

COVER SHEET

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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 3 1

Month Day
(Calendar Year)

1 7 - Q

(Form Type)

Month Day
(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

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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: MARCH 31, 2022
- 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	374,996,258 shares*
Common Class B Stock	247,926,121 shares*

*Net of Treasury Shares

Total consolidated outstanding principal loans payable as of March 31, 2022 - ₱ 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 [X] No []

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

Yes [] No [X]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

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

PLEASE REFER TO ANNEX “A” on pages 16 to 40 which are incorporated and form part of this report (SEC Form 17-Q), as follows:

<u>Description</u>	<u>Page No.</u>
1. Unaudited Interim Condensed Consolidated Statements of Financial Position (with audited comparative data for 2021)	15
2. Unaudited Interim Condensed Consolidated Statements of Income	16
3. Unaudited Interim Condensed Consolidated Statement of Comprehensive Income	17
4. Unaudited Interim Condensed Consolidated Statements of Changes in Equity	18
5. Unaudited Interim Condensed Consolidated Statements of Cash Flows	19
6. Earnings Per Share Computation	20
7. Financial Soundness Indicators	21
8. Aging of Receivables	22
9. Notes to Unaudited Interim Condensed Consolidated Financial Statements	
9.2 Summary of Significant Accounting Policies	23 - 27
9.3 Summary of Significant Accounting Judgments, Estimates & Assumptions	28 - 32
9.4 Financial Risk Management Objectives & Policies	32 –38
9.5 Seasonality and Cyclicity of Interim Operations	38
9.6 Events After End of Reporting Period	38
10 Additional Disclosure to Financial Statements of the Company	39

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

A. FINANCIAL PERFORMANCE

2022 FIRST QUARTER Vs. 2021 FIRST QUARTER

CONSOLIDATED RESULTS OF OPERATIONS

The Company sustained its growth in the first quarter of 2022. Consolidated net income amounted to ₱420.7 million, compared to the ₱518.6 million net income for the same period in 2021. The decrease in net income was the net effect of the following:

Revenues

The Company registered consolidated revenues of ₱1.3 billion for the 1st quarter of 2022, compared to ₱1.3 billion reported for the same quarter in 2021. Revenues were mainly attributed to sales of nickel and gold. BNMI sold 8 boatloads of nickel ore with an aggregate volume of 424,015 tons valued at ₱972.8 million. Gold improved by 21% on account of better price and volume sold this quarter. The Acupan Gold Project (AGP), sold 2,606.66 ounces of gold at an average price of US\$1,871.68 per ounce against 2,387 ounces of gold at an average price of US\$1,801.13 per ounce in the first quarter of 2021.

Operating and other revenues

Cost and operating expenses in the first quarter this year increased by 23%% to ₱700.3 million from ₱571.1 million for the same quarter in 2021 mainly due to increase in selling and general expenses brought about by the series of fuel cost increases and its corresponding impact in prices of materials and supplies by 88% or ₱148.1 million.

Other income incurred for the quarter amounted to ₱4.9 million compared to other charges of ₱18.3 million for the same period in 2021.

Provision for income tax of ₱139.4 million for the first quarter this year pertains to the regular corporate income tax of BC (Parent company), Benguetcorp Resources Management Corporation (BRMC), Arrow Freight Corporation (AFC) and Keystone Port Logistics and Management Services Corporation (Keystone).

FINANCIAL CONDITION

Assets

The Company ended the first quarter of 2021 with consolidated total assets of ₱9.36 billion, higher than ₱8.75 billion as of December 31, 2021. The slight increase/decrease is the net effect of the following:

Cash and cash equivalent increased by 44% or ₱263.5 million mainly from cash generated from operating activities.

Receivables decreased to ₱423.1 million from ₱515.0 million, mainly from collection of receivables from nickel customers.

Inventories for the quarter amounted to ₱219.3 million, higher than ₱142.1 million last year mainly from the continuous production of nickel ore.

Increased in Financial assets at fair value through profit or loss (FVPL) pertains to additional placement for UITF.

Deferred mine exploration costs slightly increased to ₱462.2 million from ₱455.4 million. The increase was mainly due to the drilling expenses incurred in the Pantingan Gold Prospect in Bataan.

Liabilities

Total consolidated liabilities as of March 31, 2022 amounted to ₱2.53 billion compared to ₱2.34 billion as of December 31, 2021. The increase was due to the following:

Trade and other payables increased by 15% to ₱769.9 million from ₱669.4 million. The increase pertains to the down payment received from nickel customer and accrued contractors billing still under review.

Increase in income tax payable to ₱246.9 million from ₱137.8 million in 2021 pertains to the regular corporate income tax of Benguet Corporation, Benguetcorp Nickel Mines, Inc., Arrow Freight Corporation and Keystone.

Pension liability slightly decreased to ₱68.4 million from ₱73.4 million on account of the additional funding made in the Company's employees' retirement fund account and separation/retirement of some employees.

Equity

Stockholder Equity increased to ₱6.8 billion from ₱6.4 billion in 2021 on account of the ₱420.7 million net income earned during the first quarter of this year.

Consolidated Cash Flow

The cash provided by operating activities for the first quarter this year amounted to ₱696.1 million compared with ₱628.2 million for the same period last year. The increase was mainly from the sale of nickel ore.

During the quarter, the Company invested ₱390.4 million in UITF, ₱9.2 million for property, plant and equipment for the expansion of its Acupan Gold Project and spent ₱6.8 million in the exploration of Pantingan gold prospect in Bataan.

OPERATIONAL OVERVIEW

Acupan Gold Project (AGP)

AGP reported higher revenue for the first quarter of 2022 amounting to ₱249.6 million versus ₱207.0 million for the same period in 2021. The increase is on account of higher sales volume and price of gold during the quarter. Gold sales for the quarter reached 2,606.66 ounces as against 2,387 ounces for the same quarter in the previous year. Average gold price rose from US\$1,801.13 per ounce in first quarter of 2021 to US\$1,871.68 per ounce this quarter of 2022. This resulted to a pre-tax income of ₱30.5 million this quarter, higher than pre-tax income of ₱30.1 million for the same quarter in 2021.

AGP milled 13,184 tons with average mill grade of 6.15 grams of gold per ton for the first quarter this year compared with 4,603 tons milled with average grade of 5.08 grams of gold per ton in the same period last year.

AGP operations continually complies with the health protocols and guidelines imposed by the Local Government regarding COVID-19. This includes availment of COVID-19 vaccine shots thru local health agencies. AGP also welcome the relaxation of COVID-19 restrictions which greatly affected and improved miners' attendance and production. The completed Tailings Storage Facility 2 (TSF2) dam embankment is regularly monitored for its stability and soundness. Study on renewed use of TSF3 as alternate tailings disposal facility is ongoing. The Company has renewed the production contracts of all its 16 mining contractors and shall continue to review and assess their performance based on gold production record, safety performance, security and financial considerations. AGP remains positive that it can improve and attain its production and financial goals for 2022 as it take advantage of escalating gold price.

AGP has been ISO 14001:2015 recertified for environmental management system granted by an accredited certifying body, NQA Philippines, which is valid until March 15, 2025 applicable to Mining and Processing Gold.

Sta. Cruz Nickel Project (SCNP)

Nickel operations under Benguetcorp Resources Management Corporation's (BRMC) (formerly Benguetcorp Nickel Mines, Inc.) contributed revenue of ₱972.8 million at the close of this quarter slightly lower than ₱1.05 billion for the same period in 2021. This resulted to pre-tax income of ₱419.7 million for this quarter compared to ₱582.4 million for the same period in 2021. During this quarter, BRMC sold total shipment of 8 boatloads aggregating 424,015 tons ranging from 1.2% to 1.3% at an average price of US\$43.75/ton as against 8 boatloads or 435,475 tons ranging from 1.2% to 1.4% Ni grade at an average price of US\$49.31/ton for the same period in 2021. The decline in revenues was mainly due to lower sales volume and lower nickel price versus last year.

On March 29, 2022, BRMC declared cash dividends amounting to ₱500.0 million or ₱0.40 per share to the stockholders of record as of December 31, 2021 out of its available retained earnings. The cash dividends are payable on eight (8) equal installments amounting to ₱62.5 million starting May 2022 to December 2022.

Irisan Lime Project (ILP)

The Company's ILP generated revenue of ₱21.4 million for the first quarter of 2022 slightly higher compared to the revenue of ₱20.0 million for the same period last year. Lime sold for the quarter decreased to 1,826 tons from 1,963 tons for the same quarter in 2021. Lime was sold at average price of ₱11,712.00/ton, higher versus ₱10,237.00/ton for the same period last year. The higher selling price, however, was partly offset by the increase in cost of bunker fuel to ₱6,363/DMT from ₱6,091.DMT last year. This resulted to lower pre-tax income this quarter of ₱3.42 million against ₱6.87 million for the same quarter in 2021.

On March 22, 2022, ILP obtained MGB approval of its 5-year Mineral Processing Permit valid until March 21, 2027.

Benguet Antamok Gold Operation (BAGO)

The revised Antamok Final Mine Rehabilitation and Decommissioning Plan (FMRDP) was endorsed by the MGB-CAR to the Contingent Liability and Rehabilitation Fund Steering Committee (CLRFSC) for approval based on new development, particularly on the actual rehabilitation needs considering the current physical status or condition of the area. The total cost to be incurred over a 4-year period was reduced from ₱43 million to ₱30 million in the revised FMRDP. The aim of the FMRDP is principally to mitigate environmental risks and provide a sustainable final land use over the area. It includes long-term programs including a Minahang Bayan. The Company continuously implement various activities such as continuous propagation of various seedlings in nurseries and maintenance of its established reforestation area. During the quarter, the Company spent a total of ₱144,000.00 for BAGO-Care and Maintenance Program.

EXPLORATION RESEARCH AND DEVELOPMENT

Exploration, research and development activities are currently being undertaken by the Company's in-house team, with or assisted by consultants and other service providers, such as engineering and/or drilling contractors.

The *Pantingan property* which has a total area of 1,410.25 hectares is situated in the Municipalities of Bagac, Mariveles and Limay, Bataan Province and is covered by MPSA No. 154-2000-III. It remains to be a viable prospect for epithermal gold mineralization and aggregates. The second phase drilling program of the Pantingan Gold Prospect consisting of 7 drill holes was completed and recovered core samples are undergoing physical and chemical analysis. The Phase Two drilling works targetted the lateral and vertical continuations of the V9SL and V2SL.

On the aggregates prospect, the Company continues to do topographical/road surveys and apply for permits including for road-right-of-way in the 40-hectares Quarry Permit Area (QPA) outside the MPSA. The large-scale quarry in PAB-1 and PAB-2 within the MPSA still needs drilling data for Declaration of Mining Project Feasibility (DMPF). The MGB has issued area clearance in the QPA, and the Company is working on LGU consent, tree inventory, NCIP certification, and ECC process.

On the *Zamboanga Gold Prospect*, the Company has obtained the consent of the claimowner, Orelina Mining Corporation, for the proposed Minahang Bayan arrangement where the small scale miners cooperative 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 in San Fernandino vein area and will be assisted in securing Free, Prior and Informed Consent (FPIC) from the Indigenous People (IP). Duration of Minahang Bayan is earlier of 3 years or until the Company is ready to start large scale mining.

The Company has an operating agreement with Orelina Mining Corporation to explore and operate the property comprising of 399.03 hectares. The property is about 150 kilometers from Zamboanga City.

On the *Surigao Coal Project*, the Company is still completing all the documentary requirements for the application of a new Coal Operating Contract (COC) with the Department of Energy (DOE) such as local government unit (LGU) clearances. Fuel price increase has focused on alternative energy sources which could present market opportunity for local coal.

SUBSIDIARIES AND AFFILIATES

i. LOGISTICS

- Arrow Freight Corporation (AFC), the logistics provider of the Company generated revenue of ₱33.9 million, higher than the ₱29.4 million for the same period last year. The revenue this quarter was derived from management fees amounting to ₱28.2 million for providing and handling needed earthmoving equipment and dump trucks for BRMC various mining activities and hauling, as well as revenues from freight services amounting to ₱5.7million. This resulted to net income of ₱19.8 million this quarter, higher against the net income of ₱16.5 million for the same quarter last year.

AFC plans to acquire earth moving equipment, dump trucks and 10-wheeler trucks to expand its logistics and freight services in Zambales and expand operation in other provinces.

- Keystone Port Logistics Management & Services Corporation (KPLMSC), the port and barging services provider of the Company, reported revenue of ₱29.7 million, higher than the ₱28.6 million for the same period last year.

This resulted to net income of ₱15.7 this quarter, higher against the net income of ₱14.5 million for the same quarter last year.

Portion of the port is undergoing repair and expected to be completed by the end of second quarter. To maximize usage of the port, Keystone plans to acquire/rent a lot near the port for additional stockpile area.

ii. REAL ESTATE

- BMC Forestry Corporation (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 Woodspark Subdivision. BFC reported net income of ₱0.31 million this first quarter against the net loss of ₱0.1 million for the same period in 2021. This is mainly due to income from management fee and collection of amortizations from previously sold lots. BFC continues to sell the 5 remaining lots with an aggregate area of 1,763 square meters. BFC plans to expand its footprint in La Union for another development of Woodspark Subdivision, hence negotiation for the purchase of nearby land is ongoing.

iii. HEALTHCARE

- BenguetCorp Laboratories Inc. (BCLI)
- BCLI reported revenue of ₱12.74 million for the first quarter this year, 19% higher than the ₱10.7million for the same period last year. The relaxation of quarantine restrictions in Baguio City resulted in increase of walk-in sales, although reduced in the availment of antigen swab services. Other revenue contributors include pre-employment and additional medical support team services in Texas Instruments, Inc. and MOOG, Inc. As a result, BCLI reported a net income of ₱1.4 million for this quarter of 2022 higher compared to net income of ₱0.8 million for the same period in 2021.

BCLI is now in the final year of its clinic management and medical services contracts with Texas Instrument for Baguio City and in Clark, Pampanga hubs. On the other hand, it is in the first year of its two-year contract to provide full clinic management with MOOG. BCLI continues to serve its core customers, HMO (Health Maintenance Organization), corporate clients in Baguio City, and government agencies and will implement more aggressive marketing approach for increased visibility and market share, using billboard advertisements in strategic areas, digital ads, as well as using radio and social media.

BCLI's clinics – Centermall and Cyberzone were also granted the Safety Seal by the Baguio City LGU on January 4, 2022 and December 10, 2021 respectively.

iv. BENGUETCORP INTERNATIONAL LIMITED (BIL) IN HONGKONG

- In 1988, the Company acquired BenguetCorp International Limited (BIL), a Hongkong-based and wholly owned subsidiary for international operations, which remains largely inactive. BIL's subsidiary, BenguetCorp USA Limited's (BUSAs) renewal of about 259 hectares of mineral property at Royston Hills, Nevada, USA was forfeited due to late remittance of annual rentals by reason of the pandemic. The process of re-application over the said claims is ongoing.

B. 2021 FIRST QUARTER Vs. 2020 FIRST QUARTER

CONSOLIDATED RESULTS OF OPERATIONS

Consolidated net income for the first quarter of 2021 soared 915% to ₱518.6 million, or over nine times the ₱56.7 million net income for the same period in 2020. The increase in net income was the net effect of the following:

Revenues

The Company registered consolidated revenues of ₱1,281.6 million for the first quarter of 2021, 314% or over three times the ₱408.5 million revenue reported for the same quarter in 2020. The positive variance was mainly attributable to the eight boatloads of nickel ore exported during the first three months of 2021 with an aggregate volume of 435,475 tons valued at ₱1,045.3 million compared to three boatloads weighing 158,650 tons valued at ₱205.2 million for the same period in 2020.

Operating and Other Expenses

Cost and operating expenses in the first quarter of 2021 went up by 68% to ₱571.1 million from ₱340.8 million for the same quarter in 2020 mainly due to increase in cost of mine products sold by 44% or ₱91.0 million, selling expenses by 60% or ₱63.5 million and excise taxes and royalty fees on nickel shipments by 290% or ₱75.8 million.

Other expenses posted for the first quarter of 2021 amounted to ₱18.3 million compared to ₱0.6 million for the same period in 2020.

Provision for income tax of ₱173.0 million for the first quarter of 2021 pertains to the regular corporate income tax of BC (Parent company), 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 first quarter of 2021 with consolidated total assets of ₱7.88 billion, higher than ₱7.38 billion in 2020. The increase is attributable to the following:

Cash and cash equivalent increased by 151% or ₱409.2 million mainly from cash generated from operating activities.

Receivables increased to ₱501.5 million from ₱475.3 million, mainly from nickel ore sold, not yet collected this first quarter of 2021.

Inventories for the first quarter of 2021 amounted to ₱157.0 million, higher than ₱101.1 million for the same period in 2020 mainly from newly mined nickel ore partly offset by the sales of old stockpiled ores. BNMI, the Company's wholly-owned subsidiary, started mining activities after the lifting of its suspension in November last year.

Increase in other current assets to ₱431.9 million from ₱398.7 million was mainly due to the input taxes from various purchases of services and goods from nickel operation and gold operation of the Company.

Deferred mine exploration costs slightly decreased to ₱440.9 million from ₱456.8 million on account of the write-off of expenses for the China ENFI processing/plant study of Zambales nickel ore.

Liabilities

Total consolidated liabilities as of March 31, 2021 decreased to ₱2.58 billion from ₱2.60 billion as of December 31, 2020. The increase/decrease was due to the following:

Trade and other payables increased to ₱677.1 million from ₱620.7 million. The increase pertains to the down payment received from nickel customer.

Loans payable declined to ₱324.0 million from ₱509.0 million in 2020 due to the full payment to Transmiddle East Corp.

Increase in income tax payable to ₱147.3 million from ₱2.0 million in 2020 is due to the regular corporate income tax of Benguet Corporation, BNMI, AFC and Keystone this year.

Equity

Stockholder Equity grew from ₱4.78 billion in 2020 to ₱5.30 billion on account of the net income earned during the first quarter of 2021.

Consolidated Cash Flow

The cash provided by operating activities for the first quarter of 2021 amounted to ₱628.2 million compared with ₱77.4 million cash inflow for the same period in 2020. The increase mainly arose from the substantial nickel ore sales receipts.

During the first quarter of 2021, the Company invested ₱4.3 million in other assets, ₱12.2 million for property, plant and equipment for the expansion of its logistics arm and its Acupan Gold Project, and spent ₱0.6 million in the exploration of its Pantingan Gold Prospect in Bataan.

Also during the quarter, the Company paid off its loan with Transmiddle East Corp and continued servicing its obligations to offtakers.

OPERATIONAL OVERVIEW

Acupan Gold Project (AGP)

Gold operations for the first quarter of 2021 showed improved results with revenues at ₱207.0 million, up by 31% or ₱49 million from the 2020 first quarter level of ₱158 million. The improvement was attained as a result of increased gold production and sales coupled with higher gold price. Total gold sales reached 2,387 ounces as against the 2020 first quarter sales of 1,959 ounces. Average prices rose from \$1,585.91 per ounce in first quarter in 2020 to \$1,801.13 per ounce this first quarter of 2021. The increase in gold sales and price resulted in pre-tax income of ₱30.1 million for the quarter this year, higher than the pre-tax income of ₱28.8 million in 2020.

AGP milled a total of 14,603 tons for the first quarter of 2021, 44% higher than the 10,114 tons milled for the same period in 2020. Average mill grade for the quarter of 5.08 grams of gold per ton is 16% lower than the average mill grade of 6.02 grams of gold per ton for the same period in 2020. Average milling rate for to-date March 2021 of 166 TPD is 44% higher than the 115 TPD average milling rate reported for the same period in 2020.

AGP has gradually transitioned to the new normal amidst the COVID 19 pandemic, whilst Baguio, Benguet municipalities and some parts of the CAR are now under the General Community Quarantine guidelines. Despite the low attendance of miners due to pandemic, AGP managed to improve its grade and tonnage and is now steadily attaining its goal for 2021. The BC team on the other hand is having some minor setbacks as its mill grade declined, lower than its goal of 4.5 grams of gold per ton. AGP is currently reviewing its mining program with the view of opening and developing more high grade ore mining areas; while milling operations continue to improve its milling process and gold recovery procedures. These activities will assure that projections for the next quarters are attained or even surpassed. Raising of TSF2 dam is underway as the MOA signing with the downstream community representatives has just been concluded. AGP continue to review performance of its contractors as it is set to renew some of the contracts in June 2021.

Sta. Cruz Nickel Project (SCNP)

BNMI's revenues climbed to ₱1.05 billion at the close of the first quarter of 2021, substantially higher than the prior year's first quarter revenues of ₱205.2 million. As a result, BNMI reported pre-tax income of ₱582.4 million for the first quarter of 2021, higher than the pre-tax income of ₱22.11 million for the same period in 2020. The hike was driven by the increase in volume shipped and better nickel prices. This quarter's shipment totaled 8 boatloads or 435,475 tons ranging from 1.2% to 1.4% Ni grade, almost triple of the 2020's first quarter shipment of 158,650 tons ranging from 1.3% to 1.5% Ni grade from 3 shiploads. This is at the back of rapidly appreciating prices for all range of ore grade allowing the sale of low grade

ores from old stockpiles. The favorable market is reflected in the increased average selling price of BNMI's nickel exports for the first quarter of 2021 to US\$49.31/ton almost double the average price of US\$24.87/ton for the same period in 2020. The rest of 2021 and the coming years are expected to be better years for nickel ore producers. Taking advantage of the rapidly rising nickel ore price and marketability of low grade ores, BNMI updated its saleable ore inventory from old stockpile areas.

Irisan Lime Project (ILP)

The Company's ILP generated ₱18.4 million revenue for the first quarter of 2021, higher as compared to the revenue of ₱16.1 million for the same period in 2020. Sales volume increased by 19% to 1,963 tons for the first quarter of 2021 from 1,646 tons in 2020 first quarter. Lime products were sold at average price of ₱10,237 per ton this quarter versus ₱10,370 per ton in 2020 first quarter. This boosted ILP pre-tax income to ₱6.9 million for the first quarter of 2021, double the pre-tax income of ₱3.3 million posted for the same period 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 Award on March 18, 2021.

Benguet Antamok Gold Operation (BAGO)

The revised Antamok Final Mine Rehabilitation and Decommissioning Plan (FMRDP) will be re-submitted to MGB-CAR prior to its endorsement to the Contingent Liability and Rehabilitation Fund Steering Committee (CLRFSC) due to new development, particularly on the actual 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 over 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 Water Park Project; and Minahang Bayan.

EXPLORATION, RESEARCH AND DEVELOPMENT

Exploration, research and development activities are currently being undertaken by the Company's in-house team, with or assisted by consultants and other service providers, such as engineering and/or drilling contractors.

For the *Balatoc Tailings Project*, the Company updated the BTP information memorandum and negotiation on engagement terms of potential financial consultant is ongoing. On the *Surigao Coal Project*, the Company has submitted all the requirements for the application of a new Coal Operating Contract (COC) with the Department of Energy (DOE). While on the *Zamboanga Gold Prospect (BOLCO)*, 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 they will assist 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.

Pantingan Gold Prospect

The *Pantingan property* is a viable prospect for epithermal gold mineralization and aggregates. On the gold prospect, the results of initial/Phase 1 drilling showed interesting gold value indications intersected at lower depth. V9SL and V2SL are the promising gold veining systems intercepted at shallow depths during the first drilling operation. These are the main gold-bearing structures targeted for the follow-up drilling to probe the lateral and vertical continuations of these potential mineralization. For the Phase 2 drilling, a total length of 1,200 meters has been designed and this meterage will be distributed into either six-(6) and/or eight-(8) boreholes. Phase 2 drilling will commence upon engagement of a new drilling contractor.

On the Pantingan aggregates prospect, the Company is prioritizing the permitting of the 40 hectares Quarry Permit Area (QPA) outside the MPSA, over the large scale quarry in PAB-1 & 2 which still needs drilling for Declaration of Mining Project Feasibility (DMPF). The MGB has issued area clearance in the QPA and the Company is working on LGU consent, tree inventory, NCIP certification, and ECC process. In the meantime, the Company continues to do topographic/road surveys and apply for road-right-of-way

permits. The topographic survey covering the eight (8) blocks of the Quarry Permit Areas (QPAs) immediately north outside the approved MPSA has been completed. Walk-through and site evaluation for the possible access road from the QPA blocks to the main highway and eastern sea-cost of Bataan were also completed. A road-right-of-way (RROW) will be applied later with the concerned local government office once the actual plotting of the road alignment with geographic coordinates are completely done.

SUBSIDIARIES AND AFFILIATES

i. Logistics

Arrow Freight Corporation (AFC)

AFC, the logistics provider of the Company generated ₱29.3 million revenue for the first quarter of 2021, as compared to revenues of ₱11.2 million for the same period in 2020. The increase in revenue resulted to net income of ₱16.5 million, almost four times higher than the net income of ₱4.5 million a year ago. AFC has a current operational hauling fleet of 10 units dump truck.

- Keystone Port Logistics Management & Services Corporation (KPLMSC)

KPLMSC the port and barging services provider of the Company generated ₱28.6 million revenue for the first quarter of 2021, higher as compared to revenue of ₱11.0 million for the same period in 2021 mainly due to higher revenues from port usage on account of the 435,475 tons nickel ore exports handled during the first quarter of 2021 against 158,650 tons handled for the same period in 2020. As a result, KPLMSC reported net income of ₱14.5 million, 246% higher than the ₱5.9 million net income for the same period 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 Woodspark Subdivision which market was affected by the COVID-19 pandemic and reported net loss of ₱128 thousand for the first quarter of 2021, against ₱72 thousand net loss for the same period in 2020. 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 ongoing talks with Philippine Economic Zone Authority (PEZA) for phased development of the proposed project. The Company is currently preparing the required documents to revive PEZA registration of Kelly Ecozone including the proposed 5-year development plan and the Kelly amended ecozone concept plan.

iii. Healthcare

BenguetCorp Laboratories, Inc. (BCLI),

BCLI generated total revenue of ₱10.7 million during the first quarter of 2021, 34% higher than the 2020 revenue of ₱8.0 million. Number of walk-in clients were still down due to fear of Covid infection, coupled by health protocol restrictions, particularly for elderly and vulnerable sectors. In spite of these challenges, BCLI reported a net income of ₱0.8 million, a turnaround from the net loss of ₱1.2 million for the same period in 2020, due to additional services for antigen tests as well as corporate and government contracts performed for annual physical examination of employees.

BCLI is now on its second out of 3 years clinic management and medical services contracts with Texas Instrument for Baguio City and in Clark, Pampanga hubs, and focused on the Health Management Organizations catering to corporate and institutional clients, both from the private and government sectors. On the other hand, its long-standing corporate client, MOOG, requested BCLI to provide full clinic management services in its site and contract negotiation is ongoing for target implementation in April 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.

C. 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 March 31, 2022, the Company's current ratio is 2.22:1 versus 1.49:1 for the same period last year and 0.79:1 in 2020.
- 2. Metal Price**
The Company's revenue is largely dependent on the world market prices for gold and nickel. The favorable metal prices will also have a favorable impact on the Company's revenues. The price of gold used by the Bangko Sentral ng Pilipinas in pricing our gold sales 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\$1,871.68 per ounce this quarter, as compared to average price of US\$1,801.13 per ounce and US\$1,585.91 per ounce for the same respective periods in 2021 and 2020. Nickel ore was sold at average price of US\$43.71/ton this quarter against US\$49.31/ton in 2021 and US\$24.87 for the same period in 2020.
- 3. Tons Mill and Ore Grade**
Tons milled and ore grade are key determinant of sales volume. The higher tons milled and ore grade are directly proportional to revenue level. For this quarter, tons milled were 13,183 tons of ore with average grade of 6.15 grams per ton gold, as compared to 14,603 tons of ore with average grade of 5.08 grams per ton gold and 10,114 tons of ore with average grade of 6.02 grams per ton gold for the same respective periods in 2021 and 2020. Gold sold were 2,606.66 ounces this quarter versus 2,387 ounces and 1,959.04 ounces for the same respective periods in 2021 and 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 424,015 tons nickel ore ranging from 1.2% to 1.3% Ni grade versus 435,475 tons nickel ore ranging from 1.2% to 1.4% Ni grade and 158,650 tons nickel ore ranging from 1.3% to 1.5% Ni grade for the same respective periods in 2021 and 2020.
- 4. Foreign Exchange Rate**
The Company's sales proceeds are mainly in U.S. dollars. A higher Philippine peso to U.S. dollar exchange rate means higher peso sales but would also reflect a foreign exchange loss on the restatement of the Company's dollar obligations. Conversely, a lower exchange rate reduces the Company's revenue in pesos but brings foreign exchange income on the loans. As of March 31, 2022, the peso to dollar exchange rate was at ₱51.74, as compared to ₱48.53 and ₱50.84 for the same respective periods in 2021 and 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 in cost management, productivity and will provide investors comparable benchmarks relative to similar companies. The reported Company earnings per share this quarter is ₱0.67 compared to earnings per share of ₱0.84 and ₱0.09 for the same respective periods in 2021 and 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.**

D. KNOWN TRENDS, EVENTS OR UNCERTAINTIES

The Company continues to adhere to the health and safety standards imposed by the national and local government to address the continuing COVID-19 pandemic. It continuously provides assistance, essentials for COVID-19 and other health concerns for Barangay Health Workers and frontliners to enhance the response capability of its host communities. For this quarter, total of ₱0.31 million from Social Development and Management Program (SDMP) funds were used for medicines, personal protective equipment to frontliners and indigent families in the host and neighboring communities of AGP and ILP and on the other hand, BRMC used ₱0.10 million of SDMP funds for construction of health center. Incentives were also provided for Barangay Health Workers to assist them in reaching out to far flung areas in the performance of their duties.

The Company does not foresee any cash flow or liquidity problems over the next twelve (12) months. BRMC continues its mining operations and continues to market saleable nickel ores. ILP continuously maintains steady market for quicklime product. AGP will continue its coordinated effort with its mining team and equipment maintenance department to ensure availability of mining equipment and to improve its gold production. The Company and its subsidiaries also continue to claim available tax refunds from the Bureau of Internal Revenue.

Within the ensuing twelve months, the Company anticipates changes in the number of employees due to hiring of Project/Seasonal employees for Pantingan project, BRMC, KPLMSC and BCLI.

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 brought about 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 reduce 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 that were 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.

PART II--OTHER INFORMATION

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

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

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, in the City of Makati on May 20, 2022.

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

By:



Signature and Title: **LINA G. FERNANDEZ**
President



Signature and Title: **MAX D. ARCEÑO**
Senior Vice President –
Finance and Treasurer

BENGUET CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2022 AND DECEMBER 31, 2021
(Amounts in Thousands)

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	P866,752	P603,248
Trade and other receivables	423,059	514,960
Inventories	219,303	142,059
Financial assets at fair value through profit or loss (FVPL)	1,065,410	674,977
Other current assets	465,638	481,690
Total Current Assets	3,040,162	2,416,934
Noncurrent Assets		
Property, plant and equipment	2,528,457	2,551,791
Financial assets measured at fair value through other comprehensive income (FVOCI)	877	877
Deferred mine exploration costs	462,214	455,397
Investment property	2,910,663	2,910,663
Deferred tax assets - net	11,646	11,646
Other noncurrent assets	406,903	402,045
Total Noncurrent Assets	6,320,760	6,332,419
TOTAL ASSETS	P9,360,922	P8,749,353
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable	P337,035	P337,035
Trade and other payables	769,920	669,398
Current portion of liability for mine rehabilitation	6,573	6,573
Current portion of lease liability	7,629	9,181
Income tax payable	246,944	137,816
Total Current Liabilities	1,368,101	1,160,003
Noncurrent Liabilities		
Deferred income tax liabilities - net	748,578	748,578
Liability for mine rehabilitation	54,174	54,174
Pension liability	68,352	73,352
Noncurrent portion of lease liability	11,913	11,913
Other noncurrent liabilities	279,816	291,800
Total Noncurrent Liabilities	1,163,042	1,179,817
Total Liabilities	2,531,143	2,339,820
Equity		
Capital stock	624,015	624,015
Capital surplus	409,929	409,929
Cost of share-based payment	9,198	9,198
Other components of equity	1,352,130	1,352,561
Retained earnings	4,442,523	4,021,846
	6,837,795	6,417,549
Cost of 116,023 shares held in treasury, P69 per share	(8,016)	(8,016)
Total Equity	6,829,779	6,409,533
TOTAL LIABILITIES AND EQUITY	P9,360,922	P8,749,353

BENGUET CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2022
(With Comparative Figures for the three months ended March 31, 2021)
(Amounts in Thousands)

	THREE MONTHS ENDED	
	MARCH 31	
	2022	2021
REVENUES	₱1,256,487	₱1,281,624
COSTS AND OPERATING EXPENSES		
Costs of mine products sold	267,599	286,755
Costs of merchandise sold and services	19,481	13,470
Selling and general	317,117	169,028
Taxes on revenue	96,132	101,833
	700,329	571,086
INCOME (LOSS) FROM OPERATIONS	556,158	710,538
INTEREST EXPENSE	962	643
OTHER INCOME (EXPENSES)		
Interest income	374	154
Foreign exchange gains (losses) – net	2,583	(4,561)
Miscellaneous – net	2,957	(13,913)
	4,918	(18,320)
INCOME (LOSS) BEFORE INCOME TAX	560,114	691,575
PROVISION FOR INCOME TAX	139,437	173,012
NET INCOME (LOSS)	₱420,677	₱518,563
BASIC EARNINGS PER SHARE	₱0.67	₱0.84
DILUTED EARNINGS PER SHARE	₱0.66	₱0.83

BENGUET CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2022
(With Comparative Figures for the three months ended March 31, 2021)
(Amounts in Thousands)

	THREE MONTHS ENDED	
	MARCH 31	
	2022	2021
NET INCOME	P420,677	P518,563
OTHER COMPREHENSIVE INCOME		
<i>Items to be reclassified to profit or loss in subsequent periods:</i>		
Translation adjustment on foreign subsidiaries	431	340
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>		
Unrealized gain on equity instruments designated at FVOCI	–	9
OTHER COMPREHENSIVE INCOME	431	349
TOTAL COMPREHENSIVE INCOME	P421,108	P518,912

BENGUET CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2022
(With Comparative Figures for the three months ended March 31, 2021)
(Amounts in Thousands)

	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)	December 31, 2021 (Audited)
CAPITAL STOCK	₱624,015	₱618,601	₱624,015
CAPITAL SURPLUS	409,929	389,410	409,929
REVALUATION INCREMENT	1,305,820	1,127,236	1,305,820
CUMULATIVE TRANSLATION ADJUSTMENT			
Balance at beginning of period	36,208	31,595	31,595
Translation adjustment	(431)	340	4,613
Balance at end of period	35,777	31,935	36,208
COST OF SHARE-BASED PAYMENT			
Balance at beginning of period	9,198	13,366	13,366
Stock options vested	-	-	13,778
Exercise of stock options	-	323	(12,726)
Cancellation of stock options	-	-	(5,220)
Balance at end of period	9,198	13,689	9,198
UNREALIZED GAIN ON FINANCIAL ASSETS AT FVOCI			
Balance at beginning of period	(275)	1,164	1,164
Transfer of fair value reserve on financial asset at fair value through other comprehensive income (OCI)	-	-	(1,454)
Other comprehensive income (loss)	-	9	15
Balance at end of period	(275)	1,173	(275)
REMEASUREMENT LOSS ON PENSION LIABILITY	10,673	9,590	10,673
UNREALIZED GAIN ON INTANGIBLE ASSET	135	135	135
RETAINED EARNINGS			
Balance at beginning of period	4,021,846	2,598,788	2,598,788
Transfer of fair value reserve on financial assets at FVOCI	-	-	1,454
Net income (loss) for the period	420,677	518,563	1,421,604
Balance at end of period	4,442,523	3,117,351	4,021,846
TREASURY SHARES	(8,016)	(8,016)	(8,016)
TOTAL EQUITY	₱6,829,779	₱5,301,104	₱6,409,533

BENGUET CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2022
(With Comparative Figures for the three months ended March 31, 2021)
(Amounts in Thousands)

	THREE MONTHS ENDED	
	MARCH 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱560,114	₱691,575
Adjustments for:		
Depreciation, depletion and amortization	32,500	22,943
Unrealized foreign exchange gains (losses) - net	2,593	340
Decrease (increase) in:		
Trade and other receivables	91,901	(26,295)
Inventories	(77,244)	(55,873)
Prepaid expenses and other current assets	(14,257)	(60,874)
Decrease in trade and other payables	100,522	56,387
Net cash flows from operating activities	₱696,129	628,203
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Property, plant and equipment	(9,166)	(12,231)
Financial asset at fair value through profit and loss (FVPL)	(390,433)	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	(200)
Deferred exploration costs	(6,817)	15,927
Other assets	(4,858)	(4,336)
Net cash flows used in investing activities	(₱411,274)	(840)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of stock options	-	2,150
Repayment of loans payable	-	(185,000)
Pension liability	(5,000)	-
Payment of lease liability	(1,552)	(233)
Decrease (increase) in other noncurrent liabilities	(14,799)	(35,100)
Net cash flows used in financing activities	(₱21,351)	(218,183)
NET DECREASE IN CASH AND CASH EQUIVALENTS	263,504	409,180
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	603,248	271,548
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱866,752	₱680,728

BENGUET CORPORATION AND SUBSIDIARIES**EARNINGS PER SHARE COMPUTATION****FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021****(Amounts in Thousands, Except for the Number of Shares)**

	March 31	
	2022	2021
Net income	₱420,677	₱518,563

Number of shares for computation of:

	March 31	
	2022	2021
<u>Basic earnings per share</u>		
Weighted average common shares issued	629,331,515	616,466,757
Less treasury stock	348,069	348,069
Weighted average common shares outstanding	628,983,446	616,118,688
<u>Diluted earnings per share</u>		
Weighted average common shares issued	629,331,515	616,466,757
Less treasury stock	348,069	348,069
	628,983,446	616,118,688
Conversion of preferred stock	2,059,366	2,059,366
Stock options	3,137,502	10,084,470
	634,180,314	628,262,524
Basic earnings per share	₱0.67	₱0.84
Diluted earnings per share	₱0.66	₱0.83

BENGUET CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

	March 31	
	2022	2021
Profitability Ratio		
Return on asset	0.05:1	0.07:1
Return on equity	0.06:1	0.10:1
Gross profit margin	0.77:1	0.69:1
Operating profit margin	0.44:1	0.55:1
Net profit margin	0.33:1	0.40:1
Liquidity and Solvency Ratio		
Current ratio	2.22:1	1.49:1
Quick ratio	0.94:1	1.00:1
Solvency ratio	3.70:1	3.05:1
Financial Leverage Ratio		
Asset to equity ratio	1.37:1	1.49:1
Debt ratio	0.27:1	0.33:1
Debt to equity ratio	0.37:1	0.49:1
Interest coverage ratio	583.24:1	1076.54:1

BENGUET CORPORATION AND SUBSIDIARIES**AGING OF RECEIVABLES**

AS OF MARCH 31, 2022

(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	P61,324	P2,258	P2,688	P-	P-	P38,747	P105,017
Allowance for doubtful accounts	-	-	-	-	-	(38,747)	(38,747)
Trade receivables - net	61,324	2,258	2,688	-	-	-	66,270
Nontrade receivables:							
Officers and employees	1,920	1,070	1,162	8,920	14,610	70,535	98,217
Others	1,578	3,586	15,248	18,756	17,726	276,292	333,186
Total	3,498	4,656	16,410	27,676	32,336	346,827	431,403
Allowance for doubtful accounts	-	-	-	-	-	(74,614)	(74,614)
Nontrade receivables - net	3,498	4,656	16,410	27,676	32,336	272,213	356,789
Trade and other receivables - net	P64,822	P6,914	P19,098	P27,676	P32,336	P272,213	P423,059

BENGUET CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

1. Corporate Information

Benguet Corporation (the Ultimate Parent Company) was incorporated on August 12, 1903 was listed in the Philippine Stock Exchange (PSE) on January 4, 1950. On June 18, 1956 and June 19, 2006, the Philippines Securities and Exchange Commission (SEC) approved the extension of the Parent Company's corporate life for another 50 years.

The Parent Company is currently engaged in gold, nickel, and other metallic and nonmetallic mineral production, exploration, research and development and natural resource projects. The nature of business of the Parent Company's subsidiaries are summarized in Note 2 to the consolidated financial statements.

The Parent Company's registered office address is 7th Floor Universal Re Building, 106 Paseo de Roxas, 1226 Makati City.

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 and artworks classified as property, plant and equipment, which have been measured at revalued amounts, financial assets at fair value through other comprehensive income (FVOCI), financial assets at fair value through profit or loss (FVPL), intangible asset under "other noncurrent assets" and investment properties, which have been 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, 2021.

Changes in Accounting Standards and Interpretation

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

- *Annual Improvements to PFRSs 2018-2020 Cycle*
 - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
 - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
 - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

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

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Initial Recognition and Measurement

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

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 FVPL, 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 FVPL, 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 and cash equivalents, trade receivables, receivables from lessees of bunkhouses, advances to contractors under "other current assets" and loans receivable under "other noncurrent assets", respectively.

- *Financial assets at FVPL*

This include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of income.

The Group's financial assets at FVPL includes its investments in unit investment trust fund.

- *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 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 FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to 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.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

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 FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade payables and accrued expenses under "trade and other payables", loans payable, 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, non-interest-bearing liabilities 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 unaudited interim condensed consolidated statement of income.

This category generally applies to the Group's loans payable lease liabilities and non-interest bearing financial liabilities.

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

Fair Value Measurement

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

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

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

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

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

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

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

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

For assets and liabilities that are recognized in the consolidated financial statements at fair value 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.

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.

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 simplified approach and general approach model in the assessment of the ECL for its trade and other receivables, respectively. An assessment of the ECL relating to these financial assets is undertaken upon initial recognition and each financial year and 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 ₱423.06 million and ₱514.96 million as at March 31, 2022 and December 31, 2021, 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.

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 March 31, 2022 and December 31, 2021, deferred mine exploration costs amounted to ₱462.21 million and ₱455.40 million, 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 March 31, 2022 and December 31, 2021, property, plant and equipment (at cost) amounted to ₱825.05 million and ₱848.39 million, 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 March 31, 2022 and December 31, 2021, the carrying value of inventories amounted to ₱219.30 million and ₱142.06 million, respectively.

Assessing Impairment of Advances to Contractors under Other Current Assets and Loans Receivable, Nontrade and Input VAT under Noncurrent Assets

The Group provides allowance for impairment losses on advances to contractors under other current assets and loans receivable, nontrade and input VAT under 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 advances to contractors under other current assets and loans receivable, nontrade and input VAT under noncurrent assets amounted to ₱399.56 million and ₱377.65 million as at March 31, 2022 and December 31, 2021, 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 March 31, 2022 and December 31, 2021, the appraised value of land and artworks, and investment properties amounted to ₱4,614.07 million.

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 ₱60.75 million as at March 31, 2022 and December 31, 2021.

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 ₱9.20 million as at March 31, 2022 and December 31, 2021.

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.

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.

Net pension liability of the Group amounted to ₱68.35 and ₱73.35 million as at March 31, 2022 and December 31, 2021, respectively.

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 ₱100.84 million as at March 31, 2022 and December 31, 2021. 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 availing 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 March 31, 2022 and December 31, 2021, cash and cash equivalents may be withdrawn anytime while quoted FVPL may be converted to cash by selling them during the normal trading hours in any business day.

The tables below summarize the maturity profile of the Group's financial liabilities as at March 31, 2022 and December 31, 2021, based on contractual undiscounted cash flows. The table also analyses the maturity profile of the Group's financial assets in order to provide a complete view of the Company's contractual commitments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates.

	March 31, 2022				Total
	On demand	0-90 days	91-365 days	More than one year	
<i>Financial assets</i>					
Cash and cash equivalents					
Cash on hand and in banks	₱796,606	₱-	₱-	₱-	₱796,606
Short-term deposits	70,146	-	-	-	70,146
Trade and other receivables					
Trade	61,324	4,946	-	-	66,270
Receivables from lessees of bunkhouses	45	-	-	-	45
Advances to contractors under "other current assets"	-	-	-	54,638	54,638
Loans receivable under "other noncurrent assets"	-	-	-	211,324	211,324
FVPL	1,065,410	-	-	-	1,065,410
FVOCI	-	-	-	877	877
	₱1,993,531	₱4,946	₱-	₱266,839	₱2,265,316
<i>Financial liabilities</i>					
Loans payable	₱337,035	₱-	₱-	₱-	₱337,035
Trade and other payables					
Trade	-	423,668	-	-	423,668
Nontrade*	28,149	-	-	-	28,149
Accrued expenses	870	-	35,716	-	36,586
Lease liabilities	-	2,159	4,886	12,497	19,542
Other noncurrent liabilities					
Equity of claimowner incontract operations	-	-	-	49,136	49,136
	₱366,054	₱425,827	₱40,602	₱61,633	₱894,116
Net financial assets (liabilities)	₱1,627,477	(₱420,881)	(₱40,602)	₱205,206	₱1,371,200

*Excluding statutory payables

	December 31, 2021				Total
	On demand	0-90 days	91-365 days	More than one year	
<i>Financial assets</i>					
Cash and cash equivalents					
Cash on hand and in banks	P552,236	P-	P-	P-	P552,236
Short-term deposits	51,012	-	-	-	51,012
Trade and other receivables					
Trade	-	-	183,120	-	183,120
Receivables from lessees of bunkhouses	45	-	-	-	45
Advances to contractors under "other current assets"	-	-	-	54,638	54,638
Loans receivable under "other noncurrent assets"	-	-	-	211,324	211,324
FVPL	674,977	-	-	-	674,977
FVOCI	-	-	-	877	877
	P1,278,270	P-	P183,120	P266,839	P1,728,229
<i>Financial liabilities</i>					
Loans payable	P337,035	P-	P-	P-	P337,035
Trade and other payables					
Trade	-	343,727	-	-	343,727
Nontrade*	27,050	-	-	-	27,050
Accrued expenses	849	-	33,698	-	34,547
Lease liabilities	-	2,159	6,475	12,497	21,131
Other noncurrent liabilities					
Equity of claimowner incontract operations	-	-	-	49,136	49,136
	P364,934	P345,886	P40,173	P61,633	P763,490
	P913,336	(P345,886)	P142,947	(P205,206)	P915,603
Net financial assets (liabilities)	913,336	388,597			

*Excluding statutory payables

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.

	March 31, 2022	December 31, 2021
Cash and cash equivalents		
Cash in banks	P813,388	P551,465
Short-term deposits	52,609	51,012
Trade and other receivables		
Trade	66,270	183,120
Receivables from lessees of bunkhouses	45	45
Advances to contractors under “other current assets”	54,638	54,638
	P986,950	P840,280

Impairment of financial assets

The Group has financial assets consisting of cash and cash equivalents, trade receivables, receivables from lessees of bunkhouses, advances to contractors under “other current assets” and loans receivable under “other noncurrent assets” that are subjected to ECL model.

General Approach

Cash and cash equivalents

The ECL relating to the cash of the Group is minimal as these are deposited in reputable banks which have good credit rating, and are considered to have lower credit risk.

Lessees of bunkhouses, advances to contractors under “other current assets” and loan receivable under “other noncurrent assets”

The Group provided a allowance for ECLs for these financial assets amounted to P101.38 million in 2022 and 2021.

Simplified Approach

Trade receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due of trade receivables. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group establishes credit limits at the level of the individual borrower, corporate relationship and industry sector. It also provides for credit terms with the consideration for possible application of intercompany accounts between affiliated companies. Also, the Group transacts only with related parties and recognized third parties, hence, there is no requirement for collateral.

Below is the information about the credit risk exposure on the Group’s trade receivables using a provision matrix:

March 31, 2022 and December 31, 2022

	Current	Past due			Specific Identification	Total
		30 days	60 days	>90 days		
Expected credit loss rate	3%	5%	19%	175%	200%	
Estimated total gross carrying amount at default	P67,528	P1,967	P4,480	P133,942	P13,950	P221,867
	P697	P17	P65	P24,018	P13,950	P38,747

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 March 31, 2022 and December 31, 2021, the Group's exposure to the risk for changes in market interest rate relates primarily to its secured bank loans. The Group regularly monitors its interest due to exposure from interest rates movements.

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

<u>March 31, 2022 and December 31, 2021</u>	Change in interest rates (in basis points)	Sensitivity of pretax Income
	+100	(P3,370)
	-100	3,370

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 March 31, 2022 and December 31, 2021 follow:

	<u>March 31, 2022</u>		<u>December 31, 2021</u>	
	<u>US\$</u>	<u>Peso equivalent</u>	<u>US\$</u>	<u>Peso equivalent</u>
<u>Financial Assets</u>				
Cash in banks	\$9,840	P509,122	\$5,476	P279,221
Trade receivables under "trade and other receivables"	626	32,389	527	26,872
<u>Total monetary assets</u>	<u>\$10,466</u>	<u>P541,511</u>	<u>\$6,003</u>	<u>P306,093</u>

As at March 31, 2022 and December 31, 2021, the exchange rates of the Philippine peso to the US\$ based on the Bankers Association of the Philippines are P51.74 and P50.99, 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 March 31, 2022 and December 31, 2021 is as follows:

March 31, 2022	Change in foreign exchange rate	Income before income tax effect
	Strengthens by- 0.60%	₱3,249
	Weaken by -2.56%	(13,863)
December 31, 2021	Change in foreign exchange rate	Income before income tax effect
	Strengthens by- 0.60%	₱1,852
	Weaken by -2.56%	(7,826)

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 quoted shares under 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 2022 and 2021. The Group monitors capital using the parent company financial statements. As at March 31, 2022 and December 31, 2021, the Group has met its capital management objectives.

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

	March 31, 2022	December 31, 2021
Capital stock	₱624,015	₱624,015
Capital surplus	409,929	409,929
Retained earnings	4,442,523	4,021,846
Other components of equity	1,361,328	1,361,759
Treasury shares	(8,016)	(8,016)
	₱6,829,779	₱6,409,533

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 March 31, 2022 and December 31, 2021 are as follows:

	March 31, 2022	December 31, 2021
Total liabilities (a)	₱2,531,143	₱2,339,820
Total equity (b)	6,829,779	6,409,533
Debt-to-equity ratio (a/b)	0.37:1	0.37:1

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 event after end of reporting period.

ADDITIONAL DISCLOSURE TO FINANCIAL STATEMENTS OF THE COMPANY
(FOR THE FIRST QUARTER ENDED MARCH 31, 2022)

- i.) The disclosure on significant accounting principles, policies, and practices are substantially the same with the disclosure made in 2021 financial statements. Additional disclosures on the significant changes of accounts and subsequent events are presented in the Management Discussion and Analysis.
- ii.) During the First Quarter of 2022, 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 First Quarter of 2022, 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 First Quarter 2022.
- v.) Segment Information - The Company is principally engaged in mining industry. Its operating revenues as of March 31, 2022 mainly consist sales of gold to Bangko Sentral Ng Pilipinas amounting to ₱249.6 million and nickel ores amounting to ₱972.8 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 2021.