BenguetCorp

SEC Reg. No. 11341

August 17, 2012

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

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

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

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

Gentlemen:

In compliance with the reportorial requirements of the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE), we submit hereto is Benguet Corporation's 2012 Second Quarter Report ended June 30, 2012.

Please note that on August 10, 2012, we requested for extension of deadline to submit the said report under SEC Form 17-L for SEC and written request for PSE.

We hope that you will find everything in order.

Very truly yours,

BENGUET CORPORATION
By:

REYNALDO P. MENDOZA
Asst. Corporate Secretary

COVER SHEET

1	1	3	4	1					

SEC Registration Number

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

(Group's Full Name)

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

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

Mr. Reynaldo P. Mendoza

(Contact Person)

812-1380

(Group Telephone Number)

1 2 | **3 1**

Month *Day*

(Calendar Year)

1 7 - Q

(Form Type)

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

17,015

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **JUNE 30, 2012**
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, 2012)
Convertible Preferred Class A	217,061 shares
Common Class A Stock	102,289,267 shares*
Common Class B Stock	61,483,727 shares*

Consolidated outstanding principal debt as of June 30, 2012 -- ₱1,113 Million

(*) Net of Treasury Shares

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

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

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

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

    Yes [X] No [ ]

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

    Yes [ ] No [X]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

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

PLEASE REFER TO ANNEX "B" which is incorporated herein as part of this report (SEC Form 17-Q), on pages 14 to 25 which contained the following:

1. THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BENGUET CORPORATION AND SUBSIDIARIES FOR THE SECOND QUARTER ENDED JUNE 30, 2012 (WITH AUDITED COMPARATIVE DATA FOR 2011) 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, 2012;
3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES; AND
4. ADOPTION OF PFRS 9, FINANCIAL INSTRUMENTS: CLASSIFICATION AND MEASUREMENT.

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

A. <u>2012 SECOND QUARTER VS. 2011 SECOND QUARTER</u>

<u>RESULTS OF OPERATIONS</u>

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

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

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

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

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

FINANCIAL POSITION

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

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

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

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

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

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

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

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

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

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

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

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

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

For more detailed discussions on the Company's results and plan of operations, please refer to the Company's President Report – 2012 Second Quarter Report, which form as integral part of this report on pages 10 to 13, marked as Annex "A".

B. 2011 SECOND QUARTER VS. 2010 SECOND QUARTER

RESULTS OF OPERATIONS

Consolidated net income for the second quarter and six months period in 2011 amounted to ₱122.0 million and ₱580.1 million, respectively, a turnaround from the net losses of ₱71.8 million and ₱88.3 million for the same periods in 2010. The net operating income of ₱54.1 million before the non-cash financing charges of ₱23.0 million from the Sta. Cruz Nickel Project (SCNP) and Acupan Contract Mining Project (ACMP) and the extraordinary gain of ₱549 million from the debt settlement contributed to the turnaround this six months period of 2011.

Consolidated Operating revenues in the second quarter and six months period of 2011 significantly increased to ₱191.1 million and ₱374.0 million, respectively from ₱85.8 million and ₱134.3 million for the same periods in 2010. The mining operations contributed ₱331 million in revenues mainly from SCNP (₱173 million) and ACMP (₱152 million).

In 2011 second quarter, operating costs and expenses of ₱172 million is higher than ₱85 million for the same quarter in 2010 mainly due to higher selling and general expenses and cost of mine products sold in the second quarter of 2011. For the same reasons, the operating costs and expenses for six months period in 2011 was also higher by₱164.2 million to ₱313.1 million from ₱149.0 million for the same period in 2010.

For the second quarter 2011, other net income amounted ₱103.7 million, a turnaround from the other expenses of ₱86.8 million for the same quarter in 2010. The ₱112.9 million gain on debt settlement contributed to the positive variance. Likewise for the six months period of 2011, other net income amounted to ₱526.3 million, a turnaround from the other net expenses of ₱91.8 million for the same period in 2010.

The provision for income tax for the second quarter and six months period of 2011, amounted to ₱900 thousand and ₱7.1 million, respectively, compared with the benefit from income tax of ₱15 million and ₱3.5 million for the same periods in 2010.

ACMP reported net earnings of ₱21,943,000 (US$505,000) and ₱45,754,000 (US$1,052,000) for the second quarter and first semester of 2011, higher than the ₱17,588,000 (US$380,000) and ₱30,893,000 (US$667,000) for the same periods in 2010, respectively. The favorable variances were mainly due to higher gold production and better metal prices. Gold sold were 987 and 2,051 ounces for 2011 second quarter and first semester versus 690 and 1,323 ounces for the same periods in 2010, respectively.

ACMP milled 4,364 tons of shared ore with an average grade of 8.21 grams of gold per ton in 2011 second quarter, as against total tons milled of 3,011 tons at 8.43 grade for the same period in 2010. Milling rate averaged 115 tons per day (tpd), 42% higher versus 90 tpd for the same period in 2010. ACMP's expansion programs target a 150-tpd milling rate within the last quarter of 2011 and 300 tpd by the last quarter of 2012.

BNMI, a wholly owned subsidiary, reported net earnings of ₱16,952,000 (US$390,000) in 2011 second quarter and ₱28,199,000 (US$648,000) for the six months of its first full year of operation. The earnings reported were mainly due to sale of nickel from its contract mining and off-take agreement with DMCI Mining Corporation (DMCI). BNMI plans to operate the remaining area of its MPSA either later this year 2011 or early next year 2012.

On July 8, 2011, BNMI's board of directors approved a declaration of cash dividend of ₱32.00 per share from earnings per share out of audited 2010 earnings per share of ₱40.48. Payment of the dividend will be made within the third quarter of 2011. BNMI's authorized capital stock was increased to ₱2.0 billion, of which ₱1.025 billion has been paid up. A drilling program for grade control and enhancement of resource is underway. BNMI is currently undertaking research to develop a processing technology for value added nickel products. A term supply contract for up to 1.8 million metric tons of nickel ore is likewise being finalized to add to existing operation.

The Irisan Lime Project (ILP) generated net earnings of ₱2,043,000 (US$47,000) in the second quarter of 2011, 29% lower than the net earnings of ₱2,858,000 (US$62,000) for the same quarter in 2010. To-date net earnings in 2011 of ₱5,088,000 (US$117,000) is likewise 24% lower than the net earnings of ₱6,726,000 (US$145,000) reported for the same period in 2010. The lower net earnings are attributable to higher operating cost, particularly the increase in price of bunker fuel by 19%. Sales volume of lime for the quarter totaled 1,856 tons, slightly higher than the 1,815 tons lime sold for the same quarter in 2010, while the to-date volume totaled 4,039 tons, lower than the 4,099 tons sold in 2010.

The Company's Benguet Laboratories (BL) generated net earnings of ₱1,136,000 (US$26,000), lower than the net earnings of ₱1,380,000 (US$30,000) for the same quarter in 2010. Net earnings for the six-month period of 2011 amounted to ₱2,075,000 (US$48,000), also lower than the ₱2,678,000 (US$58,000) for the same period in 2010, due to re-scheduling of services to corporate clients to the second half of 2011.

Benguet Management Corporation (BMC), a 100% owned subsidiary, and the BMC subsidiaries, reported a consolidated net loss of ₱541,000 (US$12,000) in 2011 second quarter and ₱2,147,000 (US$49,000) for the six-month period of 2011, lower compared with the net loss of ₱2,193,000 (US$47,000) and ₱4,534,000 (US$98,000) for the respective periods in 2010. The loss was mainly due to negative performance of its subsidiaries.

FINANCIAL POSITION

The Company ended the second quarter of 2011 with consolidated assets of ₱4.120 billion, higher than end-December 2010 level of ₱4.070 billion. Cash and cash equivalents decreased to ₱159 million from ₱292 million in 2010 mainly from cash used by operating activities and equipment purchases for the Acupan Contract Mining Project expansion.

Receivables increased to ₱447 million from ₱270 million, attributed mainly from nickel shipment not yet collected. Loans receivable decreased to ₱46.2 million from ₱54.7 million in 2010 mainly due to partial collection for six months period of 2011.

Property, plant and equipment increased to ₱2,799 million from ₱2,750 million in 2010 mainly due to purchases for the expansion of Acupan Contract Mining Project.

Mining exploration and project development costs slightly decreased to ₱327 million from ₱354 million in 2010.

Accounts payable and accrued expenses increased to ₱738 million, mainly from BNMI advances from DMCI Mining Corp chargeable against future share and payable to suppliers and contractors.

The outstanding bank loans (inclusive of interest and penalties as of June 30, 2011 decreased to ₱986 million from ₱1.491 billion in 2010, mainly due to settlement of some debt in the six months period of 2011.

Income tax payable in the 2011 second quarter pertains mainly to the P7.2 million income tax payable of BNMI Sta. Cruz Nickel Project.

Deficit as of June 30, 2011 decreased to ₽2.0 billion from ₽2.575 billion in 2010 mainly due to the net income for the six months of 2010. For the same reason, Stockholders Equity increased to ₽1.339 billion from ₽0.755 billion in 2010.

The Company's current liability still exceeded its current assets by ₽1.0 billion as of June 30, 2011 and ₽1.6 billion as of December 31, 2010.

KNOWN TRENDS, EVENTS OR UNCERTAINTIES

The Company does not foresee any cash flow problem over the next twelve months. The ramped-up Acupan gold mining output and the continued ore shipments of Benguetcorp Nickel Mines, Inc. (BNMI) provided the Company with steady and recurring income base amidst sustained high metal prices. With the demand for metals in the world market remaining strong, the Company expects the trend to further improve in 2012, premised on the projected increase in production capacity and high market prices of gold and nickel. The off-take agreement with DMCI Mining Corporation and Chinese trading companies also assured ready market high and low grade nickel and high grade iron ores of the Company's Sta. Cruz Nickel Project.

On May 31, 2012, RYM Business Management Corporation (RBMC) paid the full subscription price of P180,000,000.00 to the Company. RBMC subscribed to 7,941,240 Class "A" common shares and 5,294,070 Class "B" common shares of the Company's authorized and unissued common shares, which is the subject of the Stock Subscription Agreement dated May 4,2012. The subscription is the second transaction pursuant to the Memorandum of Agreement (MOA) on Private Placement dated April 7, 2010 and Addendum to the MOA dated September 17, 2010 between the Company and RBMC, with the first transaction was completed on April 23, 2010.

There is no known event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation that have not been booked although, the Company could be contingently liable for lawsuits and claims arising from the ordinary course of business which are not presently determinable. The Parent Company's outstanding principal debt subject to the repayment plan amounted to ₽237.61 million as of June 30, 2012 and its outstanding principal debt subject to the 1992 Restructuring Agreement has been reduced to ₽223.40 million or only 20% of the original principal. The Company remains committed to a final and comprehensive settlement of all the old debt, including an appropriate restructuring plan of the remaining obligations.

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

For the quarter in review, the Company continues to fund the capital requirements of its nickel and gold 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.

Other than what have been discussed in their respective sections above, there are no material events or uncertainties known to management that had material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

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

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

KEY PERFORMANCE INDICATORS

1.) Working *Capital -* Working capital (current assets less current liabilities) and current ratio (current assets over current liabilities) measures the liquidity or debt paying ability of the Company. As of June 30, 2012, the Company's current ratio is 1.08:1, a significant improvement as compared in the same period of 2011 which the Company's current liabilities exceeded its current assets by ₱1.0 billion. The Company is moving forward in the development of its pioneering gold tailings reprocessing project, and in the expansion of its gold and nickel operations. It remains optimistic that the coming year will show robust net income performance, which will ultimately benefit all stakeholders.

2.) Metal Price - The market price of gold in the Banko Sentral ng Pilipinas (BSP) 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$1,614.75 per ounce versus US$1,526.96 per ounce for the same quarter in 2011. The favorable price of gold and nickel will have a favorable impact on the Company's revenue. It is anticipated that revenues from gold will continue to grow as milling capacity increases to 300 metric tons per day by the fourth quarter of 2012, and the off-take agreements assured ready market of high and low grade nickel and high grade iron ores of the Company's Sta. Cruz Nickel Project.

3.) Tons Mill and Ore Grade - Tons milled and ore grade determine gold production and sales volume. The higher the tonnage and ore grade, the more gold are produced and sold. This quarter, tons milled were 12,903 tons of shared ore grading 7.11 grams per ton gold. Gold sold were 1,520 ounces. For the same quarter in 2011, tons milled were 4,364 of shared ore grading 8.21 grams per ton gold. Gold sold were 987 ounces. AGP is on expansion program to bring production to 300 tons per day by the fourth quarter of 2012.

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 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, 2012, the peso to dollar exchange rate was at ₱42.283, lower than the ₱43.494 for the same period in 2011. The volatility in the foreign currency exchange rates will continue to affect the operations in the foreseeable future.

5.) Earnings Per Share - The earnings per share reflect the Company's bottom line operating results expressed in amount per share of the Company's outstanding capital stock. Assuming a constant outstanding number of shares, as a Company's earnings increase, the earnings per share correspondingly increase. This quarter, the Company's earnings per share is ₱0.97, compared to earnings per share of ₱0.75 per share for the same period in 2011. With the projected higher gold production of AGP and assured market of nickel ores of SCNP coupled with the prevailing favorable metal prices, the Company anticipates improvement in the earnings per share.

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

Benguet Management Corporation (BMC) and its subsidiaries reported a consolidated net income of ₱77.1 million for the second quarter and ₱106.7 million for the first semester this year, a turnaround from the loss of ₱0.5 million and ₱2.1 million in the same respective periods of 2011.

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:

Renat C. Claravall

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

Annex “A”

2012
SECOND QUARTER REPORT
BENGUET CORPORATION
AND SUBSIDIARIES

Benguet Corporation continued its positive operating performance in the second quarter of 2012, with most of its projects and subsidiaries posting impressive growth compared to the same period last year. The Acupan Gold Project (AGP) and Sta. Cruz Nickel Project (SCNP) continued to provide a considerable share of your Company’s consolidated net income, while the Irisan Lime Project generated higher sales volume.

Consolidated Results

Consolidated net earnings for the second quarter of 2012 amounted to ₱158,400,000 (US$3,315,000) or ₱0.97 (US$0.023) per share, 30% higher compared to the net earnings of ₱121,992,000 (US$2,805,000) or ₱0.75 (US$0.017) per share reported for the same quarter in 2011. For the six-month period, consolidated net earnings amounted to ₱184,900,000 (US$4,372,000) or ₱1.13 (US$0.027) per share, lower than the net earnings of ₱580,110,000 (US$13,338,000) or ₱3.56 (US$0.082) per share for the same period last year.

The Sta. Cruz Nickel Project contributed the largest share in your Company’s consolidated earnings, followed by Benguet Management Corporation’s (BMC) extra ordinary gain of ₱93 million from debt settlement. Earnings would have been better, had the nickel operation not been adversely affected by typhoons and heavy rains. Posted income last year included ₱549 million extra-ordinary gain from debt settlement.

Operating revenues for the quarter amounted to ₱474,500,000 (US$11,222,000), which is more than double the ₱191,102,000 (US$4,394,000) reported for the same quarter last year. Likewise, operating revenues for the six-month period rose by 86% to ₱694,000,000 (US$16,412,000), from ₱373,999,000 (US$8,599,000) for the same period in 2011. The mining operations contributed ₱620.8 million in revenues mainly from your Company’s Sta. Cruz Nickel Project (SCNP: ₱400.8 million) and Acupan Gold Project (AGP: ₱220 million).

Mining Operations

AGP reported net earnings of ₱37,435,000 (US$885,000) and ₱74,549,000 (US$1,763,000) for the second quarter and first semester of 2012 respectively, higher than the ₱21,943,000 (US$505,000) and ₱45,754,000 (US$1,052,000) posted for the same periods last year. This is mainly due to higher gold production and the improved price of gold. For this quarter, gold sold was 1,520 ounces at average gold price of US$1,614.75 per ounce, 54% higher than the 987 ounces posted during the same period last year. Total gold sold for the first semester of 2012 was pegged at 3,045 ounces at average gold price of US$1,614.14 per ounce, 48% higher compared to the 2,051 ounces at average gold price of US$1,457.48 per ounce sold during the same period last year.

AGP milled 12,903 tons of shared ore with an average grade of 7.11 grams of gold per ton this quarter, a threefold increase compared to total tons milled of 4,364 tons at 8.21 grade for the same period last year. Milling rate for this quarter averaged 142 tons per day (tpd), 23% higher versus 115 tpd for the same period last year. Your Company is currently working with a Canadian third party Competent Person, Roscoe, Postle and Associates (RPA), for the exploration and drilling programs to upgrade AGP’s capacity. AGP’s expansion program targets a 300-tpd milling rate by year-end 2012.

Benguetcorp Nickel Mines Inc. (BNMI), a wholly owned subsidiary, reported net earnings of ₱87,000,000 (US$2,151,000) and ₱90,542,000 (US$2,141,000) for this quarter and first semester of 2012, higher than the ₱16,952,000 (US$390,000) and ₱28,199,000 (US$648,000) posted for the same respective periods last year. The earnings reported are mainly due to sale of nickel ore from its contract mining and off-take agreements. A total of 17 boatloads of ore from BNMI were shipped, totalling 710,580 tons of high-quality ore, averaging a grade of 1.8% Ni. Of this, BNMI had shipped a total of 4 boatloads, equivalent to 198,007 tons of similar quality ore, under contracted supply agreements. During the quarter, BNMI, for its own account, had mined 109,536 tons of ≥1.7% Ni to ≥1.8 Ni and 46,672 tons of ≥1,5% Ni to ≤1.69% Ni ores. For the first six months of 2012, BNMI has mined 374,792 tons of ≥1.7% Ni to ≥1.8% Ni; 127,912 tons of ≥1.5% Ni to ≤1.69% Ni ores for a total materials movement of 1,179,774 tons. Currently, there are 304,697 tons of marketable ore, equivalent to seven (7) boatloads of shippable Ni ore, stockpiled in the minesite and the ports.

Despite higher sales volume of 2,003 tons and 4,872 tons for this quarter and first semester of 2012 versus last year's sales volume of 1,856 tons and 4,871 tons respectively, your Company's Irisan Lime Project (ILP) posted slightly lower net earnings of ₱1,888,000 (US$44,600) and ₱4,131,000 (US$97,700) for this quarter and first semester of 2012, compared to the ₱2,043,000 (US$47,000) and ₱5,088,000 (US$117,000) net earnings posted for the same periods last year. The lower net earnings are attributed to higher operating costs, particularly the increase in price of bunker fuel by 16.94% for this quarter and 17.71% for the first semester of 2012.

Exploration, Research and Development

The Balatoc Gold Resources Corporation (BGRC), a wholly-owned subsidiary of your Company and the operator of the Balatoc Tailings Project (BTP), is the country's first large scale gold recovery project from mill tailings. BTP is registered with the Philippine Board of Investments (BOI) as a pioneer enterprise. The project is expected to recover in excess of 175,000 ounces of gold from 16.7 million tons of tailings, with an average grade of .65 grams per ton of tailings over a ten year project life.

BTP has already started the first two phases of earthmoving, giving priority to the water pumping station in Ambalanga River and the silt dam in Gold Creek. The excavated materials from these two areas will be used for the raising of the embankment of Tailing Ponds Nos. 2 and 3 to the level in which BTP will be able to operate its processing equipment in Balatoc.

Your Company participated in the Philippine Energy Contracting Round 4 (PECR 4) for coal of the Department of Energy by bidding for two of the six areas it had evaluated. This is composed of 19 coal blocks with area amounting to 19 hectares of land with the potential of 50 million metric tons of coal. Bidding results remain pending as of this time. Your Company is also in the process of completing the requirements to secure permits for mine development of the Surigao Coal Project.

Healthcare Services

Your Company's Benguet Laboratories (BL) generated net earnings of ₱1,583,000 (US$37,400), 39% higher than the net earnings of ₱1,136,000 (US$26,000) generated for the same quarter in 2011. Net earnings for the first half of 2012 amounted to ₱2,823,000 (US$66,800), also higher than the ₱2,075,000 (US$48,000) posted for the same period in 2011 by 36%. The positive performance was due to higher sales to institutional/corporate clients, lower operating cost on rental and city services; and relocation of BL to a much bigger area within SM City–Baguio has been deferred. BL is set to open its third branch in SM Pampanga on October 2012.

Subsidiaries

Benguet Management Corporation (BMC), another wholly owned subsidiary of your Company, together with its own subsidiaries, reported consolidated net earnings of ₱77,132,000 (US$1,824,000) for the second quarter, a reversal from the loss of ₱541,000 (US$12,000) incurred during the same period last year. Net earnings for the first half of 2012 also increased dramatically, generating ₱106,885,000 (US$2,528,000) against the ₱2,147,000 (US$49,000) loss incurred during the same period last year. The income was mainly due to the non-cash gain realized from the settlement of old debt.

Arrow Freight Corporation (AFC), the logistics subsidiary of BMC, reported net earnings of ₱11,587,000 (US$274,000) this quarter and ₱15,812,000 (US$374,000) for the first half of this year, a considerable improvement from the loss of ₱699,000 (US$16,000) and ₱1,437,000 (US$33,000) loss incurred during the respective periods last year. AFC contracted the mining activities of your Company's SCNP, particularly the provision and operation of earth-moving and hauling equipment, which contributed largely to its earnings.

BMC Forestry Corporation (BFC) reported net earnings of ₱807,000 (US$19,000) this quarter from its lime operation and other business, 197% higher than the net earnings of ₱272,000 (US$6,000) generated during the same period last year. Similarly, net earnings for the first semester grew by 41%, posting income of ₱1,046,000 (US$25,000) versus the ₱744,000 (US$17,000) posted last year. BFC continues to develop the Woodspark Rosario Subdivision Project in La Union. Total lot sales and reservations to-date stand at 213 lots, with an aggregate area of 29,323 square meters. With the completion of the horizontal development, BFC is in the process of preparing the requirements for the application of the Certificate of Completion (COC) with the Housing and Land Use Regulatory Board (HLURB), to facilitate the eventual turnover and transfer of the subdivision amenities and utilities to the homeowners association.

Benguetrade, Inc. (BTI), incurred net loss of ₱318,000 (US$8,000) this quarter, and ₱646,000 (US$15,000) for the first half of the year, versus the ₱30,000 (US$1,000) income and ₱376,000 (US$9,000) loss incurred during the same periods in 2011.

Environmental Enhancement and Land Resource Development

Your Company remains committed to its advocacy of responsible mining. During the quarter, most activities focused on the implementation of various enhancements to ensure continuous compliance with government standards and regulations. Mitigating and contingency measures were implemented covering such activities as drainage and flood control measures to air quality maintenance.

Nursery maintenance and rehabilitation were carried-out in AGP and BNMI to enhance seedling production and propagation in preparation for the massive reforestation programs and projects to be undertaken not only in support of the National Greening Program (NGP) of the government but as also of Benguet Corporation's commitment to environmental protection, management and sustainable development. To date, your Company has been able to plant around 42,000 seedlings as of the second quarter of 2012, and is eyeing to plant 20,000 more on its 109th anniversary on August 12.

Community Relations/Social Development & Management Programs

Your Company continues its social development initiatives by providing host and neighboring communities with sustainable livelihood development and Social Development and Management Programs (SDMP) in its Benguet and Zambales sites. AGP and BNMI continue to provide local employment to residents, as well as other services such as scholarship grants, nutrition programs, medical missions, and livelihood projects. Financial assistance is also extended for various sports activities and celebrations, construction materials for schools and water works and road repair and maintenance in various barangays.

Private Placement

On May 31, 2012, RYM Business Management Corporation (RBMC) paid the full subscription price of ₱180,000,000.00 to your Company. RBMC subscribed to 7,941,240 class “A” shares and 5,294,070 class “B” shares of your Company’s authorized and unissued common shares, which is the subject of the Stock Subscription Agreement dated May 4, 2012.

The funds will be utilized for general corporate purposes, and to fund in part the development of various mining projects of your Company, including the BTP and AGP. In turn, the income generated from these projects will be used to advance the other mineral properties of your Company and to acquire or enter into joint venture arrangement for promising properties and/or projects.

Outlook

Amidst a challenging and difficult operating environment, your Company has exhibited the capacity to generate a recurring revenue stream. The task in the coming months is to maximize operational efficiency to generate volume growth and a stronger margin. Inspite of the general softening in metal prices, your Company is confident that its major product lines, gold and nickel, can deliver volumes and revenues that will be materially higher than the previous year. We thank our various stakeholders whose support has been critical in enabling your Company to achieve these gains.

Benjamin Philip G. Romualdez
President & CEO

ANNEX 'B'

BENGUET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2012 AND DECEMBER 31, 2011
(Amounts in Thousands)

	June 30, 2012 (Unaudited)	December 31, 2011 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	**₱586,301**	₱1,257,364
Trade and other receivables	**490,276**	81,939
Loans receivable	**51,669**	58,632
Inventories	**165,156**	37,266
Other current assets	**184,074**	116,861
Total Current Assets	**1,477,476**	**1,552,062**
Noncurrent Assets		
Property, plant and equipment	**3,222,117**	3,126,741
Available-for-sale (AFS) investments	**290,503**	14,462
Deferred exploration costs	**375,717**	311,112
Investment property	**166,693**	166,693
Other noncurrent assets	**185,504**	133,356
Total Noncurrent Assets	**4,240,534**	**3,752,364**
TOTAL ASSETS	**₱5,718,010**	**₱5,304,426**
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of loans payable	**₱1,118,068**	₱1,004,193
Trade and other payables	**206,224**	243,977
Income tax payable	**42,606**	62,928
Total Current Liabilities	**1,366,898**	**1,311,098**
Noncurrent Liabilities		
Loans payable - net of current portion	**520,284**	563,310
Deferred income tax liabilities - net	**973,965**	980,260
Liability for mine rehabilitation	**34,060**	34,060
Pension liability	**29,895**	29,700
Equity of claimowner in contract operations	**49,136**	49,136
Other noncurrent liabilities	**72,569**	25,563
Total Noncurrent Liabilities	**1,679,909**	**1,682,029**
Total Liabilities	**3,046,807**	**2,993,127**

(Forward)

	June 30, 2012 (Unaudited)	December 31, 2011 (Audited)
Equity		
Capital stock		
Convertible preferred Class A - ₱3.44 par value		
Authorized - 19,652,912 shares		
Issued and outstanding - 217,061shares in 2012 and 2011	**₱745**	₱745
Common Class A - ₱3.00 par value		
Authorized - 120,000,000 shares		
Issued and outstanding - 102,392,865 shares in 2012 and 102,351,465 in 2011	**307,179**	307,055
Common Class B - ₱3.00 par value		
Authorized - 80,000,000 shares		
Issued and outstanding – 61,496,152 shares in 2012 and 61,473,467 in 2011	**184,488**	184,420
Capital surplus	**20,046**	18,895
Deposit for future stock subscription	**180,000**	–
Other components of equity:		
Revaluation increment in land - net of deferred income tax liability	**750,779**	750,779
Cumulative translation adjustments of foreign subsidiaries	**34,334**	40,394
Cost of share-based payment	**41,064**	41,372
Unrealized gain on AFS investments	**980**	920
Retained earnings	**1,159,604**	974,735
	2,679,219	2,319,315
Cost of 116,023 shares held in treasury, ₱69 per share	**(8,016)**	(8,016)
Total Equity	**2,671,203**	2,311,299
TOTAL LIABILITIES AND EQUITY	**₱5,718,010**	₱5,304,426

BENGUET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2012
(With Comparative Figures for the six months ended June 30, 2011)
(Amounts in Thousands)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2012	2011	**2012**	2011
REVENUES				
Sale of mine products	**₱433,860**	₱149,692	**₱620,845**	₱309,383
Sale of merchandise and services	**40,601**	41,410	**73,137**	64,616
	474,461	191,102	**693,982**	373,999
COSTS AND OPERATING EXPENSES				
Costs of mine products sold	**149,450**	35,852	**205,565**	67,039
Costs of merchandise sold and services	**23,877**	21,330	**46,270**	35,119
Selling and general	**140,913**	110,078	**276,789**	204,912
Taxes on revenue	**8,824**	4,690	**12,486**	6,072
	323,064	171,950	**541,110**	313,142
INCOME FROM OPERATIONS	**151,397**	19,152	**152,872**	60,857
INTEREST EXPENSE	**16,381**	11,818	**21,868**	27,035
OTHER INCOME				
Interest income	**1,466**	6,556	**2,973**	13,108
Foreign exchange gain	**3,150**	428	**1,872**	3,983
Miscellaneous - net	**53,910**	108,574	**86,775**	536,287
	58,526	115,558	**91,620**	553,378
INCOME BEFORE INCOME TAX	**193,542**	122,892	**222,624**	587,200
PROVISION FOR INCOME TAX	**35,144**	900	**37,755**	7,090
NET INCOME	**₱158,398**	₱121,992	**₱184,869**	₱580,110
BASIC EARNINGS PER SHARE	**₱0.97**	₱0.75	**₱1.13**	₱3.56
DILUTED EARNINGS PER SHARE	**₱0.96**	₱0.75	**₱1.12**	₱3.56

BENGUET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2012
(With Comparative Figures for the six months ended June 30, 2011)
(Amounts in Thousands)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2012	2011	**2012**	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	**₱158,397**	₱121,992	**₱184,869**	₱580,110
Adjustments for:				
Depreciation, depletion and amortization	**41,709**	39,531	**83,063**	72,083
Unrealized foreign exchange gain	**(3,150)**	(428)	**(1,872)**	(3,983)
Gain on settlement of liabilities	**(66,561)**	(112,737)	**(93,636)**	(548,651)
Provision for income tax	**35,145**	9,253	**37,755**	7,090
Decrease (increase) in:				
Trade and other receivables	**(441,335)**	(147,599)	**(408,337)**	(176,806)
Inventories	**(123,897)**	1,985	**(127,890)**	3,747
Prepaid expenses and other current assets	**(48,004)**	(4,888)	**(67,213)**	(3,163)
Increase (decrease) in trade and other payables	**178,492**	(367,509)	**(37,753)**	(67,444)
Net cash used in operating activities	**(269,204)**	(460,400)	**(431,014)**	(137,017)
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in:				
Property, plant and equipment	**(100,387)**	(78,726)	**(132,587)**	(81,019)
Deferred exploration costs	**(31,545)**	59,209	**(64,605)**	27,264
Available-for-sale investments	**(275,000)**	–	**(275,000)**	–
Other assets	**57,045**	(36,087)	**(51,873)**	59,489
Net cash from (used in) investing activities	**(349,887)**	(55,604)	**(524,065)**	5,734
CASH FLOWS FROM FINANCING ACTIVITIES				
Net availment (repayment) of loans payable	**150,000**	(3,580)	**150,000**	(4,616)
Proceeds from issuance of common stocks	**1,022**	1,445	**1,022**	2,178
Deposit for future stock subscription	**180,000**	–	**180,000**	–
Decrease in equity of claimowner in contract operations and others	**(47,567)**	–	**(47,006)**	–
Net cash from (used in) financing activities	**283,455**	(2,135)	**284,016**	(2,438)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(335,636)**	(518,139)	**(671,063)**	(133,721)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**921,937**	676,876	**1,257,364**	292,457
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱586,301**	₱158,737	**₱586,301**	₱158,737

BENGUET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2012
(With Comparative Figures for the six months ended June 30, 2011)
(Amounts in Thousands)

	June 30, 2012 (Unaudited)	June 30, 2011 (Unaudited)	December 31, 2011 (Audited)
CAPITAL STOCK	**₱492,412**	₱490,150	₱492,220
CAPITAL SURPLUS	**20,046**	1,159,749	18,895
DEPOSIT FOR FUTURE STOCK SUBSCRIPTION	**180,000**	–	–
REVALUATION INCREMENT IN LAND			
Balance at beginning of period	**750,779**	1,612,988	1,612,988
Effect of quasi-reorganization	**–**	–	(862,209)
Balance at end of period	**750,779**	1,612,988	750,779
CUMULATIVE TRANSLATION ADJUSTMENT			
Balance at beginning of period	**40,394**	39,285	39,285
Translation adjustment	**(6,060)**	(1,732)	1,109
Balance at end of period	**34,334**	37,553	40,394
COST OF SHARE-BASED PAYMENT			
Balance at beginning of period	**41,372**	41,790	41,790
Employees' exercise of stock options	**(308)**	(2,177)	(418)
Balance at end of period	**41,064**	39,613	41,372
UNREALIZED GAIN ON AFS INVESTMENTS			
Balance at beginning of period	**920**	2,139	2,139
Unrealized gain (loss) on AFS investments	**60**	31	(1,219)
Balance at end of period	**980**	2,170	920
EQUITY (CAPITAL DEFICIENCY)			
Balance at beginning of period	**974,735**	(2,575,016)	(2,575,016)
Effect of quasi-reorganization	**–**	–	2,164,427
Net income for the period	**184,869**	580,110	1,385,324
Balance at end of period	**1,159,604**	(1,994,906)	974,735
TREASURY SHARES	**(8,016)**	(8,016)	(8,016)
TOTAL EQUITY	**₱2,671,203**	₱1,339,301	₱2,311,299

BENGUET CORPORATION AND SUBSIDIARIES

EARNINGS PER SHARE COMPUTATION

FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011

	June 30	
	2012	2011
Net income (loss)	**₱184,869**	₱580,110

Number of shares for computation of:

	June 30	
	2012	2011
Basic earnings (loss) per share		
Weighted average common shares issued	**163,867,155**	163,134,972
Less treasury stock	**116,023**	116,023
Weighted average common shares outstanding	**163,751,132**	163,018,949
Diluted earnings (loss) per share		
Weighted average common shares issued	**163,867,155**	163,134,972
Less treasury stock	**116,023**	116,023
	163,751,132	163,018,949
Conversion of preferred stock	**686,455**	–
	164,437,587	163,018,949
Basic earnings per share	**₱1.13**	₱3.56
Diluted earnings per share	**₱1.12**	₱3.56

BENGUET CORPORATION & SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLE
AS OF JUNE 30, 2012

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 & ITEMS IN LITGN
a) Trade Receivables:									
1) Nickel/Chrome Sale	123,768	49,695	74,073	-	-	-	-	-	-
2) Lime Deliveries	2,981	2,881	-	-	-	-	100	-	-
3) Merchandise & Services	35,090	8,985	3,002	3,210	1,582	3,825	1,331	13,155	-
Sub-total	161,839	61,561	77,075	3,210	1,582	3,825	1,431	13,155	-
Less: Allowance for Doubtful Acct.	14,934	-	-	-	-	348	1,431	13,155	-
Net Trade Receivable	**146,905**	61,561	77,075	3,210	1,582	3,477	-	-	-
b) Non-Trade Receivables									
1) Officers & Employees	64,248	2,716	20,055	885	29,838	4,143	6,344	267	-
2) Others	419,482	123,238	24,971	28,774	7,815	32,283	48,387	154,014	-
Sub-total	483,730	125,954	45,026	29,659	37,653	36,426	54,731	154,281	-
Less: Allowance for Doubtful Acct.	140,359	-	-	-	722	30,741	25,914	82,982	-
Net Non-trade Receivable	**343,371**	125,954	45,026	29,659	36,931	5,685	28,817	71,299	-
Net Receivables (a + b)	**490,276**								

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, 2012)

i.) The disclosure on significant accounting principles, policies, and practices are substantially the same with the disclosure made in 2011 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 2012, there were no seasonal or cyclical aspects that materially affect the operation of the Company, no substantial nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years.

iii.) There were no unusual items that materially affect the Company's assets, liabilities, equity, net income or cash flows in the second quarter of 2012.

iv.) Issuances, Repurchases, Repayments of Debt and Equity Securities – On May 31, 2012, RYM Business Management Corporation (RBMC) subscribed 7,941,240 class "A" shares and 5,294,070 class "B" shares of the Company's authorized and unissued common shares, which is the subject of the Stock Subscription Agreement dated May 4, 2012. The full subscription price of ₱180,000,000.00 was paid by RBMC to the Company on May 31, 2012. The subscription or placement is the second transaction pursuant to the Memorandum of Agreement (MOA) on Private Placement dated April 7, 2010, and Addendum to the MOA dated September 17, 2010, between the Company and RBMC, with the first transaction was completed in April 23, 2010.

Except of the above stated, there were no securities sold by the Company which were not registered under the Revised Securities Act (now Securities Regulation Code (SRC)) including the sales of reacquired securities, new issues, securities issued in exchange of property, services or other securities and new securities resulting from the modification of outstanding securities.

v.) Dividends - Pursuant to the restrictions provided for in the Parent Company's loan agreement with creditor banks, no cash dividends were declared during the second quarter 2012. Further, prior to approval of the quasi-reorganization, the Company was on negative earnings position in 2010.

vi.) Segment Information - The Company is principally engaged in mining industry. Its operating revenues as of June 30, 2012 mainly came from sales of gold to Bangko Sentral Ng Pilipinas amounting to ₱220 million and ₱401 million sales of nickel ore to China.

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

viii.) There were no changes in the composition of the Company, business combinations, acquisition or disposal of subsidiaries and long-term investments and no substantial changes in contingent liabilities and contingent assets from 2011.

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 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.

Credit Risk

The table below shows the maximum exposure to credit risk for the component of the consolidated financial position. The maximum exposure is shown at gross amount, before the effect of mitigation through the use of master netting and collateral agreements.

Amounts in Million	**June 30, 2012**	December 31, 2011
Cash and cash equivalents		
Cash in banks	**₱525**	₱639
Short-term investments	**61**	618
Trade and other receivables		
Trade	**147**	58
Others	**343**	24
Loans receivable	**52**	59
Total credit risk exposure	**₱1,128**	₱1,398

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

June 30, 2012

	Neither Past Due Nor Impaired		**Past Due But**		
Amounts in Million	**High Grade**	**Standard Grade**	**Not Impaired**	**Impaired**	**Total**
Cash and cash equivalents					
Cash in banks	**₱525**	**₱–**	**₱–**	**₱–**	**₱525**
Short-term investments	**61**	**–**	**–**	**–**	**61**
Trade and other receivables					
Trade	**–**	**62**	**85**	**15**	**162**
Employee stock ownership incentive plan	**–**	**–**	**–**	**58**	**58**
Others	**126**	**75**	**143**	**82**	**426**
Loans receivable	**–**	**52**	**–**	**–**	**52**
Total credit risk exposure	**₱712**	**₱189**	**₱228**	**₱155**	**₱1,284**

December 31, 2011

Amounts in Million	Neither Past Due Nor Impaired: High Grade	Neither Past Due Nor Impaired: Standard Grade	Past Due But Not Impaired	Impaired	Total
Cash and cash equivalents					
Cash in banks	₱639	₱–	₱–	₱–	₱639
Short-term investments	618	–	–	–	618
Trade and other receivables					
Trade	–	25	33	17	75
Employee stock ownership incentive plan	–	–	–	58	58
Others	2	4	19	78	103
Loans receivable	–	59	–	–	59
Total credit risk exposure	₱1,259	₱88	₱52	₱153	₱1,552

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

a. Cash and cash equivalents are assessed as high grade since these are deposited in reputable banks, which have a low probability of default.

b. Trade receivables, which pertain mainly to receivables from sale of chromite 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, 2012 and December 31, 2011.

The table below shows an aging analysis of trade and other receivables:

June 30, 2012

	Neither past due nor Impaired	Past due but not impaired: Less than 30 days past due	Past due but not impaired: 30 to 60 days past due	Past due but not impaired: More than 60 days past due	Impaired	Total
Trade	**₱62**	**₱77**	**₱–**	**₱8**	**₱15**	**₱162**
Employee stock incentive ownership plan	**–**	**–**	**–**	**–**	**58**	**58**
Others	**126**	**45**	**–**	**172**	**82**	**425**
	₱188	**₱122**	**₱–**	**₱180**	**₱155**	**₱645**

December 31, 2011

	Neither past due nor Impaired	Past due but not impaired: Less than 30 days past due	30 to 60 days past due	More than 60 days past due	Impaired	Total
Trade	₱25	₱5	₱–	₱28	₱17	₱75
Employee stock incentive ownership plan	–	–	–	–	58	58
Others	5	2	1	16	79	103
	₱30	₱7	₱1	₱44	₱154	₱236

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.

The tables below summarize the maturity profile of the Group's financial liabilities based in contractual undiscounted payments as of June 30, 2012 and December 31, 2011:

June 30, 2012

	On demand	**More than 90 days**	**More than 1 year**	**Total**
Loans payable	**₱1,118**	**₱–**	**₱520**	**₱1,638**
Trade and other payables	**56**	**143**	**–**	**199**
Equity of claimowner in contract operations	**–**	**–**	**49**	**49**
Total	**₱1,174**	**₱143**	**₱569**	**₱1,886**

Excludes statutory payables

December 31, 2011

	On demand	More than 90 days	More than 1 year	Total
Loans payable	₱890	₱–	₱720	₱1,610
Trade and other payables	46	157	–	203
Equity of claimowner in contract operations	–	–	49	49
Total	₱936	₱157	₱769	₱1,862

**Excludes statutory payables*

Market Risks

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, 2012 and December 31, 2011 follow:

	June 30, 2012		December 31, 2011	
Amounts in Million	**USD**	**Peso Equivalent**	USD	Peso Equivalent
Asset				
Cash	**9**	**378**	21	918
Liabilities				
Trade and other payable	**–**	**–**	17	753
Loans payable	**4**	**160**	4	165
	4	**160**	21	918

As of June 30, 2012 and December 31, 2011, the exchange rates of the Philippine peso to the US Dollar are ₱42.283 and ₱43.408, respectively.

PFRS 9, Financial Instruments: Classification and Measurement

PFRS 9 reflects the first phase of the International Accounting Standards Board's (IASB) work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of these project expected on the first half of 2012. The adoption of the first phase of PFRS will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurement of financial liabilities. The Group is in the process of evaluating the possible financial impact of the adoption. Based on the foregoing evaluation, the Group decided not to early adopt PFRS 9 in the current year. PFRS 9 is effective beginning on or after January 1, 2015.