash flows in the second quarter of 2010.

iv.) Issuances, Repurchases, Repayments of Debt and Equity Securities – For the second quarter of 2010, 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.

Below is the description of sale/transaction of securities of the Company in the second quarter of 2010.

a) On April 7, 2010, the Company's Board of Directors approved a Memorandum of Agreement (MOA) between the Company and RBMC for a private placement of the Company's common shares up to the total amount of ₱330 million where RBMC will subscribe to 14,558,880 class "A" and 9,705,840 class "B" of the Company's unissued common shares at ₱12.00 per class "A" share and ₱16.00 per class "B" share. The subscription or placement will be divided into two (2) transactions: the first transaction was completed on April 23, 2010 upon full payment of ₱150 million by RBMC to the Company for RBMC to acquire 6,617,640 class "A" common shares and 4,411,770 class "B" common shares, which is the subject of the Stock Subscription Agreement dated April 23, 2010, and the second transaction shall be completed within 180 days from date of signing of the MOA upon full payment of ₱180 million by RBMC to the Company to acquire 7,941,240 class "A" common shares and 5,294,070 class "B" common shares. The securities offered or sold herein shall come entirely from the authorized and unissued capital stock of the Company. A notice of exempt transaction pursuant to the provisions of SRC was filed to the Securities and Exchange Commission (SEC) on April 28, 2010 covering the first transaction. The subscribed shares are subject for listing to the Philippine Stock Exchange (PSE).

The funds to be sourced from the private placement will be utilized for general corporate purposes and to fund in part the development of the various mining projects of your Company which include the BTP and the ACMP. In turn, the income generated from these projects will be used to advance the other mineral properties of the Company.

v.) Dividends - Because of operating deficits and debt service requirements, and pursuant to the restrictions provided for in the Company's loan agreement with creditor banks, no dividends were declared.

vi.) Segment Information - The Company is principally engaged in mining industry. Its operating revenues as of June 30, 2010 mainly consist sales of gold to Bangko Sentral Ng Pilipinas amounting to ₱70 million.

vii.) Subsequent Material Events - There were no material events subsequent to the end of the quarter that have been reflected in the financial statements for the period.

viii.) There were no changes in the composition of the Company, business combinations, acquisition or disposal of subsidiaries and long-term investments and no substantial changes in contingent liabilities and contingent assets from 2009.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company and its subsidiaries (Group) principal financial instruments comprise of 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 instruments includes Available For Sale (AFS) investments.

The risk 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 this 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 instruments. 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 its liquidity in managing its immediate financial requirements.

Summarized below is the Company's financial liabilities as of June 30, 2010:

Amounts in Million	On Demand	Within Two Months	Total
Bank Loans:			
Unsecured	₱461	₱	₱461
Secured	1,222	-	1,222
Accrued interest and penalties	2,090	-	2,090
Trade and other payables:	-	585	585
Total	₱3,773	₱585	₱4,358

Credit Risk

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as 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. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debt is not significant.

With respect to credit risk from the other financial assets of the Group, which comprise of cash and cash equivalent and AFS investments, 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 shows the maximum exposure to credit risk for the component of the balance sheet.

Amounts in Million	As of June 30, 2010	As of December 31, 2009
Cash and cash equivalents		
Cash with banks	₱25	₱19
Cash and cash equivalents	5	10
Trade and other receivables		
Trade	117	60
Others	135	71
AFS investments		
Quoted	9	12
Unquoted	5	5
Total credit risk exposure	₱296	₱177

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

June 2010 Neither Past Due Nor Impaired

Amounts in Million	High Grade	Standard Grade	Past Due but not Impaired	Impaired	Total
Cash & cash equivalents					
Cash with banks	₱25	₱ -	₱ -	₱-	₱25
Short-term investments	5	-	-	-	5
Trade and other receivables					
Trade	11	10	29	67	117
Employee stock ownership plan	-	-	-	58	58
Others	9	8	34	83	134
Total credit risk exposure	₱50	₱18	₱63	₱208	₱339

2009 Neither Past Due Nor Impaired

Amounts in Million	High Grade	Standard Grade	Past Due but not Impaired	Impaired	Total
Cash & cash equivalents					
Cash with banks	₱19	₱ -	₱ -	₱-	₱19
Short-term investments	10	-	-	-	10
Trade and other receivables					
Trade	1	11	78	34	125
Employee stock ownership plan	-	-	-	58	58
Others	1	32	8	48	89
Total credit risk exposure	₱31	₱43	₱86	₱141	₱301

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

1. Cash and cash equivalents are assessed as high grade since there are deposited in reputable banks, which have a low probability of insolvency.
2. Trade receivables, which pertain mainly to receivables from sale of chromite sand, were assessed as standard grade. These were assessed based on past collection experience and the debtor's ability to pay the receivables. Other than receivables which were fully provided with allowance, there were no history of default on the outstanding receivables as of June 30, 2010 and December 31, 2009.

Interest Rate Risk

The Group's exposure to the risk for changes in market interest rate relates primarily to its secure bank loans and unsecured bank loans with floating interest rates. As of March 31, 2010 and December 31, 2009, the Company bank loans are based on the floating rates. The Group regularly monitors their interest due to exposure from interest rates movements.

The Groups secure and unsecured bank loans are both payable on demand. Nominal interest rate vary from floating rate of 91-day Philippine Treasury Bill (Php T-Bill) rate for peso loans and 3-month London Interbank Offered Rate (LIBOR) foreign loans, plus a margin of 2.5% for unsecured loans and 3.5 % for secured loans.

Foreign Currency Risk

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

The Group's policy is to maintain foreign currency exposure within acceptable limits. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for an institution engaged in the type of business in which the Group is involved. The Group did not seek to hedge the exposure on the change in foreign exchange rates between the US Dollar 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 follows:

	As of June 30, 2010		December 31, 2009	
Amounts in Million	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Asset Cash	$0.1	₱0.324	$0.1	₱5
Liabilities Trade and other payable Secured Bank Loans	12.6 $18.2	585 ₱844	21.8 $18.2	1,005 ₱840

As of June 30, 2010 and December 31, 2009, the exchange rates of the Philippine peso to the US Dollar are ₱46.310 and ₱46.356, respectively.