



August 19, 2021

SECURITIES AND EXCHANGE COMMISSION

Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City 1307

Attention: **Mr. VICENTE GRACIANO P. FELIZMENIO, JR.**
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE

6th Floor, PSE Tower
5th Avenue corner 28th Street
Bonifacio Global City, Taguig City

Attention: **Ms. JANET A. ENCARNACION**
Head, Disclosure Department

Gentlemen:


In compliance with the reportorial requirements of the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE), we submit Benguet Corporation's Second Quarter Report 2021 (SEC Form 17-Q). Please note that on August 11, 2021, we requested for extension of period to submit the report under SEC Form 17-L.

We trust that you will find everything in order.

Very truly yours,

BENGUET CORPORATION

By:



REYNALDO P. MENDOZA
Executive Vice President and
Asst. Corporate Secretary

COVER SHEET

1 1 3 4 1

SEC Registration Number

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

(Group's Full Name)

7 t h F l o o r , U n i v e r s a l R e B u i l d i n g ,

1 0 6 P a s e o d e R o x a s , M A k a t i C i t y

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

Mr. Reynaldo P. Mendoza

(Contact Person)

8812-1380

(Group Telephone Number)

1 2

Month *Day*
(Calendar Year)

3 1

1 7 - Q

(Form Type)

Month

Day

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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



- 1. For the quarterly period ended: JUNE 30, 2021
- 2. Commission identification number: 11341 3. BIR Tax Identification No.: 000-051-037-000

BENGUET CORPORATION

- 4. Exact name of issuer as specified in its charter

PHILIPPINES

- 5. Province, country or other jurisdiction of incorporation or organization

- 6. Industry Classification Code: (SEC Use Only)

7F UNIVERSAL RE-BUILDING, 106 PASEO DE ROXAS, MAKATI CITY 1226

- 7. Address of issuer's principal office Postal Code

(632) 8812-1380 / 7751-9137

- 8. Issuer's telephone number, including area code

- 9. Former name, former address and former fiscal year, if changed since last report

- 10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA.

	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Convertible Preferred Class A	217,061 shares
Common Class A Stock	374,014,508 shares*
Common Class B Stock	247,247,621 shares*

*Net of Treasury Shares

Total consolidated outstanding principal loans payable as of June 30, 2021 - P 85.06 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 12 to 35 which are incorporated and form part of this report (SEC Form 17-Q), as follows:

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

A. 2021 SECOND QUARTER Vs. 2020 SECOND QUARTER

In the second quarter of 2021, Benguet Corporation sustained its forward momentum of profitable operations. Increased shipments and production of the Sta. Cruz Nickel Operation as well as high nickel price resulted in significant income contribution. The Acupan Gold Project in Itogon Province and the Irisan Lime Project likewise reported stable income growth during the period.

CONSOLIDATED RESULTS OF OPERATIONS

Consolidated net income for the second quarter of 2021 compared to same period last year increased seven times from ₱42.0 million in 2020 to ₱303.1 million this year. For the first semester of 2021, net income amounted to ₱821.7 million, 733% higher than the ₱98.7 million net income for the same period in 2020. The increase in net income was the net effect of the following:

Revenues

Consolidated revenues rose significantly to ₱999.6 million for the second quarter of 2021 and ₱2.28 billion for the first half of 2021 from ₱293.1 million and ₱701.6 million reported for the same respective periods in 2020. The increase in revenue both for the second quarter and first half of 2021 was mainly attributable to higher number of nickel ore shipments made and higher metal prices. BNMI sold 7 boatloads of nickel ore with an aggregate volume of 363,293 tons valued at ₱726.5 million in the second quarter and 15 boatloads of nickel ore with an aggregate volume of 798,768 tons valued at ₱1,771.8 million for the first semester of 2021 compared to 2 boatloads with an aggregate volume of 106,605 tons valued at ₱139.4 million and 5 boatloads with an aggregate volume of 265,255 tons valued at ₱344.6 million for the same respective periods in previous year. To-date June, nickel ore was sold at an average price of US\$45.40/ton versus US\$24.02/ton for the same period last year.

Operating and Other Expenses

Cost and operating expenses in the second quarter this year increased to ₱574.3 million from ₱245.1 million for the same quarter in 2020 mainly due to the increase in cost of mine products sold, selling and general expenses and taxes on revenue. For the same reason, cost and operating expenses for the first semester this year went up by 96% to ₱1,145.4 million from ₱585.8 million for the same period last year.

Other expenses incurred for the second quarter and first semester this year amounted to ₱17.3 million and ₱35.6 million, respectively. In contrast, other income generated in the second quarter and first semester of 2020 amounted to ₱3.0 million and ₱2.4 million, respectively.

Provision for income tax of ₱103.7 million and ₱276.7 million for the second quarter and first semester this year pertains to the regular corporate income tax of Benguetcorp Nickel Mines, Inc. (BNMI), Arrow Freight Corporation (AFC) and Keystone Port Logistics and Management Services Corporation (Keystone).

FINANCIAL CONDITION

Assets

The Company ended the second quarter of 2021 with consolidated total assets of ₱8.02 billion, ₱0.64 billion higher than its assets as of December 31, 2020. The increase is the net effect of the following:

Cash and cash equivalent increased by ₱595.1 million to ₱866.6 million primarily from cash provided by operation.

Trade and other receivables decreased to ₱396.2 million from ₱475.3 million in 2020, mainly due to collection of nickel ore sold in the previous quarter.

Inventories rose by 89% to ₱191.50 million from ₱101.1 million in 2020 mainly due to the costs of nickel ore produced from the on-going mining in Area 2 and 3 of the mineral claims in Zambales.

Increase in other current assets to ₱469.8 million from ₱398.7 million was mainly due to the input taxes from various purchases of services and goods from the Company's nickel operation in Zambales and gold operation in Itogon Province.

Liabilities

Total consolidated liabilities as of June 30, 2021 decreased to ₱2.41 billion from ₱2.60 billion as of December 31, 2020. The decrease was due to the following:

Trade and other payables increased by 3% to ₱642.4 million from ₱620.7 million in 2020 due to various purchases of mining and hauling services in Sta. Cruz Nickel Operation and upgrading/repair of milling equipment in the Acupan Gold Project.

Decline in loans payable to ₱324.0 million from ₱509.0 million was mainly due to the full payment of ₱185.0 million advances from Trans Middle East Corporation.

Income tax payable this year amounted to ₱150.94 million against ₱2.01 million in the previous year mainly from the regular income tax liability of Benguetcorp Nickel Mines, Inc.(BNMI), Arrow Freight Corporation (AFC) and Keystone Port Logistics and Management Services Corporation (Keystone).

Other noncurrent liabilities went down by 46% to ₱212.5 million from ₱391.4 million on account of the repayment to LS Networks Co. Ltd.

Equity

Stockholders Equity for the first half of this year amounted to ₱5,610.7 million, higher than ₱4,780.0 million in 2020. The increase was due to the net income generated during the first semester of this year amounting to ₱821.7 million.

Consolidated Cash Flow

The net cash provided by operating activities for the second quarter and first semester this year amounted to ₱331.7 million and ₱959.9 million, respectively. In contrast, the net cash used for the second quarter last year amounted to ₱42.4 million while for the first semester, net cash provided amounted to ₱35.0 million.

The Company invested ₱9.9 million and ₱22.1 million in property, plant and equipment for the second quarter and first semester this year respectively. ₱12.3 million and ₱12.9 million was spent for exploration activities for the second quarter and first semester this year, respectively. Net cash used in financing activities amounted to ₱138.0 million in the second quarter and ₱356.2 million for the first semester this year. Cash was used to fully pay the ₱185.0 million loan with Trans Middle East, pay outstanding liabilities with LS Networks Co., Ltd. and various suppliers/contractors.

OPERATIONAL OVERVIEW

Acupan Gold Project (AGP)

Gold operations for the second quarter continued to show promising results. Revenue went up by 76% to ₱243.4 million compared to ₱137.9 million revenue for the same quarter last year. The improvement was attained due to increase in gold production and higher gold price. Total gold sales in the second quarter of 2021 reached 2,789.58 ounces, against 1,594.11 ounces sold for the same quarter last year. Average price of gold rose to US\$1,812.83 per ounce this quarter from US\$1,711.55 per ounce in the second quarter of 2020. The increase in gold sales and price yield pre-tax income of ₱41.9 million this quarter, higher than the pre-tax income of ₱30.1 million in the same period last year. Revenue for the first half of 2021 increased by 46% to ₱450.4 million from ₱308.7 million in the first semester of last year. The increase is attributable to higher gold sales and price. Gold sales reached 5,176.60 ounces at average price of US\$1,807.61 per ounce versus 3,720.46 ounces sold in the first half of 2020 at average price of US\$1,637.31 per ounce. Pre-tax income for the first six months period amounted to ₱72.0 million, higher compared to ₱51.9 million for the same period in 2020.

AGP milled 13,908.02 tons with average grade of 6.24 grams per ton gold for the second quarter and 28,511.40 tons with average grade of 5.65 grams per ton for the first semester this year, compared to 9,187.96 tons with average grade of 5.40 grams per ton and 19,301.98 tons with average grade of 6.0 grams per ton for the same respective periods last year. Average milling rate to-date June 2021 of 162 TPD was 47% higher than the 110 TPD for the same period last year.

AGP continues to review and redirect its development and production programs in other potential mining areas to sustain budgeted targets. Milling processes, systems, and equipment are also being enhanced for efficiency and to improve gold recovery. Raising of Tailings Storage Facility 2 (TSF2) dam embankment is almost complete and is being monitored especially during the onset of the rainy season where moderate to heavy rainfall is being experienced.

Sta. Cruz Nickel Project (SCNP)

Nickel operations under Benguetcorp Nickel Mines, Inc. (BNMI) generated revenue of ₱726.5 million for the second quarter and ₱1.8 billion for the first half of this year, substantially higher than the ₱139.4 million and ₱344.6 million for the same respective periods in 2020. This resulted to pre-tax income of ₱331.9 million in the second quarter and ₱914.4 million for the first semester of 2021, higher compared to the ₱25.1 million and ₱47.2 million for the same periods in 2020. The growth was driven by increase in volume shipped and better nickel prices. BNMI completed 15 shipments aggregating 798,768 tons for the first half this year. The nickel ore sold ranging from 1.2% to 1.4% was transacted at an average price of US\$45.40/ton this year. On the other hand, BNMI sold 5 boatloads aggregating 265,255 tons ranging from 1.3% to 1.5% at an average price of US\$24.91/ton for the first six months of 2020.

The rest of 2021 and the coming years are expected to bring better opportunities to nickel ore producers. Taking advantage of the rapidly rising nickel ore price and marketability of low-grade ores, BNMI updated its saleable ore inventory in old stockpile areas.

Irisan Lime Project (ILP)

The Company's ILP generated revenue of ₱18.7 million for the second quarter and ₱37.1 million for the first half this year, higher compared to the revenue of ₱18.4 million and ₱34.5 million for the same respective periods last year. Sales volume increased by 10% to 3,920 tons for the first half this year compared to 3,570 tons in the same period in 2020. This improved ILP pre-tax income to ₱4.8 million for the second quarter and ₱11.7 million for the first semester this year, from ₱6.2 million and ₱9.6 million for the same periods in 2020.

ILP was awarded runner-up under the Safest Mineral Processing-Calcining Plant Category by the DENR-Mines and Geosciences Bureau during the Presidential Mineral Industry Environmental Awarding Ceremonies on March 18, 2021.

Benguet Antamok Gold Operation (BAGO)

The revised Antamok Final Mine Rehabilitation and Decommissioning Plan (FMRDP) will be resubmitted to MGB-CAR prior to its endorsement to the Contingent Liability and Rehabilitation Fund Steering Committee (CLRFSC) due to new development, particularly on decreased rehabilitation needs considering current physical status of the area. The revised total cost to be incurred over a 4-year period starting 2019 was reduced from ₱43 million to ₱30 million. The aim of the FMRDP is principally to mitigate environmental risks and provide a sustainable final land use of the area. It includes long-term programs such as the proposed Ecological Solid Waste Management Project with Temporary Residual Containment Area (TRCA), Waste to Energy (WtE) facilities, Eco-tourism Project, and Minahang Bayan.

EXPLORATION, RESEARCH AND DEVELOPMENT

The Pantingan property is a viable prospect for epithermal gold mineralization and aggregates. Drilling works of the Pantingan Gold Prospect continued with the aim of probing the lateral and vertical continuations of the V9SL and V2SL, the promising gold veining systems intercepted at shallow depths during the first drilling operation. To-date, there have been 6 drill holes with an aggregate length of 1,012.4 meters. The second phase drilling targeting 6 to 8 boreholes with a length of 1,200 meters is underway. CTECH Industrial Corporation was signed up to implement the second phase drilling.

On the aggregates prospect, the Company is prioritizing the permitting of the 40 hectares Quarry Permit (QPA) outside the MPSA. The MGB has issued area clearance in the QPA and the Company is working on LGU consent, tree inventory, NCIP certification, and ECC process. To-date, the topographic survey covering the eight (8) blocks of the Quarry Permit Areas immediately north outside the approved MPSA has been completed. Walk-through and site evaluation for the access road from the QPA blocks to the main highway and eastern sea-coast of Bataan were also completed. In the meantime, the Company continues to do topographic/road surveys and apply for road-right-of-way permits.

On the Zamboanga Gold Prospect, the Company has ongoing talks with claimowner, Orelina Mining Corporation, for its consent to a proposed arrangement with the small scale miners cooperative in the San Fernandino vein area where they will be allowed to continue with their livelihood activities under a regulated system subject to the conditions that the Company can conduct exploration/drilling works and will be assisted in securing Free, Prior and Informed Consent (FPIC) from the Indigenous People. Duration of arrangement is until the Company is ready to start large scale mining.

The Company's Surigao Coal Prospect has submitted all the requirement for the application of a new Coal Operating Contract (COC) with the Department of Energy (DOE).

SUBSIDIARIES AND AFFILIATES

i. **Logistics**

Arrow Freight Corporation (AFC)

AFC, the logistics provider of the Company generated revenue of ₱25.4 million for the second quarter and ₱54.6 million for the first half this year, higher as compared to the revenues of ₱3.7 million and ₱14.9 million for the same periods in 2020. Net income for the second quarter this year amounted to ₱2.0 million against ₱2.1 million loss in the same quarter last year. For the first semester this year, net income amounted to ₱18.5 million, higher than the ₱2.4 million for the same period in 2020.

AFC has current operational hauling capacity of 9 units dump truck. AFC plan to purchase more dump trucks and backhoe to handle the loading and hauling requirements of BNMI.

- Keystone Port Logistics Management & Services Corporation (KPLMSC)

KPLMSC, the port and barging services provider of the Company registered revenue of ₱23.9 million for the second quarter and ₱52.5 million for the first half this year, higher as compared to the revenue of ₱7.3 million and ₱18.3 million for the same respective periods last year. The increase is on account of the higher tonnage of nickel ore exports handled during the first semester this year to 798,768 tons from 265,255 tons for the same period in 2020. Net income for the second quarter and first semester of 2021 amounted to ₱12.3 million and ₱26.9 million, respectively, higher compared to the net income of ₱3.7 million and ₱9.6 million for the same respective periods in 2020.

ii. **Real Estate**

- BMC Forestry Corporation (BFC)

BFC manages the lime kiln operation of Irisan Lime Project and various real estate projects. BFC continues to develop and sell subdivision lots in its real estate project in Rosario, La Union. The market of Woodspark Subdivision was affected by the Covid-19 pandemic and reported ₱0.02 million net loss this quarter against ₱0.11 million net loss for the same period last year. BFC continues to collect monthly amortizations and sell the remaining 5 lots with an aggregate area of 1,763 square meters valued at ₱8.89 million.

- **Kelly Ecozone Project (KEP)**

On the KEP, the Company has submitted the revised amended land use concept and 5-Year Master Development Plan to the Philippine Economic Zone Authority (PEZA). The Company has also completed the field validation and GPS survey of structures/improvements in the claim areas.

iii. **Healthcare**

Benguetcorp Laboratories, Inc. (BCLI) generated total revenue of ₱11.2 million for the second quarter and ₱21.9 million for the first half this year, against ₱5.9 million and ₱13.9 for the same periods last year. Increase in revenues resulted to pre-tax income of ₱2.2 million for the second quarter, a turn around from the pre-tax loss of ₱3.1 million for the same quarter last year. For the same reason, pre-tax income for the first semester of 2021 amounted to ₱3.0 million higher compared to the ₱4.3 million pre-tax loss for the same period in 2020. The favorable results were mainly due to income from Annual Physical Examination (APE) services to clients, flu vaccination, continuing antigen swab testing and increase in number of walk-in patients despite the community quarantine restrictions imposed by the government.

BCLI is now on its second year out of the 3 years clinic management and medical services contracts with Texas Instrument for its Baguio City and Clark, Pampanga hubs. It also focused on the Health Management Organizations catering to corporate and institutional clients, both from the private and government sectors. Its long-standing corporate client, MOOG, renewed its contract with BCLI to provide full clinic management services in its site effective May 1, 2021.

iv. BenguetCorp International Limited (BIL), the Company's Hongkong-based and 100% owned subsidiary for international operations, remains largely inactive. BIL's wholly owned subsidiary,

BenguetCorp USA Limited (BUSA) in Nevada, U.S.A. continue to hold interests in mining properties in Royston Hills, Nevada, which are currently being offered for sale to interested parties.

B. 2020 SECOND QUARTER Vs. 2019 SECOND QUARTER

A. FINANCIAL PERFORMANCE

CONSOLIDATED RESULTS OF OPERATIONS

Consolidated net income for the second quarter and first semester of 2020 amounted to ₱42.0 million and ₱98.7 million, respectively, a turnaround from the net loss of ₱7.0 million and ₱67.6 million for the same period in 2019. The net income was the net effect of the following:

Revenues

The Company generated consolidated revenues of ₱293.1 million for the 2nd quarter of 2020 and ₱701.6 million for the first semester of 2020, higher versus ₱238.1 million and ₱424.6 million reported for the same periods in 2019. The positive variance is attributable to higher revenue from mining business. For the first semester of 2020, BNMI exported 5 boatloads of nickel ore ranging from 1.32% to 1.52% with an aggregate volume of 265,255 tons at an average price of US\$25.71/ton versus 1 boatload of 1.5% nickel ore with shipment volume of 55,000 tons at an average price of US\$ 22.50/ton in 2019. Despite the low production, the Acupan Gold Project (AGP) contributed a revenue of ₱308.7 million or 44% of the total revenue reported for the first semester of 2020. The increase is mainly due to higher price of gold. For the first half of 2020, ACMP sold 3,720.46 ounces of gold at average price of US\$1,637.31 per ounce versus 3,861.18 ounces at an average price of US\$1,308.12 per ounce for the same period in 2019.

Operating and Other Expenses

Cost and operating expenses in the second quarter of 2020 decreased to ₱245.1 million from ₱261.2 million for the same quarter in 2019 mainly due to the decrease in cost of mine products sold by 28% or ₱53.6 million partly offset by increased in selling and general expenses by 59% or ₱31.2 million. For the first semester of 2020, cost and operating expenses went up by 17% to ₱585.8 million from ₱501.9 million in 2019. The increase is mainly due to the cost incurred in selling 5 boatloads of nickel ore.

Interest expenses for the second quarter and first semester of 2020 were higher compared to the same periods in 2019. The increase is mainly due to the accrued interest on finance lease, interest and penalty on late payment of withholding tax and bank charges booked during the second quarter and first half of 2020.

Other income for the second quarter and first semester of 2020 amounted to ₱3.0 million and ₱2.4 million, respectively. In contrast, other income for the second quarter and first semester in 2019 amounted to ₱22.3 million and ₱18.6 million, respectively. The other income in 2019 is attributable to the ₱24.3 million discount earned from the settlement of outstanding liability with Goldrich Construction and Trading and the ₱6.0 million gain on sale of property in Namayan, Mandaluyong City.

Provision for income tax of ₱7.5 million and ₱17.7 million for the second quarter and first semester of 2020 pertains to the minimum regular corporate income tax of BC (Parent company), Benguetcorp Nickel Mines, Inc. (BNMI) and Keystone Port Logistics and Management Services corporation (Keystone).

B. FINANCIAL CONDITION

Assets

The Company ended the second quarter of 2020 with consolidated total assets of ₱6.97 billion, slightly higher than ₱6.92 billion in 2019. The slight increase is the net effect of the following:

Cash and cash equivalent increased by 23% to ₱94.9 million from ₱77.2 million mainly from cash provided by operation.

Receivables increased to ₱364.3 million from ₱290.0 million in 2019, mainly from nickel ore sold but not yet collected.

Inventories decreased by 31% to ₱91.0 million from ₱132.2 million in 2019 mainly due to the five boatloads of stockpiled nickel ore sold this first semester of 2020.

Other current assets slight increased to ₱323.6 million from ₱314.1 million.

Decrease in property, plant and equipment to ₱2,613.0 million from ₱2,637.2 million pertains to depreciation and amortization for the first semester of 2020.

Liabilities

Total consolidated liabilities as of June 30, 2020 decreased to ₱2.46 billion from ₱2.51 billion as of December 31, 2019. The decrease was due to the following:

Trade and other payables, mainly payables to suppliers and contractors, decreased by 8% to ₱532.7 million from ₱576.9 million in 2019 due to payment to various suppliers and contractors.

Equity

Stockholders Equity for the first half of 2020 amounted to ₱4,510.0 million higher than ₱4,412.0 million in 2019. The increase is due to the net income generated during the first semester of 2020.

Consolidated Cash Flow

The net cash provided by operating activities for the first semester of 2020 amounted to ₱35.0 million. In contrast, the net cash used for the same period in 2019 amounted to ₱134.7 million.

During the first semester, the Company invested ₱1.2 million in property, plant and equipment, ₱4.5 million in exploration activities and ₱4.3 million in other assets pertaining to Mine Rehabilitation Fund in compliance with the requirement of Mines and Geosciences Bureau and input taxes on various purchases. Net cash used in financing activities amounted to ₱6.9 million. This pertains to the accrued forex gain on dollar cash advances from off-take Contract with Nickel buyer.

C. OPERATIONAL OVERVIEW

Acupan Gold Project (AGP)

Second quarter of 2020 was very challenging for the Acupan Gold Project (AGP) as the COVID-19 pandemic that hit the country affected the AGP operation. The Local Government in Itogon and Baguio City imposed lockdown to control the spread of the virus. This resulted to lower turn-out of contractor's miners. Hence, gold production for the second quarter of 2020 reached only to 1,594.11 ounces, lower compared to 1,928.30 ounces for the same quarter in 2019. For the second quarter of 2020, AGP milled 9,188 tones, lower than 11,328 tons for the same period in 2019. For the first half of 2020, gold production decreased to 3,605.44 ounces from 3,841.42 ounces for the same period in 2019.

Despite lower production, AGP generated net income of ₱21.3 million for the second quarter and ₱36.5 million for the first half of 2020, a turnaround from the same respective periods in 2019 when AGP incurred net losses of ₱3.483 million and ₱9.1 million. This is attributable to higher average

price of gold for the quarter at US\$1,711.55 per ounce and US\$ 1,637.31 per ounce for the first half of 2020 versus the average price of US\$1,313.55 per ounce and US\$ 1,308.12 per ounce for the same respective periods in 2019.

AGP plan to hire additional company miners within the vicinity to increase its production in the second half of 2020 while the price of gold remains high. It continued to monitor contractors' performance whose contracts undergoes periodic review, based not only on production performance but also on safety and other requirements. This time the effect of the COVID-19 crisis on their performance will be considered on the evaluation.

Sta. Cruz Nickel Project (SCNP)

The Company's nickel business under its wholly owned subsidiary, Benguetcorp Nickel Mines, Inc. (BNMI), operating the SCNP, generated net income for the second quarter and first semester 2020 in the amount of ₱23.1 million and ₱43.3 million, respectively, a turnaround from the net loss of ₱29.0 million and ₱83.9 million for the same periods in 2019. BNMI exported 2 boatloads nickel ore equivalent to 106,605 tons at an average realized price of US\$24.58/ton for the quarter and 5 boatloads nickel ore equivalent to 265,255 tons at an average realized price of US\$25.71/ton for the first semester of 2020, as compared to zero shipment and 1 boatload nickel ore equivalent to 55,000 tons at an average realized price of US\$22.50/ton for the same respective periods in 2019. Ore sold were stockpiled nickel ores from the mine site which the government allowed to be removed due to environmental risk the stockpiles may pose during the rainy season.

BNMI hopes for early lifting of suspension order on its mining operations following favorable recommendations from MGB/EMB Region 3 which is pending resolution by the DENR. BNMI is optimistic that after lifting of the suspension order and easing of community quarantine due to COVID-19, it can resume mining operations and continue shipments of nickel ores. Notwithstanding its suspended operations, it continues to conduct infrastructure maintenance activities, environmental enhancement and rehabilitation programs including the National Greening Program (NGP), Temporary Revegetation Program (TRP), and Progressive Rehabilitation Program (PRP) of the DENR.

Benguet Antamok Gold Operation (BAGO)

The Company is awaiting approval of the submitted revised Antamok Final Mine Rehabilitation and Decommissioning Plan (FMRDP) through MGB by Contingent Liability and Rehabilitation Fund Steering Committee (CLRFSC). The revised FMRDP was submitted due to new development on the actual rehabilitation works needed considering the current physical status of the area and the total costs to be incurred over a 4-year period starting 2019 was reduced from ₱43 million to ₱30 million. The aim of the FMRDP is principally to mitigate environmental risks and provide a sustainable final land use for the community. It includes long-term programs such as the Ecological Solid Waste Management Project with Temporary Residual Containment Area (TRCA), and Waste to Energy (WTE) facilities; the Ecco-tourism Water Park Project; and the Minahang Bayan. For the Minahang Bayan, the operators have to comply with the requirement under the laws and other pertinent regulations, particularly on their Work Programs, SDMP-EPEP, Mineral Processing License and ECC, among others.

Irisan Lime Project (ILP)

The Company's ILP generated net earnings of ₱4.4 million in the second quarter of 2020, or 24% lower than the ₱5.8 million net earnings generated for the same quarter in 2019. For the six-month period, pre-tax net earnings amounted to ₱9.6 million, or 44% lower than the pre-tax net earnings of ₱12.7 million generated for the same period last year. The decrease in the second quarter of 2020 net earnings was mainly due to lower lime sales as a result of the pandemic from 2,417 metric tons in 2019 to 1,924 metric tons in 2020.

EXPLORATION, RESEARCH AND DEVELOPMENT

The Company continues preliminary drilling at the southern-half section of the MPSA tenement of Pantingan Gold Prospect to further test the vertical extension of the mineralized structures mapped previously in the claim area. A total down-dip extent of 340.60 meters for the final 2 boreholes were drilled this quarter bringing depth to a total meterage of 1,012.40 meters since the drilling operation was implemented in January 2020. Thus far, samples were submitted to Intertek Laboratory for analysis and the drill results is expected in the third quarter of 2020.

For the Pantingan aggregates project, geological evaluation continues through mapping and sampling works conducted on the 10-hectare blocks identified as highly prospective domains for mountain rock deposits and coarse rock aggregates situated northeast of the MPSA claim area. The larger block named PAB-1 was elected by the management to come-up with a bigger and wider resource materials for rock aggregates. Immediately north of PAB-1 are four (4) of the applied Quarry Permit Areas (QPA) having a total area of 20 hectares. The blocks of PAB-1 and QPAs' are the main target domains being fully studied since May 2020 to locate prospective materials for rock aggregates. Head-sized and chip rock samples were strategically collected for megascopic analysis and physical laboratory tests to know its engineering properties.

SUBSIDIARIES AND AFFILIATES

i. Logistics

- Arrow Freight Corporation (AFC), the logistics provider of the company, reported a net loss of ₱1.3 million in the second quarter of 2020 and net income of ₱3.1 million for the first half of 2020, as compared to the net income of ₱11.4 million and ₱10.5 million for the same respective periods in 2019. The income last year was mainly due to ₱17.4 million discount earned in the settlement of outstanding liability with Goldrich construction and Trading amounting to ₱87.6 million.
- Keystone Port Logistics and Management Services Corporation (KPLMSC), the port and barging services provider of the Company, generated net income for the second quarter and first semester of 2020 amounted to ₱3.7 million and ₱9.6 million, respectively, as compared to net income of ₱3.1 million and ₱1.6 million for the same periods in 2019. This is mainly due to revenues of port usage on account of the 265,255 tons handled for the first semester of 2020, higher compared to 55,000 tons handled for the same period in 2019. With the reduced shipment volume coming out of BNMI operations, use of the Candelaria port is being offered for lease to third parties.

ii. Real Estate

BMC Forestry Corporation (BFC), the real estate arm of the company continues to develop and sell subdivision lots in its real estate project in Rosario, La Union, Woodspark Subdivision which incurred net loss of Php0.15 million for the second quarter of 2020 and loss of ₱0.22 million for the first half of 2020, as compared to the net income of ₱0.34 million and ₱2.6 million for the same respective periods in 2019. BFC continues to collect monthly amortizations and sell the remaining five (5) Woodspark Subdivision lots with an aggregate area of 1,763 square meters.

iii. Healthcare

Benguetcorp Laboratories, Inc. (BCLI), the healthcare and diagnostic services provider of the Company continued to serve its core customers and the HMOs (Health Maintenance Organization) in its clinics in Baguio City. Total revenues in the first half of 2020 driven by this segment plus corporate accounts and others reached ₱15.7 million, lower than the revenues of ₱30.3 million for the same period last year due to lower sales in walk-in, HMO and corporate clients which were affected by Covid-19 pandemic and closure of its Taytay clinic in April 2020. Most of the medical consultants were hesitant to hold their clinic schedules because of the persistent pandemic issues, coupled with the controlled number of patients being treated daily and, strict implementation of safety and health protocols as monitored by DOH. As a result, BCLI incurred a net loss of ₱4.3 million for the first semester of 2020, lower than the loss of ₱5.0 million for the same period in 2019.

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

KNOWN TRENDS, EVENTS OR UNCERTAINTIES

The Company constantly observes precautionary measures in response to the COVID-19 pandemic to reduce risks, safeguard the health and safety of its employees and indigent families in the host and neighboring communities, and to ensure business continuity. The Company is assisting in the vaccine roll out of the local government in the host community through provision of venue, meals and other support materials required by the Municipal Health Office. Likewise, should the Company's vaccine procurement becomes available, portion will be allocated to the community through the SDMP.

The Company does not foresee any cash flow or liquidity problems over the next twelve (12) months. BNMI resumed mining operations and continues to market saleable nickel ores inventory from old and newly mined stockpile areas, ILP continues to have steady market for quicklime products, while AGP is expected to improve gold production due to more relaxed quarantine guidelines which will improve attendance and performance of miners. The Company and its subsidiaries continue to claim available tax refunds from the Bureau of Internal Revenue.

Within the next twelve months, the Company anticipates changes in the number of employees due to hiring of Project/Seasonal employees for the Pantingan project, BNMI, AFC and Keystone Port Logistics and Management Services Corporation (KPLMSC),

The known trends, demands, commitments, events or uncertainties that may have a material impact on net sales or revenues or income from continuing operations of the Company are the prices of nickel and gold in the world market, the dollar to peso exchange rate, changes in the DENR's rules and regulations, and the present economic condition affected by the Covid-19 pandemic.

There are no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation that have not been booked although, the Company could be contingently liable for lawsuits and claims arising from the ordinary course of business which are not presently determinable. Accordingly, efforts to reduced debt levels are continuing. The Parent Company's outstanding principal debt subject to the 1992 Restructuring Agreement was reduced to ₱85.06 million. The Company remains committed to a final and comprehensive settlement of all old debt or to arrange a suitable restructuring of the remaining obligations.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities of other persons created during the reporting period.

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

- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- 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

The Company's management intends to analyze future results of operations through the following

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 this quarter ending June 30, 2021, the Company current ratio is 1.66:1 versus 0.82:1 in second quarter 2020.

2. Metal Price

The Company's revenue is largely dependent on the world market prices for gold and nickel. Favorable metal prices will also have a favorable impact on the Company's revenues. The market price of gold used by the Bangko Sentral ng Pilipinas is based on world spot market prices provided by the London Metal Exchange. The price of gold is the key indicator in determining the Company's revenue level. The average market prices for gold sold were at US\$1,812.83 per ounce this quarter, as compared to average price US\$1,711.55 per ounce for the same period in 2020. Nickel ores were sold at average price of US\$40.72/ton this quarter against US\$24.58/ton for the same period in 2020.

3. Tons Mill and Ore Grade

Tons milled and ore grade are key determinant of gold sales volume. The higher tons milled and ore grade are directly proportional to revenue level. For this quarter, tons milled were 13,908 tons of shared ore with average grade of 6.24 grams per ton gold, as compared to 9,188 tons of shared ore with average grade of 6.53 grams per ton gold for the same period in 2020. Gold sold were 2,789.58 ounces this quarter versus 1,594.11 ounces for the same period in 2020. Nickel ores produced depend on customer specification or market demand which price is also dependent on the nickel content classified as high grade and low grade nickel ore. Nickel ore sold this quarter were 363,293 tons compared to 106,605 tons in the same period in 2020.

4. Foreign Exchange Rate

The Company's sales proceeds are denominated mainly in U.S. dollars. A higher Philippine peso to U.S. dollar exchange rate means higher peso sales but would also reflect a foreign exchange loss on the restatement of the Company's dollar obligations. Conversely, a lower exchange rate reduces the Company's revenue in pesos but brings foreign exchange income on the loans. As of June 30, 2021, the peso to dollar exchange rate was at ₱48.80, as compared to ₱49.83 for the same period in 2020. The volatility of the foreign currency exchange rates will continue to affect the Company's operations in the foreseeable future.

5. Earnings Per Share

The Company's earnings per share ultimately reflects the Company's financial and operational growth as a result of its performance, cost management, productivity and will provide investors comparable benchmarks relative to similar companies. The reported Company earnings per share this first half is ₱1.33 as compared to ₱0.16 earnings per share in the same period in 2020.

6. The key performance indicator used for the Company's subsidiaries is Net Income, which are discussed in the Subsidiaries and Affiliate portion of the Operational Review of this report.

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.

The Company has no other information that needs to be disclosed during this interim period which was not previously reported under SEC Form 17-C.

SIGNATURES

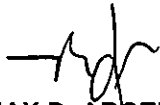
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, in the City of Makati on August 19, 2021.

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

By:



Signature and Title: LINA G. FERNANDEZ
President



Signature and Title: MAX D. ARCEÑO
Senior Vice President-
Finance & Treasurer

BENGUET CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND DECEMBER 31, 2020
(Amounts in Thousands)

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	₱866,579	₱271,548
Trade and other receivables	396,210	475,251
Inventories	191,495	101,140
Other current assets	469,809	398,720
Total Current Assets	1,924,093	1,246,659
Noncurrent Assets		
Property, plant and equipment	2,588,022	2,615,290
Financial assets measured at fair value through other comprehensive income (FVOCI)	13,578	13,361
Deferred mine exploration costs	453,209	456,806
Investment property	2,633,677	2,633,677
Deferred tax assets - net	6,712	6,712
Other noncurrent assets	396,826	406,777
Total Noncurrent Assets	6,092,024	6,132,623
TOTAL ASSETS	₱8,016,117	₱7,379,282
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable	₱323,998	₱508,998
Trade and other payables	642,420	620,719
Current portion of liability for mine rehabilitation	38,136	38,136
Current portion of lease liability	1,164	1,678
Income tax payable	150,940	2,006
Total Current Liabilities	1,156,658	1,171,537
Noncurrent Liabilities		
Deferred income tax liabilities - net	882,514	882,514
Liability for mine rehabilitation	67,470	67,470
Pension liability	81,831	81,831
Noncurrent portion of lease liability	4,476	4,476
Other noncurrent liabilities	212,510	391,412
Total Noncurrent Liabilities	1,248,801	1,427,703
Total Liabilities	2,405,459	2,599,240
Equity		
Capital stock	622,903	617,215
Capital surplus	391,220	388,969
Other components of equity	1,184,073	1,183,086
Retained earnings	3,420,478	2,598,788
	5,618,674	4,788,058
Cost of 116,023 shares held in treasury, ₱69 per share	(8,016)	(8,016)
Total Equity	5,610,658	4,780,042
TOTAL LIABILITIES AND EQUITY	₱8,016,117	₱7,379,282

BENGUET CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(With Comparative Figures for the six months ended June 30, 2020)
(Amounts in Thousands)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30		JUNE 30	
	2021	2020	2021	2020
REVENUES	₱999,583	₱293,127	₱2,281,207	₱701,590
COSTS AND OPERATING EXPENSES				
Costs of mine products sold	324,752	134,648	611,507	333,129
Costs of merchandise sold and services	13,026	8,856	26,496	19,565
Selling and general	162,546	84,449	331,574	189,931
Taxes on revenue	73,989	17,139	175,822	43,220
	574,313	245,092	1,145,399	585,845
INCOME (LOSS) FROM OPERATIONS	425,270	48,035	1,135,808	115,745
INTEREST EXPENSE	1,161	1,528	1,804	1,815
OTHER INCOME (EXPENSE)				
Interest income	184	312	338	517
Foreign exchange gain (loss)	(900)	3,877	(5,461)	3,504
Miscellaneous – net	(16,603)	(1,180)	(30,516)	(1,589)
	(17,319)	3,009	(35,639)	2,432
INCOME (LOSS) BEFORE INCOME TAX	406,790	49,516	1,098,365	116,362
PROVISION FOR INCOME TAX	103,663	7,535	276,675	17,680
NET INCOME (LOSS)	₱303,127	₱41,981	₱821,690	₱98,682
BASIC EARNINGS (LOSS) PER SHARE	₱0.49	₱0.07	₱1.33	₱0.16
DILUTED EARNINGS (LOSS) PER SHARE	₱0.49	₱0.07	₱1.32	₱0.16

BENGUET CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(With Comparative Figures for the six months ended June 30, 2020)
(Amounts in Thousands)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30		JUNE 30	
	2021	2020	2021	2020
NET INCOME (LOSS)	₱303,127	₱41,981	₱821,690	₱98,682
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items to be reclassified to profit or loss in subsequent periods:</i>				
Translation adjustment on foreign subsidiaries	307	(968)	647	(915)
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>				
Unrealized gain (loss) on equity instruments designated at FVOCI	8	44	17	88
OTHER COMPREHENSIVE INCOME (LOSS)	315	(924)	664	(827)
TOTAL COMPREHENSIVE INCOME (LOSS)	₱303,442	₱41,057	₱822,354	₱97,855

BENGUET CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(With Comparative Figures for the six months ended June 30, 2020)
(Amounts in Thousands)

	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)	December 31, 2020 (Audited)
CAPITAL STOCK	₱622,903	₱616,863	₱617,215
CAPITAL SURPLUS	391,220	380,382	388,969
REVALUATION INCREMENT	1,127,236	1,127,236	1,127,236
CUMULATIVE TRANSLATION ADJUSTMENT			
Balance at beginning of period	31,595	33,592	33,592
Translation adjustment	647	(915)	(1,997)
Balance at end of period	32,242	32,677	31,595
COST OF SHARE-BASED PAYMENT			
Balance at beginning of period	13,366	21,671	21,671
Exercise of stock options	323	–	(1,957)
Cancellation of stock options	–	–	(6,348)
Balance at end of period	13,689	21,671	13,366
UNREALIZED GAIN ON FINANCIAL ASSETS AT FVOCI			
Balance at beginning of period	1,164	971	971
Other comprehensive income (loss)	17	88	193
Balance at end of period	1,181	1,059	1,164
REMEASUREMENT LOSS ON PENSION LIABILITY	9,590	21,413	9,590
UNREALIZED GAIN ON INTANGIBLE ASSET	135	135	135
RETAINED EARNINGS			
Balance at beginning of period	2,598,788	2,217,403	2,217,403
Net income (loss) for the period	821,690	98,682	381,385
Balance at end of period	3,420,478	2,316,085	2,598,788
TREASURY SHARES	(8,016)	(8,016)	(8,016)
TOTAL EQUITY	₱5,610,658	₱4,509,505	₱4,780,042

BENGUET CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(With Comparative Figures for the six months ended June 30, 2020)
(Amounts in Thousands)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30		JUNE 30	
	2021	2020	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	₱406,790	₱41,981	₱1,098,365	₱98,682
Adjustments for:				
Depreciation, depletion and amortization	26,420	12,124	49,363	25,530
Unrealized foreign exchange loss (gain)	307	(4,091)	647	(4,240)
Decrease (increase) in:				
Trade and other receivables	105,336	(59,400)	79,041	(74,534)
Inventories	(34,482)	14,206	(90,355)	41,149
Prepaid expenses and other current assets	(137,956)	(6,216)	(198,830)	(9,433)
Decrease in				
Trade and other payables	(34,686)	(39,362)	21,701	(40,470)
Pension liability	–	(1,653)	–	(1,653)
Net cash from (used in) operating activities	331,729	(42,411)	959,932	35,031
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in:				
Property, plant and equipment	(9,864)	–	(22,095)	(1,194)
Deferred exploration costs	(12,330)	(3,595)	3,597	(4,462)
Other assets	14,287	(2,063)	9,951	(4,639)
Available for sale investments	–	(44)	(200)	(88)
Net cash from (used in) investing activities	(7,907)	(5,702)	(8,747)	(10,383)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of:				
Loans payable	–	–	(185,000)	–
Lease liabilities	(281)	(116)	(514)	(531)
Exercise of stock options	6,112	–	8,262	–
Decrease in other noncurrent liabilities	(143,802)	(6,740)	(178,902)	(6,354)
Net cash used in financing activities	(137,971)	(6,856)	(356,154)	(6,885)
NET DECREASE IN CASH AND CASH EQUIVALENTS	185,851	(54,969)	595,031	17,763
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	680,728	149,904	271,548	77,172
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱866,579	₱94,935	₱866,579	₱94,935

BENGUET CORPORATION AND SUBSIDIARIES**EARNINGS PER SHARE COMPUTATION****FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020****(Amounts in Thousands, Except for the Number of Shares)**

	<u>June 30</u>	
	<u>2021</u>	<u>2020</u>
Net income (loss)	₱821,690	₱98,682

Number of shares for computation of:

	<u>June 30</u>	
	<u>2021</u>	<u>2020</u>
<u>Basic earnings per share</u>		
Weighted average common shares issued	617,288,177	616,119,252
Less treasury stock	348,069	348,069
Weighted average common shares outstanding	616,940,108	615,771,183
<u>Diluted earnings per share</u>		
Weighted average common shares issued	617,288,177	616,119,252
Less treasury stock	348,069	348,069
	616,940,108	615,771,183
Conversion of preferred stock	2,059,366	2,059,366
Exercise of stock options	5,096,952	-
	624,096,426	617,830,549
Basic earnings (loss) per share	₱1.33	(₱0.07)
Diluted earnings (loss) per share	₱1.32	(₱0.07)

BENGUET CORPORATION AND SUBSIDIARIES**FINANCIAL SOUNDNESS INDICATORS****FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020**

	June 30	
	2021	2020
Profitability Ratio		
Return on asset	0.10:1	0.01:1
Return on equity	0.15:1	0.02:1
Gross profit margin	0.64:1	0.44:1
Operating profit margin	0.50:1	0.16:1
Net profit margin	0.36:1	0.14:1
Liquidity and Solvency Ratio		
Current ratio	1.66:1	0.82:1
Quick ratio	1.09:1	0.43:1
Solvency ratio	3.33:1	2.84:1
Financial Leverage Ratio		
Asset to equity ratio	1.43:1	1.54:1
Debt ratio	0.30:1	0.35:1
Debt to equity ratio	0.43:1	0.54:1
Interest coverage ratio	-609.85:1	65.11:1

BENGUET CORPORATION AND SUBSIDIARIES**AGING OF RECEIVABLES**

AS OF JUNE 30, 2021

(Amounts in Thousands)

TYPE OF RECEIVABLES	LESS THAN 30 DAYS	30 TO 60 DAYS	LESS THAN ONE YEAR	ONE TO TWO YEARS	THREE TO FIVE YEARS	MORE THAN FIVE YEARS	TOTAL
Trade receivables	P56,488	P26,928	P3,459	P4,069	P20,368	P49,229	P160,541
Allowance for doubtful accounts	–	–	–	–	–	(28,308)	(28,308)
Trade receivables – net	56,488	26,928	3,459	4,069	20,368	20,921	132,233
Nontrade receivables:							
Officers and employees	1,090	839	5,153	10,253	29,378	35,892	82,605
Others	3,826	2,221	10,649	13,941	34,565	241,709	306,911
Total	4,916	3,060	15,802	24,194	63,943	277,601	389,516
Allowance for doubtful accounts	–	–	–	–	–	(125,538)	(125,538)
Nontrade receivables - net	4,916	3,060	15,802	24,194	63,943	152,062	263,977
Trade and other receivables - net	P61,404	P29,988	P19,261	P28,263	P84,311	P172,983	P396,210

BENGUET CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020

1. Corporate Information

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

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

2. Summary of Significant Accounting Policies

Basis of Preparation

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

Statement of Compliance

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements of Benguet Corporation (the Company) and its subsidiaries (the Group) do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2020.

Changes in Accounting Standards and Interpretation

Effective beginning on or after January 1, 2021

- *Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, Interest Rate Benchmark Reform – Phase 2*

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

Financial assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and fair value through profit or loss (FVTPL).

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

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payment of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

Subsequent Measurement

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

- *Financial assets at amortized cost (debt instruments)*
Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash in banks and short-term deposits under "cash and cash equivalents", trade receivables, receivables from lessees of bunkhouses, loans receivable under "trade and other receivables", advances to contractors and nontrade under "other current assets" and "other noncurrent assets", respectively.

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

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

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

Derecognition

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

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset 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.

Impairment

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

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

For cash and cash equivalents and short-term investments, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses publicly available ratings from (i.e. Standard and Poor's (S&P), Moody's and Fitch) to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

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

For other receivables, advances to contractors and deposits, the Group calculates ECLs at initial recognition by considering the consequences and probabilities of possible defaults only for the next 12 months, rather than the life of the asset. It continues to apply this method until a significant increase in credit risk has occurred, at which point the loss allowance is measured based on lifetime ECLs.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Group from the time of origination.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows

Financial liabilities

Initial Recognition and Measurement

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

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

The Group's financial liabilities include trade payables and accrued expenses under "trade and other payables", lease liabilities, and equity of claim owners on contract operations under "other noncurrent liabilities".

Subsequent measurement - Financial liabilities at amortised cost (loans and borrowings)

After initial measurement, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral part of the EIR. The EIR amortization is included as finance costs in the interim condensed consolidated statement of income.

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

Derecognition

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle the liability simultaneously, or to realize the asset and the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participant would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

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

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

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

Judgments

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

Determining Functional Currency

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

Determining the Group's Business Model

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

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

Assessing Provisions and Contingencies

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

Distinction between Investment Property and Owner-Occupied Property

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

Principal versus Agent Considerations

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

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

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

Estimates and Assumptions

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

Provision for expected credit losses on Trade and Other Receivables

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

The carrying amount of trade and other receivables amounted to ₱396,210 and ₱475,251 as at June 30, 2021 and December 31, 2020, respectively.

Estimating Ore Reserves

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

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

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

Assessing Recoverability of Deferred Mine Exploration Costs

The Group reviews the recoverability of deferred mine exploration costs when events or changes in circumstances indicate that the carrying amount of deferred mine exploration costs may exceed its estimated recoverable amount. The Group considers the following factors, among others, in its assessment:

- Status of each mine exploration project and plans on exploration and evaluation activities
- Validity of the licenses, permits and correspondences related to each mine exploration project
- Plans to abandon existing mine areas and plans to discontinue exploration activities
- Availability of information suggesting that the recovery of expenditure is unlikely

As at June 30, 2021 and December 31, 2020, deferred mine exploration costs amounted to ₱453,209 and ₱456,806, respectively.

Estimating Recoverability of Property, Plant and Equipment

The Group assesses impairment on property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of the property, plant and equipment may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

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

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

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

As at June 30, 2021 and December 31, 2020, property, plant and equipment (at revalued amount and at cost) amounted to ₱2,588,022 and ₱2,615,290, respectively

Estimating Allowance for Inventory Obsolescence

The Group maintains allowance for inventory losses at a level considered adequate to reflect the excess of cost of inventories over their NRV. NRV of inventories are assessed regularly based on prevailing estimated selling prices of inventories and the corresponding cost of disposal. Increase in the NRV of inventories will increase cost of inventories but only to the extent of their original acquisition costs. As at June 30, 2021 and December 31, 2020, the carrying value of inventories amounted to ₱191,495 and ₱101,140, respectively.

Assessing Impairment of Other Current and Noncurrent Assets

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

The total carrying value of other current assets and other noncurrent assets amounted to ₱866,635 and ₱805,497 as at June 30, 2021 and December 31, 2020, respectively.

Revaluation of property, plant and equipment and investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statement of income. In addition, it measures the land and artworks at revalued amounts, with changes in fair value being recognized in the consolidated statements of comprehensive income. The land, artworks and investment properties were valued using the sales comparison approach. The determination of the fair values of these properties involves significant management judgment and estimations. The valuation also requires the assistance of external appraisers whose calculations also depend on certain assumptions, such as sales and listing of comparable properties registered within the vicinity and adjustments to sales price based on internal and external factors. As at June 30, 2021 and December 31, 2020, the appraised value of land and artworks, and investment properties amounted to ₱1,673,288.

Estimating Liability for Mine Rehabilitation

The Group estimates the costs of mine rehabilitation based on previous experience in rehabilitating fully mined areas in sections of the mine site. These costs are adjusted for inflation factor based on the average annual inflation rate as of adoption date or re-evaluation of the asset dismantlement, removal or restoration costs. Such adjusted costs are then measured at present value using the market interest rate for a comparable instrument adjusted for the Group's credit standing. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's liability for mine rehabilitation. Liability for mine rehabilitation amounted to ₱67,470 as at June 30, 2021 and December 31, 2020.

Estimating Cost of Share-Based Payment

The Parent Company's Nonqualified Stock Option Plan grants qualified participants the right to purchase common shares of the Parent Company at a grant price. The ESOIP recognizes the services received from the eligible employees and an equivalent adjustment to the equity account over the vesting period. The Parent Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in the annual consolidated financial statements. While management believes that the estimates and assumptions used are reasonable and appropriate, significant differences in actual experience or significant changes in the estimates and assumptions may materially affect the stock compensation costs charged to operations. Cost of share-based payment amounted to ₱13,689 and ₱13,366 as at June 30, 2021 and December 31, 2020.

Estimating Pension Benefits

The cost of defined benefit pension and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at the end of each reporting period. Net pension liability of the Parent Company amounted to ₱78,749 as at June 30, 2021 and December 31, 2020. Net pension liability of AFC amounted to ₱3,082 as at June 30, 2021 and December 31, 2020.

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

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

Assessing Realizability of Deferred Tax Assets

The Group reviews the carrying amounts of deferred tax assets at each end of the reporting period and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group recognized net deferred tax assets amounting to ₱12,191 as at June 30, 2021 and December 31, 2020. The Group has unused NOLCO, MCIT and deductible temporary differences for which deferred tax assets were not recognized as it is not probable that sufficient future taxable profits will be available against which the benefit of the deferred tax assets can be utilized.

4. Financial Risk Management Objectives and Policies

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

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

Liquidity Risk

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

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

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

As at June 30, 2021 and December 31, 2020, cash and cash equivalents may be withdrawn anytime while quoted FVOCI may be converted to cash by selling them during the normal trading hours in any business day.

The tables below summarize the aging analysis of the Group's financial assets and the maturity profile of the Group's financial liabilities as at June 30, 2021 and December 31, 2020.

June 30, 2021	On demand	0-90 days	More than 90 days	More than one year	Total
Cash and cash equivalents					
Cash in banks	P855,516	P–	P–	P–	P855,516
Short-term deposits	10,067	–	–	–	10,067
Trade and other receivables					
Trade	56,488	26,928	3,459	45,358	132,233
Receivables from lessees of bunkhouses	2,007	–	–	–	2,007
Advances under other current assets	–	–	–	54,638	54,638
Nontrade under other noncurrent assets	–	–	–	211,339	211,339
FVOCI					
UITF	–	–	–	13,158	13,158
Quoted shares	–	–	–	420	420
Total	P924,078	P26,928	P3,459	P324,913	P1,279,378
Loans payable	P323,998	P–	P–	P–	P323,998
Trade and other payables					
Trade	–	335,646	–	–	335,646
Nontrade	1,270	–	–	–	1,270
Accrued expenses	–	–	29,305	–	29,305
Lease liability	–	1,164	–	4,476	5,640
Other noncurrent liabilities					
Equity of claimowner in contract operations	–	–	–	49,136	49,136
Total	P325,268	P336,810	P29,305	P53,612	P744,995

**Excluding statutory payables*

December 31, 2020	On demand	0-90 days	More than 90 days	More than one year	Total
Cash and cash equivalents					
Cash in banks	₱261,481	₱–	₱–	₱–	₱261,481
Short-term deposits	51	10,016	–	–	10,067
Trade and other receivables					
Trade	–	–	178,583	–	178,583
Receivables from lessees of bunkhouses	1,110	–	–	–	1,110
Advances under other noncurrent assets	–	–	–	54,638	54,638
Nontrade under other noncurrent assets	–	–	–	210,726	210,726
FVOCI					
UITF	–	–	–	12,941	12,941
Quoted shares	–	–	–	420	420
Total	₱262,642	₱10,016	₱178,583	₱278,725	₱729,966
Loans payable					
Loans payable	₱508,998	₱–	₱–	₱–	₱508,998
Trade and other payables					
Trade	–	330,948	–	–	330,948
Nontrade*	5,158	–	–	–	5,158
Accrued expenses	16,935	–	34,599	–	51,534
Lease liability	–	1,943	–	6,761	8,704
Other noncurrent liabilities					
Equity of claimowner in contract operations	–	–	–	49,136	49,136
Total	₱531,091	₱332,891	₱34,599	₱55,897	₱954,478

Credit Risk

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

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

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

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

	June 30, 2021	December 31, 2020
Cash and cash equivalents		
Cash in banks	P855,516	P260,546
Short-term deposits	10,067	10,067
Trade and other receivables		
Trade	132,659	178,583
Receivables from lessees of bunkhouses	2,007	1,110
Advances under other current assets	54,638	54,638
Nontrade under other noncurrent assets	211,339	210,726
	P1,266,226	P715,670

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

June 30, 2021	Neither past due nor impaired		Past due but not impaired	Impaired	Total
	High-grade	Standard- grade			
Cash and cash equivalents					
Cash in banks	P855,516	P-	P-	P-	P855,516
Short-term deposits	10,067	-	-	-	10,067
Trade and other receivables					
Trade	-	132,659	-	27,882	160,541
Receivables from lessees of bunkhouses	-	-	2,007	3,644	5,651
Loan receivable	-	-	-	49,763	49,763
Advances under other current assets	-	-	54,638	-	54,638
Nontrade under other noncurrent assets	-	-	211,339	151,892	363,231
Total credit risk exposure	P865,583	P132,659	P267,984	P233,181	P1,499,407

December 31, 2020	Neither past due nor impaired		Past due but not impaired	Impaired	Total
	High-grade	Standard- grade			
Cash and cash equivalents					
Cash in banks	P260,546	P-	P-	P-	P260,546
Short-term deposits	10,067	-	-	-	10,067
Trade and other receivables					
Trade	-	178,583	-	27,882	206,465
Receivables from lessees of bunkhouses	-	-	1,110	3,644	4,754
Loan receivable	-	-	-	49,763	49,763
Advances under other current assets	-	-	54,638	-	54,638
Nontrade under other noncurrent assets	-	-	210,726	151,892	362,618
Total credit risk exposure	P270,613	P178,583	P266,474	P233,181	P948,851

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

- a. Cash and cash equivalents are assessed as high-grade since these are deposited in reputable banks, which have a low probability of default.
- b. Trade receivables, which pertain mainly to receivables from sale of nickel ore, were assessed as standard-grade. These were assessed based on past collection experience and the debtors' ability to pay.
- c. UITF and quoted financial assets at FVOCI were assessed as high-grade since these are instruments from companies with good financial condition and are operating in an industry which has potential growth.
- d. Other financial assets such as receivables from lessees of bunkhouses, loans receivables, advances to contractors under other current assets and nontrade under other noncurrent assets were assessed as standard-grade, based on past collection experience and debtors' ability to pay.

Impairment of Financial Assets

The Group has financial assets consisting of cash and cash equivalent, trade receivables, UITF and quoted financial asset at FVOCI, receivables from lessees of bunkhouses, loan receivable, advances to contractors under "other current assets" and nontrade under "other noncurrent assets". While cash and cash equivalent are also subject to the impairment requirements of PFRS 9, the identified impairment loss were immaterial.

The Group applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables. On the other hand, the general approach was used in measuring ECL for receivables from lessees of bunkhouses, loan receivable, advances to contractors under "other current assets" and nontrade under "other noncurrent assets".

Market Risks

Interest Rate Risk

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

As at June 30, 2021 and December 31, 2020, 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.

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 and nickel ore and the purchase of certain goods and services denominated in US\$. All sales of gold and nickel ore are denominated in US\$. Dollar conversion of metal sales to Philippine peso is based on the prevailing exchange rate at the time of sale.

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

The Group's foreign currency-denominated monetary assets and liabilities as at June 30, 2021 and December 31, 2020 follow:

	June 30, 2021		December 31, 2020	
	US\$	Peso equivalent	US\$	Peso equivalent
<u>Financial Assets</u>				
Cash in banks	\$2,522	₱123,074	\$1,280	₱61,469
Trade receivables under "trade and other receivables"	2,075	101,260	527	25,308
Total monetary assets	\$4,597	₱224,334	\$1,807	₱86,777

As at June 30, 2021 and December 31, 2020, the exchange rates of the Philippine peso to the US\$ based on the Philippine Dealing System are ₱48.80 and ₱48.023 respectively.

The sensitivity to a reasonably possible change in the US\$ exchange rate, with all other variables held constant, of the Group's income before income tax as at June 30, 2021 and December 31, 2021 is as follows:

	Change in foreign exchange rate	Income before income tax effect
<u>June 30, 2021</u>		
	Strengthens by 0.14%	₱644
	Weakens by 0.96%	(4,413)
<u>December 31, 2020</u>		
	Change in foreign exchange rate	Income before income tax effect
	Strengthens by 0.14%	₱119
	Weakens by 0.96%	(830)

Equity Price Risk

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

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

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

Capital Management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may obtain additional advances from stockholders or issue new shares. No changes were made in the objectives, policies, or processes in 2021, and 2020. The Group monitors capital using the parent company financial statements. As at June 30, 2021 and December 31, 2020, the Group has met its capital management objectives.

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

	June 30, 2021	December 31, 2020
Capital stock	₱622,903	₱617,215
Capital surplus	391,220	388,646
Retained earnings	3,420,478	2,598,788
Other components of equity	1,184,073	1,183,409
Treasury shares	(8,016)	(8,016)
	₱5,610,658	₱4,780,042

Further, the Group monitors capital using debt to equity ratio, which is total liabilities divided by total equity. Debt to equity ratios of the Group as at June 30, 2021 and December 31, 2020 are as follows:

	June 30, 2021	December 31, 2020
Total liabilities (a)	₱2,405,459	₱2,599,240
Total equity (b)	5,610,658	4,780,042
Debt-to-equity ratio (a/b)	0.43:1	0.54:1

5. Seasonality and Cyclicity of Interim Operation

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

6. Events After End of Reporting Period

There are no significant events after end of reporting period except for the imposition of enhanced community quarantine (ECQ) in National Capital Region starting August 6, 2021 to last until August 20, 2021.

The Group considered the measures taken by the government as a non-adjusting subsequent event, which did not impact its financial position and performance as at June 30, 2021.

ADDITIONAL DISCLOSURE TO FINANCIAL STATEMENTS OF THE COMPANY
(FOR THE SECOND QUARTER ENDED JUNE 30, 2021)

- i.) The disclosure on significant accounting principles, policies, and practices are substantially the same with the disclosure made in 2020 financial statements. Additional disclosures on the significant changes of accounts and subsequent events are presented in the Management Discussion and Analysis.
- ii.) During the Second Quarter of 2021, 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 – During the Second Quarter of 2021, there were no securities sold by the Company which were not registered under the Securities Regulation Code (SRC) including the sales of reacquired securities, new issues, securities issued in exchange of property, services or other securities and new securities resulting from the modification of outstanding securities.
- iv.) Dividends – Pursuant to the restrictions provided for in the Company's loan agreement with creditor banks, no cash dividends were declared during the Second Quarter 2021.
- v.) Segment Information - The Company is principally engaged in mining industry. Its operating revenues as of June 30, 2021 mainly rose from sales of gold to Bangko Sentral Ng Pilipinas amounting to ₱450.4 million and nickel ores amounting to ₱1,771.8 million.
- 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 2020.