



BenguetCorp

SEC Reg. No. 11341

November 19, 2014

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

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

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

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

Gentlemen:

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

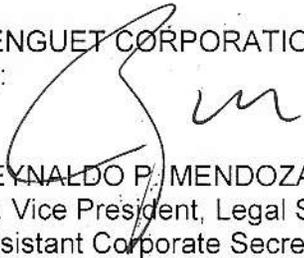
Please note that on November 12, 2014, we requested for extension of deadline to submit the said report under SEC Form 17-L for SEC and a written request for PSE.

We hope that you will find everything in order.

Very truly yours,

BENGUET CORPORATION

By:

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



**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: SEPTEMBER 30, 2014
2. Commission identification number: 11341 3. BIR Tax Identification No.: 000-051-037
- BENGUET CORPORATION**
4. Exact name of issuer as specified in its charter  
**METRO MANILA, PHILIPPINES**
5. Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code:  (SEC Use Only)
- 7F UNIVERSAL RE-BUILDING, 106 PASEO DE ROXAS, MAKATI CITY 1226**
7. Address of issuer's principal office Postal Code  
**(632) 812-1380 / 751-9137**
8. Issuer's telephone number, including area code
9. Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA.

Number of shares of common stock  
outstanding and amount of debt outstanding  
(As of September 30, 2014)

Convertible Preferred Class A	217,061 shares
Common Class A Stock	117,428,790 shares*
Common Class B Stock	77,614,394 shares*
(*) – Net of Treasury Shares	
Total consolidated outstanding principal debt as of September 30, 2014 - ₱766 Million	

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

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

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

Indicate by check mark whether the registrant:

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

Yes [  ] No [  ]

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

Yes [  ] No [  ]

## PART I--FINANCIAL INFORMATION

### Item 1. FINANCIAL STATEMENTS.

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

**PLEASE REFER TO ANNEX “A”** on pages 11 to 37, incorporated herein as form part of this report (SEC Form 17-Q) which contained the following reports:

<u>Description</u>	<u>Page No.</u>
1. Unaudited Interim Condensed Consolidated Statements of Financial Position (with audited comparative data for 2013)	> 11 - 12
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### Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

#### **2014 THIRD QUARTER VS. 2013 THIRD QUARTER**

##### **A. RESULTS OF OPERATIONS**

Consolidated revenues for the third quarter and nine months period ending September 2014 amounted to ₱356.9 million and ₱2.703 billion, respectively, higher than ₱314.6 million and ₱.573 billion for the same periods in 2013. The substantial jump in revenues for the nine months period was largely due to the increase in volume of nickel ore shipped. Benguetcorp Nickel Mines, Inc. (BNMI), a wholly owned subsidiary, shipped out 18 boatloads this year compared with 12 boatloads in 2013. In the third quarter, however, the nickel operation was under suspension by the Mines Geosciences Bureau (MGB)/Environmental Management Bureau (EMB). Hence, there were no shipments during the quarter.

Gold production improved to 10,786 ounces, covering nine months of operation in 2014, from 8,567 ounces in 2013. As a result, gold revenue grew by 18% to ₱627.0 million from ₱530 million last year. In the third quarter of 2014, gold revenue generated amounted to ₱212.7 million 19% higher than the ₱179.0 million for the same quarter in the previous year.

BNMI's revenue for the nine months period this year rose to ₱1.7 billion compared with ₱871 million in 2013. The rise was attributed to the increased in volume shipped. Year-to-date shipment totaled 18 boatloads or 958,313 tons higher than the 12 boatloads or 619,183 tons in 2013.

Other consolidated revenues which came mainly from sales of lime, logistics and health care services amounted to ₱340 million higher than ₱173 million in 2013.

Operating costs and expenses this quarter increased to ₱500 million from ₱458 million for the same quarter last year mainly due to higher selling and general expenses, cost of services and taxes on

revenue this quarter. For the same reasons, operating costs and expenses for the nine months period of 2014 went up to ₱2,463 million from ₱1,725 million for the same period in 2013.

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

Other expense for the quarter amounted to ₱13 million compared with other income of ₱17 million for the same quarter last year. For the nine months period this year, other expense amounted to ₱23 million compared with the other income of ₱156 million last year. In 2013, other income includes ₱50 million gain from debt settlement and ₱107 million from recovery of allowance for impairment losses.

The higher income for the nine months period this year accounted for the increased in the provision for income tax to ₱89.0 million from ₱33 million for the same periods in 2013.

The Company reported consolidated net loss of ₱137 million this quarter and consolidated net income of ₱90 million for the nine months period this year compared to the ₱145 million and ₱109 million losses for the same periods last year. The year-to-date earnings was generated from gross revenues of ₱2.7 billion, 69% higher than the previous year of ₱1.6 billion.

## **OPERATIONAL OVERVIEW**

### **Mining Operations**

Gold Operations – Total tones milled from the Company's Acupan Gold Project (AGP) for the nine months period of 2014 was 41% higher at 88,699 tons from 62,863 tons for the same period in 2013. In the third quarter of this year, total tons milled was 26,589 tons slightly lower compared to 27,607 tons for the same quarter in 2013.

Gold production was higher at 10,786 ounces covering nine months operation for this year from 8,567 ounces for the same period last year. The increase in this year's gold output was mainly due to higher tons milled. In the third quarter of this year, gold output improved to 3,777 ounces from 3,043 ounces for the same quarter last year.

Nickel Operations - In the third quarter of 2014, the nickel operations remained under suspension. There were no shipments during the quarter compared with two shipments in 2013. The suspension order is temporary until BNMI is able to implement systematic mining and clean-up /relocation of ore prepiles to designated stockpile areas. The receipt of this Order comes at a time when BNMI has slowed down/ceased its mining operation due to onset of the rainy season (July 2014 – October 2014) and is implementing an environmental care and maintenance program for the duration. BNMI is currently complying with the remediation conditions set by the MGB/EMB and it is expected that the suspension will be lifted soon.

Despite the suspension, BNMI shipped-out 18 boatloads with a total sales volume of 958,313 tons, both for 1.8% and 1.5% to 1.6% for the nine months period this year higher than the 12 boatloads or 619,183 tons for the same period last year.

The Irisan Lime Project generated net earnings of ₱1.2 million and ₱5.1 million for the third quarter and nine months of 2014, respectively lower than the net earnings of ₱2.3 million and ₱7.8 million for the same periods in 2013.

### **Logistics and Other Services**

Benguet Management Corporation (BMC), a wholly owned subsidiary of the Company, and its subsidiaries reported consolidated net loss of ₱5.8 million for this quarter, lower compared to the net loss of ₱6.6 million for the same quarter last year. For the nine-month period, BMC's net earnings amounted to ₱27.8 million higher than the ₱20 million net earnings for the same period last year.

Arrow Freight Corporation (AFC), the exclusive equipment contractor of the nickel operations, reported net loss of ₱2.8 million this third quarter but still positive for the nine-months period this year of ₱16.7 million. For the same respective periods in 2013, AFC registered net loss of ₱1.9 million and net earnings of ₱14.0 million. The losses during the quarter is due to the suspension of the Sta. Cruz Nickel Operation.

Keystone Port Logistics and Management Services reported net loss of ₱4.0 Million this quarter, slightly lower than ₱4.6 million loss for the same quarter in 2013. The losses during the quarter is due to the suspension of the nickel operations and the series of typhoon that damaged portion of the port. Repair of the damaged portion of the port is on-going in preparation for the resumption of the nickel operation in the next quarter. For the nine months period this year, KPLS reported earnings of ₱7.4 million is still higher than the net earnings of ₱3.2 million for the same period last year.

### **Healthcare Services**

The Company's health care services under BenguetCorp Laboratory, Inc. (BCLI) continues to expand its primary care and specialized clinic. It has now four (4) fully operational clinics and its first specialized clinic, an oncology center, was formally opened to the public in June after a run-through in May 2014. The clinic facility in Baguio continued to report income. In the nine months period, it has reported a pre-tax income of ₱7.13 million higher than last year's pre-tax income of ₱5.1 million. The income, however, was offset by losses incurred by new clinics. As a result, BCLI registered net loss of ₱15 million compared with ₱1.9 million income last year. SM San Fernando, Pampanga Branch transferred to a new location adjacent to former site to reduce rental cost

## **B. FINANCIAL POSITION**

As of September 30, 2014, Total Consolidated Assets stood at ₱6.8 billion, 5% lower than the ₱7.2 billion in 2013, primarily due to lower cash and cash equivalents of ₱338 million compared with ₱358 million in 2013, lower receivables of ₱447 million from ₱706 million last year and lower inventories of ₱186 million compared with ₱296 million in 2013.

Receivables decreased to ₱447 million from ₱706 million last year, mainly from collection of nickel ore shipped in 2013. Decreased in inventories is attributed to the sale of low grade nickel ore. BNMI shipped out 18 boatloads or 958,313 tons of low grade ore this year. Other current assets increased to ₱734 million from ₱557 million last year mainly from input tax from various purchases of services and goods for nickel and gold operation.

Deferred exploration costs increased to ₱874 million from ₱840 million last year mainly due to expenses incurred in Balatoc Tailings Project, Sta. Cruz Nickel Project and Acupan Gold Project. Other non-current assets slightly increased to ₱494 million from ₱583 million last year.

Consolidated outstanding bank loans (inclusive of interest and penalties as of September 30, 2014) decreased to ₱1.0 billion from ₱1.67 billion in 2013, mainly due to settlement of debt amortization for the nine month period this year.

Increased in income tax payable this quarter pertains to income tax payable of BNMI. Increased in other non-current liabilities to ₱459 million from ₱140 million last year is attributed to the advances received from nickel ore buyers.

Increased in Capital Stock and capital surplus this quarter pertains to the additional subscription of RYM Business Development with investment amounting to ₱162 million. Retained earnings improved to ₱1.705 billion from ₱1.616 billion in 2013 mainly due to the net income for the nine months period of 2014. For the same reason, Stockholders Equity increased to ₱3.480 billion from ₱3.388 billion last year.

## **2013 THIRD QUARTER VS. 2012 THIRD QUARTER**

### **A. RESULTS OF OPERATIONS**

Despite adverse climatic condition due to frequent typhoons and heavy rainfall, consolidated operating revenues for the quarter and nine months period of 2013 went up to ₱314.6 million and ₱1,573.8 million, respectively from ₱240.8 million and ₱934.8 million for the same periods in 2012. The mining segment of the Company contributed bulk of the revenues. Benguetcorp Nickel Mines, Inc. (BNMI) generated ₱852 million revenues made up of 12 shipments as compared to the ₱450 million representing 6 shipments. Acupan Gold Project (AGP) contributed ₱530 million from gold production of 8,567 ounces compared with ₱387 million from 1,577 ounces gold produced for the same period in 2012. The difficulty to ship its nickel ore due to heavy rainfall and the softening of metal prices during the quarter affected both AGP and BNMI operations resulting to the consolidated net loss of ₱145 million this quarter and ₱109 million for the nine months period this year. The losses during the period is a reversal of the ₱0.6 million and ₱85 million net income reported in the third quarter and nine months period in 2012, respectively. Gold prices dipped in 2013, averaging US\$1,466.52 per ounce compared with the US\$1,656 per ounce for the nine month period in 2012. Average nickel price dropped by US\$4.80/ton during the nine-month compared to the same period in 2012.

Operating costs and expenses for the 2013 third quarter increased by 30% versus for the same quarter in 2012 mainly due to higher cost of mine products sold and general expenses. For the same reasons, the operating costs and expenses for nine months period of 2013 also increased by ₱832 million to ₱1,725 million from ₱893 million for the same period in 2012.

The other net income for the quarter and the nine months period in 2013 amounted to ₱17.4 million and ₱156.2 million, respectively, compared with the other income of ₱126.9 million and ₱218.5 million for the same periods in 2012. The other income includes extraordinary gain of ₱50 million from debt settlement this year, lower compared to the ₱94 million extraordinary gain from BMC debt settlement booked for the same periods in 2012.

The benefit from income tax for the 2013 third quarter amounted to ₱2.7 Million compared with the provision for income tax of ₱1.0 million for the same period in 2012. For the nine months period of 2013, provision for income tax amounted to ₱33 million, slightly lower than the ₱38 million for the same period in 2012.

### **OPERATIONAL OVERVIEW**

#### **Mining Operations**

Gold Operations – Gold production of the Company's Acupan Gold Project (AGP) reached 8,567 ounces for the first nine months, increasing by 85% or 3,944 ounces from the prior year's 4,623 ounces. Third quarter 2013 production reached 3,043 ounces, up 1,466 ounces or 93% from third quarter 2012 production of 1,577 ounces. The change in mining method from completely vein mining to a combination of vein and bulk process is expected to further improve efficiencies.

Nickel operations were at a natural slowdown coming into the rainy and typhoon season. For the quarter, there were only two shipments with an aggregate volume of 93,071 tons, one more shipload than the prior year's third quarter total of 49,500 tons. To date, volume shipped totaled 619,154 tons, more than double the volume shipped in the same period in 2012 of 298,924 tons. BNMI continues its exploration program to develop the full potential of its nickel resource and prepare for a potential entry into nickel processing. It is also looking at other nickel properties not only to serve existing offtake contracts, but to increase volume in anticipation of the Indonesian direct-ore-shipment ban in January 2014.

The Irisan Lime Project (ILP) generated net earnings of ₱2.3 million (US\$0.05 million) and ₱7.8 million (US\$0.18 million) for the third quarter and first nine months of 2013, respectively.

### **Logistics and Other Services**

Benguet Management Corporation (BMC), a wholly owned subsidiary of the Company, and its subsidiaries, reported consolidated after tax net loss of ₱6.6 million (US\$0.15 million) in the 2013 third quarter, a reversal of the net earnings of ₱33.02 million (US\$0.79 million) for the same period in 2012. BMC as the provider of logistics and other services to the Company's nickel operations correspondingly bore the effects of the margins squeeze brought about by soft nickel prices. For the nine-month period of 2013, however, BMC is still up with net earnings totaling ₱20.0 million (US\$0.46 million) at the close of the period albeit lower compared to the net earnings of ₱110.15 million (US\$22.63 million) for the same period 2012.

Arrow Freight Corporation (AFC), the exclusive equipment contractor of the nickel operations, reported a net loss of ₱1.9 million (US\$0.04 million) in the 2013 third quarter but still positive to date with net earnings of ₱14.0 million (US\$0.32 million) for the nine-month period of 2013. These represented year-on-year slides from the prior year's net earnings of ₱2.2 million (US\$0.05) for the quarter and ₱18.01 million (US\$0.43) for the nine-month period.

Keystone Port Logistics and Management Services reported net loss of ₱4.6 million (US\$0.11 million) in 2013 third quarter compared to the net income of ₱2.8 million (US\$0.07 million) booked in the same period in 2012. Reduced port rental rates charged to BNMI accounted for the drop in income. Year-to-date net earnings stood at ₱3.2 million (US\$0.07 million), on the other hand, still higher than the net earnings of ₱1.8 million (US\$0.04 million) generated for the same period in 2012.

### **Healthcare Services**

BenguetCorp Laboratories, Inc. (BCLI), a wholly owned subsidiary, generated net earnings of ₱1.9 million (US\$0.04 million) for the nine months period on its first year of operation. The earnings reported are attributable to the clinic facility based in Baguio. The clinic facility, formerly with the Company, was consolidated under BCLI effective April 2013. The newly opened third clinic facility under the trade name MedCentral which is based in SM San Fernando continues to attract walk-in patient and corporate clients. Two of the four planned first phase expansion clinics are about to complete construction. The fourth primary care facility is located in a popular mall in Taytay, Rizal and the Oncology clinic in an accessible commercial and business area in Makati City. These new facilities are expected to be operational by the first quarter of 2014.

## **B. FINANCIAL POSITION**

The Company ended the third quarter of 2013 with consolidated assets of ₱6.9 billion, higher than end-December 2012 level of ₱6.6 billion. Cash and cash equivalents increased to ₱594.4 million from ₱507.7 million in 2012 mainly from equity infusion of ₱62 million partly offset by cash used in operating activities, equipment purchases for the Acupan Mining Project expansion and debt settlement.

Short-term investment decreased to ₱154 million from ₱206 million mainly from the pre-termination of time deposits to fund exploration projects and debt settlement.

Receivables decreased to ₱265 million from ₱721 million last year, attributed mainly from collection of nickel ore shipment in 2012.

Inventories increased to ₱361 million from ₱175 million mainly on account of the nickel ore produced during the period. The nickel ore produced is scheduled for shipment in the fourth quarter of 2013.

Increased in other current assets to ₱518 million from ₱258 million in 2012 pertains to input taxes on various purchases of materials and supplies and services and advanced office rental of BC and subsidiaries.

Deferred exploration costs increased to ₱1,107 million from ₱816 million in 2012 mainly due to expenses incurred in Balatoc Tailings Project, Sta. Cruz Nickel Project and Acupan Gold Project.

Accounts payable and accrued expenses increased to ₱899 million from ₱490 million in 2012 mainly due to various purchases for AGP's expansion program to increase its milling capacity to 300 tons per day and Arrow Freight Corporation, an affiliate, payables to its sub-contractors for various services rendered in the Sta. Cruz Nickel Project. The consolidated outstanding bank loans (inclusive of interest and penalties) decreased to ₱1,693 billion from ₱1.897 billion in 2012 mainly due to settlement of debt amortization to Amsterdam Trade Bank (ATB), BDO revolving loan and PhilExim loan. As of September 30, 2013, the Company has paid US\$8 million out of the US\$20 million principal loan to ATB.

Obligations under finance lease slightly declined to ₱42.8 million from ₱50.5 million due to repayment made during the nine months period in 2013.

Income tax payable for the nine months period in 2013 amounts to ₱30 million, slightly higher than the ₱26 million in 2012. Other non-current liabilities increased to ₱154 million from ₱67 million mainly due to BNMI advances chargeable against future shipments from a Korean company.

Retained earnings declined to ₱1.493 billion from ₱1.602 billion in 2012 mainly due to the net losses for the nine months period of 2013. The additional equity infusion from RYM Business Management Corporation increased the Stockholders equity to ₱3.191 billion from ₱3.137 billion in 2012.

### **KNOWN TRENDS, EVENTS OR UNCERTAINTIES**

The Company does not foresee within the next twelve months any cash flow or liquidity problems. AGP continues to increase gold production due to ongoing exploration and drilling programs to upgrade its capacity, ILP maintains steady market of quicklime and the Company anticipates the lifting of the temporary suspension of mining and transport of ore of BNMI by EMB and MGB, respectively. BNMI is currently implementing the environmental measures required by MGB/EMB.

Except for the Company's outstanding bank loans, there are no material events that will trigger direct or contingent financial obligations to the Company. As of September 30, 2014, the consolidated total outstanding principal debt amounted to ₱766 million.

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

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

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

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

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

### **KEY PERFORMANCE INDICATORS**

- 1.) *Working Capital* - Working capital (current assets less current liabilities) and current ratio (current assets over current liabilities) measures the liquidity or debt paying ability of the Company. As of September 30, 2014, the Company current ratio is 0.89:1 versus 0.92:1 for the same period in 2013.
- 2.) *Metal Price* - The market price of gold in the Banko Sentral ng Pilipinas which is based from the world spot market prices provided by the London Metal Exchange for gold is the key indicator in determining the Company's revenue level. This quarter, the average market prices for gold sold were at US\$1,281 per ounce compared to US\$1,320 per ounce for the same quarter in 2013. The favorable metal prices will also have a favorable impact on the Company's revenue.
- 3.) *Tons Mill and Ore Grade* - Tons milled and ore grade determine gold production and sales volume. The higher the tonnage and ore grade, the more gold are produced and sold. This quarter, tons milled were 26,589 tons of shared ore with average grade of 2.99 grams per ton gold. Gold sold were 3,777 ounces. For the same quarter in 2013, tons milled were 27,607 tons of shared ore with average grade of 4.27 grams per ton gold. Gold sold were 3,043 ounces.
- 4.) *Foreign Exchange Rate* - The Company's sales proceeds are mainly in U.S. dollars, a higher Philippine peso to U.S. dollar exchange rate means higher peso sales revenue, but would also reflect a foreign exchange loss on the restatement of the Company's dollar obligations. Conversely, a lower exchange rate reduces the Company's revenue in pesos but brings foreign exchange income on the loans. As of September 30, 2014, the peso to dollar exchange rate was at ₱44.875, higher than the ₱43.54 for the same period in 2013. The volatility in the foreign currency exchange rates will continue to affect the operations in the foreseeable future
- 5.) *Earnings Per Share* - The earnings per share reflect the Company's bottom line operating results expressed in amount per share of the Company's outstanding capital stock. Assuming a constant outstanding number of shares, as a Company's earnings increase, the earnings per share correspondingly increase. This quarter, the Company's loss per share is ₱0.72 versus ₱0.84 loss per share for the same period of 2013. The Company anticipates improvement in the earnings per share with the projected higher gold production of AGP and the lifting of suspension of transport of ore and operation of BNMI by EMB and MGB, respectively.

### **THE COMPANY'S KEY PERFORMANCE INDICATOR USED FOR ITS SUBSIDIARIES IS NET INCOME.**

Benguet Management Corporation (BMC) and its subsidiaries reported a consolidated net loss of ₱5.8 million for the third quarter and net income of ₱27.8 million for the nine-month period this year, compared with the net income of ₱0.8 million and ₱19.0 million posted for the same respective periods in 2013.

## PART II--OTHER INFORMATION

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

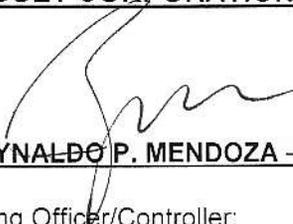
There are no other information for this interim period not previously reported in a report on SEC Form 17-C.

## SIGNATURES

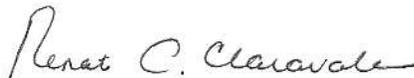
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

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

By:

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

Principal Financial/Accounting Officer/Controller:

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

**BENGUET CORPORATION AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF SEPTEMBER 30, 2014 AND DECEMBER 31, 2013**  
**(Amounts in Thousands)**

	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	₱338,255	₱358,415
Trade and other receivables	447,231	706,253
Inventories	185,804	296,024
Other current assets	734,237	556,613
<b>Total Current Assets</b>	<b>1,705,527</b>	<b>1,917,305</b>
<b>Noncurrent Assets</b>		
Property, plant and equipment	3,576,594	3,663,641
Available-for-sale (AFS) investments	11,050	14,043
Deferred mine exploration costs	874,337	839,754
Investment property	166,693	166,817
Other noncurrent assets	493,572	583,450
<b>Total Noncurrent Assets</b>	<b>5,122,246</b>	<b>5,267,705</b>
<b>TOTAL ASSETS</b>	<b>₱6,827,773</b>	<b>₱7,185,010</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Current portion of loans payable	₱975,160	₱1,129,387
Trade and other payables	885,447	1,016,978
Obligations under finance lease	12,238	11,395
Income tax payable	51,341	19,010
<b>Total Current Liabilities</b>	<b>1,924,186</b>	<b>2,176,770</b>
<b>Noncurrent Liabilities</b>		
Loans payable - net of current portion	–	505,494
Deferred income tax liabilities - net	792,458	792,458
Liability for mine rehabilitation	59,930	59,930
Pension liability	93,134	93,134
Obligations under finance lease - net of current portion	19,456	28,742
Other noncurrent liabilities	458,937	139,848
<b>Total Noncurrent Liabilities</b>	<b>1,423,915</b>	<b>1,619,606</b>
<b>Total Liabilities</b>	<b>3,348,101</b>	<b>3,796,376</b>

(Forward)

	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
<b>Equity</b>		
Capital stock		
Convertible preferred Class A - ₱3.44 par value		
Authorized - 19,652,912 shares		
Issued - 217,061 shares in 2014 and 2013	₱745	₱745
Common Class A - ₱3.00 par value		
Authorized - 120,000,000 shares		
Issued ó 117,532,388 shares in 2014 and 110,363,385 in 2013	352,597	331,090
Common Class B - ₱3.00 par value		
Authorized - 80,000,000 shares		
Issued ó 77,626,819 shares in 2014 and 66,795,822 shares in 2013	232,881	200,387
Capital surplus	269,843	161,844
Deposit for future stock subscription	-	162,000
Other components of equity:		
Revaluation increment in land - net of deferred income tax liability	836,679	836,679
Cumulative translation adjustments of foreign subsidiaries	42,413	41,357
Cost of share-based payment	58,183	58,183
Remeasurement loss on retirement obligation	(12,201)	(12,201)
Unrealized gain on AFS investments	813	749
Retained earnings	1,705,735	1,615,817
	3,487,688	3,396,650
Cost of 116,023 shares held in treasury, ₱69 per share	(8,016)	(8,016)
<b>Total Equity</b>	<b>3,479,672</b>	<b>3,388,634</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱6,827,773</b>	<b>₱7,185,010</b>

**BENGUET CORPORATION AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED**  
**STATEMENTS OF INCOME**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**

**(With Comparative Figures for the nine months ended September 30, 2013)**

**(Amounts in Thousands)**

	<b>THREE MONTHS ENDED</b>		<b>NINE MONTHS ENDED</b>	
	<b>SEPTEMBER 30</b>		<b>SEPTEMBER 30</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>REVENUES</b>				
Sale of mine products	<b>₱229,979</b>	₱287,507	<b>₱2,422,140</b>	₱1,456,621
Sale of merchandise and services	<b>126,940</b>	27,137	<b>281,693</b>	117,146
	<b>356,919</b>	314,644	<b>2,703,833</b>	1,573,767
<b>COSTS AND OPERATING EXPENSES</b>				
Costs of mine products sold	<b>201,391</b>	207,268	<b>992,066</b>	1,112,186
Costs of merchandise sold and services	<b>26,871</b>	16,813	<b>160,968</b>	73,566
Selling and general	<b>267,282</b>	224,399	<b>1,176,290</b>	467,313
Taxes on revenue	<b>4,227</b>	9,978	<b>134,003</b>	71,638
	<b>499,771</b>	458,458	<b>2,463,327</b>	1,724,703
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>(142,852)</b>	(143,814)	<b>240,506</b>	(150,936)
<b>INTEREST EXPENSE</b>	<b>4,229</b>	21,968	<b>39,008</b>	81,331
<b>OTHER INCOME</b>				
Interest income	<b>576</b>	15,308	<b>1,272</b>	16,837
Foreign exchange gain (loss)	<b>(3,641)</b>	7,125	<b>(7,337)</b>	(1,223)
Miscellaneous - net	<b>(10,076)</b>	(5,038)	<b>(16,502)</b>	140,629
	<b>(13,141)</b>	17,395	<b>(22,567)</b>	156,243
<b>INCOME BEFORE INCOME TAX</b>	<b>(160,222)</b>	(148,387)	<b>178,931</b>	(76,024)
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>	<b>(22,994)</b>	(2,709)	<b>89,013</b>	33,096
<b>NET INCOME</b>	<b>(₱137,228)</b>	(₱145,678)	<b>₱89,918</b>	(₱109,120)
<b>BASIC LOSS PER SHARE</b>	<b>(₱0.72)</b>	(₱0.84)	<b>₱0.47</b>	(₱0.63)
<b>DILUTED LOSS PER SHARE</b>	<b>(₱0.72)</b>	(₱0.84)	<b>₱0.46</b>	(₱0.63)

**BENGUET CORPORATION AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED**  
**STATEMENTS OF CHANGES IN EQUITY**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**  
**(With Comparative Figures for the nine months ended September 30, 2013)**  
**(Amounts in Thousands)**

	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)	December 31, 2013 (Audited)
<b>CAPITAL STOCK</b>	<b>₱586,223</b>	₱532,222	₱532,222
<b>CAPITAL SURPLUS</b>	<b>269,843</b>	161,843	161,844
<b>DEPOSIT FOR FUTURE STOCK SUBSCRIPTION</b>	–	162,000	162,000
<b>REVALUATION INCREMENT IN LAND</b>	<b>836,679</b>	750,779	836,679
<b>CUMULATIVE TRANSLATION ADJUSTMENT</b>			
Balance at beginning of period	41,357	46,263	46,263
Translation adjustment	1,056	781	(4,906)
Balance at end of period	<b>42,413</b>	47,044	41,357
<b>COST OF SHARE-BASED PAYMENT</b>			
Balance at beginning of period	58,183	51,616	51,616
Employees' exercise of stock options	–	(304)	(304)
Options vested during the period	–	6	6,871
Balance at end of period	<b>58,183</b>	51,312	58,183
<b>UNREALIZED GAIN ON AFS INVESTMENTS</b>			
Balance at beginning of period	749	844	844
Unrealized gain (loss) on AFS investments	64	88	(95)
Balance at end of period	<b>813</b>	932	749
<b>REMEASUREMENT LOSS ON PENSION LIABILITY</b>	<b>(12,201)</b>	6	(12,201)
<b>RETAINED EARNINGS (DEFICIT)</b>			
Balance at beginning of period	1,615,817	1,602,378	1,608,148
Net income for the period	89,918	(109,120)	7,669
Balance at end of period	<b>1,705,735</b>	1,493,258	1,615,817
<b>TREASURY SHARES</b>	<b>(8,016)</b>	(8,016)	(8,016)
<b>TOTAL EQUITY</b>	<b>₱3,479,672</b>	₱3,191,374	₱3,388,634

**BENGUET CORPORATION AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED**  
**STATEMENTS OF CASH FLOWS**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**  
**(With Comparative Figures for the nine months ended September 30, 2013)**  
**(Amounts in Thousands)**

	<b>THREE MONTHS ENDED</b>		<b>NINE MONTHS ENDED</b>	
	<b>SEPTEMBER 30</b>		<b>SEPTEMBER 30</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) before income tax	<b>(P160,222)</b>	(P148,388)	<b>P178,931</b>	(P76,024)
Adjustments for:				
Depreciation, depletion and amortization	<b>11,568</b>	12,210	<b>114,678</b>	59,195
Unrealized foreign exchange loss (gain)	<b>3,641</b>	(7,125)	<b>7,337</b>	1,223
Realized loss on AFS investments	-	11	-	46
Recovery of Impairment	-	ó	-	(107,202)
Gain on settlement of liabilities	-	ó	-	(50,010)
Income taxes paid	-	4,567	<b>(56,682)</b>	(29,315)
Decrease (increase) in:				
Short-term investment	-	20,038	-	52,260
Trade and other receivables	<b>151,054</b>	148,506	<b>259,022</b>	456,399
Inventories	<b>(59,681)</b>	5,985	<b>110,220</b>	(186,050)
Prepaid expenses and other current assets	<b>20,827</b>	(81,591)	<b>(177,624)</b>	(260,699)
Increase in trade and other payables	<b>(118,647)</b>	38,062	<b>(138,868)</b>	409,821
Net cash from (used in) operating activities	<b>(151,460)</b>	(7,725)	<b>297,014</b>	269,644
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Decrease (increase) in:				
Property, plant and equipment	<b>49,687</b>	(35,669)	<b>(27,631)</b>	(85,470)
Deferred exploration costs	<b>6,662</b>	(22,545)	<b>(34,583)</b>	(182,597)
AFS investments	<b>1,002</b>	ó	<b>3,057</b>	ó
Other assets	<b>109,040</b>	4,926	<b>91,058</b>	(284)
Net cash from (used in) investing activities	<b>166,391</b>	(53,288)	<b>31,901</b>	(268,351)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net availment (repayment) of loans payable	<b>(204,625)</b>	(107,675)	<b>(668,164)</b>	(163,282)
Proceeds from issuance of common stocks	-	ó	ó	176
Deposit for future stock subscription	-	162,000	ó	162,000
Decrease in other noncurrent liabilities	<b>91,623</b>	87,080	<b>319,089</b>	86,516
Net cash from (used in) financing activities	<b>(113,002)</b>	141,405	<b>(349,075)</b>	85,410
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(98,071)</b>	80,392	<b>(20,160)</b>	86,703
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>436,326</b>	513,980	<b>358,415</b>	507,669
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>P338,255</b>	P594,372	<b>P338,255</b>	P594,372

## BENGUET CORPORATION AND SUBSIDIARIES

### EARNINGS PER SHARE COMPUTATION

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

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

	September 30	
	2014	2013
Net income (loss)	<b>₱89,918</b>	<b>(₱109,120)</b>

Number of shares for computation of:

	September 30	
	2014	2013
<u>Basic earnings per share</u>		
Weighted average common shares issued	<b>190,775,230</b>	173,845,160
Less treasury stock	<b>116,023</b>	116,023
Weighted average common shares outstanding	<b>190,659,207</b>	173,729,137
<u>Diluted earnings per share</u>		
Weighted average common shares issued	<b>190,775,230</b>	173,845,160
Less treasury stock	<b>116,023</b>	116,023
	<b>190,659,207</b>	173,729,137
Stock options	<b>4,126,607</b>	ó
Conversion of preferred stock	<b>686,455</b>	ó
	<b>195,472,269</b>	173,729,137
Basic earnings (loss) per share	<b>₱0.47</b>	<b>(₱0.63)</b>
Diluted earnings (loss) per share	<b>₱0.46</b>	<b>(₱0.63)</b>

**BENGUET CORPORATION AND SUBSIDIARIES**  
**FINANCIAL SOUNDNESS INDICATORS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013**

	<b>September 30</b>	
	<b>2014</b>	<b>2013</b>
<b>Profitability Ratio</b>		
Return on asset	<b>0.01:1</b>	(0.02):1
Return on equity	<b>0.03:1</b>	(0.03):1
Gross profit margin	<b>0.57:1</b>	0.25:1
Operating profit margin	<b>0.08:1</b>	0.00:1
Net profit margin	<b>0.03:1</b>	(0.07):1
<b>Liquidity and Solvency Ratio</b>		
Current ratio	<b>0.89:1</b>	0.92:1
Quick ratio	<b>0.41:1</b>	0.49:1
Solvency ratio	<b>0.06:1</b>	(0.01):1
<b>Financial Leverage Ratio</b>		
Asset to equity ratio	<b>1.96:1</b>	2.18:1
Debt ratio	<b>0.49:1</b>	0.54:1
Debt to equity ratio	<b>0.96:1</b>	1.18:1
Interest coverage ratio	<b>5.59:1</b>	0.07:1

**BENGUET CORPORATION AND SUBSIDIARIES****AGING OF RECEIVABLES**

AS OF SEPTEMBER 30, 2014

(Amounts in Thousands)

<b>TYPE OF RECEIVABLES</b>	<b>LESS THAN 30 DAYS</b>	<b>30 TO 60 DAYS</b>	<b>LESS THAN ONE YEAR</b>	<b>ONE TO TWO YEARS</b>	<b>THREE TO FIVE YEARS</b>	<b>MORE THAN FIVE YEARS</b>	<b>TOTAL</b>
Trade receivables	₱16,394	₱-	₱78,023	₱20,594	₱39,666	₱5,997	₱160,674
Allowance for doubtful accounts	-	-	-	-	(1,381)	(5,997)	(7,378)
Trade receivables – net	16,394	-	78,023	20,594	38,285	-	153,296
Nontrade receivables:							
Officers and employees	-	-	32,211	41,442	34,299	7,888	115,840
Others	-	-	17,928	77,352	115,539	105,734	316,553
Total	-	-	50,139	118,794	149,838	113,622	432,393
Allowance for doubtful accounts	-	-	-	-	(24,836)	(113,622)	(138,458)
Nontrade receivables – net	-	-	50,139	118,794	125,002	-	293,935
Trade and other receivables – net	₱16,394	₱-	₱128,162	₱139,388	₱163,287	₱-	₱447,231

**BENGUET CORPORATION AND SUBSIDIARIES**  
**NOTES TO UNAUDITED INTERIM CONDENSED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013**

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**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.

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**2. Summary of Significant Accounting Policies**

Basis of Preparation

The unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis, except for land at revalued amounts and AFS investments and investment property, which are measured at fair value. The unaudited interim condensed consolidated financial statements are presented in Philippine peso, the Company's functional currency under Philippine Financial Reporting Standards (PFRS) and as adopted by the Philippine SEC. All amounts are rounded to the nearest thousands (P000), except when otherwise indicated.

Statement of Compliance

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements of Benguet Corporation (the Company) and its subsidiaries (the Group) do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2013.

Changes in Accounting Policies

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

**Effective January 1, 2014**

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*
- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
- Philippine Interpretation IFRIC 21, *Levies (IFRIC 21)*

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*
- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*

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

#### **Effective on or after July 1, 2014**

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

#### **Effective subsequent to 2014**

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

#### **Annual Improvements to PFRSs (2010-2012 cycle)**

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

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*  
The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The Group believes that the amendment will not have a material impact on the Group's consolidated financial statements when it becomes effective.
- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*  
The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.
- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*  
The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.
- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*  
The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

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

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

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

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

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

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

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

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

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

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

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

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

### **Annual Improvements to PFRSs (2011-2013 cycle)**

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

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

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

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

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

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

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

- PAS 40, *Investment Property*

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

### Financial Instruments

Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

All regular way purchases and sales of financial assets are recognized on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. Financial assets under PAS 39 are classified as either financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS financial assets. The Group's financial assets are of the nature of loans and receivables and AFS financial assets. As of September 30, 2014 and December 31, 2013, the Group has no financial assets at FVPL and HTM investments. Also under PAS 39, financial liabilities are classified as FVPL or other financial liabilities. The Group's financial liabilities are of the nature of other financial liabilities. As of September 30, 2014 and December 31, 2013, the Group has no financial liabilities at FVPL.

### *Loans and Receivables*

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS financial assets or designated as at FVPL. This accounting policy relates to the statement of financial position captions "Cash and cash equivalents", "Short-term investments" and "Trade and other receivables".

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

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

### *AFS Financial Assets*

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

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

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

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

### *Other Financial Liabilities*

Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation

other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

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

This accounting policy relates to the Group's "Loans payable", "Trade and other payables" and "Other noncurrent liabilities".

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

#### *Determination of Fair Value*

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

#### *Fair Value of Financial Instruments*

Financial instruments recognized in fair value are analyzed based on:

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

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

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

## Derecognition of Financial Instruments

### *Financial Assets*

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

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

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

### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or assumed is recognized in the consolidated statement of income.

## Impairment of Financial Assets

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

### *Assets Carried at Amortized Cost*

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the

consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

#### *AFS Investments*

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

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

#### *-Day 1' Profit or Loss*

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

#### Offsetting Financial Instruments

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

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### **3. Summary of Significant Accounting Judgments, Estimates and Assumptions**

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

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

#### Judgments

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

#### *Determining Functional Currency*

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

#### *Determining Operating Lease Commitments - Group as Lessee*

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

#### *Determining Operating Lease Commitments - Group as Lessor*

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

#### *Assessment Whether an Agreement is a Finance or Operating Lease*

Management assesses at the inception of the lease whether an arrangement is a finance or operating lease based on who bears substantially all the risk and benefits incidental to the ownership of the leased item. Based on management's assessment, the risk and rewards of owning the items leased by the Group are retained by the lessor and therefore accounts for such lease as operating lease.

#### *Assessing Recoverability of Deferred Exploration Costs*

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

#### *Assessing Provisions and Contingencies*

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

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

#### *Assessing Production Start Date*

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

- the level of capital expenditure compared to construction cost estimates;

- completion of a reasonable period of testing of the property, plant and equipment;
- ability to produce ore in saleable form; and
- ability to sustain ongoing production of ore.

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

#### *Classification of Financial Instruments*

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

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

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

#### Estimates and Assumptions

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

#### *Real Estate Revenue and Costs Recognition*

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

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

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

#### *Estimating Impairment Losses on Inventories*

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

### *Estimating Mineral Reserves and Resources*

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

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

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

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

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

### *Estimating Impairment of AFS Investments*

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

### *Estimating Useful Lives of Property, Plant and Equipment*

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

#### *Determining the Appraised Value of Land*

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

#### *Estimating Provision for Mine Rehabilitation*

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

#### *Estimating Cost of Share-Based Payment*

The Group's Executive Stock Option Plan, or ESOP, grants qualified participants the right to purchase common shares of the Company at a grant price. The ESOP recognizes the services received from the eligible employees and an equivalent adjustment to the equity account over the vesting period. The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. While management believes that the estimates and assumptions used are reasonable and appropriate, significant differences in actual experience or significant changes in the estimates and assumptions may materially affect the stock compensation costs charged to operations.

#### *Estimating Pension Benefits*

The determination of the Group's obligation and cost for pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. In accordance with PAS 19, actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the Group's recognized expense and recorded obligation in such future periods. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's pension and other pension obligations.

#### *Assessing Realizability of Deferred Income Tax Assets*

The Group reviews the carrying amounts of deferred income tax assets at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group has deductible temporary differences excess MCIT and unused NOLCO for which deferred income tax assets were not recognized as it is not probable that sufficient taxable profit will be available against which the benefit of the deferred income tax assets can be utilized.

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#### **4. Financial Risk Management Objectives and Policies**

The Group's principal financial instruments comprise unsecured and secured bank loans. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group has financial instruments such as cash and cash equivalents, trade and other receivables and trade and other payables, which arise directly from its operations. Other financial asset includes short-term investment (STI) and AFS investments.

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

#### Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial liabilities. The Group's objective is to maintain a balance between continuity of funding in order to continuously operate and support its exploration activities. The Group considers its available funds and liquidity in managing its immediate financial requirements.

As of September 30, 2014 and December 31, 2013, cash and cash equivalents may be withdrawn anytime while quoted AFS investments may be converted to cash by selling them during the normal trading hours in any business day. The tables below summarize the maturity profile of the Group's financial assets as of September 30, 2014 and December 31, 2013:

	<b>September 30, 2014</b>	December 31, 2013
Cash and cash equivalents	<b>₱338,255</b>	₱358,415
Trade and other receivables	<b>160,940</b>	397,067
Loans receivable under Trade and other receivables	<b>49,767</b>	49,767
AFS investments	<b>11,050</b>	14,043
<b>Total credit risk exposure</b>	<b>₱560,012</b>	<b>₱819,292</b>

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

#### September 30, 2014

	<b>On demand</b>	<b>More than 90 days</b>	<b>More than 1 year</b>	<b>Total</b>
<b>Loans payable</b>	<b>₱751,428</b>	<b>₱223,732</b>	<b>₱-</b>	<b>₱975,160</b>
<b>Trade and other payables*</b>	<b>725,760</b>	<b>-</b>	<b>-</b>	<b>725,760</b>
<b>Equity of claimowner in contract operations</b>	<b>-</b>	<b>-</b>	<b>49,136</b>	<b>49,136</b>
<b>Total</b>	<b>₱1,477,188</b>	<b>₱223,732</b>	<b>₱49,136</b>	<b>₱1,750,056</b>

*\*Excludes statutory payables*

#### December 31, 2013

	On demand	More than 90 days	More than 1 year	Total
Loans payable	₱584,660	₱544,728	₱505,494	₱1,634,882
Trade and other payables*	571,554	76,093	25,746	673,393
Equity of claimowner in contract operations	ó	ó	49,136	49,136
<b>Total</b>	<b>₱1,156,214</b>	<b>₱620,821</b>	<b>₱580,376</b>	<b>₱2,357,411</b>

*\*Excludes statutory payables*

### Credit Risk

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

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. With respect to credit risk arising from other financial assets of the Group, which comprise of cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Since the Group trades only with recognized third parties, there is no requirement for collateral.

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

### September 30, 2014

	Neither Past Due Nor Impaired		Past Due But Not Impaired	Impaired	Total
	High Grade	Standard Grade			
<b>Cash and cash equivalents</b>					
Cash in banks	₱268,004	₱-	₱-	₱-	₱268,004
Short-term deposits	69,353	-	-	-	69,353
<b>Trade and other receivables</b>					
Trade	16,394	78,023	58,879	7,378	160,674
Others	-	-	266	30,418	30,684
Loans receivable	-	49,767	-	-	49,767
<b>AFS investments</b>	5,202	5,848	-	-	11,050
<b>Total credit risk exposure</b>	<b>₱358,953</b>	<b>₱133,638</b>	<b>₱59,145</b>	<b>₱37,796</b>	<b>₱589,532</b>

### December 31, 2013

	Neither Past Due Nor Impaired		Past Due But Not Impaired	Impaired	Total
	High Grade	Standard Grade			
<b>Cash and cash equivalents</b>					
Cash in banks	₱223,751	₱0	₱0	₱0	₱223,751
Short-term deposits	133,869	0	0	0	133,869
<b>Trade and other receivables</b>					
Trade	188,876	62,355	145,570	7,378	404,179
Others	0	0	266	30,418	30,684
Loans receivable	0	49,767	0	0	49,767
<b>AFS investments</b>	4,931	9,112	0	0	14,043
<b>Total credit risk exposure</b>	<b>₱551,427</b>	<b>₱121,234</b>	<b>₱145,836</b>	<b>₱37,796</b>	<b>₱856,293</b>

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

- a. Cash and cash equivalents and MRF are assessed as high grade since these are deposited in reputable banks, which have a low probability of default.
- b. Trade receivables, which pertain mainly to receivables from sale of nickel ore, and loans receivable were assessed as standard grade. These were assessed based on past collection experience and the debtors' ability to pay. Other than receivables which were fully provided with allowance, there were no history of default on the outstanding receivables as of September 30, 2014 and December 31, 2013.

### Market Risks

#### *Interest Rate Risk*

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

As of September 30, 2014 and December 31, 2013, the Group's exposure to the risk for changes in market interest rate relates primarily to its secured bank loans and unsecured bank loans with floating interest rates. The Group regularly monitors its interest due to exposure from interest rates movements.

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

The following table sets forth, for the years indicated, the impact of changes of interest rate on the consolidated statements of income:

#### September 30, 2014

	Change in interest rates (in basis points)	Sensitivity of pretax income
PHP	+100	(P2,214)
PHP	-100	2,214
USD	+100	(2,723)
USD	-100	2,723

#### December 31, 2013

	Change in interest rates (in basis points)	Sensitivity of pretax income
PHP	+100	(P6,884)
PHP	-100	6,884
USD	+100	(9,464)
USD	-100	9,464

There is no other impact on the Group's equity other than those already affecting the consolidated statements of income. Based on the historical movement of the interest rates, management believes that the reasonably possible change for the next quarter would result in an increase (decrease) of 100 basis points for USD LIBOR and PhP T-bill.

### *Foreign Currency Risk*

Foreign currency risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial performance and cash flows. The Group has transactional currency exposures. Such exposure arises from the sale of gold, nickel ore and beneficiated chrome ore and the purchase of certain goods and services denominated in USD. All sales of gold and nickel ore are denominated in USD.

Dollar conversion of metal sales to Philippine peso is based on the prevailing exchange rate at the time of sale.

The Group's policy is to maintain foreign currency exposure within acceptable limits. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for an institution engaged in the type of business in which the Group is involved. The Group did not seek to hedge the exposure on the change in foreign exchange rates between the USD and the Philippine peso. The Group does not generally believe that active currency hedging would provide long-term benefits to stockholders.

The Group's foreign currency-denominated monetary assets and liabilities as of September 30, 2014 and December 31, 2013 follow:

	<b>September 30, 2014</b>		December 31, 2013	
	USD	Peso Equivalent	USD	Peso Equivalent
<b><u>Financial Assets</u></b>				
Cash	<b>\$2,045</b>	<b>₱91,769</b>	\$6,317	₱280,443
Trade receivables	<b>1,095</b>	<b>49,138</b>	6,306	279,955
Other current assets	–	–	1,177	52,253
Available-for-sale (AFS) investments	<b>40</b>	<b>1,795</b>	40	1,776
<b>Total financial assets</b>	<b>3,180</b>	<b>142,702</b>	13,840	614,427
<b><u>Financial Liabilities</u></b>				
Other loans	<b>4,157</b>	<b>186,545</b>	9,593	425,881
Secured bank loans	<b>4,777</b>	<b>214,368</b>	11,726	520,576
<b>Total financial liability</b>	<b>8,934</b>	<b>400,913</b>	21,319	946,457
<b>Net financial asset (liability)</b>	<b>(\$5,754)</b>	<b>(₱258,211)</b>	(\$7,479)	(₱332,030)

As of September 30, 2014 and December 31, 2013, the exchange rates of the Philippine peso to the USD are ₱44.88 and ₱44.40, respectively.

The sensitivity to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's income before income tax as of September 30, 2014 and December 31, 2013 is as follows:

<b>September 30, 2014</b>	Change in foreign exchange rate	Sensitivity of pretax income
	<b>Strengthens by Php1.00</b>	<b>₱5,754</b>
	<b>Weakens by Php1.00</b>	<b>(5,754)</b>

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

Based on the historical movement of the foreign exchange rate, management believes that the reasonably possible change for the next quarter would result in an increase (decrease) of ₱1.00.

#### Fair Values of Financial Instruments

Fair value is defined as the amount at which a financial instrument can be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation.

Set out below is a comparison by category and class of carrying amounts and estimated fair values of the Group's significant financial assets and liabilities as of September 30, 2014 and December 31, 2013:

	<u>September 30, 2014</u>		<u>December 31, 2013</u>	
	<u>Carrying Amounts</u>	<u>Fair Values</u>	<u>Carrying Amounts</u>	<u>Fair Values</u>
<b>Financial Assets:</b>				
AFS investments:				
Quoted	<b>₱5,202</b>	<b>₱5,202</b>	₱4,931	₱4,931
Unquoted	<b>5,848</b>	<b>5,848</b>	9,112	9,112
	<b>₱11,050</b>	<b>₱11,050</b>	₱14,043	₱14,043
<b>Financial Liabilities:</b>				
Loans payable	<b>₱975,160</b>	<b>₱ 975,160</b>	₱1,634,882	₱1,634,882

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

#### *Cash and Cash Equivalents, Short-term Investment, Trade and Other Receivables, and Trade and Other Payables*

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

#### *Loans Receivable*

The fair value of loans receivable approximate their carrying amounts as of reporting date due to the short-term nature. Loans receivable carry interest at 9% per annum and are due and demandable.

#### *AFS Investments*

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

#### *Loans Payable*

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

As at September 30, 2014 and December 31, 2013, the Group had quoted AFS investments amounting to P5,202 and P4,931, respectively, carried at fair value in the consolidated statement of financial position. The quoted AFS investments are classified under Level 1 of the fair value hierarchy since these are based on quoted market prices or binding dealer price quotations. The Group has no financial instruments measured at fair value under Levels 2 and 3 of fair value hierarchy. There were no transfers between levels in 2014 and 2013.

#### Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may obtain additional advances from stockholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes in 2014 and 2013. The Group monitors capital using its parent company financial statements. As at September 30, 2014 and December 31, 2013, the Group has met its capital management objectives.

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

	<b>September 30, 2014</b>	December 31, 2013
Capital stock	<b>P586,223</b>	P532,222
Capital surplus	<b>269,843</b>	161,844
Retained earnings	<b>1,705,735</b>	1,615,817
Treasury shares	<b>(8,016)</b>	(8,016)
	<b>P2,553,785</b>	P2,301,867

Further, the Group monitors capital using debt to equity ratio, which is the total liabilities divided by total equity. Debt to equity ratio of the Group as at September 30, 2014 and December 31, 2013 are as follows:

	<b>September 30, 2014</b>	December 31, 2013
Total liabilities (a)	<b>P3,348,101</b>	P3,796,376
Total equity (b)	<b>3,479,672</b>	3,388,634
Debt-to-equity ratio (a/b)	<b>0.96:1</b>	1.12:1

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#### 5. **Seasonality and Cyclicity of Interim Operation**

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

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#### 6. **Events After End of Reporting Period**

There are no significant event after end of reporting period.

**ADDITIONAL DISCLOSURE TO FINANCIAL STATEMENTS OF THE COMPANY**  
**(FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2014)**

- i.) The disclosure on significant accounting principles, policies, and practices are substantially the same with the disclosure made in 2013 financial statements. Additional disclosures on the significant changes of accounts and subsequent events are presented in the Management Discussion and Analysis.
- ii.) During the third quarter of 2014, there were no seasonal or cyclical aspects that materially affect the operation of the Company, no substantial nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, and no unusual items that materially affect the Company's assets, liabilities, equity, net income or cash flows.
- iii.) Issuances, Repurchases, Repayments of Debt and Equity Securities – For the third quarter of 2014, there were no securities sold by the Company which were not registered under the Revised Securities Act (now Securities Regulation Code (SRC)) including the sales of reacquired securities, new issues, securities issued in exchange of property, services or other securities and new securities resulting from the modification of outstanding securities.
- iv.) Dividends – Pursuant to the restrictions provided for in the Company's loan agreement with creditor banks, no cash dividends were declared during the third quarter 2014.
- v.) Segment Information - The Company is principally engaged in mining industry. Its operating revenues as of September 30, 2014 mainly consist sales of gold to Bangko Sentral Ng Pilipinas amounting to ₱627.01 million and nickel ores amounting to ₱1.7 billion.
- vi.) Subsequent Material Events - There were no material events subsequent to the end of the quarter that have been reflected in the financial statements for the period.
- vii.) There were no changes in the composition of the Company, business combinations, acquisition or disposal of subsidiaries and long-term investments and no substantial changes in contingent liabilities and contingent assets from 2013.