COVER SHEET

1	1	3	4	1					

SEC Registration Number

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

(Group's Full Name)

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

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

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

Mr. Reynaldo P. Mendoza

(Contact Person)

8812-1380

(Group Telephone Number)

1 2 / **3 1**

Month *Day*

(Calendar Year)

1 7 - Q

(Form Type)

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **JUNE 30, 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 June 30, 2022 - ₱ 85.06 Million

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

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

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

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 17 to 41 which are incorporated and form part of this report (SEC Form 17-Q), as follows:

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

A. FINANCIAL PERFORMANCE

<u>2022 SECOND QUARTER Vs. 2021 SECOND QUARTER</u>

The Company continued to render strong operating performance in the second quarter of 2022 brought about by high metal prices, increased export volume owing to good weather condition, and favorable foreign exchange. All operating units posted profits; notable of which are the nickel operation in Sta. Cruz, Zambales, gold operation in Itogon, Benguet, and lime operation in Irisan.

CONSOLIDATED RESULTS OF OPERATIONS

Consolidated net income for the second quarter of 2022 climbed 83% to ₱553.4 million from the ₱303.1 million net income for the same period in 2021. For the first semester of 2022, net income amounted to ₱974.1 million, 19% higher than the ₱821.7 million net income for the same period in 2021. The increase in net income was the net effect of the following:

Revenues

Consolidated revenues rose significantly to ₱1.47 billion for the second quarter of 2022 and ₱2.72 billion for the first half of 2022 from ₱999.6 million and ₱2.28 billion reported for the same respective periods in 2021. The increase in revenue both for the second quarter and first half of 2022 was mainly from higher number of nickel ore shipments made and higher metal prices. BRMC sold 8 boatloads of nickel with an aggregate volume of 427,193 tons valued at ₱1.18 billion in the second quarter and 16 boatloads of nickel ore with an aggregate volume of 851,208 tons valued at ₱2.15 billion for the first semester of 2022 compared to 7 boatloads with an aggregate volume of 363,293 tons valued at ₱726.5 million and 15 boatloads with an aggregate volume of 798,768 tons valued at ₱1.77 billion for the same respective periods in previous year. To-date June, nickel ore was sold at an average price of US$47.90/ton versus US$45.40/ton for the same period last year.

Operating and Other Expenses

Cost and operating expenses in the second quarter this year correspondingly increased to ₱748.4 million from ₱574.3 million for the same quarter in 2021 mainly due to the increase in cost of mine products sold, selling and general expenses and taxes on revenue. For the same reason, costs and operating expenses for the first semester this year went-up by 26% to ₱1,448.8 million from ₱1,145.4 million for the same period last year.

Other income for the second quarter and first semester this year amounted to ₱16.7 million and ₱21.6 million, respectively. In contrast, other expenses for the second quarter and first semester of 2021 amounted to ₱17.3 million and ₱35.6 million, respectively.

Provision for income tax of ₱182.8 million and ₱322.2 million for the second quarter and first semester this year pertains to the regular corporate income tax of Benguet Corporation, Benguetcorp Resources Management Corporation (BRMC), Arrow Freight Corporation (AFC), Keystone Port Logistics and Management Services Corporation (Keystone) and BMC Forestry Corporation (BFC).

FINANCIAL CONDITION

<u>2022 FIRST SEMESTER VS YEAR ENDED 31 DECEMBER 2021</u>

Assets

The Company ended the second quarter of 2022 with consolidated total assets of ₱9.56 billion, ₱810.8 million higher than the ₱8.75 billion consolidated assets in 2021. The growth is the net effect of the following:

Cash and cash equivalent increased by ₱446.2 million to ₱1,049.4 million primarily from cash provided by operations.

Trade and other receivables decreased to ₱478.8 million from ₱515.0 million in 2021, mainly due to collection of nickel ore sold in the previous quarter.

Increased in Financial Assets at Fair Value through Profit and Loss (FVPL) pertains to additional placement in UITF.

Decrease in other noncurrent assets to ₱319.3 million from ₱402.0 million was mainly due to the payment of investment in trust fund.

Liabilities

Total consolidated liabilities as of June 30, 2022, decreased to ₱2.17 billion from ₱2.34 billion as of December 31, 2021. The decrease was due to the following:

Trade and other payables decreased by 23% to ₱513.0 million from ₱669.4 million in 2021 due to payment of various trade payables to suppliers and contractors.

Decline in current portion of lease liability is due to payment of various rentals/leases.

Income tax payable amounted to ₱190.5 million, 38% higher than last year of ₱137.8 million. The income tax liability pertains to the regular income tax liability of Benguet Corporation, BRMC, AFC and Keystone.

Other noncurrent liabilities reduced by 19% to ₱235.9 million from ₱291.8 million mainly on account of the payments for nickel off-take advances to Bright Mining and LS Networks Co., Ltd.

Equity
Retained earnings for the first half of this year rose to ₱4,995.9 million, 24% higher than ₱4,021.8 million in 2021. The increase was due to favorable result of operation.

Stockholders Equity for the first half this year amounted to ₱7,387.0 million, higher than ₱6,409.5 million in 2021. The increase is due to the net income generated during the first semester of this year amounting to ₱974.1 million.

Consolidated Cash Flows
The net cash provided by operating activities for the second quarter and first semester this year amounted to ₱239.4 million and ₱935.5 million, respectively lower compared to ₱331.7 million and ₱959.9 million for the same periods in 2021.

The Company invested ₱14.4 million and ₱23.6 million in property, plant and equipment for the second quarter and first semester this year. ₱6.9 million and ₱13.7 million was spent for exploration activities and Final Mine Rehabilitation Fund of the Acupan Gold Operation for the second quarter and first semester this year, respectively. The Company placed ₱80.2 million and ₱470.6 million in UITF for the second quarter and first half this year.

Net cash used in financing activities amount to ₱42.8 million in the second quarter and ₱64.1 million for the first semester this year. Cash was used to pay outstanding liabilities with LS Networks Co. Ltd. and Bright Mining.

OPERATIONAL REVIEW

Mining
Acupan Gold Project (AGP)
Gold operations for the second quarter continued to show good results. Revenue slightly increased to ₱246.5 million from ₱243.4 million for the same quarter last year. For the first half of 2022, revenue went up by 10% to ₱496.08 million from ₱450.4 million from the same period in 2021. The positive variance is mainly due to higher gold price. Average price of gold rose to US$1,879.41 per ounce for the first half this year against US$1,807.61 per ounce for the same period last year. Total gold sales in the second quarter of 2022 reached 2,493.16 ounces, lower than 2,789.58 ounces sold for the same quarter last year. For the first half of 2022, gold sold reached 5,099.82 ounces versus 5,176.60 ounces for the same period in 2021.

AGP milled 13,218.99 tons with average grade of 5.87 grams per ton gold for the second quarter and 26,402.78 tons with average grade of 6.01 grams per ton for the first semester this year, compared to 13,908.02 tons with average grade of 6.24 grams per ton and 28,511.40 tons with average grade of 5.65 grams per ton for the same respective periods last year. Average milling rate for to-date Jun 2022 of 150 TPD is lower than the 162 TPD for the same period last year.

The improvement in revenue, however, was partly offset by higher operating cost due to higher power and fuel prices resulting to lower pre-tax income of ₱10.8 million for the second quarter and ₱41.4 million for the first half of 2022 versus ₱39.0 million and ₱69.1 million for the same respective periods in 2021.

AGP shall implement an increased milling charge to its contractors by August 1, 2022 to mitigate the increasing cost of fuel, power and other materials and supplies. The completed Tailings Storage Facility 2 (TSF2) dam embankment is regularly monitored for its stability and soundness. Study on use of TSF 3 as alternate tailings disposal facility is ongoing. AGP remains positive that it can improve and attain its production and financial goals for 2022 despite the challenges, while it take advantage of higher gold price and favorable foreign exchange.

Sta. Cruz Nickel Project (SCNP)
Nickel operations under Benguetcorp Resources Management Corporation (BRMC) (formerly Benguetcorp Nickel Mines, Inc.) sustained its strong performance in the first half of 2022. In the second quarter of 2022, BRMC revenue grew by 59% at ₱1.2 billion versus ₱726.5 million for the same period in 2021. For the first half this year, revenue increased by 20% to ₱2.1 billion from ₱1.8 billion for the same period in 2021. The growth was driven by the increase in volume shipped and better nickel prices coupled with dollar appreciation. BRMC completed 16 shipments aggregating 851,208 tons for the first half this year. The nickel ore sold ranging from 1.2% to 1.4% was sold at an average price of US$47.90/ton this year. In contrast, BRMC sold 15 boatloads aggregating 798,768 tons ranging from 1.2% to 1.4% at an average price of US$45.40/ton for the same period in 2021. The current performance resulted to net income of ₱459.9 million in the second quarter and ₱770.6 million for the first semester of 2022, higher compared to ₱244.8 million and ₱677.4 million for the same periods in 2021.

During the MGBR3 Mining Summit in April 2022, BRMC received the following Awards and Recognition such as: (a) attaining the Highest Average Tenement, Safety and Health, Environment and Social Development (TSHES) Score for the Metallic Category in Region 3; (b) Best Recorded Improvement on its Mine Operations and Rehabilitation; and (c) Safety Award for Attaining 2 Million Man Hours Worked Without Any Lost Time Accident Up until the End of CY 2021.

Irisan Lime Project
The Company's ILP posted 33% growth in revenue at ₱26.5 million for the second quarter this year versus ₱20.0 million for the same period last year. For the six-month period, revenue generated amounted to ₱47.9 million, 29% higher than ₱37.1 million for the same period in 2021. Increase in revenue is attributed to higher lime price from ₱10,211 per metric ton in 2021 to ₱13,351 per metric ton this year. This resulted to a pre-tax income of ₱6.0 million and ₱9.4 million for the second quarter and first semester respectively this year, versus pre-tax income of ₱4.8 million and ₱11.7 million for the same respective periods in 2021.

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 and condition of the area. The total cost to be incurred over a 4-year period of rehabilitation 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 including Minahang Bayan. The Company implemented various activities such as continuous propagation of various seedlings in nurseries and maintenance of its established reforestation areas. For this quarter, the Company spent a total of ₱110,900 for BAGO-Care and Maintenance Program (CMP).

EXPLORATION, RESEARCH AND DEVELOPMENT
Pantingan Project
The Pantingan property remains to be a viable prospect for epithermal gold mineralization and aggregates. On the gold prospect, continuing core processing is being undertaken following completion of Phase 1 and Phase 2 drilling, such as but not limited to core-photography, geotechnical logging, core-logging, sample marking and tagging, core-cutting and sampling of half-cores from completed drillholes. One hundred and eleven (111) altered and mineralized samples and another five (5) samples for evaluation were dispatched and submitted for chemical analyses.

On the aggregate prospect, the Company continues to apply for permits including road-right-of-way in the 40-hectares Quarry Permit Area (QPA) outside the MPSA. The large-scale quarry in PAB-1 & 2 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.

Zamboanga Gold Prospect
The Company is completing the requirements for conversion of its APSA to Exploration Permit Application, including securing Free, Prior and Informed Consent (FPIC) from the Indigenous People (IP) in compliance with DENR Administrative Order No. 2021-25.

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 increases have shifted on alternative energy sources which could present market opportunity for local coal.

SUBSIDIARIES AND AFFILIATES
Logistics
Arrow Freight Corporation (AFC)
AFC, the logistics provider of the Company generated revenue ₱23.5 million for the second quarter and ₱57.4 million for the first half this year, compared to the revenues of ₱25.3 million and ₱54.6 million for the same periods in 2021. Net income for the second quarter this year amounted to ₱14.1 million higher versus net loss of ₱3.0 million for the same quarter last year. For the first semester this year, net income amounted to ₱33.9 million, higher than ₱18.5 million for the same period in 2021.

AFC has current hauling fleet of 9 units dump truck. AFC plans to acquire earth moving equipment, additional dump trucks and 10-wheeler trucks to expand its logistics services and engage in construction business.

Keystone Port Logistics Management and Services Corporation (Keystone)
Keystone, the port and barging services provider of the Company reported revenue of ₱30.6 million for the second quarter and ₱60.3 million in the first half this year, compared to the revenue of ₱23.9 million and ₱52.5 million in the same respective periods last year. The variance is on account of the higher tonnage of nickel ore exports handled during the first semester this year of 851,208 tons from 798,768 tons for the same period in 2021. Net income for the second quarter and first semester of 2022 amounted to ₱16.4 million and ₱32.1 million, respectively, higher compared to the net income of ₱12.3 million and ₱26.9 million in the same respective periods in 2021.

Portion of the port is undergoing repair which is expected to be completed before the end of the year. To maximize usage of the port, Keystone plans to acquire/rent land near the port for additional stockpile area.

Real Estate
BMC Forestry Corporation (BFC)
BFC, the real estate arm of the Company continuous to develop and sell subdivision lots in its real estate project in Rosario, La Union, Woodspark Subdivision. BFC also manages the lime kiln operation of Irisan Lime Project. BFC reported a pre-tax income of ₱2.1 million for the second quarter and ₱2.5 million for the first half of this year, against pre-tax losses of ₱31 thousand and ₱159 thousand for the same periods in 2021.

It is selling its remaining 4 lots in Woodspark Subdivision with an aggregate area of 1,403 square meters valued at ₱7.09 million. BFC plans to acquire new property in La Union and nearby areas of Pangasinan for development of new housing project.

Kelly Ecozone Project (KEP)
On KEP, consultation with the project-affected-people is on-going. Coordination with the Baguio City Economic Zone (BCEZ) and collaboration with the newly elected Itogon LGU for the phased development and project social acceptability are being undertaken.

A satellite nursery for the propagation of agroforestry species as initial site development activity and as source of planting materials for the enhancement of disturbed areas during site development is being established.

Healthcare
Benguetcorp Laboratories, Inc. (BCLI)
BCLI reported revenue of ₱14.81 million for the second quarter and ₱27.55 million for the first half of this year, higher than the ₱11.2 million and ₱21.9 million for the same periods last year. Increase in revenues resulted to a net income of ₱5.21 million for the second quarter, more than three times against the ₱1.45 million net income for the same quarter last year. For the same reason, net income for the first half of 2022 amounted to ₱6.6 million, almost three times the net income of ₱2.3 million in the same period last year. The positive variance is mainly due to the increase in walk-in patients due to easement of quarantine status and the Annual Physical Examination services to Texas Instruments and MOOG

BCLI is now on its final year of its clinic management and medical services contracts with Texas Instrument for Baguio City and Clark, Pampanga hubs. It continues to focus on its collaboration with Health Management Organizations (HMO) catering to corporate and institutional clients, both from the private and government sectors. On the other hand, it is in the second year of its two-year contract to provide full clinic management to MOOG. BCLI continues to serve its core customers, 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.

Benguetcorp International Limited
The Company's Hongkong-based and 100% owned subsidiary for international operations, remains largely inactive. BIL's wholly owned subsidiary, BenguetCorp USA Limited's (BUSA) is pursuing the re-application of its claims over 217 hectares of mineral property for gold/silver at Royston Hills, Nevada, USA.

B. 2021 SECOND QUARTER Vs. 2020 SECOND QUARTER

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

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

Revenues
Consolidated revenues rose significantly to ₱999.6 million for the second quarter of 2021 and ₱2.28 billion for the first half of 2021 from ₱293.1 million and ₱701.6 million reported for the same respective periods in 2020. The increase in revenue both for the second quarter and first half of 2021 was mainly attributable to higher number of nickel ore shipments made and higher metal prices. BNMI sold 7 boatloads of nickel ore with an aggregate volume of 363,293 tons valued at ₱726.5

million in the second quarter and 15 boatloads of nickel ore with an aggregate volume of 798,768 tons valued at ₱1,771.8 million for the first semester of 2021 compared to 2 boatloads with an aggregate volume of 106,605 tons valued at ₱139.4 million and 5 boatloads with an aggregate volume of 265,255 tons valued at ₱344.6 million for the same respective periods in previous year. To-date June, nickel ore was sold at an average price of US$45.40/ton versus US$24.02/ton for the same period last year.

Operating and Other Expenses
Cost and operating expenses in the second quarter of 2021 increased to ₱574.3 million from ₱245.1 million for the same quarter in 2020 mainly due to the increase in cost of mine products sold, selling and general expenses and taxes on revenue. For the same reason, cost and operating expenses for the first semester this year went up by 96% to ₱1,145.4 million from ₱585.8 million for the same period last year.

Other expenses incurred for the second quarter and first semester of 2021 amounted to ₱17.3 million and ₱35.6 million, respectively. In contrast, other in
come generated in the second quarter and first semester of 2020 amounted to ₱3.0 million and ₱2.4 million, respectively.

Provision for income tax of ₱103.7 million and ₱276.7 million for the second quarter and first semester of 2021 pertains to the regular corporate income tax of Benguetcorp Nickel Mines, Inc. (BNMI), Arrow Freight Corporation (AFC) and Keystone Port Logistics and Management Services Corporation (Keystone).

FINANCIAL CONDITION

2021 FIRST SEMESTER VS. YEAR ENDED 31 DECEMBER 2020

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

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

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

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

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

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

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

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

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

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

Equity
Stockholders Equity for the first half of 2021 amounted to ₱5,610.7 million, higher than ₱4,780.0 million in 2020. The increase was due to the net income generated during the first semester of 2021 amounting to ₱821.7 million.

Consolidated Cash Flow
The net cash provided by operating activities for the second quarter and first semester of 2021 amounted to ₱331.7 million and ₱959.9 million, respectively. In contrast, the net cash used for the second quarter in 2020 amounted to ₱42.4 million while for the first semester, net cash provided amounted to ₱35.0 million.

The Company invested ₱9.9 million and ₱22.1 million in property, plant and equipment for the second quarter and first semester 2021 respectively. ₱12.3 million and ₱12.9 million was spent for exploration activities for the second quarter and first semester of 2021, respectively. Net cash used in financing activities amounted to ₱138.0 million in the second quarter and ₱356.2 million for the first semester of 2021. Cash was used to fully pay the ₱185.0 million loan with Trans Middle East, pay outstanding liabilities with LS Networks Co., Ltd. and various suppliers/contractors.

<u>OPERATIONAL OVERVIEW</u>

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

AGP milled 13,908.02 tons with average grade of 6.24 grams per ton gold for the second quarter and 28,511.40 tons with average grade of 5.65 grams per ton for the first semester of 2021, compared to 9,187.96 tons with average grade of 5.40 grams per ton and 19,301.98 tons with average grade of 6.0 grams per ton for the same respective periods of 2020. Average milling rate to-date June 2021 of 162 TPD was 47% higher than the 110 TPD for the same period in 2020.

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

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

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

Irisan Lime Project (ILP)
The Company's ILP generated revenue of ₱18.7 million for the second quarter and ₱37.1 million for the first half of 2021, higher compared to the revenue of ₱18.4 million and ₱34.5 million for the same respective periods in 2020. Sales volume increased by 10% to 3,920 tons for the first half of 2021 compared to 3,570 tons in the same period in 2020. This improved ILP pre-tax income to ₱4.8 million for the second quarter and ₱11.7 million for the first semester of 2021, from ₱6.2 million and ₱9.6 million for the same periods in 2020.

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

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

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

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

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

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

SUBSIDIARIES AND AFFILIATES

i. **Logistics**

Arrow Freight Corporation (AFC)

AFC, the logistics provider of the Company generated revenue of ₱25.4 million for the second quarter and ₱54.6 million for the first half of 2021, higher as compared to the revenues of ₱3.7 million and ₱14.9 million for the same periods in 2020. Net income for the second quarter of 2021 amounted to ₱2.0 million against ₱2.1 million loss in the same quarter in 2020. For the first semester of 2021, net income amounted to ₱18.5 million, higher than the ₱2.4 million for the same period in 2020.

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

- Keystone Port Logistics Management & Services Corporation (KPLMSC)

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

ii. **Real Estate**

- BMC Forestry Corporation (BFC**)**

BFC manages the lime kiln operation of Irisan Lime Project and various real estate projects. BFC continues to develop and sell subdivision lots in its real estate project in Rosario, La Union. The market of Woodspark Subdivision was affected by the Covid-19 pandemic and reported ₱0.02 million net loss this second quarter of 2021 against ₱0.11 million 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 submitted the revised amended land use concept and 5-Year Master Development Plan to the Philippine Economic Zone Authority (PEZA). The Company has also completed the field validation and GPS survey of structures/improvements in the claim areas.

iii. **Healthcare**

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

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

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

C. ENVIRONMENTAL PROTECTION AND COMMUNITY RELATIONS

The Company is committed to the protection and enhancement of the environment by ensuring that its mining operations are compliant with the strict regulations of the DENR-MGB (Mines & Geosciences Bureau) & DENR-EMB (Environmental Management Bureau) and other government regulatory agencies. It continues to implement various activities based on the approved ACMP-Annual Environmental Protection & Enhancement Program (AEPEP), BRMC-AEPEP, BC ILP-AEPEP and BAGO-Care and Maintenance Program (CMP) in close coordination with the Mine Rehabilitation Fund Committee (MRFC) and regularly monitored by the Multi-Partite Monitoring Team (MMT) composed of representatives from DENR, MGB, EMB, representatives from the community, Local Government Unit (LGU) and representatives from the Company.

Majority of the programs implemented deal with the enhancement of land resources which includes the progressive rehabilitation and maintenance of various environmental structures such as the Tailings Storage Facility (TSF) and its appurtenances, drainage tunnels and the strict implementation of hazardous and solid waste management. The Components of the AEPEP and Care and Maintenance Activities which are continuously carried-out consist of Nursery Development and Seedling Production, Mining Forest Program and Progressive Rehabilitation within Tenement, National Greening Program Outside Tenement, Establishment of Bamboo Plantation Areas, Implementation of the Sustainable Agroforestry Program-"Gulayan sa Minahan", Coastal Area Protection and Management, River Protection and Air Water and Noise Quality Monitoring, Solid and Hazardous Waste Management. With the above mentioned activities implemented during the quarter, the Company spent a total of ₱10 million. Accomplishment of these various programs shows Company's commitment to environmental protection and sustainable development.

For the second quarter in review, the Company implemented a total of ₱4.4 million social development projects which supplement the general welfare programs provided by the national and local government. The Company provided its host communities in the provinces of Zambales and Benguet, education support to its 397 scholars, educational equipment and supplies, assistance to Child Development Programs, provision of medicines, vaccines, and medical equipment, providing farming equipment and fertilizer to farmers, assistance to infrastructure development and continuing support for various activities in Information Education Communication Program (IEC) and Development of Mining Technology and Geosciences (DMTG).

The Company's stakeholders recognized its efforts. Recently during the MGBR3 Mining Summit in April 2022, BRMC received the following Awards and Recognition such as: (a) attaining the Highest Average Tenement, Safety and Health, Environment and Social Development (TSHES) Score for the Metallic Category in Region 3; (b) Best Recorded Improvement on its Mine Operations and

Rehabilitation; and (c) Safety Award for Attaining 2 Million Man Hours Worked Without Any Lost Time Accident Up until the end of CY 2021.

D. 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 June 30, 2022, the Company's current ratio is 3.16:1 versus 1.66:1 for the same period in 2021.

2. Metal Price
   The Company's revenue is largely dependent on the world market prices for gold and nickel. Favorable metal prices will also have a favorable impact on the Company's revenues. The market price of gold used by the Bangko Sentral ng Pilipinas is based on world spot market prices provided by the London Metal Exchange. The price of gold is the key indicator in determining the Company's revenue level. The average market prices for gold sold were at US$1,888.30 per ounce this quarter, as compared to average price of US$1,812.83 per ounce for the same period in 2021. Nickel ores were sold at average price of US$52.01/ton this quarter against US$40.72/ton for the same period in 2021.

3. Tons Mill and Ore Grade
   Tons milled and ore grade are key determinant of gold sales volume. The higher tons milled and ore grade are directly proportional to revenue level. For this quarter, tons milled were 13,219 tons of ore with average grade of 5.87 grams per ton gold, as compared to 13,908 tons of ore with average grade of 6.24 grams per ton gold for the same period in 2021. Gold sold were 2,493.16 ounces this quarter versus 2,789.58 ounces for the same period in 2021. 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 427,193 tons compared to 363,293 tons in the same period in 2021.

4. Foreign Exchange Rate
   The Company's sales proceeds are denominated mainly in U.S. dollars. A higher Philippine peso to U.S. dollar exchange rate means higher peso sales but would also reflect a foreign exchange loss on the restatement of the Company's dollar obligations. Conversely, a lower exchange rate reduces the Company's revenue in pesos but brings foreign exchange income on the loans. As of June 30, 2022, the peso to dollar exchange rate was at ₱54.975, as compared to ₱48.80 for the same period in 2021. The volatility of the foreign currency exchange rates will continue to affect the Company's operations in the foreseeable future.

5. Earnings Per Share
   The Company's earnings per share ultimately reflects the Company's financial and operational growth as a result of its performance, cost management, productivity and will provide investors comparable benchmarks relative to similar companies. The reported Company earnings per share this first half is ₱1.56 as compared to ₱1.33 earnings per share in the same period in 2021.

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.

E. KNOWN TRENDS, EVENTS OR UNCERTAINTIES

The Company continuously complies with the quarantine levels imposed by the government to address the COVID-19 pandemic, reduce risks, safeguard the health and safety of its employees and indigent families in the host and neighboring communities, and to ensure business continuity. 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 ₱1.1 million of Social Development and Management Program (SDMP) funds were used for medicines and other medical supplies, protective equipment to frontliners and indigent families

The Company does not foresee any cash flow or liquidity problems over the next twelve (12) months. BRMC continues to market saleable nickel ores inventory from old and newly mined stockpile areas, ILP continues to have steady market for quicklime products, while AGP is expected to improve gold production due to coordinated effort between departments in the enhancement of milling processes, methods and equipment. The Company and its subsidiaries continue to claim available tax refunds from the Bureau of Internal Revenue.

Within the next twelve months, the Company anticipates no change in the number of employees for the Pantingan project, BRMC, AFC and Keystone.

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 at midstream, the present economic condition affected by the Covid-19 pandemic and Russian-Ukraine war.

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

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, in the City of Makati on August 19, 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 JUNE 30, 2022 AND DECEMBER 31, 2021

(Amounts in Thousands)

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	**₱1,049,439**	₱603,248
Trade and other receivables	**478,810**	514,960
Inventories	**146,970**	142,059
Financial assets at fair value through profit or loss (FVPL)	**1,145,626**	674,977
Other current assets	**502,687**	481,690
Total Current Assets	**3,323,532**	2,416,934
Noncurrent Assets		
Property, plant and equipment	**2,524,970**	2,551,791
Financial assets measured at fair value through other comprehensive income (FVOCI)	**877**	877
Deferred mine exploration costs	**469,132**	455,397
Investment property	**2,910,663**	2,910,663
Deferred tax assets - net	**11,646**	11,646
Other noncurrent assets	**319,300**	402,045
Total Noncurrent Assets	**6,240,530**	6,332,419
TOTAL ASSETS	**₱9,560,120**	₱8,749,353
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable	**₱337,035**	₱337,035
Trade and other payables	**512,978**	669,398
Current portion of liability for mine rehabilitation	**6,573**	6,573
Current portion of lease liability	**5,959**	9,181
Income tax payable	**190,527**	137,816
Total Current Liabilities	**1,053,072**	1,160,003
Noncurrent Liabilities		
Deferred income tax liabilities - net	**749,703**	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	**235,891**	291,800
Total Noncurrent Liabilities	**1,120,033**	1,179,817
Total Liabilities	**2,173,105**	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	**1,355,937**	1,352,561
Retained earnings	**4,995,952**	4,021,846
	7,395,031	6,417,549
Cost of 116,023 shares held in treasury, ₱69 per share	**(8,016)**	(8,016)
Total Equity	**7,387,015**	6,409,533
TOTAL LIABILITIES AND EQUITY	**₱9,560,120**	₱8,749,353

BENGUET CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2022

(With Comparative Figures for the six months ended June 30, 2021)
(Amounts in Thousands)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2022	2021	**2022**	2021
REVENUES	**₱1,468,308**	₱999,583	**₱2,724,795**	₱2,281,207
COSTS AND OPERATING EXPENSES				
Costs of mine products sold	**333,120**	324,752	**600,719**	611,507
Costs of merchandise sold and services	**22,452**	13,026	**41,933**	26,496
Selling and general	**277,642**	162,546	**594,759**	331,574
Taxes on revenue	**115,217**	73,989	**211,349**	175,822
	748,431	574,313	**1,448,760**	1,145,399
INCOME (LOSS) FROM OPERATIONS	**719,877**	425,270	**1,276,035**	1,135,808
INTEREST EXPENSE	**406**	1,161	**1,368**	1,804
OTHER INCOME (EXPENSE)				
Interest income	**466**	184	**840**	338
Foreign exchange gain (loss)	**17,276**	(900)	**19,859**	(5,461)
Miscellaneous – net	**(1,011)**	(16,603)	**950**	(30,516)
	16,731	(17,319)	**21,649**	(35,639)
INCOME (LOSS) BEFORE INCOME TAX	**736,202**	406,790	**1,296,316**	1,098,365
PROVISION FOR INCOME TAX	**182,773**	103,663	**322,210**	276,675
NET INCOME (LOSS)	**₱553,429**	₱303,127	**₱974,106**	₱821,690
BASIC EARNINGS (LOSS) PER SHARE	**₱0.89**	₱0.49	**₱1.56**	₱1.33
DILUTED EARNINGS (LOSS) PER SHARE	**₱0.88**	₱0.49	**₱1.55**	₱1.32

BENGUET CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2022

(With Comparative Figures for the six months ended June 30, 2021)

(Amounts in Thousands)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2022	2021	**2022**	2021
NET INCOME (LOSS)	**₱553,429**	₱303,127	**₱974,106**	₱821,690
OTHER COMPREHENSIVE INCOME (LOSS)				
Items to be reclassified to profit or loss in subsequent periods:				
Translation adjustment on foreign subsidiaries	**2,945**	307	**3,376**	647
Items not to be reclassified to profit or loss in subsequent periods:				
Unrealized gain (loss) on equity instruments designated at FVOCI	**–**	8	**–**	17
OTHER COMPREHENSIVE INCOME (LOSS)	**2,945**	315	**3,376**	664
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱556,374**	₱303,442	**₱977,482**	₱822,354

BENGUET CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2022

(With Comparative Figures for the six months ended June 30, 2021)
(Amounts in Thousands)

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)	December 31, 2021 (Audited)
CAPITAL STOCK	**₱624,015**	₱622,903	₱624,015
CAPITAL SURPLUS	**409,929**	391,220	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	**3,376**	647	4,613
Balance at end of period	**39,584**	32,242	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)	**–**	17	15
Balance at end of period	**(275)**	1,181	(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	**974,106**	821,690	1,421,604
Balance at end of period	**4,995,952**	3,420,478	4,021,846
TREASURY SHARES	**(8,016)**	(8,016)	(8,016)
TOTAL EQUITY	**₱7,387,015**	₱5,610,658	₱6,409,533

BENGUET CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2022

(With Comparative Figures for the six months ended June 30, 2021)
(Amounts in Thousands)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2022	2021	**2022**	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	**₱736,202**	₱406,790	**₱1,296,316**	₱1,098,365
Adjustments for:				
Depreciation, depletion and amortization	**17,878**	26,420	**50,378**	49,363
Unrealized foreign exchange loss (gain)	**1,908**	307	**4,501**	647
Decrease (increase) in:				
Trade and other receivables	**(55,751)**	105,336	**36,150**	79,041
Inventories	**72,333**	(34,482)	**(4,911)**	(90,355)
Prepaid expenses and other current assets	**(276,239)**	(137,956)	**(290,496)**	(198,830)
Decrease in				
Trade and other payables	**(256,942)**	(34,686)	**(156,420)**	21,701
Net cash from (used in) operating activities	**239,389**	331,729	**935,518**	959,932
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in:				
Property, plant and equipment	**(14,391)**	(9,864)	**(23,557)**	(22,095)
Deferred exploration costs	**(6,918)**	(12,330)	**(13,735)**	3,597
Other assets	**87,603**	14,287	**82,745**	9,951
Financial assets at FVPL	**(80,216)**	–	**(470,649)**	–
Available for sale investments	–	–	–	(200)
Net cash from (used in) investing activities	**(13,922)**	(7,907)	**(425,196)**	(8,747)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of:				
Loans payable	**–**	–	**–**	(185,000)
Lease liabilities	**(1,670)**	(281)	**(3,222)**	(514)
Pension liability	**–**	–	**(5,000)**	–
Exercise of stock options	**–**	6,112	**–**	8,262
Decrease in other noncurrent liabilities	**(41,110)**	(143,802)	**(55,909)**	(178,902)
Net cash used in financing activities	**(42,780)**	(137,971)	**(64,131)**	(356,154)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**182,687**	185,851	**446,191**	595,031
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**866,752**	680,728	**603,248**	271,548
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱1,049,439**	₱866,579	**₱1,049,439**	₱866,579

BENGUET CORPORATION AND SUBSIDIARIES

EARNINGS PER SHARE COMPUTATION

FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021

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

	June 30	
	2022	2021
Net income (loss)	**₱974,106**	₱821,690

Number of shares for computation of:

	June 30	
	2021	2021
Basic earnings per share		
Weighted average common shares issued	**623,132,094**	617,288,177
Less treasury stock	**348,069**	348,069
Weighted average common shares outstanding	**622,784,025**	616,940,108
Diluted earnings per share		
Weighted average common shares issued	**623,132,094**	617,288,177
Less treasury stock	**348,069**	348,069
	622,784,025	616,940,108
Conversion of preferred stock	**2,059,366**	2,059,366
Exercise of stock options	**3,137,502**	5,096,952
	627,980,893	624,096,426
Basic earnings (loss) per share	**₱1.56**	₱1.33
Diluted earnings (loss) per share	**₱1.55**	₱1.32

BENGUET CORPORATION AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS
FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021

	June 30	
	2022	2021
Profitability Ratio		
Return on asset	**0.11:1**	0.10:1
Return on equity	**0.13:1**	0.15:1
Gross profit margin	**0.76:1**	0.64:1
Operating profit margin	**0.47:1**	0.50:1
Net profit margin	**0.36:1**	0.36:1
Liquidity and Solvency Ratio		
Current ratio	**3.16:1**	1.66:1
Quick ratio	**1.45:1**	1.09:1
Solvency ratio	**4.40:1**	3.33:1
Financial Leverage Ratio		
Asset to equity ratio	**1.29:1**	1.43:1
Debt ratio	**0.23:1**	0.30:1
Debt to equity ratio	**0.29:1**	0.43:1
Interest coverage ratio	**-948.60:1**	-609.85:1

BENGUET CORPORATION AND SUBSIDIARIES

AGING OF RECEIVABLES

AS OF JUNE 30, 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	₱101,674	₱7,033	₱3,754	₱12,630	₱12,562	₱22,864	₱ 60,517
Allowance for doubtful accounts	–	–	–	(2,572)	(12,562)	(22,864)	(37,998)
Trade receivables – net	101,674	7,033	3,754	10,058	–	–	122,519
Nontrade receivables:							
Officers and employees	3,952	762	9,692	10,253	12,711	65,207	102,577
Others	3,826	2,221	22,212	10,649	13,941	276,274	329,123
Total	7,778	2,983	31,904	20,902	26,652	341,481	431,700
Allowance for doubtful accounts	–	–	–	–	–	(75,409)	(75,409)
Nontrade receivables - net	7,778	2,983	31,904	20,902	26,652	266,072	356,291
Trade and other receivables - net	₱109,452	₱10,016	₱35,658	₱30,960	₱26,652	₱266,072	₱478,810

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 in measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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.

<u>Financial Liabilities</u>

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.

<u>Offsetting of Financial Instruments</u>

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.

<u>Estimates and Assumptions</u>
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 ₱478.81 million and ₱514.96 million as at June 30, 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 June 30, 2022 and December 31, 2021, deferred mine exploration costs amounted to ₱469.13 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 June 30, 2022 and December 31, 2021, property, plant and equipment (at cost) amounted to ₱821.57 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 June 30, 2022 and December 31, 2021, the carrying value of inventories amounted to ₱146.97 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 ₱377.65 million as at June 30, 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 June 30, 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 June 30, 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 June 30, 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 June 30, 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 June 30, 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 availment of suppliers' credit. The long-term relationship of the Group to its suppliers gives it the advantage to negotiate the payment terms.

As part of its liquidity risk management, the Group has access to sufficient external funding (bank credit lines) and loans payable maturing within 12 months can be rolled over with existing lenders. It also continuously assesses conditions in the financial markets for opportunities to avail bank loans and capital market issues. Accordingly, its loan maturity profile is regularly reviewed to ensure availability of funding through an adequate amount of credit facilities with financial institutions. As at June 30, 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 summarizes the maturity profile of the Group's financial liabilities as at June 30, 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.

	June 30, 2022				
	On demand	**0-90 days**	**91-365 days**	**More than one year**	**Total**
Financial assets					
Cash and cash equivalents					
Cash on hand and in banks	**₱979,164**	**₱–**	**₱–**	**₱–**	**₱979,164**
Short-term deposits	**70,275**	**–**	**–**	**–**	**70,275**
Trade and other receivables					
Trade	**101,674**	**7,033**	**3,754**	**10,058**	**122,519**
Receivables from lessees of bunkhouses	**48**	**–**	**–**	**–**	**48**
Advances to contractors under "other current assets"	**–**	**–**	**–**	**54,638**	**54,638**
Loans receivable under "other noncurrent assets"	–	–	–	**211,324**	**211,324**
FVPL	**1,145,626**	**–**	**–**	**–**	**1,145,626**
FVOCI	**–**	**–**	**–**	**877**	**877**
	₱2,296,787	**₱7,033**	**₱3,754**	**₱276,897**	**₱2,584,471**
Financial liabilities					
Loans payable	**₱337,035**	**₱–**	**₱–**	**₱–**	**₱337,035**
Trade and other payables					
Trade	**–**	**329,669**	**–**	**–**	**329,669**
Nontrade*	**30,240**	**–**	**–**	**–**	**30,240**
Accrued expenses	**895**	**–**	**35,716**	**–**	**36,611**
Lease liabilities	**–**	**2,159**	**3,800**	**11,913**	**17,872**
Other noncurrent liabilities					
Equity of claimowner incontract operations	–	–	–	**49,136**	**49,136**
	₱368,170	**₱331,828**	**₱39,516**	**₱61,049**	**₱800,563**
Net financial assets (liabilities)	**₱1,928,617**	**(₱324,795)**	**(₱35,762)**	**₱215,848**	**₱1,783,908**

**Excluding statutory payables*

	December 31, 2021				
	On demand	**0-90 days**	**91-365 days**	**More than one year**	**Total**
Financial assets					
Cash and cash equivalents					
Cash on hand and in banks	**₱552,236**	**₱–**	**₱–**	**₱–**	**₱552,236**
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**
	₱1,278,270	**₱–**	**₱183,120**	**₱266,839**	**₱1,728,229**
Financial liabilities					
Loans payable	**₱337,035**	**₱–**	**₱–**	**₱–**	**₱337,035**
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**
	₱364,934	**₱345,886**	**₱40,173**	**₱61,633**	**₱763,490**
Net financial assets (liabilities)	**₱913,336**	**(₱345,886)**	**₱142,947**	**(₱205,206)**	**₱915,603**

**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.

	June 30, 2022	December 31, 2021
Cash and cash equivalents		
Cash in banks	**₱978,456**	₱551,465
Short-term deposits	**70,275**	51,012
Trade and other receivables		
Trade	**122,519**	183,120
Receivables from lessees of bunkhouses	**48**	45
Advances to contractors under "other current assets"	**54,638**	54,638
	₱1,225,936	₱840,280

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 ₱101.38 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:

June 30, 2022 and December 31, 2022

		Past due			**Specific**	
	Current	**30 days**	**60 days**	**>90 days**	**Identification**	**Total**
Expected credit loss rate	**3%**	**5%**	**19%**	**175%**	**200%**	
Estimated total gross carrying amount at default	**₱67,528**	**₱**1,967	**₱4,480**	**₱133,942**	**₱13,950**	**₱221,867**
	₱697	**₱**17	**₱65**	**₱24,018**	**₱13,950**	**₱38,747**

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 June 30, 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.

June 30, 2022 and December 31, 2021	**Change in interest rates (in basis points)**	**Sensitivity of pretax Income**
	+100	**(₱3,370)**
	-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 June 30, 2022 and December 31, 2021 follow:

	June 30, 2022		December 31, 2021	
	US$	**Peso equivalent**	US$	Peso equivalent
Financial Assets				
Cash in banks	**\$10,851**	**₱596,534**	\$5,476	₱279,221
Trade receivables under "trade and other receivables"	**1,928**	**105,992**	527	26,872
Total monetary assets	**\$12,779**	**₱702,526**	\$6,003	₱306,093

As at June 30, 2022 and December 31, 2021, the exchange rates of the Philippine peso to the US$ based on the Bankers Association of the Philippines are ₱54.975 and ₱50.99, 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 June 30, 2022 and December 31, 2021 is as follows:

June 30, 2022	**Change in foreign exchange rate**	**Income before income tax effect**
	Strengthens by- 0.60%	**₱4,215**
	Weaken by -2.56%	**(17,985)**

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 June 30, 2022 and December 31, 2021, the Group has met its capital management objectives.

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

	June 30, 2022	December 31, 2021
Capital stock	**₱624,015**	₱624,015
Capital surplus	**409,929**	409,929
Retained earnings	**4,995,952**	4,021,846
Other components of equity	**1,365,135**	1,361,759
Treasury shares	**(8,016)**	(8,016)
	₱7,387,015	₱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 June 30, 2022 and December 31, 2021 are as follows:

	June 30, 2022	December 31, 2021
Total liabilities (a)	**₱2,173,105**	₱2,339,820
Total equity (b)	**7,387,015**	6,409,533
Debt-to-equity ratio (a/b)	**0.29:1**	0.37:1

5. Seasonality and Cyclicality of Interim Operation

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

6. Events After End of Reporting Period

There are no significant event after end of reporting period.

ADDITIONAL DISCLOSURE TO FINANCIAL STATEMENTS OF THE COMPANY
(FOR THE SECOND QUARTER ENDED JUNE 30, 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 Second 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 Second 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 Second Quarter 2022.

v.) Segment Information - The Company is principally engaged in mining industry. Its operating revenues as of June 30, 2022 mainly consist sales of gold to Bangko Sentral Ng Pilipinas amounting to ₱496.1 million and nickel ores amounting to ₱2,154.9 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.