



BenguetCorp

August 19, 2020

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

Attention: MR. VICENTE GRACIANO P. FELIZMENIO, JR.  
Director, Markets & Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.  
6<sup>th</sup> Floor, Philippine Stock Exchange Tower  
5<sup>th</sup> Avenue corner 28<sup>th</sup> Street  
Bonifacio Global City, Taguig City

Attention: MS. JANET A. ENCARNACION  
Head, Disclosure Department

Gentlemen:

In compliance with the reportorial requirements of the SEC and PSE, we submit hereto Benguet Corporation's Second Quarter Report 2020 (SEC Form 17-Q). Please note that on August 12, 2020, we requested for extension of deadline to submit the said report under SEC Form 17-L.

We trust that you will find everything in order.

Very truly yours,

BENGUET CORPORATION

By:

  
REYNALDO P. MENDOZA  
Officer-In-Charge / SVP- Legal  
and Asst. Corporate Secretary



BenguetCorp

### CERTIFICATION

I, REYNALDO P. MENDOZA, Officer-In-Charge, Senior Vice President – Legal and Assistant Corporate Secretary of BENGUET CORPORATION with SEC registration number 11341 and principal office at 7<sup>th</sup> Floor, Universal Re Building, 106 Paseo de Roxas, Makati City, on oath state:

1. That on behalf of BENGUET CORPORATION, I have caused this 2020 Second Quarter Report under SEC Form 17-Q to be prepared;
2. That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
3. That Benguet Corporation will comply with the requirements set forth in SEC Notice dated 24 June 2020 for a complete and official submission of reports and/or documents through electronic mail; and
4. That I am fully aware that documents filed online which required pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of filing fee (where applicable).

IN WITNESS WHEREOF, I have hereunto set my hand this AUG 18 2020 day of August 2020 at MANDALUYONG CITY

**REYNALDO P. MENDOZA**  
Office-In-Charge/Senior Vice President-Legal  
and Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this AUG 18 2020 day of August 2020 by affiant who personally appeared before me and exhibited to me his competent evidence of identity consisting of SSS ID No. 03-3865936-9 issued at Quezon City by the Republic of the Philippines.

Doc. No. 282 ;  
Page No. 58 ;  
Book No. 1 ;  
Series of 2020.

**LINA G. FERNANDEZ**  
NOTARY PUBLIC UNTIL DEC. 31, 2020  
COMMISSION No. 0268-19  
65 SIKAP ST. MANDALUYONG CITY  
ROLL OF ATTORNEYS No. 52122  
IBP LIFETIME MEMBER No. 022897/JAN. 3, 2018/RSM  
PTR No. 4333186/JAN.06,2020/MANDALUYONG  
MCLE No. VII-0000261, JULY 30,2019

# COVER SHEET

1	1	3	4	1			
---	---	---	---	---	--	--	--

SEC Registration Number

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

(Group's Full Name)

7	T	h		F	l	o	o	r	,		U	n	i	v	e	r	s	a	l		R	e		B	u	i	l	d	i	n	g	,		
1	0	6		P	a	s	e	o		d	e		R	o	x	a	s	,		M	A	k	a	t	i		C	i	t	Y				

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

<b>Mr. Reynaldo P. Mendoza</b>
--------------------------------

(Contact Person)

<b>8812-1380</b>
------------------

(Group Telephone Number)

1	2	3	1
---	---	---	---

Month      Day

(Calendar Year)

1	7	-	Q
---	---	---	---

(Form Type)

0	5	2	8
---	---	---	---

Month      Day

(Annual Meeting)

<b>Not Applicable</b>
-----------------------

(Secondary License Type, If Applicable)

--

Dept. Requiring this Doc.

<b>Not Applicable</b>
-----------------------

Amended Articles Number/Section

--

Total No. of Stockholders

--	--

Total Amount of Borrowings

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: JUNE 30, 2020
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  
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	370,739,961 shares*
Common Class B Stock	245,031,222 shares*

(\* ) Net of Treasury Shares

Total consolidated outstanding principal loans payable as of June 30, 2020-~~P~~270.06 Million

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

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

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

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

Yes  No

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

Yes  No

## PART I--FINANCIAL INFORMATION

### Item 1. Financial Statements.

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

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 14 to 38 incorporated herein and form part of this report (SEC Form 17-Q) which contained the following reports:

<u>Description</u>	<u>Page No.</u>
1. Unaudited Interim Condensed Consolidated Statements of Financial Position (with audited comparative data for 2019)	14
2. Unaudited Interim Condensed Consolidated Statements of Income	15
3. Unaudited Interim Condensed Consolidated Statements of Comprehensive Income	16
4. Unaudited Interim Condensed Consolidated Statements of Changes in Equity	17
5. Unaudited Interim Condensed Consolidated Statements of Cash Flows	18
6. Earnings Per Share Computation	19
7. Financial Soundness Indicators	20
8. Aging of Receivables	21
9. Notes to Unaudited Interim Condensed Consolidated Financial Statements	22
8.1 Summary of Significant Accounting Policies	22-26
8.2 Summary of Significant Accounting Judgments, Estimates & Assumptions	26-31
8.3 Financial Risk Management Objectives & Policies	31-37
8.4 Seasonality and Cyclicity of Interim Operation	37
8.5 Events After End of Reporting Period	38

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

#### I. 2020 SECOND QUARTER Vs. 2019 SECOND QUARTER

##### A. FINANCIAL PERFORMANCE

###### **Consolidated Results of Operations**

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

###### **Revenues**

The Company generated consolidated revenues of ₱293.1 million for the 2nd quarter of 2020 and ₱701.6 million for the first semester of 2020, higher versus ₱238.1 million and ₱424.6 million reported for the same periods in 2019. The positive variance is attributable to higher revenue from mining business. For the first semester this year, BNMI exported 5 boatloads of nickel ore ranging from 1.32% to 1.52% with an aggregate volume of 265,255 tons at an average price of US\$25.71 versus 1 boatload of 1.5% nickel ore with shipment volume of 55,000 tons at an average price of US\$22.50/ton in 2019. Despite the low production, the Acupan Gold Project (AGP) contributed a revenue of P308.7 million or 44% of the total revenue reported for the first semester this year. The increase is mainly due to higher price of gold. For the first half this year, ACMP sold 3,720.46 ounces of gold at average price of US\$1,637.31 per ounce versus 3,861.18 ounces at an average price of US\$1,308.12 per ounce for the same period last year.

### **Operating and Other Expenses**

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

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

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

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

## **B. FINANCIAL CONDITION**

### **Assets**

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

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

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

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

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

Decrease in Property, plant and equipment to ₱2,613.0 million from ₱2,637.2 million pertains to depreciation and amortization for the first semester this year.

### **Liabilities**

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

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

### **Equity**

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

### **Consolidated Cash Flow**

The net cash provided by operating activities for the first semester this year amounted to ₱35.0 million. In contrast, the net cash used for the same period last year amounted to ₱134.7 million.

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

## **C. OPERATIONAL OVERVIEW**

### **Acupan Gold Project (AGP)**

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

Despite lower production, AGP generated net income of ₱21.3 million for the second quarter and ₱36.5 million for the first half this year, a turnaround from the same respective periods in 2019 when AGP incurred net losses of ₱3.483 million and ₱9.1 million. This is attributable to higher average price of gold for the quarter at US\$1,711.55 per ounce and US\$1,637.31 per ounce for the first half this year versus the average price of US\$1,313.55 per ounce and US\$1,308.12 per ounce for the same respective periods in 2019.

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

### **Sta. Cruz Nickel Project (SCNP)**

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

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



Greening Program (NGP), Temporary Revegetation Program (TRP), and Progressive Rehabilitation Program (PRP) of the DENR.

#### **Benguet Antamok Gold Operation (BAGO)**

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

#### **Irisan Lime Project (ILP)**

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

#### **EXPLORATION, RESEARCH AND DEVELOPMENT**

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

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

#### **SUBSIDIARIES AND AFFILIATES**

##### **i. Logistics**

- Arrow Freight Corporation (AFC), the logistics provider of the Company, reported a net loss of ₱1.3 million in the second quarter this year and net income of ₱3.1 million for the first half of 2020, as compared to the net income of ₱11.4 million and ₱10.5 million for the same respective periods in 2019. The income last year was mainly due to ₱17.4 million discount earned in the settlement of outstanding liability with Goldrich Construction and Trading amounting to ₱87.6 million.
- Keystone Port Logistics and Management Services Corporation (KPLMSC), the port and barging services provider of the Company, generated net income for the second quarter and



first semester this year amounted to ₱3.7 million and ₱9.6 million, respectively, as compared to net income of ₱3.1 million and ₱1.6 million for the same periods in 2019. This is mainly due to revenues of port usage on account of the 265,255 tons handled for the first semester this year, higher compared to 55,000 tons handled for the same period in 2019. With the reduced shipment volume coming out of BNMI operations, use of the Candelaria port is being offered for lease to third parties.

ii. Real Estate

BMC Forestry Corporation (BFC), the real estate arm of the Company continues to develop and sell subdivision lots in its real estate project in Rosario, La Union, Woodspark Subdivision which incurred net loss of ₱0.15 million this quarter and loss of ₱0.22 million for the first half of 2020, as compared to the net income of ₱0.34 million and ₱2.6 million for the same for the same respective periods in 2019. BFC continues to collect monthly amortizations and sell the remaining five (5) Woodspark Subdivision lots with an aggregate area of 1,763 square meters.

iii. Healthcare

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

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

## II. 2019 SECOND QUARTER VS. 2018 SECOND QUARTER

### A. FINANCIAL PERFORMANCE

#### **Consolidated Results of Operations**

Consolidated net loss for the second quarter and first semester of 2019 amounted to ₱7.0 million and ₱67.6 million, respectively, and net loss of ₱6.9 million and ₱43.3 million for the same period in 2018. The increase in net loss was the net effect of the following:

#### **Revenues**

The Company registered consolidated revenues of ₱238.1 million for the 2nd quarter of 2019 and ₱424.6 million for the first semester of 2019, lower than the ₱345.2 million and ₱681.5 million reported for the same periods in 2018. The negative variance is due to decline in nickel and gold revenue. For the first semester this year, BNMI ship-out 1 boatload of 1.5% nickel ore with a volume of 55,000 tons at an average price of US\$22.50/ton versus 4 boatloads ranging from 1.4% to 1.5% with an aggregate volume of 218,635 tons at an average price of US\$20.50 per ton for the same period in 2018. The decline in nickel revenue is attributed to the BNMI suspension and high swell in Candelaria port. On the other hand, gold revenue decreased to ₱262.6 million from ₱363.0 million due to lower gold sold of 3,861.18 ounces at an average price of US\$1,308.12/ounce versus 5,321.53 ounces at an average price of US\$1,317.71/ounce for the

same period last year. The decrease in gold sales is attributable to lower ore milled at 19,987 tons for the first semester this year from 26,415 tons for the same period last year.

#### **Operating and Other Expenses**

Cost and operating expenses in the second quarter 2019 decreased to ₱261.2 million from ₱347.9 million for the same quarter in 2018 mainly due to the decrease in cost of mine products sold by 11% or ₱22.5 million and selling and general expenses by 44%. For the first semester 2019, cost and operating expenses reduced by 29% to ₱501.9 million from ₱705.2 million. The reduction is mainly due to lower cost of mine products sold during the semester as against the same period in 2018.

Interest expense for the quarter and first semester of 2019 were lower compared for the same periods in 2018. The decrease is mainly due to the full payment of bank loan.

Other income for the quarter and first semester 2019 amounted to ₱22.3 million and ₱18.6 million, respectively, versus other expense of ₱2.2 million and ₱13.1 million for the same periods in 2018. The other income in 2019 is attributable to the ₱24.3 million discounts earned from the settlement of outstanding liability with Goldrich Construction and Trading amounting to ₱121.4 million and the ₱6.0 million gain on sale of property in Namayan, Mandaluyong City.

Provision for income tax of ₱6.0 million for the second quarter and ₱8.3 million for the first semester of 2019 pertains to the minimum corporate income tax of the BC (Parent company), Benguetcorp Nickel Mines, Inc. (BNMI) and Keystone Port Logistics and Management Services Corporation (Keystone).

### **B. FINANCIAL CONDITION**

#### **Assets**

The Company ended the second quarter of 2019 with consolidated total assets of ₱6.37 billion, slightly lower than ₱6.63 billion in 2018. The slight decrease is the net effect of the following:

Cash and cash equivalent in the second quarter 2019 was decreased by 60% from ₱302.1 million in 2018 mainly to ₱119.8 million due to cash used in operation and repayment of loan and trade payables.

Receivables in the second quarter 2019 was increased to ₱250.6 million from ₱210.9 million in 2018, mainly from exported nickel ore due for collection and cash advances subject for liquidation.

Inventories in the second quarter 2019 was decreased by 8% to ₱118.9 million from ₱129.0 million in 2018 mainly from the 1 boatload of nickel ore sold this first semester of 2019.

Other current assets in the second quarter 2019 was reduced by ₱93.7 million mainly due to the conversion of ₱59 million VAT tax credit certificate to cash and ₱40 million tax refund obtain during the first semester of 2019.

#### **Liabilities**

Total consolidated liabilities as of June 30, 2019 decreased to ₱2.49 billion from ₱2.69 billion as of December 31, 2018. The decrease was due to the following:

Trade and other payables, mainly payables to suppliers and contractors, decreased by 19% to ₱688.3 million in 2019 from ₱858.6 million in 2018 due to payment to various suppliers and contractors.

Loans payable decreased to ₱507.9 million in 2019 from ₱530.7 million in 2018 on account of the full settlement of Malayan Savings Bank loans.

Increase in Income tax payable is due to the minimum corporate income tax of BC and its subsidiaries.

### **Equity**

Stockholders Equity at year-end amounted to ₱3,870.6 million lower than ₱3,938.1 million in 2018. The decline is due to the net loss incurred during the first semester of this year.

### **Consolidated Cash Flow**

The net cash used in operating activities for the first semester 2019 amounted to ₱134.7 million compared with ₱5.2 million cash used for the same period in 2018. During the first semester 2019, the Company invested ₱14.0 million in property, plant and equipment, ₱543 thousand in exploration activities and ₱4.1 million in Mine Rehabilitation Fund in compliance with the requirement of Mines and Geo-sciences Bureau.

Net cash used in financing activities amounted to ₱25.6 million mainly on account of the full repayment of loan with Malayan Savings Bank.

## **C. OPERATIONAL OVERVIEW**

### **Acupan Gold Project (AGP)**

For the second quarter 2019, AGP milled a combined 11,328 tons of ore grading 5.29 grams gold per ton, producing 1,928.30 ounces gold, lower compared to 11,944 tons of ore grading 6.93 grams gold per ton, producing 2,661.28 ounces gold for the same period in 2018. Gold production for the six-month period of 2019 totaled 3,861.18 ounces from the milling of 19,987 tons of ore containing 6.01 grams of gold per ton, compared to the same period in 2018 of 5,321.53 ounces from the milling of 26,415 tons of ore containing 6.27 grams of gold per ton. The decline in gold production reduced revenues to ₱131.5 million in the second quarter and ₱262.8 million in the first semester of 2019 from ₱181.7 million and ₱363.0 million for the same periods in 2018. As a result, AGP incurred losses of ₱4.5 million and ₱9.1 million for the second quarter and first half of 2019, compared to losses of ₱8.0 million and ₱6.8 million, respectively for the same periods in 2018.

AGP average milling rate as of June 2019 of 110 TPD is 25% lower than average milling rate of 146 TPD reported for the same period 2018. Gold was sold at an effective average price of US\$1,313.86 per ounce in the second quarter and US\$1,308.12 per ounce in the first semester of 2019, higher compared to US\$1,258.42 per ounce and US\$1,242.13 per ounce for the same periods in 2018.

AGP continued mine development works and clearing activities to access better grade at L1500 and L1700, to enhance its milling and production capability. Next quarter, AGP will implement the pending increase in milling charges to its mining contractors for the first time since 2012 from ₱2,925/ton to ₱4,145/ton to reflect the effects of the increase in excise tax from 2% to 4% under the Tax Reform for Acceleration and Inclusion (TRAIN) Act, as well as increases in costs of raw materials. Meanwhile, BC team production crew is currently intensifying mining areas that were not awarded to contractors and tapping other revenue sources like processing of the Batuang tails while continuously evaluating production and operating performances of existing contractors and screening new contractor applicants with the aim of sustaining AGP operation. These programs are expected to reinforce the positive performance of the gold operation and the impact of which will be reflected starting the fourth quarter this year.

### **Sta. Cruz Nickel Project (SCNP)**

Starting in 2017, the Company's nickel business under its wholly owned subsidiary, Benguetcorp Nickel Mines, Inc. (BNMI), operating the SCNP, has remained suspended pending the results of the audit conducted by the Mining Industry Coordinating Council (MICC). The regulatory agencies have allowed BNMI to haul and ship its remaining ore in inventory to avoid environmental risks

which the stockpiles may pose during the rainy season. For the first semester of 2019, BNMI exported 1 boatload of nickel ore with an aggregate volume of 55,000 tons nickel ore averaging 1.5% Ni grade, lower compared to 4 boatloads with an aggregate volume of 218,635 tons nickel ore ranging from 1.4% to 1.5% Ni grade for the same period in 2018. Nickel ore was sold at a price of US\$22.50/ton in 2019 versus US\$20.50/ton in 2018. The decline in sales volume resulted to net loss of ₱84.2 million for the first half of 2019, higher compared to ₱51.7 million net loss for the same period in 2018.

No mining was conducted by BNMI during the first semester this year. BNMI continued to implement environmental rehabilitation programs including the Temporary Revegetation Program (TRP) of the Department of Environment and Natural Resources (DENR) under its Department Administrative Order (DAO) 2018-19. Since 2009 to date, BNMI planted 1.878 million seedlings of various plant species all over its tenement at 95% survival rate.

#### **Benguet Antamok Gold Operation (BAGO)**

In 2018, the Company formally submitted for approval of the MGB the Antamok Final Mine Rehabilitation and Decommissioning Plan (FMRDP). The aim of the FMRDP is principally to mitigate environmental risks and provide a sustainable final land use for the community. The Company spent a total of ₱6.8 million in 2018 for the rehabilitation of some of the major infrastructure in Antamok based on the submitted plans in the FMRDP proposal. Aside from revegetation, repair, and stabilization of the infrastructures, the FMRDP also includes long-term programs such as the Ecological Solid Waste Management Park Project with the Temporary Residual Containment Area (TRCA), and Waste to Energy (WtE) facilities; the Eco-tourism Water Park Project; and the Minahang Bayan (MB). On December 27, 2018, the Provincial Mining Regulatory Board (PMRB) of the Cordillera Administrative Region (CAR) has declared the Company's proposed area as Minahang Bayan after getting clearance from the DENR. This now allows the organizations of small-scale miners to apply for small-mining contracts in the Minahan Bayan area. Once approved, small-scale mining in the area will now be subject to the compliance measures implemented by the regulatory agencies.

#### **Irisan Lime Project (ILP)**

ILP reported after tax net income of ₱5.8 million in the second quarter and ₱12.0 million for the first half of 2019, higher compared to the net income of ₱5.21 million and ₱9.52 million for the same respective periods in 2018 mainly due to increase in selling price from ₱ 9,723/metric ton to ₱10,524/metric ton. Sales volume in the first semester this year aggregated to 5,452 tons, slightly higher than the 5,052 tons for the same period in 2018.

#### **EXPLORATION, RESEARCH AND DEVELOPMENT**

Recent geological works in Pantingan property conducted by the Company's geologists has identified two-(2) parcels composed of Block-1 and Block-3 areas hosting high quality mountain rock deposits favorably potential for rock aggregates. The potential rock formations comprised of consolidated volcanic conglomerate and massive andesite units based on their actual ground analysis and outcome of the laboratory physical tests indicated that it can be used in all types of construction where coarse rock aggregates are needed. The location of the potential mountain rock deposits for rock aggregates is inside the mineral tenement controlled by Company in Bataan Province. Another parcel, which is closely north of Block-1 and outside of the tenement has been targeted for reconnaissance to semi-detailed mapping and geological evaluation to determine also its potential for mountain rock deposit. The actual groundworks are envisioned to be initiated in the third quarter this year.

#### **SUBSIDIARIES AND AFFILIATES**

**Benguet Management Corporation (BMC)**, a wholly owned subsidiary of the Company, and its subsidiaries, reported consolidated net income of ₱20.0 million for the first semester of 2019 mainly due to the ₱6.0 million gain on sale of property located in Namayan, Mandaluyong City and ₱17.4 million discount earned by AFC from settlement of its outstanding liability with Goldrich

Construction and Trading, compared with the net income of ₱0.03 million for the same period in 2018. BMC's current operational subsidiaries are as follows:

- a. Arrow Freight Corporation (AFC), a logistics company, reported net income ₱11.4 million in the second quarter and ₱10.8 million for the first half of 2019, a turnaround from the net loss of ₱0.78 million and ₱0.49 million for the same respective periods in 2018. The income was mainly attributable to the ₱17.4 million discount earned in the settlement of outstanding liability with Goldrich Construction and Trading amounting to ₱87.6 million partly offset by losses incurred in Pampanga operation. The hauling operation and trading of vibro-sand in Pampanga was affected by the change in administration in San Simon and the truck ban ordinance of Apalit and San Luis, Pampanga. While studying a solution on the truck ban problem, AFC has ongoing negotiations with other construction companies in Pampanga and Bulacan for trading and hauling delivery of vibro-sand and aggregates.
- b. Keystone Port Logistics Management & Services Corporation (KPLMSC), the port and barging services provider of the Company, reported net income of ₱3.1 million in the second quarter and net income of ₱1.6 million for the first half of 2019, compared with the net loss of ₱2.3 million and net income of ₱0.90 million for the same periods in 2018. For the first half this year, KPLMSC handled 1 shipment of BNMI nickel ore as compared to 4 shipments of BNMI nickel ore and 1 shipment of Eramen Minerals, Inc. nickel ore for the same period in 2018.
- c. BMC Forestry Corporation (BFC) the real estate arm of the Company continues to develop and sell subdivision lots in its real estate project in Rosario, La Union, Woodspark Subdivision which reported a net income of ₱0.3 million in the second quarter and ₱2.6 million for the first half of 2019, as compared to the net income of ₱0.1 million and ₱0.2 million for the same respective periods in 2018. BFC continues to collect monthly amortizations and sell the remaining five (5) lots with an aggregate area of 1,763 square meters valued at ₱6.34 million.

**BenguetCorp Laboratories Inc. (BCLI)**, the healthcare and diagnostic services provider of the Company continued to serve its core customers and the HMOs (Health Maintenance Organization) in its clinics in Baguio and San Fernando-Pampanga. Total revenues in the first half of 2019 driven by this segment plus corporate accounts, and others reached ₱21.3 million, lower than the revenues of ₱32.0 million for the same period in 2018 due to challenges in sales operations. BCLI incurred a net loss of ₱5.1 million in the second quarter 2019, lower than the loss of ₱14.5 million for the same period in 2018, relatively due to lower expenses payable during the first half this year. A robust sales drive and increasing sales volumes for the succeeding quarters are expected to improve BCLI's performance

**BenguetCorp International Limited (BIL)**, the Company's Hongkong-based and 100% owned subsidiary for international operations, remains largely inactive. BIL's wholly-owned subsidiary, BenguetCorp USA Limited (BUSIA) 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 continues to observe precautionary measures in response to the COVID-19 global pandemic to protect the health and safety of its employees. No active cases diagnosed among Benguet Corporation employees.

Further, as allowed by the Mines and Geosciences Bureau (MGB) to realign the unspent budget for 2019 which was carried over to 2020 Annual Social Development and Management Program (2020 Annual SDMP) in support to the Bayanihan to Heal as One Act amid the COVID-19 crisis, the Company has spent to-date ₱2.33 million from the SDMP funds for relief goods, medicines/vitamins and, personal

protective equipment to frontliners and indigent families in the host and neighboring communities of BNMI, AGP and ILP.

Notwithstanding the lockdown and the current COVID-19 situation in the Philippines, the Company does not foresee any cash flow or liquidity problems over the next twelve (12) months. The Company continues gold production from AGP which is directly sold to Bangko Sentral Ng Pilipinas. Aside from AGP, there is steady market of ILP's quicklime, non-performing assets for disposal, tax refunds from the Bureau of Internal Revenue from which it expects to generate cash flow sufficient for the Company to meet its foreseeable requirements. The Company is likewise confident that the suspension order on mining operations of its wholly owned subsidiary BNMI will be lifted prior to the start of the next mining season in October 2020. BNMI is expecting that after the lifting of the suspension order and easing of community quarantine, it can resume mining operations and continue shipments of nickel ores.

There are no known events that will trigger direct or contingent financial obligation that are material to the Company, including any default or acceleration of an obligation that have not been booked, although the Company may be contingently liable for lawsuits and claims arising in the ordinary course of business which are not presently determinable.

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

As of June 30, 2020, except for what has been discussed and noted above, there are no material events or uncertainties known to management that had material impact on past performance, or that would have a material impact on future operations, in respect of the following:

- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Material changes in the financial statements of the Company and
- Seasonal aspects that had a material impact on the Company's financial condition or results of operations.

### **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 June 30, 2020, the Company current ratio is 0.82:1 versus 0.86:1 for the same period in 2019.
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 is the key indicator in determining Company's revenue for gold. This quarter, the average market prices for gold sold were at US\$1,711.55 per ounce compared to US\$1,313.55 per ounce for the same quarter in 2019. Nickel ore was sold at average price of US\$24.58/ton versus US\$22.50/ton for the same period last year. 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. This quarter, tons milled were 9,188 tons of gold ore with average grade of 6.53 grams per ton gold versus last year of 11,328 tons of ore with average grade of 6.29 grams per ton gold. Gold sold this quarter were 1,594.11 ounces versus gold sold of 1,928.30 ounces for the same period last year. BNMI sold nickel ore this quarter with an aggregate volume of 106,605 tons versus 55,000 tons for the same period last year.

4. *Foreign Exchange Rate* –The Company’s sales proceeds are mainly in U.S. dollars, a higher Philippine peso to U.S. dollar exchange rate means higher peso sales 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 foreign exchange income on the loans. As of June 30, 2020, the peso to dollar exchange rate was at ₱49.83, lower than the ₱51.24 for the same period in 2019. 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 a Company’s earnings increase, the earnings per share correspondingly increase. This quarter, earnings per share is ₱0.07 versus ₱0.01 earnings per share for the same period of 2019.

The Company’s key performance indicator used for its subsidiaries is Net Income for the first half of the year versus first half period of previous year. Please refer to Item 2 – 2020 Second Quarter Vs. 2019 Second Quarter under “Subsidiaries & Affiliates”,

**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: **REYNALDO P. MENDOZA**  
  
 Officer-In-Charge/SVP for Legal  
 and Assistant Corporate Secretary

Principal Financial/Accounting Officer/Comptroller:

Signature and Title: **LINA G. FERNANDEZ**  
  
 Officer-In-Charge/SVP for Finance & Controller





**BENGUET CORPORATION AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2020 AND DECEMBER 31, 2019**  
**(Amounts in Thousands)**

**ANNEX A**

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	₱94,935	₱77,172
Trade and other receivables	364,263	289,955
Inventories	91,008	132,157
Other current assets	323,597	314,147
<b>Total Current Assets</b>	<b>873,803</b>	<b>813,431</b>
<b>Noncurrent Assets</b>		
Property, plant and equipment	2,612,816	2,637,152
Financial assets measured at fair value through other comprehensive income (FVOCI)	13,256	13,168
Deferred mine exploration costs	453,643	449,181
Investment property	2,478,862	2,478,862
Deferred tax assets - net	47,732	47,732
Other noncurrent assets	486,653	482,014
<b>Total Noncurrent Assets</b>	<b>6,092,962</b>	<b>6,108,109</b>
<b>TOTAL ASSETS</b>	<b>₱6,966,765</b>	<b>₱6,921,540</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Loans payable	₱507,893	₱507,893
Trade and other payables	532,747	576,856
Current portion of liability for mine rehabilitation	25,007	25,007
Current portion of lease liability	1,925	2,476
Income tax payable	738	721
<b>Total Current Liabilities</b>	<b>1,068,310</b>	<b>1,112,953</b>
<b>Noncurrent Liabilities</b>		
Deferred income tax liabilities - net	848,016	848,016
Liability for mine rehabilitation	66,575	66,575
Pension liability	60,909	62,562
Noncurrent portion of lease liability	5,603	5,583
Other noncurrent liabilities	407,847	414,201
<b>Total Noncurrent Liabilities</b>	<b>1,388,950</b>	<b>1,396,937</b>
<b>Total Liabilities</b>	<b>2,457,260</b>	<b>2,509,890</b>
<b>Equity</b>		
Capital stock	616,863	616,863
Capital surplus	380,382	380,382
Other components of equity	1,204,191	1,205,018
Retained earnings	2,316,085	2,217,403
	4,517,521	4,419,666
Cost of 116,023 shares held in treasury, ₱69 per share	(8,016)	(8,016)
<b>Total Equity</b>	<b>4,509,505</b>	<b>4,411,650</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱6,966,765</b>	<b>₱ 6,921,540</b>

**BENGUET CORPORATION AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED**  
**STATEMENTS OF INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2020**  
**(With Comparative Figures for the six months ended June 30, 2019)**  
**(Amounts in Thousands)**

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30		JUNE 30	
	2020	2019	2020	2019
<b>REVENUES</b>	<b>₱293,127</b>	<b>₱238,079</b>	<b>₱701,590</b>	<b>₱424,603</b>
<b>COSTS AND OPERATING EXPENSES</b>				
Costs of mine products sold	134,648	188,219	333,129	293,367
Costs of merchandise sold and services	8,856	8,486	19,565	15,357
Selling and general	84,449	53,259	189,931	176,568
Taxes on revenue	17,139	11,212	43,220	16,565
	<b>245,092</b>	<b>261,176</b>	<b>585,845</b>	<b>501,857</b>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>48,035</b>	<b>(23,097)</b>	<b>115,745</b>	<b>(77,254)</b>
<b>INTEREST EXPENSE</b>	<b>1,528</b>	<b>202</b>	<b>1,815</b>	<b>608</b>
<b>OTHER INCOME (EXPENSE)</b>				
Interest income	312	55	517	1,058
Foreign exchange gain (loss)	3,877	2,347	3,504	2,733
Miscellaneous – net	(1,180)	19,850	(1,589)	14,834
	<b>3,009</b>	<b>22,252</b>	<b>2,432</b>	<b>18,625</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>49,516</b>	<b>(1,047)</b>	<b>116,362</b>	<b>(59,237)</b>
<b>PROVISION FOR INCOME TAX</b>	<b>7,535</b>	<b>5,953</b>	<b>17,680</b>	<b>8,320</b>
<b>NET INCOME (LOSS)</b>	<b>₱41,981</b>	<b>(₱7,000)</b>	<b>₱98,682</b>	<b>(₱67,557)</b>
<b>BASIC EARNINGS (LOSS) PER SHARE</b>	<b>₱0.07</b>	<b>(₱0.01)</b>	<b>₱0.16</b>	<b>(₱0.11)</b>
<b>DILUTED EARNINGS (LOSS) PER SHARE</b>	<b>₱0.07</b>	<b>(₱0.01)</b>	<b>₱0.16</b>	<b>(₱0.11)</b>

**BENGUET CORPORATION AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2020**  
**(With Comparative Figures for the six months ended June 30, 2019)**  
**(Amounts in Thousands)**

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30		JUNE 30	
	2020	2019	2020	2019
<b>NET INCOME (LOSS)</b>	<b>₱41,981</b>	<b>(₱7,000)</b>	<b>₱98,682</b>	<b>(₱67,557)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<i>Items to be reclassified to profit or loss in subsequent periods:</i>				
Translation adjustment on foreign subsidiaries	(968)	97	(915)	103
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>				
Unrealized gain (loss) on equity instruments designated at FVOCI	44	(134)	88	6
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>(924)</b>	<b>(37)</b>	<b>(827)</b>	<b>109</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>₱41,057</b>	<b>(₱6,963)</b>	<b>₱97,855</b>	<b>(₱67,448)</b>

**BENGUET CORPORATION AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2020**  
**(With Comparative Figures for the six months ended June 30, 2019)**  
**(Amounts in Thousands)**

	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)	December 31, 2019 (Audited)
<b>CAPITAL STOCK</b>	<b>₱616,863</b>	<b>₱616,863</b>	<b>₱616,863</b>
<b>CAPITAL SURPLUS</b>	<b>380,382</b>	<b>376,964</b>	<b>380,382</b>
<b>REVALUATION INCREMENT</b>	<b>1,127,236</b>	<b>839,669</b>	<b>1,127,236</b>
<b>CUMULATIVE TRANSLATION ADJUSTMENT</b>			
Balance at beginning of period	33,592	32,721	32,721
Translation adjustment	(915)	103	871
Balance at end of period	<b>32,677</b>	<b>32,824</b>	<b>33,592</b>
<b>COST OF SHARE-BASED PAYMENT</b>			
Balance at beginning of period	21,671	25,089	25,089
Cancellation of stock options	-	-	(3,418)
Balance at end of period	<b>21,671</b>	<b>25,089</b>	<b>21,671</b>
<b>UNREALIZED GAIN ON FINANCIAL ASSETS AT FVOCI</b>			
Balance at beginning of period	971	1,013	1,013
Transfer of fair value reserve on disposed financial asset at FVOCI	-	-	(125)
Other comprehensive income (loss)	88	6	83
Balance at end of period	<b>1,059</b>	<b>1,019</b>	<b>971</b>
<b>UNREALIZED GAIN ON INTANGIBLE ASSET</b>	<b>135</b>	<b>-</b>	<b>135</b>
<b>REMEASUREMENT LOSS ON PENSION LIABILITY</b>	<b>21,413</b>	<b>24,201</b>	<b>21,413</b>
<b>RETAINED EARNINGS</b>			
Balance at beginning of period	2,217,403	2,029,559	2,029,559
Transfer of fair value reserve on disposed financial assets at FVOCI	-	-	125
Net income (loss) for the period	98,682	(67,557)	115,737
Balance at end of period	<b>2,316,085</b>	<b>1,962,002</b>	<b>2,217,403</b>
<b>TREASURY SHARES</b>	<b>(8,016)</b>	<b>(8,016)</b>	<b>(8,016)</b>
<b>TOTAL EQUITY</b>	<b>₱4,509,505</b>	<b>₱3,870,615</b>	<b>₱4,411,650</b>

**BENGUET CORPORATION AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2020**  
**(With Comparative Figures for the six months ended June 30, 2019)**  
**(Amounts in Thousands)**

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30		JUNE 30	
	2020	2019	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income (loss)	₱41,981	(₱1,047)	₱98,682	(₱39,374)
Adjustments for:				
Depreciation, depletion and amortization	12,124	10,549	25,530	31,513
Unrealized foreign exchange loss (gain)	(4,091)	97	(4,240)	326
Gain on sale of property, plant and equipment	-	6,188	-	6,188
Decrease (increase) in:				
Trade and other receivables	(59,400)	17,198	(74,534)	(39,742)
Inventories	14,206	7,796	41,149	10,074
Prepaid expenses and other current assets	(6,216)	85,901	(9,433)	86,483
Decrease in:				
Trade and other payables	(39,362)	(76,806)	(40,470)	(170,259)
Pension liability	(1,653)	-	(1,653)	-
Net cash from (used in) operating activities	(42,411)	49,876	35,031	(134,654)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Increase in:				
Property, plant and equipment	-	(2,935)	(1,194)	(14,014)
Deferred exploration costs	(3,595)	(313)	(4,462)	(543)
Other assets	(2,063)	(3,518)	(4,639)	(6,181)
Available for sale investments	(44)	(772)	(88)	(1,332)
Net cash from (used in) investing activities	(5,702)	(7,538)	(10,383)	(22,070)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payment of:				
Loans payable	-	-	-	(23,000)
Lease liabilities	(116)	-	(531)	-
Decrease in other noncurrent liabilities	(6,740)	(28,282)	(6,354)	(2,575)
Net cash used in financing activities	(6,856)	(28,282)	(6,885)	(25,575)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(54,969)</b>	<b>14,056</b>	<b>17,763</b>	<b>(182,299)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>149,904</b>	<b>105,763</b>	<b>77,172</b>	<b>302,118</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>₱94,935</b>	<b>₱119,819</b>	<b>₱94,935</b>	<b>₱119,819</b>

**BENGUET CORPORATION AND SUBSIDIARIES****EARNINGS PER SHARE COMPUTATION****FOR THE THREE MONTHS ENDED JUNE 30, 2020 AND 2019****(Amounts in Thousands, Except for the Number of Shares)**

	<u>June 30</u>	
	<u>2020</u>	<u>2019</u>
Net income (loss)	<b>₱98,682</b>	<b>(₱67,557)</b>

Number of shares for computation of:

	<u>June 30</u>	
	<u>2020</u>	<u>2019</u>
<u>Basic earnings per share</u>		
Weighted average common shares issued	616,119,252	616,119,252
Less treasury stock	348,069	348,069
Weighted average common shares outstanding	<b>615,771,183</b>	<b>615,771,183</b>
<u>Diluted earnings per share</u>		
Weighted average common shares issued	616,119,252	616,119,252
Less treasury stock	348,069	348,069
	615,771,183	615,771,183
Conversion of preferred stock	2,059,366	-
	<b>617,830,549</b>	<b>615,771,183</b>
Basic earnings (loss) per share	<b>₱0.16</b>	<b>(₱0.07)</b>
Diluted earnings (loss) per share	<b>₱0.16</b>	<b>(₱0.07)</b>

**BENGUET CORPORATION AND SUBSIDIARIES**  
**FINANCIAL SOUNDNESS INDICATORS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019**

	<b>June 30</b>	
	<b>2020</b>	<b>2019</b>
<b>Profitability Ratio</b>		
Return on asset	<b>0.01:1</b>	(0.01):1
Return on equity	<b>0.02:1</b>	(0.02):1
Gross profit margin	<b>0.44:1</b>	0.27:1
Operating profit margin	<b>0.16:1</b>	(0.18):1
Net profit margin	<b>0.14:1</b>	(0.16):1
<b>Liquidity and Solvency Ratio</b>		
Current ratio	<b>0.82:1</b>	0.86:1
Quick ratio	<b>0.43:1</b>	0.31:1
Solvency ratio	<b>2.84:1</b>	2.55:1
<b>Financial Leverage Ratio</b>		
Asset to equity ratio	<b>1.54:1</b>	1.64:1
Debt ratio	<b>0.35:1</b>	0.39:1
Debt to equity ratio	<b>0.54:1</b>	0.64:1
Interest coverage ratio	<b>65.11:1</b>	96.43:1



**BENGUET CORPORATION AND SUBSIDIARIES**

**AGING OF RECEIVABLES**

**AS OF JUNE 30, 2020**

(Amounts in Thousands)

TYPE OF RECEIVABLES	LESS THAN 30 DAYS	30 TO 60 DAYS	LESS THAN ONE YEAR	TWO YEARS	ONE TO THREE TO FIVE YEARS	MORE THAN FIVE YEARS	TOTAL
Trade receivables	₱40,089	₱13,744	₱10,155	₱-	₱20,860	₱49,229	₱134,077
Allowance for doubtful accounts	-	-	-	-	-	(27,882)	(27,882)
Trade receivables - net	40,089	13,744	10,155	-	20,860	21,347	106,195
Nontrade receivables:							
Officers and employees	5,812	1,630	1,980	14,608	13,492	35,892	73,414
Others	2,456	1,789	17,530	16,143	105,894	166,380	310,192
Total	8,268	3,419	19,510	30,751	119,386	202,272	383,606
Allowance for doubtful accounts	-	-	-	-	-	(125,538)	(125,538)
Nontrade receivables - net	8,268	3,419	19,510	30,751	119,386	76,734	258,068
Trade and other receivables - net	₱48,357	₱17,163	₱29,665	₱30,751	₱140,246	₱98,081	₱364,263

**BENGUET CORPORATION AND SUBSIDIARIES**  
**NOTES TO UNAUDITED INTERIM CONDENSED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019**

---

**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, 2019.

Changes in Accounting Standards and Interpretation

*Effective beginning on or after January 1, 2020*

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

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, fair value through OCI (FVOCI) and 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 fair value through profit or loss, 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 fair value through profit or loss, 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 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 consolidated statement of income. 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 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 statement of financial position) when:

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

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

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

### *Impairment*

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

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

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

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognized a loss allowance based on lifetime ECL 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.

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 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 amortisation 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 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 consolidated statement of income.

### Offsetting of financial instruments

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

### Fair Value Measurement

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

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

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

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

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

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

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

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

---

### 3. Summary of Significant Accounting Judgments, Estimates and Assumptions

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

#### Judgments

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

#### *Determining Functional Currency*

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

#### *Determining the Group's Business Model*

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

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

#### *Assessing Provisions and Contingencies*

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

#### *Distinction between Investment Property and Owner-Occupied Property*

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

#### *Principal versus agent considerations*

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

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

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

#### Estimates and Assumptions

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



#### *Provision for expected credit losses on Trade and Other Receivables*

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

The carrying amount of trade and other receivables amounted to ₱364,263 and ₱289,955 as at June 30, 2020 and December 31, 2019, respectively.

#### *Estimating Ore Reserves*

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

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

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

#### *Assessing Recoverability of Deferred Mine Exploration Costs*

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

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

As at June 30, 2020 and December 31, 2019, deferred mine exploration costs amounted to ₱453,643 and ₱449,181, respectively.

#### *Estimating Recoverability of Property, Plant and Equipment*

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

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

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

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

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

As at June 30, 2020 and December 31, 2019, property, plant and equipment (at revalued amount and at cost) amounted to ₱2,612,816 and ₱2,637,152, respectively

#### *Estimating Allowance for Inventory Obsolescence*

The Group maintains allowance for inventory losses at a level considered adequate to reflect the excess of cost of inventories over their NRV. NRV of inventories are assessed regularly based on prevailing estimated selling prices of inventories and the corresponding cost of disposal. Increase in the NRV of inventories will increase cost of inventories but only to the extent of their original acquisition costs. As at June 30, 2020 and December 31, 2019, the carrying value of inventories amounted to ₱91,008 and ₱132,157, 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 ₱810,250 and ₱796,161 as at June 30, 2020 and December 31, 2019, respectively.

#### *Revaluation of property, plant and equipment and investment properties*

The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statement of income. In addition, it measures the land and artworks at revalued amounts, with changes in fair value being recognized in the consolidated statements of comprehensive income. The land, artworks and investment properties were valued using the sales comparison approach. The determination of the fair values of these properties involves significant management judgment and estimations. The valuation also requires the assistance of external appraisers whose calculations also depend on certain assumptions, such as sales and listing of comparable properties registered within the vicinity and adjustments to sales price based on internal and external factors. As at June 30, 2020 and December 31, 2019, the appraised value of land and artworks, and investment properties amounted to ₱4,152,150.

#### *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 ₱91,582 as at June 30, 2020 and December 31, 2019.

#### *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 ₱21,671 as at June 30, 2020 and December 31, 2019.

#### *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 ₱58,758 as at June 30, 2020 and December 31, 2019. Net pension liability of AFC amounted to ₱2,151 as at June 30, 2020 and December 31, 2019.

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 ₱52,383 as at June 30, 2020 and December 31, 2019. The Group has unused NOLCO, MCIT and deductible temporary differences for which deferred tax assets were not recognized as it is not probable that sufficient future taxable profits will be available against which the benefit of the deferred tax assets can be utilized.

---

#### **4. Financial Risk Management Objectives and Policies**

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

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

##### Liquidity Risk

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

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

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

As at June 30, 2020 and December 31, 2019, cash and cash equivalents may be withdrawn anytime while quoted FVOCI may be converted to cash by selling them during the normal trading hours in any business day.

The tables below summarize the aging analysis of the Group's financial assets and the maturity profile of the Group's financial liabilities as at June 30, 2020 and December 31, 2019.

June 30, 2020	On demand	0-90 days	More than 90 days	More than one year	Total
<b>Cash and cash equivalents</b>					
Cash in banks	₱31,654	₱-	₱-	₱-	₱31,654
Short-term deposits	62,706	-	-	-	62,706
<b>Trade and other receivables</b>					
Trade	40,089	13,744	10,155	42,207	106,195
Receivables from lessees of bunkhouses	1,001	-	-	-	1,001
Advances under other current assets	-	-	-	63,356	63,356
Nontrade under other noncurrent assets	-	-	-	202,917	202,917
<b>FVOCI</b>					
UITF	-	-	-	12,812	12,812
Quoted shares	-	-	-	444	444
<b>Total</b>	<b>₱135,450</b>	<b>₱13,744</b>	<b>₱10,155</b>	<b>₱321,736</b>	<b>₱481,085</b>
<b>Loans payable</b>					
Loans payable	₱507,893	₱-	₱-	₱-	₱507,893
<b>Trade and other payables</b>					
Trade	191,442	-	59,472	63,258	314,172
Nontrade	24,137	-	-	-	24,137
Accrued expenses	49,576	-	-	-	49,576
Lease liability	1,083	-	1,393	8,730	11,206
<b>Other noncurrent liabilities</b>					
Equity of claimowner in contract operations	-	-	-	49,136	49,136
<b>Total</b>	<b>₱774,131</b>	<b>₱-</b>	<b>₱60,865</b>	<b>₱121,124</b>	<b>₱956,120</b>

*\*Excluding statutory payables*

December 31, 2019	On demand	0-90 days	More than 90 days	More than one year	Total
<b>Cash and cash equivalents</b>					
Cash in banks	₱69,298	₱-	₱-	₱-	₱69,298
Short-term deposits	7,874	-	-	-	7,874
<b>Trade and other receivables</b>					
Trade	53,645	9,139	-	-	62,784
Receivables from lessees of bunkhouses	1,344	-	-	-	1,344
Advances under other noncurrent assets	-	-	63,356	-	63,356
Nontrade under other noncurrent assets	-	-	-	202,917	202,917
<b>FVOCI</b>					
UITF	-	-	-	12,724	12,724
Quoted shares	-	-	-	444	444
<b>Total</b>	<b>₱132,161</b>	<b>₱9,139</b>	<b>₱63,356</b>	<b>₱216,085</b>	<b>₱420,741</b>

December 31, 2019	On demand	0-90 days	More than 90 days	More than one year	Total
Loans payable	P507,893	P-	P-	P-	P507,893
Trade and other payables					
Trade	292,619	-	74,039	-	366,658
Nontrade*	30,443	-	-	-	30,443
Accrued expenses	6,958	-	34,202	-	41,160
Lease liability	1,083	-	1,393	7,978	11,721
Other noncurrent liabilities					
Equity of claimowner in contract operations	-	-	-	49,136	49,136
<b>Total</b>	<b>P838,996</b>	<b>P-</b>	<b>P109,634</b>	<b>P57,114</b>	<b>P1,006,561</b>

### 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.

	<b>June 30, 2020</b>	December 31, 2019
Cash and cash equivalents		
Cash in banks	<b>P31,654</b>	P68,621
Short-term deposits	<b>62,706</b>	7,874
Trade and other receivables		
Trade	<b>106,195</b>	62,784
Receivables from lessees of bunkhouses	<b>1,001</b>	1,344
Advances under other current assets	<b>63,356</b>	63,356
Nontrade under other noncurrent assets	<b>202,917</b>	202,917
	<b>P467,829</b>	P406,896

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

June 30, 2020	Neither past due nor impaired		Past due but not impaired	Impaired	Total
	High-grade	Standard- grade			
<b>Cash and cash equivalents</b>					
Cash in banks	₱31,654	₱-	₱-	₱-	₱31,654
Short-term deposits	62,706	-	-	-	62,706
<b>Trade and other receivables</b>					
Trade	-	106,195	-	27,882	134,077
Receivables from lessees of bunkhouses	-	-	1,001	3,644	4,645
Loan receivable	-	-	-	49,763	49,763
<b>Advances under other current assets</b>					
	-	-	63,356	2,411	65,767
<b>Nontrade under other noncurrent assets</b>					
	-	-	202,917	151,892	354,809
<b>Total credit risk exposure</b>	<b>₱94,360</b>	<b>₱106,195</b>	<b>₱267,274</b>	<b>₱235,592</b>	<b>₱703,421</b>

December 31, 2019	Neither past due nor impaired		Past due but not impaired	Impaired	Total
	High-grade	Standard- grade			
<b>Cash and cash equivalents</b>					
Cash in banks	₱68,621	₱-	₱-	₱-	₱68,621
Short-term deposits	7,874	-	-	-	7,874
<b>Trade and other receivables</b>					
Trade	-	62,784	-	27,882	90,666
Receivables from lessees of bunkhouses	-	-	1,344	3,644	4,988
Loan receivable	-	-	-	49,763	49,763
<b>Advances under other current assets</b>					
	-	-	63,356	2,411	65,767
<b>Nontrade under other noncurrent assets</b>					
	-	-	202,917	151,892	354,809
<b>Total credit risk exposure</b>	<b>₱76,495</b>	<b>₱62,784</b>	<b>₱267,617</b>	<b>₱235,592</b>	<b>₱642,488</b>

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

- Cash and cash equivalents are assessed as high-grade since these are deposited in reputable banks, which have a low probability of default..
- 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.
- 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.
- Other financial assets such as receivables from lessees of bunkhouses, loans receivables, advances to contractors under other current assets and nontrade under other noncurrent assets were assessed as standard-grade, based on past collection experience and debtors' ability to pay.
- 

#### *Impairment of Financial Assets*

The Group has financial assets consisting of cash and cash equivalent, trade receivables, UITF and quoted financial asset at FVOCI, receivables from lessees of bunkhouses, loan receivable, advances to contractors



under “other current assets” and nontrade under “other noncurrent assets”. While cash and cash equivalent are also subject to the impairment requirements of PFRS 9, the identified impairment loss were immaterial.

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

### Market Risks

#### *Interest Rate Risk*

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

As at June 30, 2020 and December 31, 2019, 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.

The Group’s secured and unsecured loans payable are both payable on demand while other loans payable are payable within 3 years. Nominal interest rates vary from floating rate of 91-day Philippine PhP T-bill rate for peso loans and 3-month LIBOR foreign loans, plus a margin of 2.5% for unsecured loans and 3.5% for secured loans.

#### *Foreign Currency Risk*

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

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

The Group’s foreign currency-denominated monetary assets and liabilities as at June 30, 2020 and December 31, 2019 follow:

	June 30, 2020		December 31, 2019	
	US\$	Peso equivalent	US\$	Peso equivalent
<u>Financial Assets</u>				
Cash in banks	\$16	₱797	\$8	₱405
Trade receivables under “trade and other receivables”	1,526	76,041	527	26,685
<b>Total monetary assets</b>	<b>\$1,542</b>	<b>₱76,838</b>	<b>\$535</b>	<b>₱27,090</b>

As at June 30, 2020 and December 31, 2019, the exchange rates of the Philippine peso to the US\$ based on the Philippine Dealing System are ₱49.83 and ₱50.64, respectively.

The sensitivity to a reasonably possible change in the US\$ exchange rate, with all other variables held constant, of the Group's income before income tax as at June 30, 2020 and December 31, 2019 is as follows:

<b>June 30, 2020</b>	<b>Change in foreign exchange rate</b>	<b>Income before income tax effect</b>
	Strengthens by 1.25%	₱960
	Weakens by 2.33%	(1,790)
<b>December 31, 2019</b>	<b>Change in foreign exchange rate</b>	<b>Income before income tax effect</b>
	Strengthens by 1.25%	₱338
	Weakens by 2.33%	(632)

#### *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 2020, and 2019. The Group monitors capital using the parent company financial statements. As at June 30, 2020 and December 31, 2019, the Group has met its capital management objectives.

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

	June 30, 2020	December 31, 2019
Capital stock	₱616,863	₱616,863
Capital surplus	380,382	380,382
Retained earnings	2,316,085	2,217,403
Other components of equity	1,204,191	1,205,018
Treasury shares	(8,016)	(8,016)
	<b>₱4,509,505</b>	<b>₱4,411,650</b>

Further, the Group monitors capital using debt to equity ratio, which is total liabilities divided by total equity. Debt to equity ratios of the Group as at June 30, 2020 and December 31, 2019 are as follows:

	June 30, 2020	December 31, 2019
Total liabilities (a)	₱2,457,260	₱2,509,890
Total equity (b)	4,509,505	4,411,650
Debt-to-equity ratio (a/b)	0.54:1	0.57:1

---

#### 5. Seasonality and Cyclicity of Interim Operation

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

---

#### 6. Events After End of Reporting Period

##### *COVID-19 Outbreak*

In early January 2020, an outbreak of a respiratory illness caused by the COVID-19 coronavirus was identified in Wuhan, Hubei Province, China. In a move to contain this outbreak in the Philippines, on March 13, 2020, the Office of the President issued a Memorandum directive to impose stringent social distancing measures and partial lockdown in the National Capital Region (NCR) effective March 15, 2020. During this partial lockdown, land, domestic air, and domestic sea travel to and from Metro Manila were suspended until April 14, 2020, while international departures were permitted. Mass transportation within Metro Manila was also suspended and only limited utility services were continued to operate with social distancing guidelines.

On March 17, 2020, the Office of the President announced the placement of the entire island of Luzon on enhanced community quarantine (ECQ). On April 7, 2020, the ECQ was extended until April 30, 2020. On April 24, it was further extended until May 15, 2020. On May 12, 2020, the ECQ was still in force and was further modified, as Metro Manila was placed under modified enhanced community quarantine (MECQ) until May 31, 2020. Effective June 1, 2020, NCR was placed under general community quarantine (GCQ).

This event has no significant impact on the Group in 2020, aside from additional costs for the rapid testing kits, protective devices, facemasks, alcohol and sanitizers, hand soap, and thermal scanner provided to and for the use of Group personnel.

As at June 30, 2020, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the Group's future operations.