

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q**

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

1. For the quarterly period ended: SEPTEMBER 30, 2023
2. Commission identification number: 11341 3. BIR Tax Identification No.: 000-051-037
BENGUET CORPORATION
4. Exact name of issuer as specified in its charter
METRO MANILA, PHILIPPINES
5. Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7F UNIVERSAL RE-BUILDING, 106 PASEO DE ROXAS, MAKATI CITY 1226
7. Address of issuer's principal office Postal Code
(632) 8812-1380
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	375,120,008 shares*
Common Class B Stock	248,064,121 shares*
(*) – Net of Treasury Shares	
Total consolidated outstanding principal debt as of September 30, 2023 - ₱85.06 Million	

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

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

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

Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

PART I--FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS.

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

PLEASE REFER TO ANNEX "A" on pages 21 to 46, incorporated herein and form part of this report (SEC Form 17-Q) which contained the following reports:

<u>Description</u>	<u>Page No.</u>
1. Unaudited Interim Condensed Consolidated Statements of Financial Position (with audited comparative data for 2022)	> 21
2. Unaudited Interim Condensed Consolidated Statements of Income	> 22
3. Unaudited Interim Condensed Consolidated Statements of Comprehensive Income	> 23
4. Unaudited Interim Condensed Consolidated Statements of Changes in Equity	> 24
5. Unaudited Interim Condensed Consolidated Statements of Cash Flows	> 25
6. Earnings Per Share Computation	> 26
7. Financial Soundness Indicators	> 27
8. Aging of Receivables	> 28
9. Notes to Unaudited Interim Condensed Consolidated Financial Statements	> 29 - 45
9.a Summary of Significant Accounting Policies	
9.b Summary of Significant Accounting Judgments, Estimates & Assumptions	
9.c Financial Risk Management Objectives & Policies	
10. Additional Disclosures to Financial Statements	> 46

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

A. 2023 THIRD QUARTER Vs. 2022 THIRD QUARTER

FINANCIAL PERFORMANCE

Unfavorable weather conditions arising from southwest monsoon and typhoon prevailed in Zambales nickel operation in the third quarter, prompting the temporary suspension of mining and shipping operations. On the other hand, the continuing underground development and rehabilitation in Acupan Gold Project have not yield satisfactory volume of profitable ore grades. These among others caused the decline of the Company's performance for the quarter in review.

CONSOLIDATED RESULTS OF OPERATIONS

Three Months Ended September 30, 2023

Comparative figures for September 30, 2023 and September 30, 2022

Amount in Millions

	2023	2022	Change	% of Change
Revenues	182.9	236.4	(53.5)	(23%)
Cost and Operating Expenses				
Costs of mine products sold	145.7	159.6	(13.9)	(9%)
Cost of merchandise sold and services	14.4	13.2	1.2	9%
Selling and general	82.3	117.0	(31.7)	(27%)
Taxes on revenue	6.0	8.0	(2.0)	(25%)
	251.5	297.8	(46.4)	(16%)
Income (Loss) from Operations	(68.5)	(61.4)	(7.1)	(11%)
Interest Expense	0.1	0.3	(0.2)	(67%)

Other Income (Expense)				
Interest income	2.9	2.3	0.6	26%
Foreign exchange gain	12.0	21.4	(9.4)	(44%)
Miscellaneous – net	15.0	2.1	12.9	614%
	29.9	25.9	4.1	16%
Income before income tax	(38.7)	(35.8)	(2.9)	(8%)
Provision for income tax	(12.9)	(7.4)	(5.5)	(74%)
Net income	(25.8)	(28.4)	2.6	9%

Nine Months Ended September 30, 2023

Comparative figures for September 30, 2023 and September 30, 2022

Amount in Millions

	2023	2022	Change	% of Change
Revenues	1,786.1	2,961.2	(1,175.1)	(40%)
Cost and Operating Expenses				
Costs of mine products sold	488.1	760.3	(272.2)	(36%)
Cost of merchandise sold and services	59.6	55.1	4.5	8%
Selling and general	629.6	711.8	(82.2)	(12%)
Taxes on revenue	128.4	219.3	(90.9)	(41%)
	1,305.7	1,746.5	(440.8)	(25%)
Income (Loss) from Operations	480.4	1,214.6	(734.2)	(60%)
Interest Expense	0.4	1.7	(1.3)	(76%)
Other Income (Expense)				
Interest income	4.8	3.2	1.6	50%
Foreign exchange gain	15.4	41.3	(25.9)	(63%)
Miscellaneous – net	38.3	3.1	35.2	1135%
	58.5	47.6	10.9	23%
Income before income tax	538.5	1,260.6	(722.1)	(57%)
Provision for income tax	125.6	314.8	(189.2)	(60%)
Net income	412.8	945.7	(532.9)	(56%)

Consolidated net loss for the third quarter of 2023 amounted to ₱25.8 million, lower compared to the net loss of ₱28.4 million in 2022. However, for the nine months period of 2023, the Company generated net income of ₱412.8 million, lower versus net income of ₱945.7 million for the same period in 2022. The decrease in net income was the net effect of the following:

Revenues

Consolidated revenues for the third quarter of 2023 decreased to ₱182.9 million from ₱236.4 million for the same period in 2022. The decrease was mainly due to lower gold production during the quarter. Acupan sold 1,388.97 ounces of gold valued at ₱148.9 million this quarter versus 2,021 ounces of gold valued at ₱197.8 million for the same quarter in 2022.

For the nine-months period of 2023, consolidated revenues declined by 40% from ₱2.9 billion in 2022 to ₱1.8 billion for the same period in 2023. The decrease was due to lower volume of nickel ore shipments and lower gold productions. BRMC sold 11 boatloads of nickel ore with aggregate volume of 586,294 tons valued at ₱1,238.6 million compared to 16 boatloads of nickel ore with aggregate volume of 851,208 tons valued at ₱2,154.9 million for the same period in 2022. AGP, on the other hand sold 4,080.40 ounces of gold at an average price of US\$1,927.18 versus 7,120.90 ounces of gold sold at average price of US\$1,832.27 per ounce for the nine months period of 2022.

Operating and Other Income

Cost and operating expenses in the third quarter this year decreased by 16% to ₱251.5 million from ₱297.8 million for the same period in 2022. For the nine months period of 2023, costs and operating

expenses reduced by 23% to ₱1.3 billion from ₱1.7 billion for the same period in 2022. The decrease was due to the following:

Cost of mine products sold decreased mainly due to lower volume of nickel ore and gold sold partly offset by the increase in cost of power and supplies due to fuel price increase.

Cost of merchandise and services increased on account of build up of healthcare services and freight charges.

Selling and general expenses decreased mainly due to lower volume of nickel ore sold.

Lower taxes on revenue against last year was mainly due to decrease in volume of nickel ore sold.

Other income for the third quarter and nine months period this year amounted to ₱29.9 million and ₱58.5 million, respectively, higher than other income of ₱25.9 million and ₱47.6 million for the same periods in 2022. The increase was due to the higher interest earned from money market placements and income from fair value gain of financial assets at FVPL and foreign exchange gain from the Company's export of nickel ore.

FINANCIAL CONDITION

2023 NINE MONTHS PERIOD VS YEAR-ENDED 31 DECEMBER 2022

NINE MONTHS-ENDED 2023 Vs. YEAR ENDED DECEMBER 31 2022

Comparative figures for September 30, 2023 and December 31, 2022

Amount in Millions

	2023	2022	Change	% of Change
Assets				
Current Assets				
Cash and cash equivalent	980.8	1,002.8	(22.0)	(2.2%)
Trade and other receivables	613.7	782.5	(168.8)	(21.6%)
Inventories	197.8	180.6	17.2	9.5%
Financial assets at fair value through profit or loss (FVPL)	1,346.2	1,114.6	231.6	20.8%
Other current assets	397.2	352.4	44.8	12.7%
Total Current Assets	3,535.7	3,432.9	102.8	3.0%
Noncurrent Assets				
Property, plant and equipment	2,502.1	2,509.9	(7.8)	(0.3%)
Deferred mine exploration costs	522.5	492.5	30.0	6.1%
Investment properties	2,992.0	2,992.0	0.0	0.0%
Deferred tax assets – net	9.9	9.9	0.0	0.0%
Other noncurrent assets	526.8	471.9	54.9	11.6%
Total Noncurrent Assets	6,553.2	6,476.2	77.1	1.2%
Total Assets	10,089.0	9,909.1	179.3	1.8%
Liabilities and Equity				
Current Liabilities				
Loans payable	337.0	337.0	0.0	0.0%
Trade and other payables	527.6	555.7	(28.1)	(5.1%)
Current portion of liability for mine rehabilitation	10.5	10.5	0.0	0.0%
Current portion of lease liability	5.8	6.3	(0.5)	(7.9%)

Income tax payable	0.7	105.9	(105.2)	(99.3%)
Total current liabilities	881.6	1,015.4	(133.8)	(13.2%)
Noncurrent liabilities				
Deferred income tax liabilities – net	769.4	769.2	0.2	0.0%
Liability for mine rehabilitation	48.6	48.6	0.0	0.0%
Pension liability	56.0	56.0	0.0	0.0%
Noncurrent portion of lease liability	5.1	5.8	(0.6)	(10.3%)
Other noncurrent liabilities	138.1	237.8	(99.6)	(41.9%)
Total Noncurrent Liabilities	1,017.2	1,117.4	(100.0)	(8.9%)
Total Liabilities	1,899.0	2,132.8	(233.8)	(11%)
Equity				
Capital Stock	624.2	624.0	0.2	0.0%
Capital Surplus	415.2	415.1	0.1	0.0%
Cost of Share-Based payment	4.3	6.3	0.0	0.0%
Other components of equity	1,386.2	1,385.5	0.6	0.0%
Retained earnings	5,766.3	5,353.4	412.9	7.7%
	8,198.1	7,784.3	413.8	5.3%
Cost of 116,023 shares held in Treasury, P69 per share	(8.0)	(8.0)	0.0	0.0%
Total Equity	8,190.1	7,776.2	411.8	5.3%
Total Liabilities and Equity	10,089.0	9,909.0	180.0	1.8%

Assets

The Company's consolidated total assets increased by 1.8% from ₱9.9 billion as of December 31, 2022, to ₱10.1 billion as of September 30, 2023. The increase is the net effect of the following:

Cash and cash equivalent slightly decreased primarily from cash from operating activities, net of investments made and payment of obligations.

Trade receivables decreased by 21.6% from ₱782.5 million to ₱613.7 million in 2023, mainly due to collection of receivables from nickel customers.

Inventories increased to ₱197.8 million from ₱180.6 million on account of the nickel ore produced from mining in Sta. Cruz Nickel Operation in Zambales.

Increased in Financial Assets at Fair Value through Profit and Loss (FVPL) pertains to additional investments and fair value change of financial assets at FVPL.

Increase in other current assets from ₱352.4 million to ₱397.2 million pertain to input taxes from various purchases of goods and services.

Liabilities

Total consolidated liabilities as of September 30, 2023, decreased by 11.0% to ₱1.9 billion from ₱2.1 billion as of December 31, 2022. The decrease was due to the following:

Decrease in trade and other payables was due to payment of various payables to suppliers and contractors.

Decrease in lease liability (current and noncurrent portion) was due to payment of various rentals/leases.

Decline in income tax payable was attributed to payment of Annual Income Tax for 2022 and first quarter and second quarter of 2023 income tax liabilities amounting to ₱236.3 million.

Decrease in other noncurrent liability pertain to the repayment to nickel off-takers.

Equity

Retained earnings increased by 8% mainly from the net income generated during the nine month period.

Equity went up to ₱8.2 billion from ₱7.8 billion in 2022 mainly from the net income generated during the year.

Consolidated Cash Flows

The net cash provided by operating activities for the third quarter amounted to ₱165.4 million, while the net cash provided by the operating activities for the nine months period this year amounted to ₱390.1 million. In contrast, the net cash used for the third quarter last year amounted to ₱214.4 million while for the nine months period, net cash provided amounted to ₱721.2 million. Bulk of the cash provided came from the sale of gold and nickel ore.

The Company invested ₱8.0 million and ₱33.0 million in property, plant, and equipment for the third quarter and nine months period of 2023, respectively versus ₱6.2 million and ₱29.7 million for the same periods in 2022. ₱7.1 million and ₱30.0 million was spent for the exploration activities for the third quarter and nine months period this year, respectively, compared to ₱7.1 million and ₱20.8 million for the same period in 2022. The Company also placed additional investment to Unit Investment Trust Funds (UITF) amounting to ₱67.0 million in the third quarter and ₱193.6 million for the nine months period this year compared to ₱92.5 million and ₱563.2 million for the same periods last year.

Net cash used in financing activities amounted to ₱47.3 million in the third quarter and ₱100.6 million for the nine months period this year. Cash was used to pay outstanding liabilities with nickel off-taker and lease liabilities. In contrast to last year, ₱1.0 million was used to pay lease liabilities in the third quarter while for the nine months period, the Company used ₱55.9 million to pay its outstanding liabilities with nickel off-taker, ₱5.0 million was placed in the Company's Employees Retirement Fund and ₱4.2 million was used for lease liabilities.

OPERATIONAL REVIEW

Mining

Acupan Gold Project (AGP)

Revenues generated for the third quarter of 2023 amounted to ₱148.9 million, lower than the ₱197.8 million for the same period in 2022. Likewise, revenues for the nine months period this year went down to ₱437.0 million from ₱693.9 million for the same period last year. The decrease was attributable to lower gold production.

AGP sold 1,388.97 ounces for the third quarter and 4,080.36 ounces for the nine months period in 2023. In contrast, AGP sold 2,021.08 ounces and 7,120.90 ounces of gold for the same respective periods in 2022.

AGP milled 7,352 DMT and 22,193 DMT for the third quarter and nine months period in 2023, respectively, both lower compared to 11,320 DMT and 37,823 DMT for the same periods in 2022. Averaged mill grade for the third quarter and nine months period in 2023 was at 5.88 grams per ton and 5.72 grams per ton, respectively, lower versus the averaged mill grade of 5.50 grams per ton and 5.86 grams per ton for the same respective periods in 2022. The decline in ore milled is attributed to the new areas being developed but failed to produce the expected ore grades.

This resulted to a pre-tax loss of ₱2.9 million for the third quarter and ₱7.8 million for the nine months period in 2023. In contrast, third quarter of 2022 reported a pre-tax income of ₱10.1 million. Pre-tax income for the nine months period of 2022 amounted to ₱51.5 million.

Management is implementing cost savings and control measure and at the same time, studying scale down of operation while looking for a new area to develop that will yield higher grade and volume of gold.

AGP is recipient of the runner-up award in the Safest Underground Mining Operation Award in 2023 Presidential Mineral Industry Environmental Award (PMIEA).

Sta. Cruz Nickel Project (SCNP)

At the onset of third quarter, Zambales experienced intense rains and high swell caused by typhoons and southwest monsoon. SCNP under its wholly-owned subsidiary, Benguetcorp Resources Management Corporation (BRMC), was not able to ship-out its stockpiled nickel ore during this period.

This resulted to a net loss of ₱17.2 million for third quarter of 2023, lower compared to ₱23.7 million net loss for the same period in 2022.

For the nine months period this year, SCNP posted ₱1.2 billion revenue, 30% lower than the revenue of ₱2.2 billion for the same period in 2022. The revenue came from the 586,294 tons of nickel ore sold at an average price of US\$38.31/ton, lower than the 851,208 tons sold at an average price of US\$47.90 for the same period in 2022. This resulted to net income of ₱299.2 million, 60% lower than ₱739.6 million after tax net income for the same period in 2022.

During the MGB III Second Regional Mining Summit held on June 8, 2023, BRMC was awarded the Highest Tenement, Safety and Health, Environment and Social Development (TSHES) Score Award, and award for 4 Million Man-Hours Worked without Lost Time.

Irisan Lime Project (ILP)

The Company's ILP generated revenue of ₱22.9 million and ₱70.8 million for the third quarter and nine months period of 2023, respectively. These are both lower compared to ₱29.2 million and ₱77.1 million for the same periods in 2022. Decrease in revenue was attributed to lower volume of lime sold. ILP sold 4,510 tons of lime for the nine months period this year, lower against 5,347 tons for the same period in 2022. In spite of the lower volume sold, ILP reported pre-tax income of ₱6.2 million for the third quarter and ₱19.1 million for the nine months period of 2023, higher than ₱6.2 million and ₱15.6 million pre-tax income for the same respective periods in 2022.

ILP will be awarded runner-up under the Safest Mineral Processing Calcining Plant Category by the DENR-Mines and Geosciences Bureau on the Presidential Mineral Industry Environmental Awarding Ceremonies on November 17, 2023.

Benguet Antamok Gold Operation (BAGO)

The Antamok Final Mine Rehabilitation and Decommissioning Plan (FMRDP) underwent review and evaluation of the MGB-CAR and the Contingent Liability and Rehabilitation Fund Steering Committee (CLRFSC). The document was subsequently revised and updated as per recommendation of the CLRFSC. The implementation of Phase 1 activities are ongoing under the Annual Care and Maintenance Programs wherein ₱0.14 million was already spent for this quarter. Of the total FMRDP allocated amount of ₱43 million, BAGO already spent an approximate ₱13.14 million on the implementation of various rehabilitation measures i.e., Liang Emergency Spillway Channel, Reforestation activities, water quality monitoring and other environment related activities indicated on the submitted FMRDP. The FMRDP provides for the Decommissioning and Rehabilitation Plans of Antamok and established funds that will be utilized for the implementation of measures to prevent and mitigate any identified risks and impacts brought by project operations and result in the development of sustainable final land use of said mine areas.

EXPLORATION, RESEARCH AND DEVELOPMENT

Pantingan Project

The continuing exploration works of the Company in the Pantingan property have produced additional five (5) drillholes bringing a total of twenty seven (27) boreholes. These are part of the drilling program to verify the down-dip extension of the mapped and identified mineralized structures on the surface.

Other works performed are the creation of more access roads and drill pads, hole-to-hole transfer and mobilization of the drill-rigs, coring operation, hauling of core-boxes, quick structural logging of cores, cutting of cores into halves and sampling.

On the aggregates prospect, the Company continues to apply for permits including road-right-of-way in the 40-hectares Quarry Permit Area (QPA) outside the MPSA. Permits of 6 QPAs are expected to be completed at year-end. 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, the NCIP has issued Certificate PreCondition (QPA) and the Company is working on LGU consent, tree inventory, and ECC process.

Zamboanga Gold Prospect

The Company's Exploration Permit Application (EPA) is under evaluation by the Mines and Geosciences Bureau – Region IX after having submitted the additional documentary requirements. Following execution of the Memorandum of Agreement (MOA) with the Indigenous People, the National Commission on Indigenous People (NCIP) En Banc has reviewed the MOA and favorably endorsed the issuance of Certificate of Precondition (FPIC). Once the Exploration Permit (EP) is approved, the Company will start exploration activities including drilling in San Fernandino vein. The Company has an operating agreement with Orelina Mining Corporation to explore and operate the property situated about 150 kilometers from Zamboanga City.

Surigao Coal Project

The Company's application for a new Coal Operating Contract (COC) is under evaluation by the Department of Energy (DOE). The property consists of 12-coal blocks measuring total area of 12,000 hectares. Six-(6) coal blocks were extensively explored by way of mapping, trenching, drilling, electrical logging and topographic surveying. The ground evaluation works of the Company resulted in the delineation of seven-(7) coal seams of lignitic to sub-bituminous coal quality (steam grade). Market prospects for local coal with low BTU remains to be a concern, as well as DoE's preference for clean energy and global shift to net-zero emissions.

SUBSIDIARIES AND AFFILIATES

Logistics

Arrow Freight and Construction Corporation (AFCC)

AFCC, the logistic provider of the Company reported revenue of ₱1.2 million for the third quarter and ₱63.3 million for the nine months period of 2023, compared to the revenues of ₱1.3 million and ₱58.7 million for the same periods in 2022. Revenues came from the 12% management fee in providing and supervising needed earth moving equipment contracted for BRMC's various mining activities, hauling services using its own dump trucks, ore loading and environmental activities using its own backhoes and water truck.

Net loss for the third quarter of 2023 amounted to ₱3.3 million against net loss of ₱2.3 million for the same quarter in 2022. For the nine months period this year, net income amounted to ₱25.6 million, lower than the net income of ₱31.5 million for the same period in 2022.

AFCC has current operational hauling fleet of 10 units of dump truck, 4 backhoes and 1 water truck. AFCC plans to purchase additional dump trucks and construction equipment to expand its logistic services and construction business.

Keystone Port Logistics Management and Services Corporation (KPLMSC)

KPLMSC, the port and barging services provider of the Company, reported revenue of ₱43.5 million for the nine months period of 2023, lower compared to the revenue of ₱60.3 million for the same period of 2022. The decrease is on account of lower tonnage of nickel ore handled during the nine months period this year from 851,208 tons in 2022 to 586,294 tons for the year. Net loss for the third quarter of 2023 amounted to ₱3.0 million, against ₱3.5 million net loss for the same period in 2022. For the nine months period of 2023, net income amounted to ₱36.8 million higher compared to the net income of ₱28.6 million for the same period in 2022.

Port repair is being completed in time for the scheduled shipments for the fourth quarter of 2023

Real Estate

BMC Forestry Corporation (BFC)

BFC, the real estate arm of the Company continues to develop and sell subdivision lots in its real estate project in Rosario, La Union. For the third quarter and nine months period this year, BFC posted a net income of ₱0.8 million and ₱2.7 million, respectively. The income in 2023 is higher compared to ₱0.6 million and ₱2.5 million for the same respective periods in 2022. BFC continues to collect monthly lot purchase amortizations and sell the remaining three (3) lots with an aggregate area of 1,043 square meters valued at ₱5.29 million.

BFC plans to acquire new property to develop to expand its Woodspark Subdivision in Rosario, La Union, to develop new project.

Kelly Ecozone Project (KEP)

Social preparation (collaboration and coordination) with the LGU's, and the project-affected-people (PAP) and implementation of agroforestry component of KEP is work in progress.

Healthcare

Benguetcorp Laboratories Inc. (BCLI)

BCLI generated total revenues for the third quarter of ₱11.0 million and ₱37.6 million for the nine months period of 2023, compared to ₱10.8 million and ₱38.4 million, for the same respective periods in 2022. Net income for the third quarter of 2023 amounted to ₱0.5 million lower than ₱1.1 million for the same period in 2022. Net income for the nine months period this year amounted to ₱3.7 million, compared to net income of ₱7.8 million for the same period last year.

BCLI and Pag-Ibig Fund inked a Memorandum of Agreement in July 12, 2023 as the latter's newest Loyalty Card (LC) Plus partner. BCLI passed the evaluation after having complied with the requirements to qualify and be accredited as partner of Pag-Ibig LC Plus. BCLI will offer a 5% to 10% discount on its diagnostic services to members of the Pag-Ibig LC Plus Card. This is one of BCLI's marketing strategy to expand its market share in the Baguio City area.

Benguetcorp International Limited

In 1988, the Company acquired BenguetCorp International Limited (BIL), a Hongkong-based and wholly owned subsidiary for international operations, which remains largely inactive. BIL's subsidiary, BenguetCorp USA Limited's (BUSA) renewed its claims over 217 hectares of mineral prospects for gold/silver in Royston Hills, Nevada, USA. The Company engaged the services of Burgex, Inc. to provide and perform services as needed to identify and evaluate mineral interests and opportunities necessary for the project.

B. 2022 THIRD QUARTER Vs. 2021 THIRD QUARTER

FINANCIAL PERFORMANCE

In the third quarter of 2022, despite the increasing cost of power, supplies and lower gold production, Acupan Gold Project (AGP) in Benguet province, continued to render positive operating performance brought about by the high metal prices and favorable foreign exchange. Irisan Lime Project and the Healthcare business in Baguio City contributed operating profits while the nickel operation in Zambales through Benguetcorp Resources Management Corporation (BRMC) including its non-mining allied, incurred losses due to intense rains and high swell brought about by typhoon and Habagat.

Consolidated Results of Operations

Consolidated net loss for the third quarter of 2022 amounted to P28.4 million, lower compared to the net loss of P32.7 million in 2021. For the nine months period of 2022, the Company generated a net income of P945.7 million, 20% higher than the net income of P788.9 million for the same period in 2021. The increase in net income was the net effect of the following:

Revenues

Consolidated revenues for the third quarter of 2022 decreased by 15% to P236.4 million from P279.5 million for the same period in 2021. The decrease is mainly on account of the lower gold sold during the quarter. AGP sold 2,021 ounces of gold valued at P198.2 million this third quarter of 2022 versus 2,771.29 ounces of gold valued at P248.4 million for the same quarter in 2021.

For the nine-months period of 2022, consolidated revenues was up by 15% from P2.6 billion in 2021 to P2.9 billion for the same period in 2022. This was accountable to the higher number of nickel ore shipments of BRMC, higher metal prices and favorable foreign exchange. BRMC exported 16 boatloads of nickel ore with aggregate volume of 851,208 tons valued at P2.2 billion compared to 15 boatloads of nickel ore with aggregate volume of 798,768 tons valued at P1.8 billion for the same period in 2021. AGP, on the other hand sold 7,120.90 ounces of gold at average price of US\$1,832.27 versus 7,947.89 ounces of gold sold at an average price of US\$1,807.29 per ounce for the nine months period of 2021.

Operating and Other Expenses

Cost and operating expenses in the third quarter of 2022 decreased by 4% to P297.8 million from P308.8 million for the same period in 2021. For the nine months period ended September 30, 2022 costs and operating expenses went up to P1.8 billion from P1.5 billion for the same period in 2021. The increase was due to the following:

The decrease in cost of mine products sold for the third quarter of 2022 and year-to-date is mainly attributable to the lower production of gold thereby reducing the mining and milling costs. The decrease was partially offset by the increase in the contractor rates as a result of the fuel price hike.

Cost of merchandise and services increased for the third quarter of 2022 and year-to-date. This is mainly from Benguetcorp Laboratories, Inc. (BCLI). During the year, BCLI was able to close new service contracts with new and existing clients and improve walk-in patient count. These lead to the increase in volume of services being provided which in turn increased the cost of merchandise and services.

Selling and general expenses increased for the quarter and year-to-date as a result of the increase in power, contractor fees, supplies and manpower costs. All are attributable to the fuel price increase

Taxes on revenues increased due to higher nickel revenues.

Other income for the third quarter and nine months period of 2022 amounted to ₱25.9 million and ₱47.6 million, respectively, higher than other expense ₱13.7 million and ₱49.3 million for the same periods in 2021. The increase was on account of foreign exchange gain amounting to ₱41.3 million realized in 2022. On the other hand, the other expense in 2021 was due to foreign exchange loss of ₱11.8 million and ₱19.5 million tax assessment of a subsidiary.

FINANCIAL CONDITION

2022 NINE MONTHS PERIOD VS. YEAR ENDED 31 DECEMBER 2021

Assets

The Company's consolidated total assets increased by 5% from ₱8.75 billion as of December 31, 2021, to ₱9.22 billion as of September 30, 2022. The increase is the net effect of the following:

Cash and cash equivalent increased by 10 % or ₱59.6 million primarily from cash provided by operating activities, net of investments and payment of liabilities during the year 2022.

Trade receivables decreased by 30% to ₱360.4 million from ₱514.9 million in 2021, mainly due to the collection of receivables for nickel ore sold in the previous quarters.

Inventories decreased to ₱136.4 million from ₱142.1 million on account of the higher volume of nickel ore sold.

Increase in Financial Assets at Fair Value through Profit and Loss (FVPL) pertains to additional placement in Unit Investment Trust Fund (UITF) and gain from existing UITF placements.

Increase in other current and noncurrent assets to ₱899.9 million from ₱883.7 million pertain to input taxes from various purchases of goods and services.

Property, plant and equipment decreased to ₱2.5 billion as a result of depreciation net of additions during the period.

Increase in deferred exploration costs is mainly attributable to the continued exploration works in Pantingan prospect.

Liabilities

Total consolidated liabilities as of September 30, 2022, decreased to ₱1.9 billion from ₱2.3 billion as of December 31, 2021. The decrease was due to the following:

Trade and other payables declined to ₱339.2 million from ₱669.4 million due to the payment of various payables to suppliers, contractors and nickel buyers.

Lease liability (current and noncurrent) decreased to ₱16.8 million from ₱21.1 million due to payment of various rentals/leases entered into by the Company.

Income tax payable was reduced to ₱38.8 million from ₱137.8 million in 2021 due to payment of income tax for the year 2021 and first half of 2022. This pertains mainly to the corporate income tax liability of BRMC.

Pension liability declined to ₱68.4 million from ₱73.4 million due to funding of the retirement plan.

Decrease in other noncurrent liability by 16% to ₱244.9 million from ₱291.8 million in 2021, is mainly due to the payment of nickel ore offtake from Bright Mining Resources and LS Networks, Ltd.

Equity

Retained earnings increased by 24% brought about by the favorable result of the operations.

Stockholders' Equity went up to ₱9.22 billion from ₱8.75 billion in 2021 mainly from the net income generated during the year and cumulative translation adjustment on foreign subsidiaries.

Consolidated Cash Flow

The net cash used by operating activities for the third quarter amounted to ₱214.4 million, while the net cash provided by operating activities for the nine months period of 2022 amounted to ₱721.2 million. In contrast, the net cash used in the third quarter in 2021 amounted to ₱136.5 million while for the nine months period, net cash provided amounted to ₱823.5 million. Bulk of the cash provided came from the sale of gold and nickel ore.

The company invested ₱6.2 million and ₱29.7 million in property, plant, and equipment for the third quarter and nine months period of 2022, respectively versus ₱5.9 million and ₱28.1 million for the same periods in 2021. ₱7.1 million and ₱20.8 million was spent for exploration activities for the third quarter and nine months period this year, respectively versus ₱8.4 million and ₱4.8 million for the same period in 2021. The Company also placed additional investment in UITF amounting to ₱92.5 million in the third quarter and ₱563.2 million for the nine months period this year compared to nil for the same period last year.

Net cash used in financing activities in the third quarter amounted to ₱1.0 million, while net cash used for the nine months period this year amounted to ₱65.2 million. Cash was used to pay ₱55.9 million outstanding liabilities to LS Networks Co. Ltd, Bright Mining Resources and various suppliers/contractors, ₱5.0 million was placed in the Company's Employees Retirement Fund and ₱4.3 million was used for payment of Lease Liabilities. In 2021, ₱185.0 million was used to fully pay the loan obligation with Trans Middle East Corporation, funding of ₱10.0 million in the Company's Employees Retirement Fund, payment of ₱61.3 million outstanding liabilities with LS Networks Co. Ltd, Bright Mining Resources and various suppliers/contractors. Likewise, the company generated ₱9.9 million from the exercise of stock options last year.

Operational Overview

Acupan Gold Project (AGP)

Despite the increasing cost of power, supplies, and lower gold production, AGP continued to render positive performance brought about by higher metal price and favorable foreign exchange. AGP reported pre-tax income of ₱5.6 million for the third quarter of 2022, lower compared to the pre-tax income of ₱52.6 million for the same period in 2021. For the nine months period of 2022, pre-tax income amounted to ₱51.5 million, lower than the ₱121.7 million for the same period in 2021.

Revenues generated for the third quarter of 2022 amounted to ₱197.8 million, lower than the ₱248.6 million for the same period in 2021. Likewise, revenues for the nine months period in 2022 went down to ₱693.9 million from ₱699.1 million for the same period in 2021. The decrease is attributable to lower gold production. AGP sold 2,021.08 ounces gold at average price of US\$1,746.16 per ounce for the third quarter and 7,120.90 ounces sold at an average gold price of US\$1,832.27 per ounce for the nine months period of 2022. In 2021, AGP sold 2,771.29 ounces gold at an average price of US\$1,804.22 for the third quarter and 7,947.89 ounces sold at an average price of US\$1,807.29 per ounce for the nine months periods.

AGP milled 11,421 tons of ore at an average mill head of 5.5 g/t for the third quarter of 2022, lower than the 13,698 tons milled at an average mill head of 6.29 g/t for the same period in 2021. For the nine months period of 2022, AGP milled 37,823 tons with an average mill head of 5.86 g/t lower compared to 42,209 tons with an average mill head of 5.86 g/t for the same period in 2021.

AGP is steadily complying with COVID-19 health protocols and guidelines of the government. It is important to note that for this quarter, AGP operations had zero COVID-19 case including residents in the mine camp, as of this writing.

AGP has completed and finalized its BC Team Mining Expansion Program. First phase of the program has been included in its annual budget for 2023. A vigorous review of production performance and mine development program both for the BC team and contractors metal sharing contracts are being conducted weekly by the BGO-AGP production team. This is to address a possible shortfall in contractors' production, when a majority of the contractors will not be able to cope up with the increased milling charge upon its full implementation. Still, AGP will ensure synchronized effort among Operations and the Equipment Maintenance Department to make available LHDs, locomotive and the underground ore hauling requirements to sustain production. Innovation and enhancement of the milling processes, methods, and equipment are continuing activities to boost gold recovery and improve milling efficiency. Stricter safety and security measures have also been in place in the mill production areas as well as in the underground working places.

AGP implemented increased milling charges for the ACMP contractors. The increase is being implemented on a staggered basis in three (3) phases which started on August 1, 2022. This is intended to give time to ACMP contractors to adjust their production strategies in order to cope with increasing cost as AGP aim to fairly and prudently streamline operating cost to the extent necessary, in order to sustain the operation. Performance of the 16 ACMP contractors shall be carefully evaluated prior to contract renewal, with due considerations on gold production record, safety performance, security and financial considerations. AGP remains positive that in spite of rising inflation and escalating prices of commodities and exorbitant power charges that affect operating cost, AGP operation shall continue to post positive financial results.

Sta. Cruz Nickel Project (SCNP)

The Sta. Cruz Nickel operations under its wholly-owned subsidiary Benguetcorp Resources Management Corporation (BRMC), incurred net loss amounting to ₱23.7 million for the third quarter of 2022, lower compared to ₱102.8 million net loss for the same period in 2021. The losses during third quarter of 2022 is due to no shipment of nickel ores in the advent of intense rains and high swell brought about by typhoons and Habagat. In the third quarter, BRMC focused on massive reforestation, repairs and maintenance of mine, port and environment structures, and equipment, confirmatory drilling, among others.

For the nine months period of 2022, SCNP posted a net income of ₱746.8 million, 30% higher than ₱574.7 million for the same period in 2021. The income during the year of 2022 is attributable to higher revenues brought about by higher tonnage sold, better nickel price and favorable foreign exchange. Revenues registered for the nine months of 2022 amount to ₱2.15 billion, 22% higher than the revenue of ₱1.8 billion for the same period in 2021. BRMC exported 16 boatloads of nickel ore with aggregate volume of 851,208 tons sold at an average price of US\$47.90/ton, better than the 798,768 tons sold at an average price of US\$45.40 for the same period in 2021.

BRMC is a recipient of Presidential Minerals Industry Environmental Award (PMIEA) - Platinum Award which is set to be awarded on Philippine Mine Safety and Environment Association (PMSEA) awards night on November 18, 2022. It also received its ISO recertification during this quarter.

Irisan Lime Project (ILP)

The Company's ILP generated ₱29.2 million revenue for the third quarter of 2022 higher compared to ₱20.6 million for the same period in 2021. For the nine months period of 2022, revenue generated amounted to ₱77.1 million, compared to revenue of ₱57.7 million for the same period in 2021. Increase in revenue is brought about by higher selling price. In the third quarter of 2022, lime was sold at selling price of ₱15,834/ton from ₱11,913/ton in 2021. For the nine months period of 2022, lime was sold at a price of ₱14,194/ton versus ₱10,215/ton for the same period in 2021. The increase in revenue, however, was partly offset by the increase in cost of fuel and supplies. This resulted to pre-tax income of ₱6.2 million for the third quarter and ₱15.6 million for the nine months period of 2022, versus ₱6.6 million and ₱15.4 million for the same respective periods in 2021.

ILP is the recipient from DENR-MGB, for the second time, of the Safest Mine Award-Runner up in the Mineral Processing Calcining category. Last year's award was conferred on February 3, 2021, while ILP's award this year will be given during the PMSEA awards night in Baguio City on November 18, 2022.

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 Property

On the gold prospect, the Company has started to implement the Phase-3 Drilling Program following MGB's approval of the Fourth (4th) Exploration Program (EP), which is equivalent to two (2) years period. It is currently soliciting drilling proposals from various contractors. Output of the work program will be a Pre-Feasibility Study. Preparation is also underway for the renewal of the MPSA application (of the property in 2024) such as geological report, topographic survey of tenement, environmental and social compliances, among other requirements.

On the aggregates, BC is prioritizing the permitting of the additional 6 Quarry Permit Application (QPA) blocks which are nearer to the proposed hauling road. These include Environmental Compliance Certificate (ECC), Free Prior and Informed Consent (FPIC) from Indigenous People, Tree Cutting Permit and local government unit clearances.

Zamboanga Gold Prospect

The documentary requirement for conversion of Zamboanga Gold Prospect's Application for Mineral Production Sharing Agreement (APSA) to Exploration Permit Application (EPA) has been completed and ready for endorsement to MGB-Central for approval of Exploration Permit.

Surigao Coal Prospect

The Company has completed the requirements for the application of new Coal Operating Contract (COC) over the same area covered by the previous COC that expired in 2020. The Department of Energy (DoE)

is reviewing the mandatory requirements. Market prospect for local coal with low BTU remains to be a concern, and DoE's preference for clean energy and global shift of net-zero emissions.

Subsidiaries and Affiliates

Logistics

Arrow Freight Corporation (AFC)

AFC, the logistic provider of the Company reported revenue of ₱1.3 million for the third quarter and ₱58.7 million for the nine months period of 2022, higher as compared to the revenues of ₱2.7 million and ₱57.4 million for the same period in 2021. Net loss for the third quarter of 2022 amounted to ₱2.3 million against net income of ₱3.1 million for the same quarter in 2021. For the nine months period of 2022, net income amounted to ₱31.5 million, 76% higher than the net income of ₱17.9 million for the same period in 2021. The income this year is brought about by the higher management fee earned from providing and managing the logistical requirement of BRMC and income from its hauling and freight services.

AFC has current operational hauling fleet of 9 units of dump truck. It plans to purchase earth moving equipment, additional dump trucks, construction equipment and engage in construction business.

Keystone Port Logistics Management and Services Corporation (KPLMSC)

Keystone, the port and barging services provider of the Company reported revenue of ₱60.3 million for the nine months period of 2022, compared to the revenue of ₱52.5 million in the same period of 2021. The increase is on account of higher tonnage of nickel ore exports handled during the nine months period of 2022 to 851,208 tons from 798,768 tons for the same period in 2021. Net loss for the third quarter of 2022 amounted to ₱3.5 million, lower than ₱4.4 million net loss for the same period in 2021. For the nine months period of 2022, net income amounted to ₱28.6 million, higher compared to the net income of ₱26.9 million for the same period 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)

BMC Forestry Corporation (BFC), the real estate arm of the Company continue to develop and sell subdivision lots in its real estate project in Rosario, La Union. Woodspark Subdivision which reported net income of ₱0.6 million during the third quarter of 2022, as compared to the net income of ₱0.1 million for the same period in 2021.

To-date 292 lots were sold and dacioned with aggregate area of 43,166 square meters valued at ₱90.3 million. BFC continues to collect monthly amortizations and sell the remaining 4 lots with an aggregate area of 1,403 square meters valued at ₱7.1 million. BFC plans to acquire new property in La Union or nearby areas of Pangasinan for development of new housing project.

Kelly Ecozone Project (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 local government unit for the phased development and project social acceptability are also 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. Collection of water samples along the Ambalanga River tributary for water quality monitoring and collection of soil samples for soil characterization analysis survey for updating of environmental database in preparation for the application of the project's Environmental Compliance Certificate (ECC) with the DENR-EMB are being undertaken.

Healthcare

Benguetcorp Laboratories, Inc. (BCLI)

BCLI generated total revenues in the third quarter of ₱10.8 million and ₱38.4 million for the nine months period of 2022, compared to ₱17.5 million and ₱39.4 million, for the same respective periods in 2021. Net income for the third quarter of 2022 amounted to ₱1.1 million, lower than ₱2.4 million for the same period in 2021. Net income for the nine-months period of 2022 amounted to ₱7.8 million, higher compared to net income of ₱4.7 million for the same period in 2021. The positive variance is due to Annual Physical Examination (APE) services rendered to major clients Texas Instruments, Inc. and MOOG, Inc., flu vaccination, special services: 2D echo and Ultrasound procedures and increase in walk-in patients due to easement of quarantine status offset by reduced availments of Antigen swab tests.

As BCLI reached its final year in its management and medical services contract with Texas Instruments for its Baguio and Clark, Pampanga hubs, the healthcare subsidiary participated in the bidding for the Baguio segment medical services which will be announced in November, continued collaboration with Health Management Organizations (HMO) are being undertaken in catering to corporate and institutional clients both from the private and government sectors. On the other hand, BCLI is in its second year of full clinic management contract with MOOG, Inc. BCLI will continue to serve its core customers, corporate clients in Baguio City and continue to pursue aggressive marketing of its services in nearby areas for increased visibility and market share.

Benguetcorp International Limited (BIL)

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

C. ENVIRONMENTAL PROTECTION AND COMMUNITY RELATIONS

The Company stands unwavering in its commitment to environmental stewardship and the well-being of communities, surpassing mere compliance with legal obligations. BC ardently pursues robust environmental and social development objectives across all facets of its operations. Proactively engaging in a multifaceted approach. The Company integrates programs and projects that serve a dual purpose, not only safeguarding the environment but also actively contributing to poverty alleviation endeavors.

The Company's laudable dedication to environmental and social responsibilities is exemplified through its business units—ACMP, BRMC, BAGO-CMP, and ILP—each playing a pivotal role in the implementation of these initiatives. In the third quarter, these business units demonstrated its financial commitments, allocating a substantial amount of ₱4.43 million for the Annual Environmental Protection and Enhancement Programs (AEPEP) and ₱4.18 million for Social Development and Management Programs (SDMP).

A noteworthy accomplishment during this period was the planting of 81,480 tree seedlings, encompassing diverse species such as Agoho, Batino, Yakal Palosapis, Apitong, Mindoro Pine, Benguet Pines, Samak, and Bamboos-Kawayang Tinik, Bayog, Chinese Bamboos. This afforestation effort forms part of BC's

Progressive Rehabilitation and Reforestation Programs under the Mining Forest Program and National Greening Programs within and beyond its tenements. Additionally, the company achieved milestones in Sustainable Agroforestry System Implementation, River Rehabilitation, Mangrove Planting, Environment Structures Rehabilitation, improvements, and desilting. BC's commitment extends to a comprehensive spectrum, including Solid and Hazardous Waste Management, Noise, Air and Water Quality Management, and Biodiversity Enhancement and Protection, alongside Coastal Resources Protection and Management.

It is essential to highlight the impactful initiatives undertaken as part of the Social Development Management Programs. These include supporting scholars by providing educational equipment and supplies, extending aid to Child Development Programs, ensuring access to essential medicines, vaccines, and medical equipment, equipping farmers with necessary tools and fertilizers, contributing to infrastructure development, and sustaining diverse activities within the Information Education Communication Program (IEC) and the Development of Mining Technology and Geosciences (DMTG). This comprehensive approach underscores a commitment to fostering holistic community development and underscores the multifaceted contributions made by the organization.

D. KNOWN TRENDS, EVENTS OR UNCERTAINTIES

The Company does not foresee any cash flow or liquidity problems over the next twelve (12) months. BRMC continues to market saleable nickel ores, ILP continues to have steady market for quicklime products, while AGP is expected to improve gold production and provide positive financial results despite escalating price of commodities and exorbitant power charges that affect its operating cost. The Company and its subsidiaries continue to claim available tax refunds from the Bureau of Internal Revenue.

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

The known trends, demands, commitments, events or uncertainties that may have a material impact on net sales or revenues or income from continuing operations of the Company are the prices of nickel and gold in the world market, the dollar to peso exchange rate, changes in the DENR's rules and regulations, drastic change in fuel prices and the present economic condition affected by the global health issues, war and military conflicts.

Except for the Company's outstanding bank loans, there are no material events that will trigger direct or contingent financial obligations to the Company. As of September 30, 2023, the consolidated total outstanding principal debt amounted to ₱85.06 million. Accordingly, efforts to reduce debt levels are continuing. The Company remains committed to a final and comprehensive settlement of all old debts or to arrange a suitable restructuring of the remaining obligations.

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

The Company continues to fund the capital requirements of its Acupan mine expansion program and exploration and development of Pantingan Gold Project. The sales of gold, nickel ore and quicklime are the sources of funds for capital expenditures, or from borrowing under the available credit facilities. The increase in the sale of gold and shipment of nickel will have a favorable impact on the Company's net sales and income.

During the quarter in review, except for what has been noted in the preceding 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.

E. KEY PERFORMANCE INDICATORS

- 1.) *Working Capital* - Working capital (current assets less current liabilities) and current ratio (current assets over current liabilities) measures the liquidity or debt paying ability of the Company. Current ratio is the same for both periods – September 30, 2023 and September 30, 2022 is 4.01:1.
- 2.) *Metal Price* - The market price of gold in the Banko Sentral ng Pilipinas which is based on the world spot market prices provided by the London Metal Exchange for gold is the key indicator in determining the Company's revenue level. For the nine months period of 2023, the average market price for gold sold was at US\$1,927.18 per ounce compared to US\$1,832.27 per ounce for the same period in 2022. For the nine months period, nickel ore was sold at average price of US\$38.31/ton versus US\$47.80/ton for the same period in 2022. The favorable metal prices will also have a favorable impact on the Company's revenue.
- 3.) *Tons Mill and Ore Grade* - Tons milled and ore grade determine gold production and sales volume. The higher the tonnage and ore grade, the more gold are produced and sold. For the nine months period of 2023, tons milled were 22,193 tons of ore with average grade of 5.74 grams per ton gold versus 37,823 tons with an average mill head of 5.86 grams per ton for the same period in 2022. Gold sold to-date of 4,080.36 ounces is lower than the 7,120.90 ounces of gold sold for the same period in 2022. BRMC sold nickel ore with an aggregate volume of 586,294 tons ranging from 1.2% to 1.4% Ni grade for the nine months period versus 851,208 tons of nickel ore with 1.2% to 1.4% Ni grade for the same period in 2022.
- 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 revenue, but would also reflect a foreign exchange loss on the restatement of the Company's dollar obligations. Conversely, a lower exchange rate reduces the Company's revenue in pesos but brings up foreign exchange income on the loans. As of September 30, 2023, the peso to dollar exchange rate was at ₱56.575, compared to the ₱58.625 for the same period in 2022. The volatility in the foreign currency exchange rates will continue to affect the operations in the foreseeable future.
- 5.) *Earnings Per Share* - The earnings per share reflect the Company's bottom line operating results expressed in amount per share of the Company's outstanding capital stock. Assuming a constant outstanding number of shares, as the Company's earnings increase, the earnings per share correspondingly increase. As of September 30, 2023, the Company's earnings per share is ₱0.66 per share versus ₱1.52 per share for the same period of 2022. The Company anticipates improvement in the earnings per share with the projected higher gold production of AGP and the continued marketing of saleable nickel ores stockpiles by BNMI and higher metal prices.

The Company's Key Performance Indicator Used for its subsidiaries is net income.

Benguet Management Corporation (BMC) and its subsidiaries reported consolidated net income of ₱120.01 million for the nine months period this year, as compared to consolidated net income of ₱36.44 million for the same period in 2022.

PART II--OTHER INFORMATION

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

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

SIGNATURES

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

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

By:



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

Date: November 16, 2023



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

Date: November 16, 2023

BENGUET CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2023 AND DECEMBER 31, 2022
(Amounts in Thousands)

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	P980,764	P1,002,750
Trade and other receivables	613,732	782,505
Inventories	197,768	180,572
Financial assets at fair value through profit or loss (FVPL)	1,346,220	1,114,611
Other current assets	397,239	352,430
Total Current Assets	3,535,723	3,432,868
Noncurrent Assets		
Property, plant and equipment	2,502,089	2,509,905
Deferred mine exploration costs	522,474	492,505
Investment property	2,991,984	2,991,984
Deferred tax assets - net	9,918	9,918
Other noncurrent assets	526,770	471,896
Total Noncurrent Assets	6,553,235	6,476,208
TOTAL ASSETS	P10,088,958	P9,909,076
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable	P337,035	P337,035
Trade and other payables	527,605	555,712
Current portion of liability for mine rehabilitation	10,488	10,488
Current portion of lease liability	5,822	6,309
Income tax payable	684	105,859
Total Current Liabilities	881,634	1,015,403
Noncurrent Liabilities		
Deferred income tax liabilities - net	769,446	769,212
Liability for mine rehabilitation	48,568	48,568
Pension liability	56,015	56,015
Noncurrent portion of lease liability	5,151	5,798
Other noncurrent liabilities	138,055	237,814
Total Noncurrent Liabilities	1,017,235	1,117,407
Total Liabilities	1,898,869	2,132,810
Equity		
Capital stock	624,211	624,015
Capital surplus	415,189	415,110
Cost of share-based payment	6,275	6,275
Other components of equity	1,386,155	1,385,454
Retained earnings	5,766,275	5,353,428
	8,198,105	7,784,282
Cost of 116,023 shares held in treasury, P69 per share	(8,016)	(8,016)
Total Equity	8,190,089	7,776,266
TOTAL LIABILITIES AND EQUITY	P10,088,958	P9,909,076

BENGUET CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

(With Comparative Figures for the nine months ended September 30, 2022)

(Amounts in Thousands)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30		SEPTEMBER 30	
	2023	2022	2023	2022
REVENUES	₱182,916	₱236,360	₱1,786,074	₱2,961,155
COSTS AND OPERATING EXPENSES				
Costs of mine products sold	145,700	159,599	488,124	760,318
Costs of merchandise sold and services	14,453	13,181	59,640	55,114
Selling and general	85,273	117,046	629,562	711,805
Taxes on revenue	6,033	7,971	128,365	219,320
	251,459	297,797	1,305,691	1,746,557
INCOME (LOSS) FROM OPERATIONS	(68,543)	(61,437)	480,383	1,214,598
INTEREST EXPENSE	102	305	395	1,673
OTHER INCOME				
Interest income	2,917	2,345	4,818	3,185
Foreign exchange gain	11,974	21,411	15,423	41,270
Miscellaneous – net	15,020	2,144	38,266	3,094
	29,911	25,900	58,507	47,549
INCOME (LOSS) BEFORE INCOME TAX	(38,734)	(35,842)	538,495	1,260,580
PROVISION FOR (BENEFIT FROM)				
INCOME TAX	(12,956)	(7,403)	125,648	314,807
NET INCOME (LOSS)	(₱25,778)	(₱28,439)	₱412,847	₱945,667
BASIC EARNINGS (LOSSES) PER SHARE	(₱0.04)	(₱0.05)	₱0.66	₱1.52
DILUTED EARNINGS (LOSSES)				
PER SHARE	(₱0.04)	(₱0.05)	₱0.66	₱1.51

BENGUET CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

(With Comparative Figures for the nine months ended September 30, 2022)
(Amounts in Thousands)

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2023	2022	2023	2022
NET INCOME (LOSS)	(P25,778)	(P28,439)	P412,847	P945,667
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items to be reclassified to profit or loss in subsequent periods:</i>				
Translation adjustment on foreign subsidiaries	(24)	1,678	701	5,054
OTHER COMPREHENSIVE INCOME (LOSS)	(24)	1,678	701	5,054
TOTAL COMPREHENSIVE INCOME (LOSS)	(P25,802)	(P26,761)	P413,548	P950,721

BENGUET CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(With Comparative Figures for the nine months ended September 30, 2022)
(Amounts in Thousands)

	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)	December 31, 2022 (Audited)
CAPITAL STOCK	₱624,211	₱624,015	₱624,015
CAPITAL SURPLUS	415,189	409,929	415,110
REVALUATION INCREMENT	1,325,985	1,305,820	1,325,985
CUMULATIVE TRANSLATION ADJUSTMENT			
Balance at beginning of period	41,400	36,208	36,208
Translation adjustment	701	5,054	5,192
Balance at end of period	42,101	41,262	41,400
COST OF SHARE-BASED PAYMENT			
Balance at beginning of period	6,275	9,198	9,198
Stock options vested	–	–	2,258
Cancellation of stock options	–	–	(5,181)
Balance at end of period	6,275	9,198	6,275
UNREALIZED GAIN ON FINANCIAL ASSETS AT FVOCI			
Balance at beginning of period	328	(275)	(275)
Other comprehensive income (loss)	–	–	603
Balance at end of period	328	(275)	328
REMEASUREMENT LOSS ON PENSION LIABILITY	17,633	10,673	17,633
UNREALIZED GAIN ON INTANGIBLE ASSET	108	135	108
RETAINED EARNINGS			
Balance at beginning of period	5,353,428	4,021,846	4,021,846
Transfer of revaluation increment to retained earnings from the sale of land	–	–	535
Net income for the period	412,847	945,667	1,331,047
Balance at end of period	5,766,275	4,967,513	5,353,428
TREASURY SHARES	(8,016)	(8,016)	(8,016)
TOTAL EQUITY	₱8,190,089	₱7,360,254	₱7,776,266

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(With Comparative Figures for the nine months ended September 30, 2022)
(Amounts in Thousands)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30		SEPTEMBER 30	
	2023	2022	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax	(₱38,734)	(₱35,842)	₱538,495	₱1,260,474
Adjustments for:				
Depreciation, depletion and amortization	9,587	11,891	40,849	62,269
Unrealized foreign exchange loss (gain)	1,582	11,263	935	15,764
Fair value gain on financial assets at FVPL	(7,894)	–	(38,051)	–
Decrease (increase) in:				
Trade and other receivables	115,230	(22,829)	168,773	13,321
Inventories	32,794	10,581	(17,196)	5,670
Prepaid expenses and other current assets	(4,349)	(156,857)	(39,349)	(447,353)
Decrease in trade and other payables	57,189	(32,563)	(28,107)	(188,983)
Payment of income tax	–	–	(236,283)	–
Net cash from (used in) operating activities	165,405	(214,356)	390,066	721,162
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in:				
Property, plant and equipment	(8,032)	(6,180)	(33,033)	(29,737)
Deferred exploration costs	(7,080)	(7,048)	(29,969)	(20,783)
Other assets	(33,015)	(65,460)	(54,874)	17,285
Financial assets at FVPL	(67,021)	(92,530)	(193,558)	(563,179)
Net cash from (used in) investing activities	(115,148)	(171,218)	(311,434)	(596,414)
CASH FLOWS FROM FINANCING ACTIVITIES				
Exercise of stock options	–	–	275	–
Increase (decrease) in:				
Lease liabilities	(288)	(1,036)	(1,134)	(4,258)
Pension liability	–	–	–	(5,000)
Other noncurrent liabilities	(47,015)	–	(99,759)	(55,909)
Net cash used in financing activities	(47,303)	(1,036)	(100,618)	(65,167)
NET DECREASE IN CASH AND CASH EQUIVALENTS	2,954	(386,610)	(21,986)	59,581
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	977,810	1,049,439	1,002,750	603,248
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱980,764	₱662,829	₱980,764	₱662,829

BENGUET CORPORATION AND SUBSIDIARIES**EARNINGS PER SHARE COMPUTATION****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022****(Amounts in Thousands, Except for the Number of Shares)**

	<u>September 30</u>	
	<u>2023</u>	<u>2022</u>
Net income	₱412,847	₱945,667

Number of shares for computation of:

	<u>September 30</u>	
	<u>2023</u>	<u>2022</u>
<u>Basic earnings per share</u>		
Weighted average common shares issued	623,417,261	623,132,094
Less treasury stock	348,069	348,069
Weighted average common shares outstanding	623,069,192	622,784,025
<u>Diluted earnings per share</u>		
Weighted average common shares issued	623,417,261	623,132,094
Less treasury stock	348,069	348,069
	623,069,192	622,784,025
Conversion of preferred stock	2,059,366	2,059,366
Stock options	2,637,086	3,137,502
	627,765,644	627,980,893
Basic earnings per share	₱0.66	₱1.52
Diluted earnings per share	₱0.66	₱1.51

BENGUET CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

	September 30	
	2023	2022
Profitability Ratio		
Return on asset	0.04:1	0.11:1
Return on equity	0.05:1	0.13:1
Gross profit margin	0.69:1	0.72:1
Operating profit margin	0.27:1	0.41:1
Net profit margin	0.23:1	0.32:1
Liquidity and Solvency Ratio		
Current ratio	4.01:1	4.01:1
Quick ratio	1.81:1	1.41:1
Solvency ratio	5.31:1	4.97:1
Financial Leverage Ratio		
Asset to equity ratio	1.23:1	1.25:1
Debt ratio	0.19:1	0.20:1
Debt to equity ratio	0.23:1	0.25:1
Interest coverage ratio	-1362.28:1	-754.42:1

BENGUET CORPORATION AND SUBSIDIARIES**AGING OF RECEIVABLES**

AS OF SEPTEMBER 30, 2023

(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	₱15,717	₱3,419	₱968	₱8,711	₱2,238	₱29,439	₱60,492
Allowance for doubtful accounts	–	–	–	–	–	(26,051)	(26,051)
Trade receivables – net	15,717	3,419	968	8,711	2,238	3,388	34,441
Nontrade receivables:							
Officers and employees	2,325	3,560	10,657	10,719	62,230	104,521	194,012
Others	1,044	1,256	227,575	8,777	–	271,800	510,452
Total	3,369	4,816	238,232	19,496	62,230	376,321	704,464
Allowance for doubtful accounts	–	–	–	–	–	(125,173)	(125,173)
Nontrade receivables - net	3,369	4,816	238,232	19,496	62,230	251,148	579,291
Trade and other receivables - net	₱19,086	₱8,235	₱239,200	₱28,207	₱64,468	₱254,536	₱613,732

BENGUET CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

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, 2022.

Changes in Accounting Standards and Interpretation

Effective beginning on or after January 1, 2023

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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

Financial Instruments

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

Financial Assets

Initial Recognition and Measurement

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

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

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

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

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

Subsequent Measurement

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

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

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

- *Financial assets at FVPL*

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

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

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

- *Financial assets designated at FVOCI (equity instruments)*

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

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

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

Derecognition

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

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

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

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

Impairment

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

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

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

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

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

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

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

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

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

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

Financial Liabilities

Initial Recognition and Measurement

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

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

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

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

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

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

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

Derecognition

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

Offsetting of Financial Instruments

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

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

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

Judgments

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

Determining Functional Currency

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

Assessing Provisions and Contingencies

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

Distinction between Investment Property and Owner-Occupied Property

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

Principal versus Agent Considerations

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

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

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

Estimates and Assumptions

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

Provision for Expected Credit Losses on Trade and Other Receivables, Advances to Contractors under “Other Current Assets” and Loan Receivables under “Other Noncurrent Assets”

The Group uses the simplified approach in the assessment of the ECL for its trade receivables and general approach model for its other receivables, advances to contractors under “Other current assets” and loan receivables under “Other noncurrent assets”. 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, advances to contractors under "Other current assets" and loan receivables under “Other noncurrent assets” amounted to ₱667.22 million and ₱782.51 million as at September 30, 2023 and December 31, 2022, respectively.

Estimating Ore Reserves

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

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

Changes in the ore reserves estimates may impact the carrying values of mine and mining properties under “property, plant and equipment, liability for mine rehabilitation and decommissioning and depletion charges.

As at September 30, 2023 and December 31, 2022, carrying values of mine and mining properties amounted to ₱634.75 million and ₱646.06 million, respectively. As at September 30, 2023, and December 31, 2022, carrying values of liability for mine rehabilitation amounted to ₱59.06 million.

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 September 30, 2023 and December 31, 2022, deferred mine exploration costs amounted to ₱522.47 million and ₱492.51 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 September 30, 2023 and December 31, 2022, property, plant and equipment (at cost) amounted to ₱772.38 million and ₱780.20 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 September 30, 2023 and December 31, 2022, the carrying value of inventories amounted to ₱197.77 million and ₱180.57 million, respectively.

Assessing Impairment of Input VAT under Other Current Assets and Advances to Contractors and Suppliers and Input VAT under Noncurrent Assets

The Group provides allowance for impairment losses on input VAT under other current assets and advances to contractors and supplies 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 input VAT under other current assets and advances to contractors and suppliers and input VAT under noncurrent assets amounted to ₱709.68 million and ₱612.52 million as at September 30, 2023 and December 31, 2022, 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 September 30, 2023 and December 31, 2022, the appraised value of land and artworks, and investment properties amounted to ₱4,721.69 million.

Unit-of-production (UOP) depreciation

Estimated economically recoverable reserves are used in determining the depreciation and/or amortization of mine-specific assets. This results in a depreciation/amortization charge proportional to the depletion of the anticipated remaining life-of-mine production. The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation/amortization could be impacted to the extent that actual production in the future is different from current forecast production based on economically recoverable reserves, or if future capital expenditure estimates change. Changes to economically recoverable reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

- The effect on economically recoverable reserves of differences between actual commodity prices and commodity price assumptions
- Unforeseen operational issues

Changes in estimates are accounted for prospectively.

As at September 30, 2023 and December 31, 2022, the carrying amount of mine and mining properties amounted to ₱592.80 million and ₱580.18 million, respectively. Carrying amount of mine rehabilitation asset amounted to ₱41.96 million as at September 30, 2023 and December 31, 2022.

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 ₱59.06 million as at September 30, 2023 and December 31, 2022.

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 ₱6.28 million as at September 30, 2023 and December 31, 2022.

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 ₱56.02 as at September 30, 2023 and December 31, 2022.

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. Management believes that there is no assurance that the Group will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized.

The Group recognized deferred tax assets amounting to ₱79.42 million as at September 30, 2023 and December 31, 2022.

4. Financial Risk Management Objectives and Policies

The Group's principal financial instruments pertain to unsecured 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, advances to contractors under "other current assets" and loan receivable under "other noncurrent assets", trade and accrued expenses under trade and other payables and lease liabilities, which arise directly from its operations. Other financial assets include financial assets at FVPL and FVOCI.

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 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 September 30, 2023 and December 31, 2022, cash and cash equivalents may be withdrawn anytime while quoted FVOCI may be converted to cash by selling them during the normal trading hours in any business day.

The tables below summarizes the maturity profile of the Group's financial liabilities as of September 30, 2023 and December 31, 2022, 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.

	September 30, 2023				Total
	On demand	0-90 days	91-365 days	More than one year	
<i>Financial assets</i>					
Cash and cash equivalents					
Cash on hand and in banks	₱829,592	₱–	₱–	₱–	₱829,592
Short-term deposits	–	151,172	–	–	151,172
Trade and other receivables	19,086	8,235	239,200	347,211	613,732
FVPL	1,346,220	–	–	–	1,346,220
FVOCI	–	–	–	1,709	1,709
	2,194,898	159,407	239,200	348,920	2,942,425
<i>Financial liabilities</i>					
Loans payable					
	337,035	–	–	–	337,035
Trade and other payables					
Trade	409	52,478	155,968	145,789	354,644
Nontrade*	2,361	–	–	–	2,361
Accrued expenses	–	598	–	–	598
Lease liabilities	–	1,134	4,688	5,151	10,973
Other noncurrent liabilities					
Equity of claimowner incontract operations	–	–	–	49,136	49,136
	339,805	54,210	160,656	200,076	754,747
Net financial assets	₱1,855,093	₱105,197	₱78,544	₱148,844	₱2,187,678

*Excluding statutory payables

	December 31, 2022				Total
	On demand	0-90 days	91-365 days	More than one year	
<i>Financial assets</i>					
Cash and cash equivalents					
Cash on hand and in banks	P949,142	P-	P-	P-	P949,142
Short-term deposits	-	53,608	-	-	53,608
Trade and other receivables		521,418	261,087	-	782,505
FVPL	1,114,611	-	-	-	1,114,611
FVOCI	-	-	-	1,709	1,709
	<u>2,063,753</u>	<u>575,026</u>	<u>261,087</u>	<u>1,709</u>	<u>2,901,575</u>
<i>Financial liabilities</i>					
Loans payable	337,035	-	-	-	337,035
Trade and other payables					
Trade	-	332,612	-	-	332,612
Nontrade*	4,038	-	-	-	4,038
Accrued expenses	-	730	58,962	-	59,692
Lease liabilities	-	1,298	3,892	6,811	12,001
Other noncurrent liabilities					
Equity of claimowner incontract operations	-	-	-	49,136	49,136
	<u>341,073</u>	<u>334,640</u>	<u>62,854</u>	<u>55,947</u>	<u>794,514</u>
Net financial assets (liabilities)	P1,722,680	(P240,386)	P198,233	(P54,238)	P2,107,061

*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 and advances under other noncurrent assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognized third parties, there is no requirement for collateral.

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

	September 30, 2023	December 31, 2022
Cash and cash equivalents		
Cash in banks	P828,405	P946,854
Short-term deposits	151,172	53,608
Trade and other receivables	613,732	782,505
	P1,593,309	P1,782,967

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.

Other receivables, advances to contractors under “other current assets” and loan receivable under “other noncurrent assets”

The Group provided an allowance for ECLs for these financial assets amounted to ₱124.58 million in 2023 and 2022.

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:

September 30, 2023

	Current	Past due			Specific	Total
		30 days	60 days	>90 days	Identification	
Expected credit loss rate	2%	5%	9%	13%	100%	
Estimated total gross carrying amount at default	₱15,717	₱1,470	₱1,949	₱18,239	₱23,117	₱60,492
	₱314	₱74	₱175	₱2,371	₱23,117	₱26,051

December 31, 2022

	Current	Past due			Specific	Total
		30 days	60 days	>90 days	Identification	
Expected credit loss rate	2%	5%	9%	13%	100%	
Estimated total gross carrying amount at default	₱88,996	₱2,592	₱5,904	₱190,086	₱4,823	₱292,401
	₱1,780	₱130	₱531	₱24,626	₱4,823	₱31,890

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 September 30, 2023 and December 31, 2022, the Group's exposure to the risk for changes in market interest rate relates primarily to its secured bank loans. The Group regularly monitors its interest due to exposure from interest rates movements.

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

<u>September 30, 2023 and December 31, 2022</u>	<u>Change in interest rates (in basis points)</u>	<u>Sensitivity of pretax Income</u>
	+100	(P3,370)
	-100	3,370

Foreign Currency Risk

Foreign currency risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial performance and cash flows.

The Group has transactional currency exposures. Such exposure arises from the sale of gold and nickel ore and the purchase of certain goods and services denominated in US\$.

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

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

The Group's foreign currency-denominated monetary assets and liabilities as at September 30, 2023 and December 31, 2022 follow:

	<u>September 30, 2023</u>		<u>December 31, 2022</u>	
	<u>US\$</u>	<u>Peso equivalent</u>	<u>US\$</u>	<u>Peso equivalent</u>
<u>Financial Assets</u>				
Cash in banks	7,513	P425,048	10,586	P590,858
Trade receivables under "trade and other receivables"	—	—	527	29,415
<u>Total monetary assets</u>	<u>7,513</u>	<u>P425,048</u>	<u>11,113</u>	<u>P620,273</u>

As at September 30, 2023 and December 31, 2022, the exchange rates of the Philippine peso to the US\$ based on the Bankers Association of the Philippines are ₱56.575 and ₱55.82, 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 September 30, 2023 and December 31, 2022 is as follows:

<u>September 30, 2023</u>	Change in foreign exchange rate	Income before income tax effect
	Strengthens by- 1.80%	₱7,651
	Weaken by -4.80%	(20,402)
<u>December 31, 2022</u>	Change in foreign exchange rate	Income before income tax effect
	Strengthens by- 1.80%	₱11,140
	Weaken by -4.80%	(29,775)

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 2023 and 2022. The Group monitors capital using the parent company financial statements. As at September 30, 2023 and December 31, 2022, the Group has met its capital management objectives.

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

	September 30, 2023	December 31, 2022
Capital stock	₱624,211	₱624,015
Capital surplus	415,189	415,110
Retained earnings	5,766,275	5,353,428
Cost of share-based payment	6,275	6,275
Other components of equity	1,386,155	1,385,454
Treasury shares	(8,016)	(8,016)
	₱8,190,089	₱7,776,266

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 September 30, 2023 and December 31, 2022 are as follows:

	September 30, 2023	December 31, 2022
Total liabilities (a)	₱1,898,869	₱2,132,810
Total equity (b)	8,190,089	7,776,266
Debt-to-equity ratio (a/b)	0.23:1	0.27:1

5. Seasonality and Cyclicity of Interim Operation

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

6. Events After End of Reporting Period

There are no significant event after end of reporting period.

ADDITIONAL DISCLOSURE TO FINANCIAL STATEMENTS OF THE COMPANY

(For the Third Quarter Ended September 30, 2023)

- i.) The disclosure on significant accounting principles, policies, and practices is substantially the same with the disclosure made in 2022 financial statements. Additional disclosures on the significant changes of accounts and subsequent events are presented in the Management Discussion and Analysis.
- ii.) During the Third Quarter of 2023, 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 Third Quarter of 2023, 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 Third Quarter 2023.
- v.) Segment Information - The Company is principally engaged in mining industry. Its operating revenues as of September 30, 2023 mainly came from sales of gold to Bangko Sentral Ng Pilipinas amounting to ₱437.0 million and exports of nickel ores amounting to ₱ 1.2 billion.
- vi.) Subsequent Material Events - There were no material events subsequent to the end of the quarter that would require disclosure 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 2022.