BenguetCorp

November 19, 2021

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City 1307

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

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

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

Gentlemen:

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

We trust that you will find everything in order.

Very truly yours,

BENGUET CORPORATION
By:

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

Universal Re-Building, 106 Paseo de Roxas, 1226 Makati City Philippines
MCPO Box 3488 • Phone: +632.812.1380 • Fax: +632.752.0717

COVER SHEET

11341

SEC Registration Number

BENGUET CORPORATION

(Group's Full Name)

7th Floor, Universal Re Building, 106 Paseo de Roxas, MAkAti City

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

Mr. Reynaldo P. Mendoza

(Contact Person)

8812-1380

(Group Telephone Number)

12	31
Month	*Day*

(Calendar Year)

17-Q

(Form Type)

Month	*Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended: **SEPTEMBER 30, 2021**
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 / 7751-9137**
8. Issuer's telephone number, including area code

   ....
9. Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA.

	Number of shares of common stock outstanding and amount of debt outstanding
Convertible Preferred Class A	217,061 shares
Common Class A Stock	374,996,258 shares*
Common Class B Stock	247,926,121 shares*

(*) – Net of Treasury Shares

Total consolidated outstanding principal debt as of September 30, 2021 - ₱85.06 Million

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

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

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

Indicate by check mark whether the registrant:

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

Yes [X] No [ ]

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

Yes [ ] No [X]

PART I--FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS.

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

PLEASE REFER TO ANNEX "A" on pages 13 to 36, incorporated herein and form part of this report (SEC Form 17-Q) which contained the following reports:

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

A. FINANCIAL PERFORMANCE

2021 THIRD QUARTER VS, 2020 THIRD QUARTER

The third quarter of this year was characterized by heavy rains and series of typhoons in the Company's nickel operations in Zambales, rendering nickel ore shipments unworkable due to rough seas and high swells. During this period, focus of activities were on massive reforestation, repairs and maintenance of mine, port and environmental infrastructure and equipment, as well as other technical works in preparation for resumption of normal operations in the fourth quarter. As such, revenues in this period were mainly derived from gold operations, lime processing operations and healthcare business segments.

Consolidated Results of Operations

For the period in review, the company reported a consolidated after-tax loss of ₱32.7 million, compared to ₱15.8 million loss in 2020.

For the nine months period ending September 2021, the Company generated a net income of ₱789.0 million, 853% higher than the net income of ₱82.8 million for the same period in 2020. Earnings per share shoot up nine times from ₱0.13 in 2020 to ₱1.38 in 2021. The increase/decrease in net income was the net effect of the following:

Revenues

Consolidated revenues for the third quarter of 2021 increased by 16% to ₱279.5 million, from ₱241.0 million for the same period in 2020. The increase is on account of the sale of 2,771.29 ounces of gold valued at ₱248.6 million in the third quarter against 2,211.71 ounces of gold valued at ₱206.5 million for the same quarter in 2020.

For the nine-month period of 2021, consolidated revenues rose significantly to ₱2.56 billion, from ₱942.6 million for the same period in 2020. The increase was due to higher number of nickel ore shipments made and better metal prices. BNMI sold 15 boatloads of nickel ore with an aggregate volume of 798,768 tons valued at ₱1,773.1 million for the nine-months period this year compared to 5-boatloads with an aggregate volume of 265,255 tons valued at ₱352.2 million for the same period in 2020. AGP, on the other hand, sold 7,947.89 ounces of gold at average price of US$1,807.29 per ounce, higher versus 5,932.17 ounces of gold at an average price of US$1,729.96 per ounce for the same nine months period in 2020.

Operating and Other Expenses
Cost and operating expenses in the third quarter this year increased by 26% to ₱308.8 million from ₱245.0 million for the same period in 2020.

For the nine-months period, cost and operating expenses also went up to ₱1.454 billion from ₱830.9 million in 2020. The increase was due to the following:

Cost of mine products sold increased mainly due to the increased volume of nickel ore exported.

Cost of merchandise and services increased on account of increase in volume of sales of the Healthcare business.

Selling and general expenses increased due to increase in sales volume of nickel ore.

Increase in taxes on revenue is due to increase in nickel revenues.

Other expenses incurred for the third quarter and nine months period this year amounted to ₱13.7 million and ₱49.3 million, respectively, higher than ₱11.6 million and ₱9.1 million for the same periods in 2020. The increase was due to the ₱19.5 million tax assessment of a subsidiary and foreign exchange adjustment of ₱11.8 million booked during the nine months period this year.

B. FINANCIAL CONDITION

2021 NINE MONTHS PERIOD VS YEAR ENDED 31 DECEMBER 2020

Assets
The Company ended September 30,2021 with consolidated total assets of ₱7.89 billion, higher than the ₱7.38 billion in 2020. The increase was the net effect of the following:

Cash and cash equivalent increased by 196% or ₱532.3 million, from operating activities.

Trade receivables decreased by 26% from ₱475.3 million in 2020 to ₱352.9 million in 2021 due to collection of receivables from nickel customers.

Inventories went up to ₱195.7 million from ₱101.1 million due to additional nickel ore inventory from newly mined ore.

Increase in other current assets to ₱416.0 million from ₱398.7 million pertain to input taxes for the period.

Liabilities
Total consolidated liabilities as of September 30, 2021 decreased to ₱2,303.4 million from ₱2,599.2 million as of December 31, 2020. The decrease was due to the following:

Trade and other payables declined to ₱560.9 million from ₱620.7 million in 2020 due to settlement made to various suppliers and contractors.

Decrease of loans payable to ₱324.0million from ₱509.0 million was on account of the P185.0 million full payment to Trans Middle East Corp.

Current portion of lease liability increased to ₱1.8 million from ₱1.7 million due to accrued rentals paid in the following quarter.

Income tax payable pertains to corporate income tax of subsidiary, Benguetcorp Nickel Mines, Inc.

Pension liability declined to ₱71.8 million from ₱81.8 million due to additional contribution to the retirement fund.

Decrease in other noncurrent liability by 15.66% from ₱391.4 million to ₱330.1 million on account of the repayment of advances to Bright Mining Resources and LS Networks.

Equity

Retained earnings increased by 30.36% due to net income earned during the period.

Stockholders Equity went up to ₱5.58 billion from ₱4.78 billion in 2020 from the net income generated this year.

Consolidated Cash Flow

The net cash used in operating activities for the third quarter amounted to ₱146.5 million, while the net cash provided by operating activities for the nine months period this year amounted to ₱813.5 million. In contrast, the net cash provided for the third quarter last year amounted to ₱10.2 million while for the nine months period, net cash provided by operations amounted to ₱45.3 million. Bulk of the cash provided came from the sale of gold and nickel ore.

The Company invested ₱6.0 million and ₱28.1 million in property, plant, and equipment for the third quarter and nine months period this year, respectively while ₱8.3 million and ₱4.7 million were spent for exploration activities for the third quarter and nine months period this year, respectively. Net cash from financing activities in the third quarter amounted to ₱119.9 million, while net cash used for the nine months period this year amounted to ₱236.2 million. Cash was used to fully pay the ₱185.0 million loan with Trans Middle East Corporation as well as to pay the ₱61.3 million outstanding liabilities with LS Networks Co., Ltd., Bright Mining Resources and various suppliers/contractors. On the other hand, ₱9.9 million was generated from the exercise of stock options by employees, consultants and directors.

C. OPERATIONAL OVERVIEW

Acupan Gold Project (AGP)

Performance of gold operations in the third quarter continued to improve. Revenues increased by 20% this year to ₱248.6 million from ₱206.5 million for the same period in 2020. Accordingly, revenues for the nine months period this year also went up to ₱699.1 million from ₱515.2 million in 2020. The increase is attributable to higher volume of gold sold and higher gold price. AGP sold 2,771.29 ounces at an average price of US$1,804.22 per ounce in the third quarter and 7,947.89 ounces at an average gold price of US$1,807.29 per ounce for the nine months period this year, higher compared to 2,211.71 ounces sold at an average price of US$1,907.01 and 5,932.17 ounces sold at an average price of US$1,729.96 per ounce for the same respective periods last year. Pre-tax income for the nine months period amounted to ₱121.7 million, higher compared to ₱79.2 million in 2020.

AGP milled 13,698 tons of ore at an average mill head of 6.29 g/t for the third quarter, 17% higher than the 11,666 tons milled at an average mill head of 5.9 g/t for the same period last year. For the nine months period this year, AGP milled 42,209 tons with an average mill head of 5.86 g/t higher compared to 30,968 tons with an average mill head of 5.96 g/t for the same period last year.

Raising of Tailings Storage Facility 2 (TSF 2) dam embankment is now completed and regularly monitored for its stability and soundness. Other enhancement projects related to the TSF 2 are going to be implemented in the remaining quarter of the year.

Sta. Cruz Nickel Project (SCNP)

The Sta. Cruz nickel operations under its wholly-owned subsidiary Benguetcorp Nickel Mines, Inc.(BNMI), registered revenues of ₱1.8 billion for the nine months period in 2021, 5 times higher than the revenues of ₱352.2 million for the same period in 2020. The increase was due to higher sales volume and better nickel prices. This resulted to a net income of ₱789.2 million, significantly higher than the net income of ₱82.8 million reported for the same period in 2020. BNMI exported 15 boatloads of nickel ore in China this year with an aggregate volume of 798,768 tons sold at an average price of US$45.40/ton, better than the 265,255 tons sold at an average price of US$24.02/ton for the same period in 2020.

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

Irisan Lime Project (ILP)

The Company's ILP generated revenue of ₱20.6 million for the third quarter and ₱57.7million for the nine months period this year, higher compared to the revenue of ₱17.7 million and ₱52.2 million for the same respective periods last year. Sales volume increased by 12% in the third quarter to 1,725 tons and by 10% to 5,645 tons for the nine months period of 2021 from 1,544 tons and 5,114 tons for the same respective periods in 2020. This improved ILP pre-tax income to ₱3.7million in the third quarter and ₱15.4 million for the nine months period this year, compared to ₱2.9 million and ₱12.5 million for the same periods last year.

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

Benguet Antamok Gold Operation (BAGO)

The revised Antamok Final Mine Rehabilitation and Decommissioning Plan (FMRDP) was submitted to the MGB-CAR for endorsement to the Contingent Liability and Rehabilitation Fund Steering Committee (CLRFSC) for approval based on new development, particularly on the actual rehabilitation needs considering the current physical status or condition of the area. The total cost to be incurred over a 4-year period starting 2019 was reduced from ₱43 million to ₱30 million. The aim of the FMRDP is principally to mitigate environmental risks and provide a sustainable final land use over the area. It includes long-term programs including a Minahang Bayan. The Company implemented various activities such as continuous propagation of various seedlings in nurseries and maintenance of its established reforestation areas. During the quarter, the Company spent a total of P121,728 for BAGO-Care and Maintenance Program (CMP).

Exploration Research and Development

The **Pantingan property** is a viable prospect for epithermal gold mineralization and aggregates. The second phase drilling works on the Pantingan Gold Prospect is ongoing. The Phase two drilling works targetted the lateral and vertical continuations of the V9SL and V2SL.

On the aggregates prospect, the Company continues to do topographical/road surveys and apply for permits including for road-right-of-way in the 40-hectares Quarry Permit Area (QPA) outside the MPSA. The large-scale quarry in PAB-1 and 2 within the MPSA still needs drilling for Declaration of Mining

Project Feasibility (DMPF). The MGB has issued area clearance in the QPA, and your Company is working on LGU consent, tree inventory, NCIP certification, and ECC process.

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

The Company's **Surigao Coal Prospect** is in the process of securing the mandatory requirements for the renewal of Coal Operating Contract (COC) with the Department of Energy (DoE).

Subsidiaries and Affiliates

Logistics

Arrow Freight Corporation (AFC)
AFC, the logistic provider of the Company reported revenue of ₱2.8 million for the third quarter and ₱57.4 million for the nine months period this year, higher as compared to the revenues of ₱1.4 million and ₱16.3 million for the same periods in 2020. Net loss for the third quarter amounted to ₱684 thousand against net income of ₱837 thousand for the same quarter last year. For the nine months period this year, AFC reported net income of ₱17.9 million, 359% higher than the net income of ₱3.9 million for the same period in 2020.

AFC has current operational hauling fleet of 9 units of dump truck. To improve its profitability, AFC plan to purchase backhoes and more dump trucks to handle the ore loading and hauling requirements of BNMI.

Keystone Port Logistics Management and Services Corporation (KPLMSC)
KPLMSC, the port and barging service provider of the Company, reported revenue of ₱52.5 million for the nine months period of 2021, higher than the revenue of ₱18.3 million for the same period of 2020. The increase is on account of higher tonnage of nickel ore exports handled during the nine months period this year to 798,768 tons from 265,255 tons for the same period in 2020. Net loss for the third quarter of 2021 amounted to ₱4.4 million, higher than ₱1.9 million net loss for the same period in 2020. For the nine months period of 2021, net income amounted to ₱22.5 million, higher compared to the net income of ₱7.7 million for the same period in 2020.

Real Estate

BMC Forestry Corporation (BFC)
BFC manages the lime kiln operation of Irisan Lime Project and various real estate projects. BFC continues to develop and sell subdivision lots in its real estate project in Rosario, La Union. The market of Woodspark Subdivision was affected by the COVID-19 pandemic. It reported break-even for the nine months period this year, against ₱310 thousand net loss for the same period last year. BFC continues to collect monthly amortizations and sell the remaining 5 lots in Woodspark with an aggregate area of 1,763 square meters.

Healthcare

Benguetcorp Laboratories, Inc. (BCLI)
BCLI generated total revenues for the third quarter of ₱13.2 million and ₱35.1 million for the nine months period this year, against ₱11.0 million and ₱24.9 million, for the same periods in 2020. The increase in revenues resulted to pre-tax income of ₱3.21 million for the third quarter this year, compared to ₱3.17

million for the same period last year. For the same reason, pre-tax income for the nine months period this year amounted to ₱6.2 million, a turnaround against its pre-tax loss of ₱1.2 million for the same period last year. The positive variance is due to income from Annual Physical Examination (APE) services to clients, flu vaccination, continuing antigen swab testing and increase in number of walk-in patients despite the community quarantine imposed by the government.

BCLI continues to serve its core customers, HMO (health Maintenance Organization), Corporate clients in Baguio City, and government agencies. Its long-standing client, MOOG, signed a four-year contract with BCLI to provide full clinic management in its site effective May 1, 2021.

2020 THIRD QUARTER VS. 2019 THIRD QUARTER

A. FINANCIAL PERFORMANCE

Consolidated Results of Operations
In the third quarter of 2020, the Company recorded a net loss of ₱15.8 million, a significant reduction from the net loss of ₱27.4 million in 2019. For the nine months period of 2020, the Company generated a net income of ₱82.8 million, a turnaround from the net loss of ₱95.0 million for the same period in 2019. The increase/decrease in net income was the net effect of the following:

Revenues
The Company registered consolidated revenues of ₱241.0 million and ₱942.6 million for the third quarter and nine months period of 2020, respectively, 31% and 55% higher compared to ₱183.3 million and ₱607.9 million for the same periods in 2019. The positive variance is attributable to higher revenue from nickel mining business. In spite of the continuous rains, typhoon and COVID 19-Pandemic that hit our mining sites in Zambales and Benguet Provinces. BNMI was able to ship 5 boatloads of nickel ore aggregating 265,255 tons at an average price of US$24.02 for the nine months period this year versus 1 boatload of nickel ore aggregating 55,000 tons at an average price of US$22.50/ton for the nine months period of 2019. AGP, on the other hand sold 5,932.17 ounces of gold at an average price of US$1,729.96 per ounce for the nine months period in 2020 versus 5,824.91 ounces of gold at an average price of US$1,364.39 per ounce for the same period in 2019.

Operating and Other Expenses
Cost and operating expenses in the third quarter of 2020 increased by 18% to ₱245.0 million versus ₱207.6 million for the same period in 2019. Increased was mainly due to higher nickel ore shipment tonnage. For the same reason, cost and operating expenses for the nine months period in 2020, increased by 17% to ₱830.9 million versus ₱709.4 million in 2019.

Other expense for the third quarter of 2020 amounted to ₱11.6 million and ₱9.1 million, respectively. In contrast, other expense for the third quarter of 2019 amounted to ₱3.4 million while other income for the nine months period amounted to ₱15.2 million. Other income in 2019 is attributable to the ₱24.3 million, discount earned from the settlement of long outstanding liability with Goldrich Construction and Trading and the ₱6.0 million gain on sale of property in Namayan, Mandaluyong City.

B. FINANCIAL CONDITION

Assets
The Company ended September 30, 2020 with consolidated total assets of ₱6.97 billion, higher than ₱6.92 billion in 2019. The increase is the net effect of the following:

Cash and cash equivalent went up by ₱72.6 million to ₱149.8 million from ₱77.2 million as of December 31, 2019 mainly from cash receipts from nickel sales contracts.

Inventories decreased to ₱90.4 million from ₱132.2 million mainly from the sale of 5 boatloads of stockpiled nickel ores.

Other current assets increased to ₱331.3 million from ₱314.1 million due to input taxes and creditable withholding taxes incurred during the nine months period of 2020.

Slight increase in deferred mine exploration to ₱455.2 million from ₱449.2 million in 2019 pertain to the initial drilling expenses incurred in Pantingan Gold Prospect in Bataan.

Liabilities
Total consolidated liabilities as of September 30, 2020 decreased to ₱2,474.4 million from ₱2,509.9 million as of December 31, 2019. The decrease was due to the following:

Trade and other payables decreased to ₱497.4 million from ₱576.9 million due to settlement of accounts of various suppliers and contractors.

Increase in other noncurrent liabilities is attributable to the cash advances received from the nickel ore sales contracts.

Equity
Stockholders Equity as of September 30, 2020 amounted to ₱4,492.3 million, higher than ₱4,411.7 million in 2019. The increase is attributable to the net income generated for the nine months period of 2020.

Consolidated Cash Flow
The net cash generated from operating activities for the nine months period in 2020 amounted to ₱45.3 million against the net cash used of ₱182.4 million for the same period in 2019. The cash flow generated is attributed mainly to the nickel shipments sold in 2020 compared to only 1 boatload sold in 2019.

During the nine months period, the company invested ₱6.0 million in exploration activities, ₱12.1 million in mining equipment for the expansion of its Acupan Gold Project. P8.6 million was also deposited to fund the Final Mine Rehabilitation Fund of the Acupan Gold Project and Sta. Cruz Nickel Operation in compliance with the requirement of the Department of Environmental and Natural Resources (DENR).

Net cash from financing activities amounted to ₱55.3 million. The amount pertains to the advance payment received for nickel ore shipments.

C. <u>OPERATIONAL OVERVIEW</u>

Acupan Gold Project (AGP)
The Acupan Gold Project (AGP) generated net earnings of ₱17.7 million in third quarter of 2020, 90% higher than the net earnings of ₱9.3 million for the same quarter in 2019. This is due to higher gold ounces sold for the quarter at 2,211.71 ounces coupled with higher gold price averaging $1,907.01 per ounce, as against gold sales of 1,963.73 ounces at an average gold price of $1,476.01 per ounce in 2019. Revenues increased to ₱206.7 million from ₱149.5 million revenues for the same quarter in 2019. For the nine-month period in 2020, AGP generated net earnings of ₱55.5 million, compared to the net loss of ₱1.5 million for the same period in 2019. The improved performance in 2020 is mainly attributed to higher gold ounces sold to-date of 5,932.17 ounces and higher average gold price of $1,729.96 per ounce, compared to 5,824.91 ounces sold in 2019 at an average gold price of $1,364.39 per ounce. Consequently, revenues climbed to ₱515.2 million for 2020 from ₱412.3 million revenues generated in 2019.

For the quarter and for the nine-month period in 2020, AGP milled 11,666 tons and 30,968 tons with average mill head of 5.90 and 5.96 grams of gold per ton respectively, compared to 10,314 tons and 30,301 tons milled with an average mill head of 5.92 and 5.98 grams gold per ton for the same respective periods in 2019.

.

AGP is gradually shifting operations to the new normal under the Modified General Community Quarantine (MGCQ) status declared in Benguet Province. Although all employees have reported back to work, minimal improvement in the attendance of contractor miners have been reported, hence projected production has not been attained for AGP metal sharing contracts. To counter the below par performance of contractors, management started to pursue the recently revised programmed mine development and production expansion for the BC team until the end of 2020. Hiring of additional 30 miners for the BC team is ongoing while an additional brand new LHD equipment is currently being procured for the mining operation expansion. Major parts for the two ball mills have arrived after a long delay attributed to the pandemic restrictions. Ball mill #1 was refurbished last September and ball mill #2 is undergoing major parts replacement. Mill harvesting area has been improved in terms of increased capacity. Improvement of the aged mill tailings disposal system has been programmed. Two bigger 6/4 pumps are now at site to replace the old smaller 4/3 existing pumps. A new 6" diameter tailings line from mill to TSF2 will soon replace the existing 4" diameter tailings lines. Additional 6" diameter pipes are scheduled to be delivered. These action plans are all geared towards attaining, not only the programmed increase of production towards the end of the year, but also to reach the year 2021 proposed production budget.

AGP remains positive that the recent surge in COVID-19 cases in Barangay Virac, particularly in the vicinity surrounding AGP industrial areas, will not be a major setback in the attainment of production goals and targets. Action plans are being undertaken to address the current situation to control and avoid further COVID-19 virus transmission. Management also continues to review and evaluate performance of the contractors to include not only production results but also their safety records and other provisions of the contract. The impact of the COVID-19 health crisis will be taken into consideration regarding contractor's performance evaluation.

Sta. Cruz Nickel Operation

BNMI sustained its revenue contribution to the Company from saleable stockpiled nickel ore despite suspension of its mining operations. BNMI provided revenues of ₱352.2 million for the nine months period in 2020, 445% higher than the revenues of ₱64.65 million for the same period in 2019. BNMI exported 5 boatloads of nickel ore with an aggregate volume of 265,255 tons in 2020, better than the 1 boatload with an aggregate volume of 55,000 tons for the same period in 2019. Nickel ore was sold at average price of US$24.02/ton in 2020 versus US$22.50/ton in 2019. For the reasons discussed above, BNMI generated todate net earnings of ₱17.87 million, a turn-around from the net loss of ₱118.65 million for the same period in 2019.

As added positive news, BNMI received a letter on October 29, 2020 from the MGB – Region III dated October 20, 2020 stating that DENR has lifted / set aside the MPSA cancellation order dated February 8, 2017 and DENR-MGB-EMB joint mining suspension order dated June 23, 2015, subject to compliance with environmental standards and submission of pertinent reports. With the lifting of mining suspension, BNMI is preparing for the resumption of mining operation while it continued to market saleable ores on stockpiles.

Benguet Antamok Gold Operation (BAGO)

A revised Antamok Final Mine Rehabilitation and Decommissioning Plan (FMRDP) was submitted by the MGB to the Contingent Liability and Rehabilitation Fund Steering Committee (CLRFSC) for approval based on new development, particularly on the actual rehabilitation needs considering current physical status or condition of the area. The total costs to be incurred over a 4-year period starting 2019 was reduced from ₱43 million to ₱30 million. The aim of the FMRDP is principally to mitigate environmental risks and provide a sustainable final land use for the community. It includes long-term programs such as the Ecological Solid Waste Management Project with Temporary Residual Containment Area (TRCA), and Waste to Energy (WtE) facilities; the Eco-tourism Water Park Project; and the Minahang Bayan.

Irisan Lime Project (ILP)

The Company's Irisan Lime Project (ILP) generated pre-tax earnings of ₱2.9 million in third quarter of 2020, lower than the pre-tax earnings of ₱8.3 million for the same quarter in 2019. For the nine-month period in 2020, pre-tax earnings amounted to ₱12.5 million, lower than the pre-tax earnings of ₱25.4 million generated for the same period I 2019. This is mainly due to lower sales volume which aggregated to 1,544 tons in third quarter of 2020 and 5,114 tons for the nine-month period in 2020 against 2,245 tons and 7,697 tons for the same respective periods in 2019. The decrease in lime sales was mainly due to the effect of the on-going COVID-19 pandemic to ILP's clients.

Exploration Research and Development

The results of initial/Phase 1 drilling conducted in the Pantingan Gold Prospect showed interesting gold value indications occurring at lower depth. A proposed additional drilling program (Phase 2) which will focus among others as two promising vein system (V-2 and V-9) have been designed to further delineate the deposit.

On the Pantingan aggregates project, mapping and sampling of Pantingan Aggregates Block-1 (PAB-1) and road survey within the MPSA were completed. Drilling program for PAB-1 consisting of 3 drill holes with target total down-dip length of 500 meters to prove the aggregate deposit with one hole assigned to drill the Quarry Permit Area (QPA) in the north is scheduled next year. The objective is to gather sufficient resource data for the preparation of Feasibility Study (FS) consistent with the objective to do large scale quarrying under the MPSA, which will necessitate a Declaration of Mining Project Feasibility (DMPF). In PAB-2, the proposed activity is to continue to map and sample the area.

Subsidiaries and Affiliates

Benguet Management Corporation (BMC), a wholly owned subsidiary of the Company, and its subsidiaries, incurred a net loss of ₱4.8 million during the third quarter of 2020, higher compared to ₱3.0 million net loss for the same quarter in 2019. For the nine months period of 2020 however, BMC reported consolidated net income of ₱6.2 million, lower as compared to net income of ₱17.1 million for the same period in 2019.

Arrow Freight Corporation (AFC) a logistics provider of the Company reported net earnings of ₱1.6 million in the third quarter of 2020, compared to ₱2.1 million net loss for the same quarter in 2019. For the nine months period in 2020, AFC generated a net earnings of ₱4.7 million, lower than the ₱8.6 million net earnings for the same period in 2019. The net earnings in 2019 includes P17.5 million discount earned from the settlement of outstanding liability with Goldrich Construction and Trading.

Keystone Port Logistics and Management Services Corporation (KPLMSC), the port and barging services provider of the Company reported a net loss of ₱1.9 million during the third quarter of 2020, higher as compared to ₱1.0 million net loss for the same quarter in 2019. On the other hand, Keystone posted net earnings of ₱7.7 million year to date basis, significantly higher compared to ₱641 thousand net earnings for the same period in 2019. The is mainly due to higher port management fee on account of the 265,255 tons of nickel ore shipment handled in 2020 versus 55,000 tons handled in 2019.

BMC Forestry Corporation (BFC) manages the lime kiln operation of Irisan Lime Project and various real estate projects of the Company. BFC also engaged in real estate development and sale of subdivision lots in its Woodspark Subdivision in Rosario, La Union. BFC reported net loss of ₱0.31 million for the nine months period of 2020, as compared to the net earnings of ₱2.5 million for the same period in 2019.

The Company's healthcare and diagnostic services provider, Benguetcorp Laboratories Inc. (BLI) generated revenues of ₱24.9 million for the year to date of September 2020, 13% lower than the P28.8 million revenues for the same period in 2019. The decrease in sales resulted to a net loss of ₱1.20 million for the nine months of 2020, much lower compared to net loss of ₱8.1 million in 2019. BCLI continues to serve its core customers. HMOs (Health Maintenance Organization) corporate clients in Baguio and Pampanga, and government agencies.

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

KNOWN TRENDS, EVENTS OR UNCERTAINTIES

The Company constantly observes precautionary measures in response to the COVID-19 pandemic to reduce risks, safeguard the health and safety of its employees and indigent families in the host and neighboring communities, and to ensure business continuity. The Company is assisting in the vaccine roll out of the local government in the host community through provision of venue, meals and other support materials required by the Municipal Health Office. Likewise, should the Company's vaccine procurement becomes available, portion will be allocated to the community through the SDMP. The Company does not foresee any cash flow or liquidity problems over the next twelve (12) months. BNMI resumed mining operations and continues to market saleable nickel inventory from old and newly mined ores in stockpile areas, ILP continues to have steady market for quicklime products, while AGP is expected to improve gold production due to more relaxed quarantine guidelines which will improve attendance and performance of miners. The Company and its subsidiaries continue to claim available tax refunds from the Bureau of Internal Revenue.

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

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

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, 2021, 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;
- Seasonal aspects that had a material impact on the Company's results of operations; and
- Material changes in the financial statements of the Company.

KEY PERFORMANCE INDICATORS

1.) *Working Capital* - Working capital (current assets less current liabilities) and current ratio (current assets over current liabilities) measures the liquidity or debt paying ability of the Company. As of September 30, 2021, the Company current ratio is 1.87:1 versus 0.84:1 for the same period in 2020.

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, the average market price for gold sold was at US$1,807.29 per ounce compared to US$1,729.96 per ounce for the same period in 2020. For the nine months period, nickel ore was sold at average price of US$45.40/ton versus US$24.02/ton for the same period in 2020. 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, tons milled were 42,209 tons of ore with average grade of 5.86 grams per ton gold versus 30,968 tons with an average mill head of 5.96 grams per ton for the same period in 2020. Gold sold to-date of 7,947.89 ounces is higher than the 5,932.17 ounces of gold sold for the same period last year. BNMI sold nickel ore with an aggregate volume of 798,768 tons ranging from 1.2% to 1.4% Ni grade for the nine months period versus 265,255 tons of nickel ore with 1.3% to 1.5% Ni grade for the same period in 2020.

4.) *Foreign Exchange Rate*. - The Company's sales proceeds are denominated mainly in U.S. dollars. A higher Philippine peso to U.S. dollar exchange rate means higher peso sales 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, 2021, the peso to dollar exchange rate was at ₱51.00, compared to the ₱48.90 for the same period in 2020. 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, 2021, the Company's earnings per share is ₱1.28 per share versus ₱0.13 per share for the same period of 2020. 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.

<u>THE COMPANY'S KEY PERFORMANCE INDICATOR USED FOR ITS SUBSIDIARIES IS NET INCOME</u>

Benguet Management Corporation (BMC) and its subsidiaries reported consolidated net income of ₱10.2 million for the nine months period this year, as compared to consolidated net income of ₱6.2 million for the same period in 2020.

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: **MAX D. ARCEÑO**
Senior Vice President- Finance & Treasurer
Date: November 19, 2021

Principal Financial/Accounting Officer/Comptroller:

Signature and Title: **LINA G. FERNANDEZ**
President
Date: November 19, 2021

BENGUET CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2021 AND DECEMBER 31, 2020

(Amounts in Thousands)

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	**₱803,885**	₱271,548
Trade and other receivables	**352,928**	475,251
Inventories	**195,677**	101,140
Other current assets	**416,040**	398,720
Total Current Assets	**1,768,530**	1,246,659
Noncurrent Assets		
Property, plant and equipment	**2,582,762**	2,615,290
Financial assets measured at fair value through other comprehensive income (FVOCI)	**13,587**	13,361
Deferred mine exploration costs	**461,555**	456,806
Investment property	**2,633,677**	2,633,677
Deferred tax assets - net	**6,712**	6,712
Other noncurrent assets	**418,633**	406,777
Total Noncurrent Assets	**6,116,926**	6,132,623
TOTAL ASSETS	**₱7,885,456**	₱7,379,282

LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable	**₱323,998**	₱508,998
Trade and other payables	**560,851**	620,719
Current portion of liability for mine rehabilitation	**38,136**	38,136
Current portion of lease liability	**1,837**	1,678
Income tax payable	**22,129**	2,006
Total Current Liabilities	**946,951**	1,171,537
Noncurrent Liabilities		
Deferred income tax liabilities - net	**882,514**	882,514
Liability for mine rehabilitation	**67,470**	67,470
Pension liability	**71,831**	81,831
Noncurrent portion of lease liability	**4,476**	4,476
Other noncurrent liabilities	**330,128**	391,412
Total Noncurrent Liabilities	**1,356,419**	1,427,703
Total Liabilities	**2,303,370**	2,599,240
Equity		
Capital stock	**624,068**	617,215
Capital surplus	**391,688**	388,969
Other components of equity	**1,186,578**	1,183,086
Retained earnings	**3,387,768**	2,598,788
	5,590,102	4,788,058
Cost of 116,023 shares held in treasury, ₱69 per share	**(8,016)**	(8,016)
Total Equity	**5,582,086**	4,780,042
TOTAL LIABILITIES AND EQUITY	**₱7,885,456**	₱7,379,282

BENGUET CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(With Comparative Figures for the nine months ended September 30, 2020)
(Amounts in Thousands)

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2021	2020	**2021**	2020
REVENUES	**₱279,502**	₱241,016	**₱2,560,709**	₱942,606
COSTS AND OPERATING EXPENSES				
Costs of mine products sold	**199,910**	166,991	**811,417**	500,120
Costs of merchandise sold and services	**11,570**	8,400	**38,066**	27,965
Selling and general	**87,321**	60,625	**418,895**	250,556
Taxes on revenue	**9,984**	9,002	**185,806**	52,222
	308,785	245,018	**1,454,184**	830,863
INCOME (LOSS) FROM OPERATIONS	**(29,283)**	(4,002)	**1,106,525**	111,743
INTEREST EXPENSE	**408**	1,411	**2,212**	3,226
OTHER INCOME (EXPENSE)				
Interest income	**139**	239	**477**	756
Foreign exchange gain (loss)	**(6,327)**	6,658	**(11,788)**	10,162
Miscellaneous – net	**(7,473)**	(18,458)	**(37,989)**	(20,047)
	(13,661)	(11,561)	**(49,300)**	(9,129)
INCOME (LOSS) BEFORE INCOME TAX	**(43,352)**	(16,974)	**1,055,013**	99,388
PROVISION FOR (BENEFIT FROM) INCOME TAX	**(10,642)**	(1,132)	**266,033**	16,548
NET INCOME (LOSS)	**(₱32,710)**	(₱15,842)	**₱788,980**	₱82,840
BASIC EARNINGS (LOSS) PER SHARE	**(₱0.05)**	(₱0.03)	**₱1.28**	₱0.13
DILUTED EARNINGS (LOSS) PER SHARE	**(₱0.05)**	(₱0.03)	**₱1.26**	₱0.13

BENGUET CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

(With Comparative Figures for the nine months ended September 30, 2020)

(Amounts in Thousands)

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2021	2020	**2021**	2020
NET INCOME (LOSS)	**(₱32,710)**	(₱15,842)	**₱788,980**	₱82,840
OTHER COMPREHENSIVE INCOME (LOSS)				
Items to be reclassified to profit or loss in subsequent periods:				
Translation adjustment on foreign subsidiaries	**2,836**	(1,517)	**3,143**	(2,432)
Items not to be reclassified to profit or loss in subsequent periods:				
Unrealized gain (loss) on equity instruments designated at FVOCI	**18**	20	**26**	108
OTHER COMPREHENSIVE INCOME (LOSS)	**2,854**	(1,497)	**3,169**	(2,324)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱29,856)**	(₱17,339)	**₱792,149**	₱80,516

BENGUET CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(With Comparative Figures for the nine months ended September 30, 2020)
(Amounts in Thousands)

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)	December 31, 2020 (Audited)
CAPITAL STOCK	**₱624,068**	₱616,918	₱617,215
CAPITAL SURPLUS	**391,688**	380,433	388,969
REVALUATION INCREMENT	**1,127,236**	1,127,236	1,127,236
CUMULATIVE TRANSLATION ADJUSTMENT			
Balance at beginning of period	**31,595**	33,592	33,592
Translation adjustment	**3,143**	(2,432)	(1,997)
Balance at end of period	**34,738**	31,160	31,595
COST OF SHARE-BASED PAYMENT			
Balance at beginning of period	**13,366**	21,671	21,671
Exercise of stock options	**323**	–	(1,957)
Cancellation of stock options	**–**	–	(6,348)
Balance at end of period	**13,689**	21,671	13,366
UNREALIZED GAIN ON FINANCIAL ASSETS AT FVOCI			
Balance at beginning of period	**1,164**	971	971
Other comprehensive income (loss)	**26**	108	193
Balance at end of period	**1,190**	1,079	1,164
REMEASUREMENT LOSS ON PENSION LIABILITY	**9,590**	21,413	9,590
UNREALIZED GAIN ON INTANGIBLE ASSET	**135**	135	135
RETAINED EARNINGS			
Balance at beginning of period	**2,598,788**	2,217,403	2,217,403
Net income (loss) for the period	**788,980**	(82,840)	381,385
Balance at end of period	**3,387,768**	2,300,243	2,598,788
TREASURY SHARES	**(8,016)**	(8,016)	(8,016)
TOTAL EQUITY	**₱5,582,086**	₱4,492,272	₱4,780,042

BENGUET CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

(With Comparative Figures for the nine months ended September 30, 2020)

(Amounts in Thousands)

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2021	2020	**2021**	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax	**(₱43,352)**	(₱16,974)	**₱1,055,013**	₱99,388
Adjustments for:				
Depreciation, depletion and amortization	**11,254**	13,773	**60,617**	39,303
Unrealized foreign exchange loss (gain)	**2,496**	(7,170)	**3,143**	(11,410)
Decrease (increase) in:				
Trade and other receivables	**43,282**	66,024	**122,323**	(8,510)
Inventories	**(4,182)**	568	**(94,537)**	41,717
Prepaid expenses and other current assets	**(64,400)**	(7,106)	**(263,230)**	(34,219)
Decrease in				
Trade and other payables	**(81,569)**	(38,969)	**(59,868)**	(79,439)
Pension liability	**(10,000)**	93	**(10,000)**	(1,560)
Net cash from (used in) operating activities	**(146,471)**	10,239	**813,461**	45,270
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase in:				
Property, plant and equipment	**(5,994)**	(10,946)	**(28,089)**	(12,140)
Deferred exploration costs	**(8,346)**	(1,545)	**(4,749)**	(6,007)
Other assets	**(21,807)**	(5,087)	**(11,856)**	(9,726)
Available for sale investments	**–**	(20)	**(200)**	(108)
Net cash used in investing activities	**(36,147)**	(17,598)	**(44,894)**	(27,981)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of:				
Loans payable	**–**	–	**(185,000)**	–
Lease liabilities	**673**	(274)	**159**	(805)
Exercise of stock options	**1,633**	62,346	**9,895**	55,992
Decrease in other noncurrent liabilities	**117,618**	106	**(61,284)**	106
Net cash from (used in) financing activities	**119,924**	62,178	**(236,230)**	55,293
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(62,694)**	54,819	**532,337**	72,582
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**866,579**	94,935	**271,548**	77,172
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱803,885**	₱149,754	**₱803,885**	₱149,754

BENGUET CORPORATION AND SUBSIDIARIES

EARNINGS PER SHARE COMPUTATION

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Amounts in Thousands, Except for the Number of Shares)

	September 30	
	2021	2020
Net income (loss)	**₱788,980**	₱82,840

Number of shares for computation of:

	September 30	
	2021	2020
Basic earnings per share		
Weighted average common shares issued	**618,987,118**	616,119,252
Less treasury stock	**348,069**	348,069
Weighted average common shares outstanding	**618,639,049**	615,771,183
Diluted earnings per share		
Weighted average common shares issued	**618,987,118**	616,119,252
Less treasury stock	**348,069**	348,069
	618,639,049	615,771,183
Conversion of preferred stock	**2,059,366**	2,059,366
Exercise of stock options	**3,931,502**	55,200
	624,629,917	617,885,749
Basic earnings (loss) per share	**₱1.28**	₱0.13
Diluted earnings (loss) per share	**₱1.26**	₱0.13

BENGUET CORPORATION AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

	September 30	
	2021	2020
Profitability Ratio		
Return on asset	**0.10:1**	0.01:1
Return on equity	**0.14:1**	0.02:1
Gross profit margin	**0.60:1**	0.38:1
Operating profit margin	**0.43:1**	0.12:1
Net profit margin	**0.31:1**	0.09:1
Liquidity and Solvency Ratio		
Current ratio	**1.87:1**	0.84:1
Quick ratio	**1.22:1**	0.43:1
Solvency ratio	**3.42:1**	2.82:1
Financial Leverage Ratio		
Asset to equity ratio	**1.41:1**	1.55:1
Debt ratio	**0.29:1**	0.36:1
Debt to equity ratio	**0.41:1**	0.55:1
Interest coverage ratio	**-477.95:1**	31.81:1

BENGUET CORPORATION AND SUBSIDIARIES

AGING OF RECEIVABLES

AS OF SEPTEMBER 30, 2021

(Amounts in Thousands)

TYPE OF RECEIVABLES	LESS THAN 30 DAYS	30 TO 60 DAYS	LESS THAN ONE YEAR	ONE TO TWO YEARS	THREE TO FIVE YEARS	MORE THAN FIVE YEARS	TOTAL
Trade receivables	₱4,996	₱2,505	₱6,453	₱3,192	₱20,368	₱49,229	₱86,743
Allowance for doubtful accounts	–	–	–	–	–	(33,033)	(33,033)
Trade receivables – net	4,996	2,505	6,453	3,192	20,368	16,196	53,710
Nontrade receivables:							
Officers and employees	2,648	1,780	11,345	6,515	29,378	35,892	87,558
Others	5,838	24,450	16,696	13,941	34,565	241,708	337,198
Total	8,486	26,230	28,041	20,456	63,943	277,600	424,756
Allowance for doubtful accounts	–	–	–	–	–	(125,538)	(125,538)
Nontrade receivables - net	8,486	26,230	28,041	20,456	63,943	152,062	299,218
Trade and other receivables - net	₱13,482	₱28,735	₱34,494	₱23,648	₱84,311	₱168,258	₱352,928

BENGUET CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

1. **Corporate Information**

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

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

2. **Summary of Significant Accounting Policies**

Basis of Preparation

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

Statement of Compliance

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

Changes in Accounting Standards and Interpretation

Effective beginning on or after January 1, 2021

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

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

Financial assets

Initial Recognition and Measurement

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

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

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

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

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

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

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

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

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

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

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

Derecognition

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

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

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

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

Impairment

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

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

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

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

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

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

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

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

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

Financial liabilities

Initial Recognition and Measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

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

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

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

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

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

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

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

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

The carrying amount of trade and other receivables amounted to ₱352,928 and ₱475,251 as at September 30, 2021 and December 31, 2020, respectively.

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

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

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

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

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

As at September 30, 2021 and December 31, 2020, deferred mine exploration costs amounted to ₱461,555 and ₱456,806, respectively.

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

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

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

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

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

As at September 30, 2021 and December 31, 2020, property, plant and equipment (at revalued amount and at cost) amounted to ₱2,582,762 and ₱2,615,290, respectively.

Estimating Allowance for Inventory Obsolescence
The Group maintains allowance for inventory losses at a level considered adequate to reflect the excess of cost of inventories over their NRV. NRV of inventories are assessed regularly based on prevailing estimated selling prices of inventories and the corresponding cost of disposal. Increase in the NRV of inventories will increase cost of inventories but only to the extent of their original acquisition costs. As at September 30, 2021 and December 31, 2020, the carrying value of inventories amounted to ₱195,677 and ₱101,140, respectively.

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

The total carrying value of other current assets and other noncurrent assets amounted to ₱834,673 and ₱805,497 as at September 30, 2021 and December 31, 2020, respectively.

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

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

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

Estimating Pension Benefits
The cost of defined benefit pension and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at the end of each reporting period. Net pension liability of the Parent Company amounted to ₱68,749 and ₱78,749 as at September 30, 2021 and December 31, 2020, respectively. Net pension liability of AFC amounted to ₱3,082 as at September 30, 2021 and December 31, 2020.

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

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

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

4. Financial Risk Management Objectives and Policies

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

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

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

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

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

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

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

September 30, 2021	On demand	0-90 days	More than 90 days	More than one year	Total
Cash and cash equivalents					
Cash in banks	₱792,819	₱–	₱–	₱–	₱792,819
Short-term deposits	10,067	–	–	–	10,067
Trade and other receivables					
Trade	4,996	2,505	6,453	39,756	53,710
Receivables from lessees of bunkhouses	3,410	–	–	–	3,410
Advances under other current assets	–	–	–	54,638	54,638
Nontrade under other noncurrent assets	–	–	–	211,780	211,780
FVOCI					
UITF	–	–	–	13,167	13,167
Quoted shares	–	–	–	420	420
Total	₱811,292	₱2,505	₱6,453	₱319,761	₱1,140,011
Loans payable	₱323,998	₱–	₱–	₱–	₱323,998
Trade and other payables					
Trade	–	277,667	–	–	277,667
Nontrade	6,357	–	–	–	6,357
Accrued expenses	–	–	28,896	–	28,896
Lease liability	–	–	1,837	4,476	6,313
Other noncurrent liabilities					
Equity of claimowner in contract operations	–	–	–	49,136	49,136
Total	₱330,355	₱277,667	₱30,733	₱53,612	₱692,367

**Excluding statutory payables*

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

Credit Risk

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

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

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

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

	September 30, 2021	December 31, 2020
Cash and cash equivalents		
Cash in banks	**₱792,819**	₱260,546
Short-term deposits	**10,067**	10,067
Trade and other receivables		
Trade	**53,710**	178,583
Receivables from lessees of bunkhouses	**3,410**	1,110
Advances under other current assets	**54,638**	54,638
Nontrade under other noncurrent assets	**211,780**	210,726
	₱1,126,424	₱715,670

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

	Neither past due nor impaired				
September 30, 2021	**High-grade**	**Standard-grade**	**Past due but not impaired**	**Impaired**	**Total**
Cash and cash equivalents					
Cash in banks	**₱792,819**	**₱–**	**₱–**	**₱–**	**₱792,819**
Short-term deposits	**10,067**	**–**	**–**	**–**	**10,067**
Trade and other receivables					
Trade	**–**	**53,710**	**–**	**33,033**	**86,743**
Receivables from lessees of bunkhouses	**–**	**–**	**3,410**	**3,644**	**7,054**
Loan receivable	**–**	**–**	**–**	**49,763**	**49,763**
Advances under other current assets	**–**	**–**	**54,638**	**–**	**54,638**
Nontrade under other noncurrent assets	**–**	**–**	**211,780**	**151,892**	**363,672**
Total credit risk exposure	**₱802,886**	**₱53,710**	**₱269,828**	**₱238,332**	**₱1,364,756**

	Neither past due nor impaired				
December 31, 2020	High-grade	Standard-grade	Past due but not impaired	Impaired	Total
Cash and cash equivalents					
Cash in banks	₱260,546	₱–	₱–	₱–	₱260,546
Short-term deposits	10,067	–	–	–	10,067
Trade and other receivables					
Trade	–	178,583	–	27,882	206,465
Receivables from lessees of bunkhouses	–	–	1,110	3,644	4,754
Loan receivable	–	–	–	49,763	49,763
Advances under other current assets	–	–	54,638	–	54,638
Nontrade under other noncurrent assets	–	–	210,726	151,892	362,618
Total credit risk exposure	₱270,613	₱178,583	₱266,474	₱233,181	₱948,851

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

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

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

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

<u>Market Risks</u>
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, 2021 and December 31, 2020, the Group's exposure to the risk for changes in market interest rate relates primarily to its secured bank loans and unsecured bank loans with floating interest rates. The Group regularly monitors its interest due to exposure from interest rates movements.

Foreign Currency Risk
Foreign currency risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial performance and cash flows. The Group has transactional currency exposures. Such exposure arises from the sale of gold and nickel ore and the purchase of certain goods and services denominated in US$. All sales of gold and nickel ore are denominated in US$. Dollar conversion of metal sales to Philippine peso is based on the prevailing exchange rate at the time of sale.

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

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

	September 30, 2021		December 31, 2020	
	US$	**Peso equivalent**	US$	Peso equivalent
Financial Assets				
Cash in banks	**$45**	**₱2,295**	$1,280	₱61,469
Trade receivables under "trade and other receivables"	**524**	**26,724**	527	25,308
Total monetary assets	**$569**	**₱29,019**	$1,807	₱86,777

As at September 30, 2021 and December 31, 2020, the exchange rates of the Philippine peso to the US$ based on the Philippine Dealing System are ₱51 and ₱48.023 respectively.

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

September 30, 2021	**Change in foreign exchange rate**	**Income before income tax effect**
	Strengthens by 0.14%	**₱80**
	Weakens by 0.96%	**(546)**

December 31, 2020	Change in foreign exchange rate	Income before income tax effect
	Strengthens by 0.14%	₱119
	Weakens by 0.96%	(830)

Equity Price Risk

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

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

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

Capital Management

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

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

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

	September 30, 2021	December 31, 2020
Capital stock	**₱624,068**	₱617,215
Capital surplus	**391,688**	388,969
Retained earnings	**3,387,768**	2,598,788
Other components of equity	**1,186,578**	1,183,086
Treasury shares	**(8,016)**	(8,016)
	₱5,582,086	₱4,780,042

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

	September 30, 2021	December 31, 2020
Total liabilities (a)	**₱2,303,370**	₱2,599,240
Total equity (b)	**5,582,086**	4,780,042
Debt-to-equity ratio (a/b)	**0.41:1**	0.54:1

5. Seasonality and Cyclicality of Interim Operation

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

6. Events After End of Reporting Period

There are no significant events after end of reporting period.

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

i.) The disclosure on significant accounting principles, policies, and practices are substantially the same with the disclosure made in 2020 financial statements. Additional disclosures on the significant changes of accounts and subsequent events are presented in the Management Discussion and Analysis.

ii.) During the Third Quarter of 2021, there were no seasonal or cyclical aspects that materially affect the operation of the Company, no substantial nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, and no unusual items that materially affect the Company's assets, liabilities, equity, net income or cash flows.

iii.) Issuances, Repurchases, Repayments of Debt and Equity Securities – During the Third Quarter of 2021, there were no securities sold by the Company which were not registered under the Securities Regulation Code (SRC) including the sales of reacquired securities, new issues, securities issued in exchange of property, services or other securities and new securities resulting from the modification of outstanding securities.

iv.) Dividends – Pursuant to the restrictions provided for in the Company's loan agreement with creditor banks, no cash dividends were declared during the Third Quarter 2021.

v.) Segment Information - The Company is principally engaged in mining industry. Its operating revenues as of September 30, 2021 mainly rose from sales of gold to Bangko Sentral Ng Pilipinas amounting to ₱699.1 million and nickel ores amounting to ₱1.8 billion.

vi.) Subsequent Material Events - There were no material events subsequent to the end of the quarter that have been reflected in the financial statements for the period.

vii.) There were no changes in the composition of the Company, business combinations, acquisition or disposal of subsidiaries and long-term investments and no substantial changes in contingent liabilities and contingent assets from 2020.