BenguetCorp

August 15, 2019

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay City 1307

Attention: MR. VICENTE GRACIANO P. FELIZMENIO, JR.
Director, Markets & Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
6th Floor, Philippine Stock Exchange Tower
5th Avenue corner 28th Street
Bonifacio Global City, Taguig 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 Benguet Corporation's 2019 Second Quarter Report (SEC Form 17-Q) ended June 30, 2019.

Please note that on August 9, 2019, we requested for extension of deadline to submit the said report under SEC Form 17-L for SEC and a written request for PSE.

We trust that you will find everything in order.

Very truly yours,

BENGUET CORPORATION
By:

REYNALDO P. MENDOZA
Officer-In-Charge / SVP for Legal, Public Affairs
and Assistant Corporate Secretary

Universal Re-Building, 106 Paseo de Roxas, 1226 Makati City Philippines
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COVER SHEET

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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)

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Month *Day*

(Calendar Year)

1	7	-	Q	

(Form Type)

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Month *Day*

(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable
Amended Articles Number/Section

Total Amount of Borrowings

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

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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, 2019**
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 <u>outstanding and amount of debt outstanding</u>
Convertible Preferred Class A	217,061 shares
Common Class A Stock	370,739,961 shares*
Common Class B Stock	245,031,222 shares*

(*) Net of Treasury Shares

Total consolidated outstanding principal loans as of June 30, 2019-- ₱295.06 Million

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.

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PLEASE REFER TO ANNEX "A" on pages 14 to 36 incorporated herein and form part of this report (SEC Form 17-Q) which contained the following reports:

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

I. 2019 SECOND QUARTER VS. 2018 SECOND QUARTER

A. FINANCIAL PERFORMANCE

Consolidated Results of Operations
Consolidated net loss for the second quarter and first semester of 2019 amounted to ₱7.0 million and ₱67.6 million, respectively, and net loss of ₱6.9 million and ₱43.3 million for the same period in 2018. The increase in net loss was the net effect of the following:

Revenues
The Company registered consolidated revenues of ₱238.1 million for the 2nd quarter of 2019 and ₱424.6 million for the first semester of 2019, lower than the ₱345.2 million and ₱681.5 million reported for the same periods in 2018. The negative variance is due to decline in nickel and gold revenue. For the first semester this year, BNMI ship-out 1 boatload of 1.5% nickel ore with a volume of 55,000 tons at an average price of US$22.50/ton versus 4 boatloads ranging from 1.4% to 1.5% with an aggregate volume of 218,635 tons at an average price of US$20.50 per ton for the same period in 2018. The decline in nickel revenue is attributed to the BNMI suspension and high swell in Candelaria port. On the other hand, gold revenue decreased to ₱262.6 million from ₱363.0 million due to lower gold sold of 3,861.18 ounces at an average price of US$1,308.12/ounce versus 5,321.53 ounces at an average price of US$1,317.71/ounce for the same period last year. The decrease in gold sales is attributable to lower ore milled at 19,987 tons for the first semester this year from 26,415 tons for the same period last year.

Operating and Other Expenses
Cost and operating expenses in the second quarter this year decreased to ₱261.2 million from ₱347.9 million for the same quarter in 2018 mainly due to the decrease in cost of mine products sold by 11% or ₱22.5 million and selling and general expenses by 44%. For the first semester this year, cost and operating expenses reduced by 29% to ₱501.9 million from ₱705.2 million.

The reduction is mainly due to lower cost of mine products sold this semester as against the same period last year.

Interest expense for the quarter and first semester of 2019 were lower compared for the same periods in 2018. The decrease is mainly due to the full payment of bank loan.

Other income for the quarter and first semester this year amounted to ₱22.3 million and ₱18.6 million, respectively, versus other expense of ₱2.2 million and ₱13.1 million for the same periods last year. The other income in 2019 is attributable to the ₱24.3 million discounts earned from the settlement of outstanding liability with Goldrich Construction and Trading amounting to ₱121.4 million and the ₱6.0 million gain on sale of property in Namayan, Mandaluyong City.

Provision for income tax of ₱6.0 million for the second quarter and ₱8.3 million for the first semester this year pertains to the minimum corporate income tax of the BC (Parent company), Benguetcorp Nickel Mines, Inc. (BNMI) and Keystone Port Logistics and Management Services Corporation (Keystone).

B. FINANCIAL CONDITION

Assets
The Company ended the second quarter of 2019 with consolidated total assets of ₱6.37 billion, slightly lower than ₱6.63 billion in 2018. The slight decrease is the net effect of the following:

Cash and cash equivalent decreased by 60% from ₱302.1 million in 2018 mainly to ₱119.8 million due to cash used in operation and repayment of loan and trade payables.

Receivables increased to ₱250.6 million from ₱210.9 million, mainly from exported nickel ore due for collection and cash advances subject for liquidation.

Inventories decreased by 8% to ₱118.9 million from ₱129.0 million mainly from the 1 boatload of nickel ore sold this first semester of 2019.

Other current assets reduced by ₱93.7 million mainly due to the conversion of ₱59 million VAT tax credit certificate to cash and ₱40 million tax refund obtain during the first semester this year.

Liabilities
Total consolidated liabilities as of June 30, 2019 decreased to ₱2.49 billion from ₱2,69 billion as of December 31, 2018. The decrease was due to the following:

Trade and other payables, mainly payables to suppliers and contractors, decreased by 19% to ₱688.3 million from ₱858.6 million due to payment to various suppliers and contractors.

Loans payable decreased to ₱507.9 million from ₱530.7 million on account of the full settlement of Malayan Savings Bank loans.

Increase in Income tax payable is due to the minimum corporate income tax of BC and its subsidiaries.

Equity
Stockholders Equity at year-end amounted to ₱3,870.6 million lower than ₱3,938.1 million in 2018. The decline is due to the net loss incurred during the first semester of this year.

Consolidated Cash Flow
The net cash used in operating activities for the first semester this year amounted to ₱134.7 million compared with ₱5.2 million cash used for the same period last year. During the first semester, the Company invested ₱14.0 million in property, plant and equipment, ₱543 thousand in exploration activities and ₱4.1 million in Mine Rehabilitation Fund in compliance with the requirement of Mines and Geo-sciences Bureau.

Net cash used in financing activities amounted to ₱25.6. million mainly on account of the full repayment of loan with Malayan Savings Bank.

C. OPERATIONAL OVERVIEW

Acupan Gold Project (AGP)
This quarter, AGP milled a combined 11,328 tons of ore grading 5.29 grams gold per ton, producing 1,928.30 ounces gold, lower compared to 11,944 tons of ore grading 6.93 grams gold per ton, producing 2,661.28 ounces gold. Gold production for the six-month period totaled 3,861.18 ounces from the milling of 19,987 tons of ore containing 6.01 grams of gold per ton, compared to the same period last year of 5,321.53 ounces from the milling of 26,415 tons of ore containing 6.27 grams of gold per ton. The decline in gold production reduced revenues to ₱131.5 million in the second quarter and ₱262.8 million in the first semester this year from ₱181.7 million and ₱363.0 million for the same periods in 2018. As a result, AGP incurred losses of ₱4.5 million and ₱9.1 million for the second quarter and first half of this year, compared to losses of ₱8.0 million and ₱6.8 million, respectively for the same periods last year.

AGP average milling rate for to-date June 2019 of 110 TPD is 25% lower than average milling rate of 146 TPD reported for the same period last year. Gold was sold at an effective average price of US$1,313.86 per ounce in the second quarter and US$1,308.12 per ounce in the first semester this year, higher compared to US$1,258.42 per ounce and US$1,242.13 per ounce for the same periods last year.

AGP continued mine development works and clearing activities to access better grade at L1500 and L1700, to enhance its milling and production capability. Next quarter, AGP will implement the pending increase in milling charges to its mining contractors for the first time since 2012 from ₱2,925/ton to ₱4,145/ton to reflect the effects of the increase in excise tax from 2% to 4% under the Tax Reform for Acceleration and Inclusion (TRAIN) Act, as well as increases in costs of raw materials. Meanwhile, BC team production crew is currently intensifying mining areas that were not awarded to contractors and tapping other revenue sources like processing of the Batuang tails while continuously evaluating production and operating performances of existing contractors and screening new contractor applicants with the aim of sustaining AGP operation. These programs are expected to reinforce the positive performance of the gold operation and the impact of which will be reflected starting the fourth quarter this year.

Sta. Cruz Nickel Project (SCNP)
Starting in 2017, the Company's nickel business under its wholly owned subsidiary, Benguetcorp Nickel Mines, Inc. (BNMI), operating the SCNP, has remained suspended pending the results of the audit conducted by the Mining Industry Coordinating Council (MICC). The regulatory agencies have allowed BNMI to haul and ship its remaining ore in inventory to avoid environmental risks which the stockpiles may pose during the rainy season. For the first semester of 2019, BNMI exported 1 boatload of nickel ore with an aggregate volume of 55,000 tons nickel ore averaging 1.5% Ni grade, lower compared to 4 boatloads with an aggregate volume of 218,635 tons nickel ore ranging from 1.4% to 1.5% Ni grade for the same period last year. Nickel ore was sold at a price of US$22.50/ton this year versus US$20.50/ton in 2018. The decline in sales volume

resulted to net loss of ₱84.2 million for the first half of 2019, higher compared to ₱51.7 million net loss for the same period last year.

No mining was conducted by BNMI during the first semester this year. BNMI continued to implement environmental rehabilitation programs including the Temporary Revegetation Program (TRP) of the Department of Environment and Natural Resources (DENR) under its Department Administrative Order (DAO) 2018-19. Since 2009 todate, BNMI planted 1.878 million seedlings of various plant species all over its tenement at 95% survival rate.

Benguet Antamok Gold Operation (BAGO)
In 2018, the Company formally submitted for approval of the MGB the Antamok Final Mine Rehabilitation and Decommissioning Plan (FMRDP). The aim of the FMRDP is principally to mitigate environmental risks and provide a sustainable final land use for the community. The Company spent a total of ₱6.8 million in 2018 for the rehabilitation of some of the major infrastructure in Antamok based on the submitted plans in the FMRDP proposal. Aside from revegetation, repair, and stabilization of the infrastructures, the FMRDP also includes long-term programs such as the Ecological Solid Waste Management Park Project with the Temporary Residual Containment Area (TRCA), and Waste to Energy (WtE) facilities; the Eco-tourism Water Park Project; and the Minahang Bayan (MB). On December 27, 2018, the Provincial Mining Regulatory Board (PMRB) of the Cordillera Administrative Region (CAR) has declared the Company's proposed area as Minahang Bayan after getting clearance from the DENR. This now allows the organizations of small-scale miners to apply for small-mining contracts in the Minahan Bayan area. Once approved, small-scale mining in the area will now be subject to the compliance measures implemented by the regulatory agencies.

Irisan Lime Project (ILP)
ILP reported after tax net income of ₱5.8 million this quarter and ₱12.0 million for the first half of 2019, higher compared to the net income of ₱5.21 million and ₱9.52 million for the same respective periods in 2018 mainly due to increase in selling price from ₱ 9,723/metric ton to ₱10,524/metric ton. Sales volume in the first semester this year aggregated to 5,452 tons, slightly higher than the 5,052 tons for the same period in 2018.

EXPLORATION, RESEARCH AND DEVELOPMENT
Recent geological works in Pantingan property conducted by the Company's geologists has identified two-(2) parcels composed of Block-1 and Block-3 areas hosting high quality mountain rock deposits favorably potential for rock aggregates. The potential rock formations comprised of consolidated volcanic conglomerate and massive andesite units based on their actual ground analysis and outcome of the laboratory physical tests indicated that it can used in all types of construction where coarse rock aggregates are needed. The location of the potential mountain rock deposits for rock aggregates is inside the mineral tenement controlled by Company in Bataan Province. Another parcel, which is closely north of Block-1 and outside of the tenement has been targeted for reconnaissance to semi-detailed mapping and geological evaluation to determine also its potential for mountain rock deposit. The actual groundworks are envisioned to be initiated in the third quarter this year.

SUBSIDIARIES AND AFFILIATES
Benguet Management Corporation (BMC), a wholly owned subsidiary of the Company, and its subsidiaries, reported consolidated net income of ₱20.0 million for the first semester of 2019 mainly due to the ₱6.0 million gain on sale of property located in Namayan, Mandaluyong City and ₱17.4 million discount earned by AFC from settlement of its outstanding liability with Goldrich Construction and Trading, compared with the net income of ₱0.03 million for the same period in 2018. BMC's current operational subsidiaries are as follows:

a. Arrow Freight Corporation (AFC), a logistics company, reported net income ₱11.4 million in the second quarter and ₱10.8 million for the first half of 2019, a turnaround from the net loss of

₱0.78 million and ₱0.49 million for the same respective periods in 2018. The income was mainly attributable to the ₱17.4 million discount earned in the settlement of outstanding liability with Goldrich Construction and Trading amounting to ₱87.6 million partly offset by losses incurred in Pampanga operation. The hauling operation and trading of vibro-sand in Pampanga was affected by the change in administration in San Simon and the truck ban ordinance of Apalit and San Luis, Pampanga. While studying a solution on the truck ban problem, AFC has ongoing negotiations with other construction companies in Pampanga and Bulacan for trading and hauling delivery of vibro-sand and aggregates.

b. Keystone Port Logistics Management & Services Corporation (KPLMSC), the port and barging services provider of the Company, reported net income of ₱3.1 million in the second quarter and net income of ₱1.6. million for the first half of 2019, compared with the net loss of ₱2.3 million and net income of ₱0.90 million for the same periods in 2018. For the first half this year, KPLMSC handled 1 shipment of BNMI nickel ore as compared to 4 shipments of BNMI nickel ore and 1 shipment of Eramen Minerals, Inc. nickel ore for the same period in 2018.

c. BMC Forestry Corporation (BFC) the real estate arm of the Company continues to develop and sell subdivision lots in its real estate project in Rosario, La Union, Woodspark Subdivision which reported a net income of ₱0.3 million this quarter and ₱2.6 million for the first half of 2019, as compared to the net income of ₱0.1 million and ₱0.2 million for the same respective periods in 2018. BFC continues to collect monthly amortizations and sell the remaining five (5) lots with an aggregate area of 1,763 square meters valued at ₱6.34 million.

BenguetCorp Laboratories Inc. (BCLI), the healthcare and diagnostic services provider of the Company continued to serve its core customers and the HMOs (Health Maintenance Organization) in its clinics in Baguio and San Fernando-Pampanga. Total revenues in the first half of 2019 driven by this segment plus corporate accounts, and others reached ₱21.3 million, lower than the revenues of ₱32.0 million for the same period last year due to challenges in sales operations. BCLI incurred a net loss of ₱5.1 million, lower than the loss of ₱14.5 million for the same period in 2018, relatively due to lower expenses payable during the first half this year. A robust sales drive and increasing sales volumes for the succeeding quarters are expected to improve BCLI’s performance

BenguetCorp International Limited (BIL), the Company’s Hongkong-based and 100% owned subsidiary for international operations, remains largely inactive. BIL’s wholly-owned subsidiaries, BenguetCorp Canada Limited (BCL) in Vancouver, B.C. and BenguetCorp USA Limited (BUSA) 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.

II. 2018 SECOND QUARTER VS. 2017 SECOND QUARTER

A. FINANCIAL PERFORMANCE

Consolidated Results of Operations
Consolidated net loss for the second quarter and first semester of 2018 amounted to ₱6.9 million and ₱43.3 million, respectively, a reversal from the net income of ₱28.1 million and ₱9.5 million for the same period in 2017. The increase/decrease in net loss was the net effect of the following:

Revenues
The Company registered consolidated revenues of ₱345.2 million for the 2nd quarter of 2018 and ₱681.5 million for the first semester of 2018, lower than the ₱497.3 million and ₱763.2 million reported for the same periods in 2017. The variance is due to decline in nickel revenue partly offset by increase in gold revenue. For the first semester this year, BNMI shipped-out 4 boatloads of 1.4% to 1.5% nickel ore with an aggregate volume of 218,635 tons at an average price of US$20.50/ton versus 6 boatloads ranging from 1.3% to 1.4% with an aggregate volume of

326,710 tons at an average price of US$21.50 per ton for the same period in 2017. The decline in nickel revenue is attributed to the BNMI suspension. On the other hand, gold revenue in the second quarter of 2018 was improved to P363.0 million from ₱329.4 million due to increase in gold price to US$1,317.71/ounce from US$1,242.13/ounce for the same period in 2017.

Operating and Other Expenses

Cost and operating expenses in the second quarter of 2018 was decreased by 26% to ₱347.9 million from ₱467.2 million for the same quarter in 2017 mainly due to decrease in cost of mine products sold by 23% or ₱63.6 million and decrease in selling and general expenses by 39% or ₱60.7 million. For the first semester in 2018, cost and operating expenses slightly reduced by 4% to ₱705.2 million from ₱737.4 million in 2017. The reduction is mainly due to lower selling and general expenses in the first semester of 2018 as compared to the same period in 2017.

Interest expense for the quarter and first semester of 2018 were lower compared to the same periods in 2017. The decrease is mainly due to the partial repayment of Malayan Savings Bank loan.

Other expense for the quarter and first semester of 2018 amounted to ₱2.2 million and ₱13.1 million, respectively, versus other income of ₱27.7 million and ₱17.4 million for the same periods in 2017. The negative variance is attributed to unrealized foreign exchange loss on dollar denominated advances under the Nickel Off-take Agreement.

Provision for income tax of ₱0.8 million for the second quarter and ₱3.9 million for the first semester in 2018 pertains to the minimum corporate income tax of the BC (Parent company), Benguetcorp Nickel Mines, Inc. (BNMI) and Keystone Port Logistics and Management Services Corporation (Keystone).

B. <u>FINANCIAL CONDITION</u>

Assets

The Company ended the second quarter of 2018 with consolidated total assets of ₱6.41 billion, slightly lower than ₱6.56 billion in 2017. The slight decrease is the net effect of the following:

Cash and cash equivalent decreased by ₱43.1 million mainly from cash used in operation and amortization of loan payables.

Receivables decreased to ₱701.5 million from ₱761.7 million, mainly from collection of nickel ore receivables shipped in 2017.

Inventories decreased by 21% to ₱131.6 million from ₱167.3 million mainly from the 4 boatloads of stockpiled nickel ore sold in the first semester of 2018.

Liabilities

Total consolidated liabilities as of June 30, 2018 decreased to ₱2,752.8 million from ₱2,860.7 million as of December 31, 2017. The decrease was due to the following:

Trade and other payables, mainly payables to suppliers and contractors, decreased to ₱976.3 million from ₱1,028.0 million due to payment to various suppliers and contractors.

Loans payable decreased to ₱630.4 million from ₱678.6 million on account of the settlement of Malayan Savings Bank loans.

Decrease in income tax payable is due to payment made to Bureau of Internal Revenue

Equity
Stockholders Equity at year-end 2018 amounted to ₱3,661.0 million lower than ₱3,704.6 million in 2017. The decline is attributed to the net loss incurred during the first semester of 2018.

Consolidated Cash Flow
The net cash used in operating activities for the first semester 2018 amounted to ₱5.2 million compared to the ₱23.4 million cash provided by operations in 2017. In the first semester of 2018, the Company invested ₱325 thousand in exploration activities and ₱4.1 million in Mine Rehabilitation Fund in compliance with the requirement of Mines and Geo-sciences Bureau. Net cash used in financing activities amounted to ₱48.2 million on account of the repayment made to Malayan Savings Bank.

C. OPERATIONAL OVERVIEW

Acupan Gold Project (AGP)
AGP reported a net loss of ₱6.3 million in the 2018 second quarter, a reversal of the net income of ₱9.9 million for the same period in 2017. This is mainly accounted for by lower gold sold which totaled 2,661 ounces against 2,926 ounces sold in 2017 coupled with higher production costs, largely contactors' fees, milling expenses and excise tax for the period. Revenues slightly decreased to ₱181.7 million in 2018 second quarter from ₱183.6 million in the same period of 2017. This is despite higher average price of gold during the 2018 second quarter averaging $1,305.39 per ounce as against $1,258.42 per ounce for the same period in 2017. For the first semester of 2018, AGP reported a net loss of ₱5.2 million compared to the net income of ₱7.3 million reported for the same period of 2017. The negative variance is mainly accounted by higher production costs particularly contractors' fees, milling cost and mill equipment maintenance, excise tax and depletion expense. Revenues for the first semester of 2018 rose to ₱363 million from ₱329 million revenues generated for the same period last year on account of slightly higher gold ounces sold of 5,321.53 ounces from 5,313.82 ounces, coupled with higher average gold price of $1,317.71 per ounce against $1,242.13 per ounce in the same period of 2017.

AGP milled a combined 26,415 tons with an average mill head of 6.27 grams of gold per ton for the to-date June 2018 compared to 25,559 tons with an average mill head of 6.52 grams of gold per ton for the same period in 2017. Average milling rate for to-date June 2018 of 146 TPD is 3% higher than average milling rate of 141 TPD reported for the same period of 2017. AGP is currently processing renewal of individual mining contracts as it plans to undertake necessary mine development works and clearing activities at L1500 and L1700 which are consistent sources of good-grade ores.

AGP which is a part of Benguet Gold Operation (BGO) was certified ISO:14001 (2015 version) on Environmental Management System issued on March 11, 2016 by TUV Rheinland (TUVR), an independent international certification body, after undergoing intensive review and audit of its gold operations. The certification makes BGO fully compliant with the requirement of DENR Administrative Order No. 2015-07 which requires ISO rating of mining companies as seal of approval on environmental maintenance. Subsequent surveillance audits conducted by TUVR in 2017 and 2018 saw BGO passing then with zero (0) non-conformities or non-compliances.

Sta. Cruz Nickel Operation
For the first semester of 2018, BNMI exported 4 boatloads of nickel ore with an aggregate volume of 218,635 tons nickel ore ranging from 1.4% to 1.5% Ni grade, lower compared to 6 boatloads with an aggregate volume of 326,710 tons nickel ore ranging from 1.3% to 1.4% Ni grade for the same period in 2017. Nickel ore was sold at average price of US$20.50/ton this year versus US$21.50/ton in 2017. The decline in volume and price coupled with ₱13.2 million loss provision on dollar denominated advances from nickel off-take agreement resulted to net loss of ₱51.7 million for the first half of 2018, lower compared to ₱72.1 million net loss for the same period in

2017. Ore sold were stockpiles from the mine site which were allowed to be removed due to the environmental risk the stockpiles may pose during the rainy season.

No mining was conducted by BNMI during the first semester of 2018 because of the continuing regulatory issues affecting its operations which management is currently resolving. BNMI is continuously complying the remediation conditions set forth by the regulatory agencies and diligently implementing its Environmental Protection and Enhancement Programs to ensure the suspension of mining activities will not lead to environmental degradation. In spite of mining suspension, it continuously performed geological mapping in Area 3 of its mineral tenement to re-validate and delineate the various earth features along sections enclosed by the previous mining operations, stockpiles, settling ponds and mappable lithological domains and its controlling geological structures. Boundaries of forest reforestation and other regenerated sites were also delineated as mapped in the field. The covered and mapped parcels in Area-3 has a size dimension of 89.60 hectares.

Subsequent surveillance audits conducted by TUV Rhineland in June 2018 saw BNMI passing the audits and retaining its ISO:14001 (2015 version) Certification on Environment Management System. This is a reflection of BNMI's conformity to high standards in achieving operational efficiency, care of the environment and practicing health and safety protocols.

Benguet Antamok Gold Operation (BAGO)

BAGO suspended operations in 1998 due to low price of gold. Several attempts to revive the mine after the 1992 earthquake proved futile because the area has been encroached by small scale miners who the Company could not turn away because the mine has become their main source of livelihood. The Company made the prudent choice recently to submit for approval of the MGB the Antamok Final Mine Rehabilitation and Decommissioning Plan (FMRDP) which will among others turn over to the government portion of its titled patented claims for Minahan Bayan where small scale mining operation will be confined to regulate and where the activities of small-scale miners can be regulated and legitimized. The FMRDP proposal submitted to MGB-CAR for approval is one that provides the best land use for the area from the perspective of economics, environment and benefits to the host Local Government Unit (LGU) and community. The FMRDP progresses in two phases: Phase 1 on slope stabilization, vegetation and stabilization of old mine infrastructure. Phase 2 will cover three (3) long term and sustainable components namely the Ecological Solid Waste Management Project with components of TRCA, and Waste to Energy facilities; the Eco-tourism Water Park Project; and the Minahang Bayan.

Irisan Lime Project (ILP)

ILP net income rose to ₱5.21 million in the second quarter and ₱9.52 million for the first half of 2018, compared to the net income of ₱2.63 million and ₱5.56 million for the same respective periods in 2017. The increase is attributed to higher revenue and reduction in cost. ILP has production capacity of 1,800 tons of quicklime per month for the three (3) kilns operation.

Subsidiaries and Affiliates

Benguet Management Corporation (BMC), a wholly owned subsidiary of the Company, and its subsidiaries, reported consolidated net loss of ₱0.12 million in the second quarter and modest net income of ₱0.03 million in the first semester of 2018, compared with the net loss of ₱3.9 million and ₱7.8 million for the same periods in 2017 mainly due to suspension of operations of its major client, BNMI. BMC's current operational subsidiaries are as follows:

a. Arrow Freight Corporation (AFC), BMC''s logistics company, reported net loss of ₱0.78 million in first quarter and ₱0.49 million in the first half of 2018, lower as compared with the net loss of ₱3.62 million and ₱7.4 million for the same respective periods in 2017 mainly due to suspension of mining activities of its major client, BNMI. AFC is aggressively pursuing its market diversification plans due to uncertainties in the mining industry. AFC together with Benguetrade Inc., expanded its operation to include trading and delivery of aggregates to major batching plants and serving the growing construction industry.

b. Keystone Port Logistics and Management Services Corporation (KPLMSC), the port management and barging services provider of the Company, reported net loss of ₱2.3 million in the second quarter and net income of ₱0.90 million in the first half of 2018, compared with the net income of ₱7.2 million and ₱7.5 million for the same respective periods in 2017 mainly due to lower tonnage of shipload handled. KPLMSC handled the 4 shipments of BNMI nickel ore and 1 shipment of Eramen Minerals, Inc. nickel ore.

Benguetcorp Laboratories Inc. (BCLI)'s revenues reached ₱32.0 million for the first half of the year 2018, slightly lower than last year's of ₱33.1 million revenue performance for the same period in 2017 due to challenges in sales operations. The company incurred a net loss of ₱14.5 million in 2018, higher compared to the net loss of ₱2.5 million of the same period in 2017 mainly attributable to 2018's provision for extraordinary expenses related to depreciation and impairment of input tax. A robust sales drive and increasing sales volumes for the second half of 2018 is expected to improve BCLI's bottom line.

BenguetCorp International Limited (BIL), the Company's Hongkong-based and wholly owned subsidiary for international operations, remains largely inactive. BIL's wholly-owned subsidiaries, BenguetCorp Canada Limited (BCL) in Vancouver, B.C. and BenguetCorp USA Limited (BUSA) 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.

KNOWN TRENDS, EVENTS OR UNCERTAINTIES

The Company foresees cash flow or liquidity problems over the next twelve (12) months due to continuing regulatory issues affecting BNMI's nickel operations which management is currently resolving. The continued gold production from AGP, steady market of ILP's quicklime, disposal of non-performing assets, tax refunds from the Bureau of Internal Revenue and borrowing under the available credit facilities, will generate adequate cash for the Company to meet its operating cash requirement.

Within the ensuing twelve months, the Company anticipates changes in the number of employees due to retirement and retrenchment of BNMI employees.

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

Except for the Company's outstanding bank loans, there are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. Funding of maturing obligations shall be sourced from internally generated cash flow. As of June 30, 2019, the consolidated total outstanding principal loan amounted to ₱295.06 million.

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

The Company continues to fund the capital requirements of AGP expansion program. The sales of gold from AGP and quicklime from ILP, are the sources of funds for capital expenditures or from debt servicing under the available credit facilities.

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

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

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

KEY PERFORMANCE INDICATORS

1. Working *Capital* – Working capital (current assets less current liabilities) and current ratio (current assets over current liabilities) measures the liquidity or debt paying ability of the Company. As of June 30, 2019, the Company current ratio is 0.86:1 versus 1.12:1 for the same period in 2018.

2. M*etal Price* – The market price of gold in the Banko Sentral ng Pilipinas which is based on the world spot market prices provided by the London Metal Exchange is the key indicator in determining Company's revenue for gold. This quarter, the average market prices for gold sold were at US$1,313.86 per ounce compared to US$1,305.39 per ounce for the same quarter in 2018. Nickel ore was sold at average price of US$22.50/ton versus US$20.50/ton for the same period last year. The favorable metal prices will also have a favorable impact on the Company's revenue.

3. T*ons Mill and Ore Grade* – Tons milled and ore grade determine gold production and sales volume. The higher the tonnage and ore grade, the more gold are produced and sold. This quarter, tons milled were 11,328 tons of gold ore with average grade of 5.29 grams per ton gold versus last year of 11,944 tons of ore with average grade of 6.93 grams per ton gold. Gold sold this quarter were 1,928.30 ounces versus gold sold of 2,661.28 ounces for the same period last year. BNMI sold nickel ore this quarter with an aggregate volume of 55,000 tons versus 110,000 tons for the same period last year.

4. F*oreign Exchange Rate* –The Company's sales proceeds are mainly in U.S. dollars, a higher Philippine peso to U.S. dollar exchange rate means higher peso sales revenue, but would also reflect a foreign exchange loss on the restatement of the Company's dollar obligations. Conversely, a lower exchange rate reduces the Company's revenue in pesos but brings foreign exchange income on the loans. As of June 30, 2019, the peso to dollar exchange rate was at ₱51.24 higher than the ₱53.34 for the same period in 2018. The volatility in the foreign currency exchange rates will continue to affect the operations in the foreseeable future.

5. E*arnings Per Share* - The earnings per share reflect the Company's bottom line operating results expressed in amount per share of the Company's outstanding capital stock. Assuming a constant outstanding number of shares, as a Company's earnings increase, the earnings per share correspondingly increase. This quarter, earnings per share is ₱0.01 versus (P0.01) loss per share for the same period of 2018.

The Company's key performance indicator used for its subsidiaries is Net Income for the first half of the year versus first half period of previous year.

Benguet Management Corporation (BMC) and its subsidiaries reported a consolidated net income of ₱20.0 million for the first semester this year, higher than the net income of ₱0.03 million posted for the same period in 2018.

PART II--OTHER INFORMATION

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

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

SIGNATURES

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

Issuer............................**BENGUET CORPORATION**...
By:

Signature and Title: **HERMOGENE H. REAL**
Corporate Secretary

Principal Financial/Accounting Officer/Comptroller:

Signature and Title: **LINA G. FERNANDEZ**
Officer-In-Charge/SVP for Finance & Controller

Annex "A"

BENGUET CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2019 AND DECEMBER 31, 2018
(Amounts in Thousands)

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	**₱119,819**	₱302,118
Trade and other receivables	**250,614**	210,872
Inventories	**118,925**	128,999
Other current assets	**538,392**	632,107
Total Current Assets	**1,027,750**	1,274,096
Asset classified as held for sale	**4,130**	4,130
	1,031,880	1,278,226
Noncurrent Assets		
Property, plant and equipment	**2,093,939**	2,200,682
Financial assets measured at fair value through other comprehensive income (FVOCI)	**12,136**	10,798
Deferred mine exploration costs	**539,541**	538,998
Investment property	**2,300,622**	2,217,566
Deferred tax assets - net	**73,591**	73,591
Other noncurrent assets	**313,797**	307,616
Total Noncurrent Assets	**5,333,626**	5,349,251
TOTAL ASSETS	**₱6,365,506**	₱6,627,477
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable	**₱507,893**	₱530,670
Trade and other payables	**688,327**	858,586
Income tax payable	**1,116**	28
Total Current Liabilities	**1,197,336**	1,389,284
Noncurrent Liabilities		
Deferred income tax liabilities - net	**725,721**	725,721
Liability for mine rehabilitation	**90,329**	90,329
Pension liability	**54,127**	54,127
Other noncurrent liabilities	**427,378**	429,953
Total Noncurrent Liabilities	**1,297,555**	1,300,130
Total Liabilities	**2,494,891**	2,689,414
Equity		
Capital stock	**616,863**	616,863
Capital surplus	**376,964**	376,964
Other components of equity	**922,802**	922,693
Retained earnings	**1,962,002**	2,029,559
	3,878,631	3,946,079
Cost of 116,023 shares held in treasury, ₱69 per share	**(8,016)**	(8,016)
Total Equity	**3,870,615**	3,938,063
TOTAL LIABILITIES AND EQUITY	**₱6,365,506**	₱6,627,477

BENGUET CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2019
(With Comparative Figures for the six months ended June 30, 2018)
(Amounts in Thousands)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2019	2018	**2019**	2018
REVENUES				
Sale of mine products	**₱238,079**	₱–	**₱424,603**	₱–
Sale of mine products	–	320,928	–	637,081
Sale of merchandise and services	–	24,236	–	44,468
	238,079	345,164	**424,603**	681,549
COSTS AND OPERATING EXPENSES				
Costs of mine products sold	**188,219**	210,719	**293,367**	427,698
Costs of merchandise sold and services	**8,486**	24,050	**15,357**	46,424
Selling and general	**53,259**	95,180	**176,568**	196,141
Taxes on revenue	**11,212**	17,974	**16,565**	34,895
	261,176	347,923	**501,857**	705,158
LOSS FROM OPERATIONS	**(23,097)**	(2,759)	**(77,254)**	(23,609)
INTEREST EXPENSE	**202**	1,027	**608**	2,617
OTHER INCOME (EXPENSE)				
Interest income	**55**	69	**1,058**	171
Foreign exchange gain (loss)	**2,347**	(11,062)	**2,733**	(20,938)
Miscellaneous – net	**19,850**	8,804	**14,834**	7,619
	22,252	(2,189)	**18,625**	(13,148)
LOSS BEFORE INCOME TAX	**(1,047)**	(5,975)	**(59,237)**	(39,374)
PROVISION FOR INCOME TAX	**5,953**	877	**8,320**	3,943
NET LOSS	**(₱7,000)**	(₱6,852)	**(₱67,557)**	(₱43,317)
BASIC EARNINGS (LOSS) PER SHARE	**(₱0.01)**	(₱0.01)	**(₱0.11)**	(₱0.07)
DILUTED EARNINGS (LOSS) PER SHARE	**(₱0.01)**	(₱0.01_	**(₱0.11)**	(₱0.07)

BENGUET CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2019
(With Comparative Figures for the six months ended June 30, 2018)
(Amounts in Thousands)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2019	2018	**2019**	2018
NET LOSS	**(₱7,000)**	(₱6,852)	**(₱67,557)**	(₱43,317)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items to be reclassified to profit or loss in subsequent periods:				
Translation adjustment on foreign subsidiaries	**97**	(264)	**103**	(418)
Items not to be reclassified to profit or loss in subsequent periods:				
Unrealized gain on equity instruments designated at FVOCI	**(134)**	43	**6**	75
OTHER COMPREHENSIVE INCOME (LOSS)	**(37)**	(221)	**109**	(343)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱6,963)**	(₱7,073)	**(₱67,448)**	(₱43,660)

BENGUET CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2019
(With Comparative Figures for the six months ended June 30, 2018)
(Amounts in Thousands)

	June 30, 2019 (Unaudited)	June 30, 2018 (Unaudited)	December 31, 2018 (Audited)
CAPITAL STOCK	**₱616,863**	₱616,863	₱616,863
CAPITAL SURPLUS	**376,964**	375,726	376,964
REVALUATION INCREMENT	**839,669**	720,428	839,669
CUMULATIVE TRANSLATION ADJUSTMENT			
Balance at beginning of period	**32,721**	32,848	32,848
Translation adjustment	**103**	(418)	(127)
Balance at end of period	**32,824**	32,430	32,721
COST OF SHARE-BASED PAYMENT			
Balance at beginning of period	**25,089**	26,327	26,327
Cancellation of stock options	**–**	–	(1,238)
Balance at end of period	**25,089**	26,327	25,089
UNREALIZED GAIN ON FINANCIAL ASSETS AT FVOCI			
Balance at beginning of period	**1,013**	1,059	1,059
Transfer of fair value reserve on disposed financial assets at FVOCI	**–**	–	(382)
Other comprehensive income (loss)	**6**	75	336
Balance at end of period	**1,019**	1,134	1,013
REMEASUREMENT LOSS ON PENSION LIABILITY	**24,201**	29,274	24,201
RETAINED EARNINGS			
Balance at beginning of period	**2,029,559**	1,910,135	1,910,135
Transfer of fair value reserve on disposed financial assets at FVOCI	**–**	–	382
Net income (loss) for the period	**(67,557)**	(43,317)	119,042
Balance at end of period	**1,962,002**	1,866,818	2,029,559
TREASURY SHARES	**(8,016)**	(8,016)	(8,016)
TOTAL EQUITY	**₱3,870,615**	₱3,660,984	₱3,938,063

BENGUET CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2019
(With Comparative Figures for the six months ended June 30, 2018)
(Amounts in Thousands)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2019	2018	**2019**	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax	**(₱1,047)**	(₱5,975)	**(₱59,237)**	(₱39,374)
Adjustments for:				
Depreciation, depletion and amortization	**10,549**	19,694	**31,513**	38,944
Unrealized foreign exchange loss (gain)	**97**	–	**326**	–
Gain on sale of property, plant and equipment	**6,188**	–	**6,188**	19
Decrease (increase) in:				
Trade and other receivables	**17,198**	73,305	**(39,742)**	60,167
Inventories	**7,796**	4,522	**10,074**	35,677
Prepaid expenses and other current assets	**85,901**	(41,447)	**86,483**	(48,476)
Increase (decrease) in trade and other payables	**(76,806)**	(15,615)	**(170,259)**	(52,174)
Net cash from (used in) operating activities	**49,876**	34,484	**(134,654)**	(5,217)
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in:				
Property, plant and equipment	**(2,935)**	–	**(14,014)**	280
Deferred exploration costs	**(313)**	(259)	**(543)**	(325)
Other assets	**(3,518)**	2,421	**(6,181)**	(4,058)
Available for sale investments	**(772)**	(393)	**(1,332)**	(393)
Net cash from (used in) investing activities	**(7,538)**	1,769	**(22,070)**	(4,496)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net availment (repayment) of loans payable	**–**	(19,884)	**(23,000)**	(48,218)
Increase (decrease) in other noncurrent liabilities	**(28,282)**	(36,462)	**(2,575)**	14,820
Net cash used in financing activities	**(28,282)**	(56,346)	**(25,575)**	(33,398)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**14,056**	(20,093)	**(182,299)**	(43,111)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**105,763**	41,510	**302,118**	64,528
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱119,819**	₱21,417	**₱119,819**	₱21,417

BENGUET CORPORATION AND SUBSIDIARIES

EARNINGS PER SHARE COMPUTATION

FOR THE THREE MONTHS ENDED JUNE 30, 2019 AND 2018

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

	June 30	
	2019	2018
Net loss	**(₱67,557)**	(₱43,317)

Number of shares for computation of:

	June 30	
	2019	2018
Basic earnings per share		
Weighted average common shares issued	**616,119,252**	616,001,202
Less treasury stock	**348,069**	348,069
Weighted average common shares outstanding	**615,771,183**	615,653,133
Diluted earnings per share		
Weighted average common shares issued	**616,119,252**	616,001,202
Less treasury stock	**348,069**	348,069
	615,771,183	615,653,133
Conversion of preferred stock	**–**	–
	615,771,183	615,653,133
Basic earnings (loss) per share	**(₱0.11)**	(₱0.07)
Diluted earnings (loss) per share	**(₱0.11)**	(₱0.07)

BENGUET CORPORATION AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

	June 30	
	2019	2018
Profitability Ratio		
Return on asset	**(0.01):1**	(0.01):1
Return on equity	**(0.02):1**	(0.01):1
Gross profit margin	**0.27:1**	0.30:1
Operating profit margin	**(0.18):1**	(0.03):1
Net profit margin	**(0.16):1**	(0.06):1
Liquidity and Solvency Ratio		
Current ratio	**0.86:1**	1.12:1
Quick ratio	**0.31:1**	0.45:1
Solvency ratio	**2.55:1**	2.33:1
Financial Leverage Ratio		
Asset to equity ratio	**1.64:1**	1.75:1
Debt ratio	**0.39:1**	2.33:1
Debt to equity ratio	**0.64:1**	0.75:1
Interest coverage ratio	**96.43:1**	14.05:1

BENGUET CORPORATION AND SUBSIDIARIES

AGING OF RECEIVABLES

AS OF JUNE 30, 2019
(Amounts in Thousands)

TYPE OF RECEIVABLES	LESS THAN 30 DAYS	30 TO 60 DAYS	LESS THAN ONE YEAR	ONE TO TWO YEARS	THREE TO FIVE YEARS	MORE THAN FIVE YEARS	TOTAL
Trade receivables	₱2,424	₱1,089	₱6,891	₱17,268	₱24,933	₱47,824	₱100,429
Allowance for doubtful accounts	–	–	–	–	–	(21,181)	(21,181)
Trade receivables – net	2,424	1,089	6,891	17,268	24,933	26,643	79,248
Nontrade receivables:							
Officers and employees	1,156	33	141	507	260	3,707	5,804
Others	8,854	3,490	9,052	14,386	50,350	201,086	287,218
Total	10,010	3,523	9,193	14,893	50,610	204,793	293,022
Allowance for doubtful accounts	–	–	–	–	–	(121,656)	(121,656)
Nontrade receivables - net	10,010	3,523	9,193	14,893	50,610	83,137	171,366
Trade and other receivables – net	₱10,010	₱4,612	₱16,084	₱32,161	₱75,543	₱109,780	₱250,614

1. Corporate Information

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

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

2. Summary of Significant Accounting Policies

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

<u>Statement of Compliance</u>
The unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements of Benguet Corporation (the Company) and its subsidiaries (the Group) do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2018.

<u>Changes in Accounting Standards and Interpretation</u>
Effective January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- PFRS 16, *Leases*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- *Annual Improvements to PFRSs* 2015-2017 Cycle
    - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
    - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
    - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

Financial Instruments

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL.

Contractual cash flow characteristics
The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Business model
The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:
- The financial is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include trade and other receivables, lessees from bunkhouses, loans receivable under "Trade and Other Receivables" and nontrade advances under Other Noncurrent Assets

Financial assets designated at FVOCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to consolidated statement of income. Dividends are recognized as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in consolidated statement of comprehensive income. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its UITF and quoted shares under this category.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Payables

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations (e.g., accounts payable, accrued liabilities). Payables are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

This accounting policy applies to the Group's trade payables and accrued expenses, and equity of claim owners on contract operations under other noncurrent liabilities.

Loans and borrowings

After initial measurement, loans and borrowings are measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral part of the EIR.

This category generally applies to the Group's loans payable.

Derecognition of Financial Assets and Liabilities

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is primarily derecognized (i.e., removed from the Group's statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset in measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

Impairment of Financial Assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral on the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognized a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the unaudited interim condensed consolidated financial statements in accordance with PFRS requires the Group to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments

In the process of applying the Group's accounting policies, management has made following judgments, which have the most significant effect on the amounts recognized in the interim condensed consolidated financial statements.

Determining Functional Currency
The Parent Company, based on the relevant economic substance of the underlying circumstances, has determined the functional currency of each entity, except for foreign subsidiaries, under the Group to be the Philippine peso. It is the currency of the primary economic environment in which the Group primarily operates.

Determining the Group's Business Model
The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

Assessing Provisions and Contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group assessed that these proceedings will not have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

Distinction between Investment Property and Owner-Occupied Property
The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property is not occupied substantially for use by, or in operations of the Group, not for sale in the ordinary course of business, but is held primarily to earn rental income or capital appreciation. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the production or supply process. Management concluded that some of its parcels of land at Irisan, Baguio City and Itogon, Benguet are investment properties.

Principal versus agent considerations
The Group enters into contracts with customers wherein the Group charges the customers for the services rendered. The Group determined that it does not control the goods or services before they are transferred to customers, and it does not have the ability to direct the use of the services or obtain benefits from the services. The following factors indicate that the Group does not control the services before they are being transferred to customers. Therefore, the Group determined that it is an agent in these contracts.

- The Group is not primarily responsible for fulfilling the promise to provide the professional services.
- The Group has no discretion in establishing the price for the services provided. The Group's consideration in these contracts is only based on the difference between the Group and the customer.

The Group determined that it is an agent with respect to the professional fees of its tenant doctors. Meanwhile, the Group concluded that it is the principal in all its other revenue streams.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year, are discussed below. The Group based its assumptions and estimates on parameters available when the interim condensed consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when these occur.

Provision for expected credit losses on Trade and Other Receivables
The Group uses the general approach model as new impairment requirement of PFRS 9 about ECL, which replaced the PAS 39 incurred loss model. An assessment of the ECL relating to trade and other receivables is undertaken upon initial recognition and each financial year. The simplified general approach of the ECL impairment model involves exercise of significant judgment. Key areas of judgment include: defining default, determining assumptions to be used such as timing and amounts of expected net recoveries from defaulted accounts, determining debtor's capacity to pay, and incorporating forward looking information.

The carrying amount of trade and other receivables amounted to ₱250,614 and ₱210,872 as at June 30, 2019 and December 31, 2018, respectively.

Estimating Ore Reserves
Ore reserves estimates are, to a large extent, based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies. The Group estimates its ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The Group also makes estimates and assumptions regarding a number of economic and technical factors affecting ore reserves estimates, such as production rates, grades, foreign exchange rates, production and transport costs, and commodity prices.

These geological, economic and technical estimates and assumptions may change in the future in ways, which can affect the quality and quantity of the ore reserves. The Group reviews and updates estimates as required to reflect actual production, new exploration data or developments and changes in other assumptions or parameters. These estimates will change from time to time to reflect mining activities, analyses of new engineering and geological data, changes in ore reserve and mineral resource holdings, modifications of mining plans or methods, changes in nickel or gold prices or production costs, and other factors.

Changes in the ore reserves estimates may impact the carrying values of property, plant and equipment, provision for mine rehabilitation and decommissioning and depletion charges.

Assessing Recoverability of Deferred Mine Exploration Costs
The Group reviews the recoverability of deferred mine exploration costs when events or changes in circumstances indicate that the carrying amount of deferred mine exploration costs may exceed its estimated recoverable amount. The Group considers the following factors, among others, in its assessment:
- Status of each mine exploration project and plans on exploration and evaluation activities
- Validity of the licenses, permits and correspondences related to each mine exploration project
- Plans to abandon existing mine areas and plans to discontinue exploration activities
- Availability of information suggesting that the recovery of expenditure is unlikely

As at June 30, 2019 and December 31, 2018, deferred mine exploration costs amounted to ₱539,541 and ₱538,998, respectively.

Estimating Recoverability of Property, Plant and Equipment
The Group assesses impairment on property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of the property, plant and equipment may not be recoverable.
The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results
- Significant changes in the manner of use of the acquired assets or the strategy for overall business, and
- Significant negative industry or economic trends

In determining the present value of estimated future cash flows expected to be generated from the continued use of the property, plant and equipment, the Group is required to make estimates and assumptions such as commodity prices, discount rates and foreign currency exchange rates, which can materially affect the consolidated financial statements. Commodity prices and foreign exchange rates are based on forecasts of various financial institutions while the discount rate is based on industry weighted average cost of capital.

An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, property, plant and equipment are grouped at the lowest levels for which there are separately identifiable cash flows. An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows.

As at June 30, 2019 and December 31, 2018, property, plant and equipment (at revalued amount and at cost) amounted to ₱2,300,622 and ₱2,200,682, respectively
.

Estimating Allowance for Inventory Obsolescence
The Group maintains allowance for inventory losses at a level considered adequate to reflect the excess of cost of inventories over their NRV. NRV of inventories are assessed regularly based on prevailing estimated selling prices of inventories and the corresponding cost of disposal. Increase in the NRV of inventories will increase cost of inventories but only to the extent of their original acquisition costs. As at June 30, 2019 and December 31, 2018, the carrying value of inventories amounted to ₱118,925 and ₱128,999, respectively.

Assessing Impairment of Other Current and Noncurrent Assets
The Group provides allowance for impairment losses on other current and noncurrent assets when these can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for probable loss would increase recorded expenses and decrease other current and noncurrent assets.

The total carrying value of other current assets and other noncurrent assets amounted to ₱852,189 and ₱939,723 as at June 30, 2019 and December 31, 2018, respectively.

Revaluation of property, plant and equipment and investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statement of income. In addition, it measures the land and artworks at revalued amounts, with changes in fair value being recognized in the consolidated statements of comprehensive income. The land, artworks and investment properties were valued using the sales comparison approach. The determination of the fair values of these properties involves significant management judgment and estimations. The valuation also requires the assistance of external appraisers whose calculations also depend on certain assumptions, such as sales and listing of comparable properties registered within the vicinity and adjustments to sales price based on internal and external factors. As at June 30, 2019 and December 31, 2018, the appraised value of land and artworks, and investment properties amounted to ₱3,454,037.

Estimating Liability for Mine Rehabilitation
The Group estimates the costs of mine rehabilitation based on previous experience in rehabilitating fully mined areas in sections of the mine site. These costs are adjusted for inflation factor based on the average annual inflation rate as of adoption date or re-evaluation of the asset dismantlement, removal or restoration costs. Such adjusted costs are then measured at present value using the market interest rate for a comparable instrument adjusted for the Group's credit standing. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's liability for mine rehabilitation. Liability for mine rehabilitation amounted to ₱90,329 as at June 30, 2019 and December 31, 2018.

Estimating Cost of Share-Based Payment
The Parent Company's Nonqualified Stock Option Plan grants qualified participants the right to purchase common shares of the Parent Company at a grant price. The ESOIP recognizes the services received from the eligible employees and an equivalent adjustment to the equity account over the vesting period. The Parent Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in the annual consolidated financial statements. While management believes that the estimates and assumptions used are reasonable and appropriate, significant differences in actual experience or significant changes in the estimates and assumptions may materially affect the stock compensation costs charged to operations. Cost of share-based payment amounted to ₱25,089 as at June 30, 2019 and December 31, 2018.

Estimating Pension Benefits
The cost of defined benefit pension and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at the end of each reporting period. Net pension liability of the Parent Company amounted to ₱52,308 as at June 30, 2019 and December 31, 2018. Net pension liability of AFC amounted to ₱1,819 as at June 30, 2019 and December 31, 2018.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the Philippines and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the Philippines.

Assessing Realizability of Deferred Tax Assets
The Group reviews the carrying amounts of deferred tax assets at each end of the reporting period and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group recognized net deferred tax assets amounting to ₱77,074 as at June 30, 2019 and December 31, 2018. The Group has unused NOLCO, MCIT and deductible temporary differences amounting to ₱935,261 as at June 30, 2019 and December 31, 2018 for which deferred tax assets were not recognized as it is not probable that sufficient future taxable profits will be available against which the benefit of the deferred tax assets can be utilized.

4. Financial Risk Management Objectives and Policies

The Group's principal financial instruments pertain to unsecured and secured bank loans. The main purpose of these financial instruments is to fund the Group's operations. The Group has other financial instruments such as cash and cash equivalents, trade receivables, receivable from lessees of bunkhouses, loans receivable under trade and other receivables, advances under other noncurrent assets trade and accrued expenses under trade and other payables and obligations under finance lease, which arise directly from its operations. Other financial assets include FVOCI and AFS financial assets.

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

<u>Liquidity Risk</u>
Liquidity risk arises from the possibility that the Group may encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and availment of suppliers' credit. The long-term relationship of the Group to its suppliers gives it the advantage to negotiate the payment terms.

As part of its liquidity risk management, the Group has access to sufficient external funding (bank credit lines) and loans payable maturing within 12 months can be rolled over with existing lenders. It also continuously assesses conditions in the financial markets for opportunities to avail bank loans and capital market issues. Accordingly, its loan maturity profile is regularly reviewed to ensure availability of funding through an adequate amount of credit facilities with financial institutions.

As at June 30, 2019 and December 31, 2018, cash and cash equivalents may be withdrawn anytime while quoted FVOCI and AFS financial assets may be converted to cash by selling them during the normal trading hours in any business day.

The tables below summarize the aging analysis of the Group's financial assets and the maturity profile of the Group's financial liabilities as at June 30, 2019 and December 31, 2018.

June 30, 2019	**On demand**	**0-90 days**	**More than 90 days**	**More than one year**	**Total**
Cash and cash equivalents					
Cash in banks	**₱93,858**	**₱–**	**₱–**	**₱–**	**₱93,858**
Short-term deposits	**25,049**	**–**	**–**	**–**	**25,049**
Trade and other receivables					
Trade	**100,429**	**–**	**–**	**–**	**100,429**
Receivables from lessees of bunkhouses	**–**	**–**	**4,276**	**–**	**4,276**
Loan receivable	**–**	**–**	**–**	**49,763**	**49,763**
Advances under other noncurrent assets	**–**	**–**	**–**	**429,614**	**429,614**
FVOCI					
UITF	**–**	**–**	**–**	**11,616**	**11,616**
Quoted shares	**–**	**–**	**–**	**520**	**520**
Total	**₱219,336**	**₱–**	**₱4,276**	**₱491,513**	**₱715,125**
Loans payable	**₱507,893**	**₱–**	**₱–**	**₱–**	**₱507,893**
Trade and other payables					
Trade	**390,393**	**–**	**–**	**–**	**390,393**
Accrued expenses	**39,767**	**–**	**–**	**–**	**39,767**
Other noncurrent liabilities					
Equity of claimowner in contract operations	**–**	**–**	**–**	**49,136**	**49,136**
Total	**₱938,053**	**₱–**	**₱–**	**₱49,136**	**₱ 987,189**

December 31, 2018	On demand	0-90 days	More than 90 days	More than one year	Total
Cash and cash equivalents					
Cash in banks	₱300,878	₱–	₱–	₱–	₱300,878
Short-term deposits	58	–	–	–	58
Trade and other receivables					
Trade	137,305	–	–	–	137,305
Receivables from lessees of bunkhouses	–	–	2,867	–	2,867
Loan receivable	–	–	–	49,763	49,763
Advances under other noncurrent assets	–	–	–	422,988	422,988
FVOCI					
UITF	–	–	–	10,278	10,278
Quoted shares	–	–	–	520	520
Total	₱438,241	₱–	₱2,867	₱483,549	₱924,657
Loans payable	₱322,893	₱–	₱207,777	₱–	₱530,670
Trade and other payables					
Trade	283,818	–	324,894	–	608,712
Accrued expenses	14,859	–	23,843	–	38,702
Other noncurrent liabilities					
Equity of claimowner in contract operations	–	–	–	49,136	49,136
Total	₱621,570	₱–	₱556,514	₱49,136	₱1,227,220

Credit Risk
Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations as these falls due. It is inherent to the business that potential losses may arise due to the failure of its customers and counterparties to fulfill their obligations on maturity dates or due to adverse market conditions.

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

With respect to credit risk arising from other financial assets of the Group, which comprise of cash and cash equivalents, trade receivables, nontrade, receivables from lessees of bunkhouses and loans receivable under trade and other receivables, advances under other noncurrent assets, FVOCI and AFS financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognized third parties, there is no requirement for collateral. The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position. The maximum exposure is shown at gross amount, before the effect of mitigation through the use of master netting and collateral agreements.

	June 30, 2019	December 31, 2018
Cash and cash equivalents		
Cash in banks	**₱93,858**	₱300,878
Short-term deposits	**25,049**	58
Trade and other receivables		
Trade	**100,429**	137,305
Receivables from lessees of bunkhouses	**4,276**	2,867
Loan receivable	**49,763**	49,763
Advances under other noncurrent assets	**429,614**	422,988
FVOCI		
UITF	**11,616**	10,278
Quoted shares	**520**	520
	₱715,125	₱924,657

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

June 30, 2019	**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	**₱93,858**	**₱–**	**₱–**	**₱–**	**₱93,858**
Short-term deposits	**25,049**	**–**	**–**	**–**	**25,049**
Trade and other receivables					
Trade	**10,404**	**–**	**68,844**	**21,181**	**100,429**
Receivables from lessees of bunkhouses	**–**	**–**	**4,276**	**–**	**4,276**
Loan receivable	**–**	**–**	**–**	**49,763**	**49,763**
Advances under other noncurrent assets	**–**	**–**	**277,722**	**151,892**	**429,614**
FVOCI					
UITF	**11,616**	**–**	**–**	**–**	**11,616**
Quoted shares	**520**	**–**	**–**	**–**	**520**
Total credit risk exposure	**₱141,447**	**₱–**	**₱350,842**	**₱222,836**	**₱745,273**

December 31, 2018	Neither past due nor impaired		Past due but not impaired	Impaired	Total
	High-grade	Standard-grade			
Cash and cash equivalents					
Cash in banks	₱300,878	₱–	₱–	₱–	₱300,878
Short-term deposits	58	–	–	–	58
Trade and other receivables					
Trade	111,809	993	11,276	13,227	137,305
Receivables from lessees of bunkhouses	–	–	2,867	–	2,867
Loan receivable	–	–	–	49,763	49,763
Advances under other noncurrent assets	–	–	272,934	150,054	422,988
FVOCI					
UITF	10,278	–	–	–	10,278
Quoted shares	520	–	–	–	520
Total credit risk exposure	₱423,543	₱993	₱287,077	₱213,044	₱924,657

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 nickel ore, were assessed as high-grade. Included in trade receivables are receivables from sales of services, some of which were assessed as other than high-grade. These were assessed based on past collection experience and the debtors' ability to pay.
c. UITF and quoted AFS financial assets were assessed as high-grade since these are instruments from companies with good financial condition and are operating in an industry, which has potential growth.
d. Other financial assets such as receivables from lessees of bunkhouses, loans receivables, advances under other noncurrent assets and unquoted shares were assessed as standard-grade, based on past collection experience and debtors' ability to pay.

Market Risks

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates primarily to the Group's long-term debt obligations with floating interest rates.

As at June 30, 2019 and December 31, 2018, the Group's exposure to the risk for changes in market interest rate relates primarily to its secured bank loans and unsecured bank loans with floating interest rates. The Group regularly monitors its interest due to exposure from interest rates movements.

The Group's secured and unsecured loans payable are both payable on demand while other loans payable are payable within 3 years. Nominal interest rates vary from floating rate of 91-day Philippine PhP T-bill rate for peso loans and 3-month LIBOR foreign loans, plus a margin of 2.5% for unsecured loans and 3.5% for secured loans.

Equity Price Risk

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

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

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

Fair Values of Financial Instruments
Fair value is defined as the amount at which a financial instrument can be exchanged in an orderly transaction between market participants at the measurement date.

Set out below is a comparison by category and class of carrying amounts and estimated fair values of the Group's significant financial assets and liabilities as at June 30, 2019 and December 31, 2018:

	Carrying amounts		Fair values	
	June 30 , 2019	December 31, 2018	**June 30, 2019**	December 31, 2018
Financial Assets:				
FVOCI:				
UITF	**₱11,616**	₱10,278	**₱11,616**	₱10,278
Quoted	**520**	520	**520**	520
Unquoted	**–**	–	**–**	–
Financial Liabilities:				
Loans payable	**₱507,893**	₱530,670	**₱507,893**	₱530,670

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

Cash and Cash Equivalents, trade receivables and receivable from lessees of bunkhouses under Trade and Other Receivables, trade and accrued expenses under Trade and Other Payables, and equity of claimowner in contract operations under Other Noncurrent Liabilities.

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

Loan Receivable
The fair value of loans receivable approximate their carrying amounts as of reporting date due to the short-term nature. Loans receivable are due and demandable.

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

As at June 30, 2019 and December 31, 2018, the Group had UITF and quoted FVOCI amounting to ₱12.1 million and ₱10.8 million, respectively, carried at fair value in the unaudited interim condensed consolidated statement of financial position. The quoted FVOCI are classified under Level 1 of the fair value hierarchy since these are based on quoted market prices or binding dealer price quotations. The Group has no financial instruments measured at fair value under Levels 2 and 3 of fair value hierarchy. There were no transfers between levels in 2019 and 2018.

Loans Payable
Where the repricing of the variable-rate interest bearing loan is frequent (i.e., three-month repricing), the carrying value approximates the fair value. The fair value of other loans payable is determined by discounting the principal using the 3-month LIBOR rate of 0.58% plus credit spread of 5.42%.

Capital Management
The Group maintains a capital base to cover risks inherent in the business. The primary objective of the Group's capital management is to optimize the use and earnings potential of the Group's resources, ensuring that the Group complies with externally imposed capital requirements, if any, and considering changes in economic conditions and the risk characteristics of the Group's activities.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may obtain additional advances from stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2019 and 2018. The Group monitors capital using the parent company financial statements. As at June 30, 2019 and December 31, 2018, the Group has met its capital management objectives.

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

	June 30, 2019	December 31, 2018
Capital stock	**₱616,863**	₱616,863
Capital surplus	**376,964**	376,964
Retained earnings	**1,962,002**	2,029,559
Other components of equity	**922,802**	922,693
Treasury shares	**(8,016)**	(8,016)
	₱3,878,631	₱3,938,063

5. Seasonality and Cyclicality of Interim Operation

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

6. Events After End of Reporting Period

There are no significant event after end of reporting period.