COVER SHEET

1 0 1

S.E.C. Registration Number

L E P A N T O   C O N S O L I D A T E D   M I N I N G   C O

(Company's Full Name)

2 1 S T   F L O O R   L E P A N T O   B U I L D I N G

8 7 4 7   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)

ODETTE A. JAVIER

Contact Person

815-9447

Company Telephone Number

1 2	3 1	FORM TYPE	3rd Monday of April
Month	Day	1 7 - Q	Month / Day
Fiscal Year		FORM TYPE	Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total no. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = please use **black ink** for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **September 30, 2022**

2. Commission identification number: **101** 3. BIR Tax Identification No.: **000-160-247**

4. Exact name of issuer as specified in its charter:

LEPANTO CONSOLIDATED MINING COMPANY

5. Province, country or other jurisdiction of incorporation or organization: **Makati City, Philippines**

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office:

21st Floor, Lepanto Building
8747 Paseo de Roxas, Makati City, Philippines

8. Issuer's telephone number, including area code:

(632) – 815-9447

9. Former name, former address and former fiscal year, if changed since last report: **N/A**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding:
Class "A"	**39,822,869,196**
Class "B"	**26,552,888,901**

Amount of Debt Outstanding: **Please refer to the attached Balance Sheet (Annex "B")**

11. Are any or all of the securities listed on a Stock Exchange?

Yes [**x**] No [ ]

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

Philippine Stock Exchange **Classes "A' and "B"**

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 [**x**]   No [ ]

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

Yes [ ]   No [**x**]

PART I- FINANCIAL INFORMATION

Item 1. Financial Statements:	*Income Statement*	- ***Annex "A"***
	Balance Sheet	- ***Annex "B"***
	Statement of Cash Flow	- ***Annex "C"***
	Stockholders' Equity	- ***Annex "D"***
	Notes to Financial Statements	- ***Annex "E"***
	Aging of Accounts Receivable-Trade	- ***Annex "F"***
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations		- ***Annex "G"***
Item 3. Impact of Current Global Financial Condition		- ***Annex "H"***
Item 4. Financial Ratios		- ***Annex "I"***

PART II- OTHER INFORMATION (None)

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 : **LEPANTO CONSOLIDATED MINING COMPANY**

Signature : **RAMON T. DIOKNO**

Title : Chief Finance Officer

Date : November 14, 2022

Signature : **ODETTE A. JAVIER**

Title : Vice President/Assistant Corporate Secretary

Date : November 14, 2022

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
STATEMENTS OF INCOME
FOR THE PERIODS ENDED SEPTEMBER 30, 2022
(With Comparative Figures for 2021)
(Amounts In Thousand , Except Loss Per Share)

	FOR THE THIRD QUARTER				FOR NINE MONTHS ENDED SEPTEMBER 30			
		2022		2021		2022		2021
REVENUES								
Sale of metals	P	472,579		369,065	P	1,285,617	P	1,157,281
Service fees and other operating income		1,511		14,289		5,131		23,154
		474,090		383,354		1,290,748		1,180,435
COSTS AND EXPENSES								
Mining, milling, roasting, smelting, refining and and other related charges; administrative expenses; depreciation, amortization and depletion; and other charges		(567,375)		(512,491)		(1,696,655)		(1,487,007)
INCOME (LOSS) FROM OPERATIONS		(93,285)		(129,137)		(405,907)		(306,572)
FINANCE COST, net		(2,774)		(2,795)		(8,249)		(8,409)
FOREIGN EXCHANGE GAINS (LOSS), net		5,595		1,018		8,165		2,900
OTHER INCOME (CHARGES), net		22,587		1,345		36,351		17,458
SHARE IN NET EARNINGS (LOSSES) OF ASSOCIATES		(178)		(16)		(577)		(2,067)
INCOME (LOSS) BEFORE INCOME TAX		(68,055)		(129,585)		(370,217)		(296,690)
PROVISION FOR (BENEFIT FROM) INCOME TAX								
CURRENT		5,904		5,426		5,937		2,074
DEFERRED		1,239		(4)		1,086		(475)
		7,143		5,422		7,023		1,599
NET INCOME (LOSS)	P	(75,198)	P	(135,007)	P	(377,240)	P	(298,289)
Attributable to:								
Stockholders of the parent company		(75,147)		(134,913)	P	(376,721)	P	(298,102)
Non-controlling interests		(51)		(94)		(519)		(187)
Net Income / (Loss)	P	(75,198)	P	(135,007)	P	(377,240)	P	(298,289)
EARNINGS (LOSS) PER SHARE attributable to stockholders of the parent company								
Basic & Diluted		(0.001132)		(0.004491)		(0.005676)		(0.004491)

LEPANTO CONSOLIDATED MINING COMPANY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in thousands)

		SEPTEMBER 30 2022		*DECEMBER 31 2021
ASSETS				
CURRENT ASSETS				
Cash and cash equivalent	P	44,010	P	35,654
Receivables, net		116,231		88,307
Inventories, net		597,139		593,500
Advances to suppliers and contractors		388,959		295,123
Other current assets		732,582		533,738
Total current assets		1,878,921		1,546,321
NON-CURRENT ASSETS				
Property, plant and equipment		6,203,848		6,379,039
Available-for-sale financial assets		35,446		35,446
Investments and advances in associates		469,565		469,571
Mine exploration cost		6,942,844		6,908,369
Deferred tax assets		246,280		246,280
Other noncurrent assets		452,564		529,459
Total non-current assets		14,350,547		14,568,162
TOTAL ASSETS	P	16,229,468	P	16,114,484

LIABILITIES AND EQUITY

CURRENT LIABILITIES				
Trade and other payables	P	3,259,263	P	2,744,831
Short-term borrowings		124,084		125,608
Lease Liability		6,064		6,064
Unclaimed dividends		26,693		26,693
Income tax payable		3,212		4
Total current liabilities		3,419,316		2,903,201
NON-CURRENT LIABILITIES				
Advances from Far Southeast Services Limited		6,238,494		6,194,069
Long-term borrowings		50,999		51,033
Lease Liability		2,761		7,286
Liability for mine rehabilitation cost		15,583		14,476
Retirement benefit obligations		1,251,271		1,314,226
Deferred income liabilities		168,571		171,005
Deposit for future stock subscriptions		69,200		69,200
Total non-current liabilities		7,796,879		7,821,295
TOTAL LIABILITIES		11,216,195		10,724,496
EQUITY				
Capital stock		6,635,685		6,635,685
Additional paid-in capital		5,077,033		5,077,033
Re-measurement loss on retirement plan		(56,025)		(56,025)
Cumulative changes in fair values of AFS investments		(67,882)		(67,882)
Deficit		(6,823,109)		(6,446,394)
		4,765,702		5,142,417
Non-controlling interests		247,571		247,571
Total equity		5,013,273		5,389,988
TOTAL LIABILITIES AND EQUITY	P	16,229,468	P	16,114,484

*- **A U D I T E D**

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED SEPTEMBER 30, 2022

(With Comparative Figures for 2021)
(Amounts in Thousand Pesos)

	FOR THE QUARTER ENDED SEPTEMBER 30		FOR NINE MONTHS ENDED SEPTEMBER 30	
	2022	2021	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income/ (Loss) before tax	P (68,055)	P (129,585)	P (370,217)	P (296,690)
Adjustments for:				
Depreciation and depletion	(11,080)	2,709	189,413	211,504
Equity in net losses (income) of affiliated companies	178	15	578	192
Foreign exchange losses (income), net	(5,157)	(1,018)	(7,498)	(2,900)
Provision for retirement benefit cost	-	-	973	973
Loss on sale of asset	(0)	(0)	(0)	(0)
Interest income	(5)	(21)	(17)	(33)
Interest expense	2,769	2,795	8,226	8,409
Provision for income tax	(7,143)	(5,422)	(7,023)	(1,599)
Operating income before working capital changes	(88,494)	(130,527)	(185,566)	(80,144)
Decrease (Increase) in:				
Receivables and advances to suppliers	(51,827)	63,290	(134,814)	(41,961)
Inventories and PPE	159,266	93,560	195,613	89,720
Prepayments and other assets	(13,326)	(108,295)	(121,950)	(153,754)
Increase (Decrease) in:				
Accounts payable and accrued expenses	60,488	89,142	516,928	457,128
Liability for mine rehabilitation cost	369	797	1,107	2,393
Deferred income tax liability, net	(2,163)	(4)	(2,434)	(475)
Cash generated (used) from operations	64,313	7,964	268,883	272,906
Retirement benefits paid	(14,165)	(26,217)	(65,276)	(82,552)
Interest received	5	21	17	33
Income tax recovered (paid)	-	-	-	-
Net cash provided by (used in) operating activities	50,154	(18,232)	203,624	190,387
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments, net	-	42,683	9,826	56,458
Acquisition of property and equipment	(44,578)	(58,255)	(213,474)	(189,752)
Exploration costs and other assets	289	(19,511)	(34,475)	(55,110)
Net cash used in investing activities	(44,289)	(35,083)	(238,124)	(188,404)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Borrowings	5,110	-	44,425	35,588
Disposal of Assets	-	-	-	-
Payments of:				
Borrowings	(99)	0	(1,558)	(1,339)
Interest	-	(27)	(11)	(133)
Capital and other reserves	-	(2)	(1)	(1)
Net cash provided by financing activities	5,011	(29)	42,855	34,115
NET INCREASE (DECREASE) IN CASH	10,876	(53,345)	8,356	36,099
Beginning of period	33,134	120,889	35,654	31,446
CASH AT END OF THE PERIOD	P 44,010	P 67,545	P 44,010	P 67,545

LEPANTO CONSOLIDATED MINING COMPANY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2022 & 2021
(Amounts in thousands)

	SEPTEMBER 30 2022	SEPTEMBER 30 2021
Authorized - P 6.64 billion		
Share capital at par value	P 6,637,393	P 6,637,393
Subscribed capital (net of subscriptions receivable)	(1,707)	(1,707)
Share premium	5,077,033	5,077,033
Cumulative changes in fair values of AFS investments	(67,882)	(42,192)
Re-measurement loss on retirement plan	(56,025)	(206,924)
Retained earnings		
Beginning balance	(6,446,391)	(5,924,109)
Net Loss for the period	(376,721)	(63,113)
	(6,823,112)	(5,987,222)
EQUITY ATTRIBUTABLE TO THE STOCKHOLDERS OF THE PARENT COMPANY	4,765,700	5,476,381
NON-CONTROLLING INTERESTS	247,571	239,784
	P 5,013,271	**P 5,716,165**

ANNEX “E”

LEPANTO CONSOLIDATED MINING COMPANY

NOTES TO FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2022 and DECEMBER 31, 2021

Note 1 - General information

Lepanto Consolidated Mining Company (parent company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on September 8, 1936 primarily to engage in the exploration and mining of gold, silver, copper, lead, zinc and all kinds of ores, metals, minerals, oil, gas and coal and their related by-products. On January 29, 1985, the SEC approved the extension of the parent company’s corporate term for another fifty (50) years after the expiration of its original term on September 8, 1986.

The Parent company’s shares are listed and traded in the Philippine Stock Exchange.

On January 14, 1997, the Parent Company was registered with the Board of Investments (BOI) under Executive Order No. 226 as a new export producer of gold bullion on a preferred non-pioneer status. This registration entitled the Parent Company to a four (4) year income tax holiday (ITH), which can be further extended for another three (3) years subject to compliance with certain conditions, and lower tariff rates on acquisition of capital equipment. It is required to maintain a base equity of at least 25% as one of the conditions of the registration.

On April 1, 1997, the Parent company started the commercial operations of its Victoria Project gold mine. Consequently, in October 1997, the parent company temporarily ceased operating its copper concentrate roasting plant facilities in Isabel, Leyte for an indefinite period. The Roasting plant facility was also registered with the Philippine Economic Zone Authority (PEZA) on December 17, 1985 pursuant to the provisions of Presidential Decree No. 66, as amended, and Executive Order No. 567 as a zone export enterprise to operate a roasting plant for the manufacture of copper calcine at the Isabel Special Export Economic Processing Zone.

On March 30, 2000, the Parent Company registered its copper flotation with the BOI as a new producer of copper concentrates on a preferred non-pioneer status. This registration entitled the Parent Company to a four (4) year ITH, subject to compliance with certain conditions, simplified customs procedures, additional deduction for labor expense, and unrestricted use of consigned equipment for a period of ten (10) years. It is required to maintain a base equity of at least 25% as one of the conditions of the registration. The Copper Flotation project was suspended at the end of 2001; BOI registration was cancelled on July 11, 2006.

On January 5, 2004, the Parent Company was registered with the BOI under Executive Order No. 226 as new export producer of gold bullion on a non-pioneer status, for its Victoria II (renamed Teresa) Project, located also in Mankayan, Benguet, Philippines. This registration entitles the Parent Company to ITH with the same incentives that were granted on their registration with the BOI on January 14, 1997. The Teresa Project commenced its commercial operations in April 2004.

On November 21, 2006, the Parent Company was registered with the BOI under Executive Order No. 226 as new export producer of copper-gold concentrate on a non-pioneer status for its copper-gold flotation project located also in Mankayan, Benguet, Philippines. This registration entitles the Company to ITH for four (4) years, which can be further extended for another three (3) years subject to compliance with certain conditions, and duty-free importation of equipment, spare parts and accessories for five (5) years. The copper-gold flotation operations were suspended in 2009 in view of the sharp decline in copper prices, of which the BOI was notified. In August 2017, the Company notified the BOI that it will resume copper-gold flotation operations in the fourth quarter of 2017.

The registrations mentioned above enable the Parent Company and its subsidiaries to avail of the rights, privileges, and incentives granted to all registered enterprises.

The Parent Company currently operates the Victoria Project from which it produces gold dore. It commenced commercial operation of the Copper-Gold Project, producing copper-gold concentrate, in October 2017.

The Company has two Mineral Production Sharing Agreements (MPSA), referred to as MPSA No. 001-090-CAR and MPSA No. 151-2000-CAR, both in Mankayan, Benguet.

MPSA No. 001-90-CAR was jointly executed by the Company and subsidiary Far Southeast Gold Resources, Inc. (FSGRI) on March 3, 1990 with the Philippine Government, through the Department of Environment and Natural Resources. The MPSA has a term of 25 years, renewable for another term not exceeding 25 years under the same terms and conditions. The Company and FSGRI filed an application for its renewal on June 4, 2014. The application for renewal of the mining rights is still pending approval as at December 31, 2021.

The Parent Company has its principal office at the 21st Floor, 8747 Lepanto Building, Paseo de Roxas, Makati City.

Note 2 – Compliance with Generally Accepted Accounting Principles

The consolidated financial statements of Lepanto Consolidated Mining Company Group (the Group) have been prepared in accordance with the accounting principles generally accepted in the Philippines. The Group prepared its consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRS) except for the exemption from the fair value requirement of the Philippine Accounting Standards (PAS) 39, Financial Instruments: Recognition and Measurement, on long term commodity hedging contracts entered into by the parent company and outstanding as of January 1, 2005, which was permitted by the SEC.

The accounting policies adopted in the preparation of the financial statements are consistent with the most recent annual financial statements.

Note 3 – Cash and Cash Equivalents

	09/30/2022	12/31/2021
Cash on hand	2,774	2,513
Cash in banks	41,236	33,141
	44,010	35,654

Cash in banks earn interest at the respective bank deposit rates.

Note 4 – Receivables

	09/30/2022	12/31/2021
Trade	93,635	74,885
Nontrade	38,174	28,955
Advances to officers and employees	3,335	2,866
	135,144	106,706
Less: Allowance for impairment losses	(18,913)	(18,398)
	116,231	88,307

The Parent Company's trade receivables arise from its shipments of gold, silver and concentrate to refinery and smelter customer based on contract/agreement.

Trade and nontrade are non-interest bearing and are generally collectible on demand. Nontrade receivables comprise mainly of receivables from subcontractors and other third parties, while receivables from officers and employees pertain to cash advances made by employees for the operations of the Group.

Receivables from officers and employees are non-interest bearing and are generally subject to liquidation. Unliquidated receivables from officers and employees are collectible on demand or considered as salary deduction.

Note 5 – Inventories

	09/30/2022	12/31/2021
Parts and supplies	597,139	593,500

Parts and supplies include materials and supplies stored in Metro Manila, Bulacan, Mankayan, and Leyte. The increase in the amount of P3.64 million represents unwithdrawn stocks to be used in operations.

Note 6 – Advances to suppliers and contractors

Advances to suppliers and contractors are non-financial assets arising from advanced payments made to suppliers and contractors before goods and services have been received or rendered. These are classified as current since these are expected to be offset against future short-term billings and are recognized in the books at the amounts initially paid.

Advances to suppliers and contractors are attributable to contracts generally requiring advance payments. Amounts deposited will be applied as part of the full payment of the contract price upon completion of the contract or consummation of transactions and receipt of all related documents.

Note 7 – Other current assets

	09/30/2022	12/31/2021
Input VAT	462,392	372,131
Prepayments	167,186	147,654
Others	103,004	13,952
	732,582	533,738

Input VAT represents VAT paid on purchases of applicable goods and services. It may be claimed for refund or recovered as tax credit against certain future tax liability of the Company upon approval by the Philippine Bureau of Internal Revenue (BIR) and/or the Philippine Bureau of Customs.

Prepaid expenses include advance payments for taxes, insurance, rent and other services.

Note 8 – Trade and other payables

Composed of trade, due to related parties, accrued expenses and other liabilities, trust receipts, employee related expenses, unclaimed dividends, payables to regulatory authorities, accrued utilities and accrued production tax.

Nature, terms and conditions of the Group's liabilities:

- Trade payables include import and local purchases of equipment and inventories such as various parts and supplies used in the operations of the Group. These are non-interest bearing and are normally settled on sixty (60) days' terms.
- Accrued expenses and other liabilities are noninterest-bearing and are normally settled on a 30 to sixty (60) days' term. These include other operating expenses that are payable to various suppliers and contractors.
- Trust receipts refer to arrangements of the Group with banks related to its importations of inventories and various equipment which are interest bearing and have an average term of ninety (90) to one hundred twenty (120) days.
- Employee related expenses include unclaimed wages, accrued vacation and sick leave and accrued payroll. These are non-interest bearing and are payable in thirty (30) days' term.
- Unclaimed dividends pertain to unpaid cash dividends declared by the Parent Company to its stockholders. These are non-interest bearing and are payable upon demand of the payee.
- Payable to regulatory agencies include withholding taxes and other government contributions related to employees of the Group. These are non-interest bearing and are normally remitted within ten (10) days from the close of each month.
- Accrued utilities pertain to unpaid billings for power, communication, light and water charges. These are non-interest bearing and are normally settled within thirty (30) to ninety (90) days.
- Accrued production taxes pertain to excise taxes on metal sales. These are non-interest bearing and are settled within fifteen (15) days after the end of each quarter.

Note 9 - Business Segments

The Group derives revenue from the following main operating business segments:

Mining activities –This segment engages in exploration and mining of gold, silver, copper, lead, zinc and all kinds of ores, metals, minerals, oil, gas, and coal and related by-products.

Investment activities – This segment derives its income as a general agent, broker or factor of any insurance company or as a commercial broker, agent or factor of any person, partnership, corporation or association engaged in any lawful business, industry or enterprise. Income is derived from commissions, which represent income on non-life insurance policies underwritten by a subsidiary for certain principals.

Hauling and Leasing activities – This segment engages in handling all kinds of material, products and supplies in bulk and maintaining and operating terminal facilities such pier and warehouses. Income is derived mainly from hauling fees and warehouse rentals.

Insurance activities – This segment derives its revenues from premiums from short duration insurance contracts, which are recognized over a period of the contracts using the 24th month method.

Drilling activities – This segment derives its income from drilling services to its related and outside parties.

Manufacturing and Trading – This segment derives its revenue from manufacturing, distributing, selling and buying machinery and equipment, general merchandise and articles related to diamond core drilling industry.

The assets, liabilities and results of the business segments of the LCMC Group as of and for the period ended September 30, 2022 and 2021 are as follows:

Mining activities

	2022 (in thousands)	2021 (in thousands)
CURRENT ASSET	1,795,395	2,013,460
NON-CURRENT ASSET	14,449,390	14,480,977
CURRENT LIABILITES	3,635,673	3,072,069
NON-CURRENT LIABILITIES	7,777,866	8,093,785
GROSS INCOME	1,285,617	1,157,281
NET INCOME / (LOSS)	(380,421)	(289,727)

Investment activities

	2022 (in thousands)	2021 (in thousands)
CURRENT ASSET	96,366	61,230
NON-CURRENT ASSET	7,244	48,117
CURRENT LIABILITES	90,302	90,348
NON-CURRENT LIABILITIES	12,108	18,763
GROSS INCOME	-	-
NET INCOME / (LOSS)	(255)	4,249

Hauling and Leasing Activities

	2022 (in thousands)	2021 (in thousands)
CURRENT ASSET	212,249	194,714
NON-CURRENT ASSET	380,774	389,684
CURRENT LIABILITES	7,596	11,714
NON-CURRENT LIABILITIES	115,237	138,217
GROSS INCOME	16,270	15,659
NET INCOME / (LOSS)	9,933	(2,385)

Drilling Activities

	2022 (in thousands)	2021 (in thousands)
CURRENT ASSET	238,237	226,990
NON-CURRENT ASSET	14,145	25,144
CURRENT LIABILITES	207,120	193,035
NON-CURRENT LIABILITIES	14,230	17,146
GROSS INCOME	49,045	24,466
NET INCOME / (LOSS)	(5,918)	(8,358)

Note 10 – Seasonality

There is no seasonality or cyclical factors in the company's operations.

LEPANTO CONSOLIDATED MINING CO.

AGING OF ACCOUNTS RECEIVABLE - TRADE

AS OF SEPTEMBER 30, 2022

CUSTOMERS	***CURRENT***	***OVER 30 DAYS***	***OVER 60 DAYS***	***TOTAL***
HERAEUS LTD.	64,720,652	-	-	64,720,652
LOUIS DREYFUS COMPANY	-			-
CLIVEDEN TRADING	-			-
	-	-	-	-
	64,720,652	-	-	64,720,652

MANAGEMENT's DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULT OF OPERATIONS

As of September 30, 2022

Consolidated revenues for the third quarter of 2022 amounted to P474.1 million compared with P383.4 million in 2021. Consolidated net loss decreased to P75.2 million versus P135.0 million the previous year.

For the first nine months of 2022, combined revenues reached P1,290.7 million compared with P1,180.4 million for the same period in 2021. Consolidated net loss increased to P377.2 million from last year's loss of P298.3 million.

Mining Operations

July – September 2022 versus July – September 2021

Dore production contained 4,814 ounces of gold and 11,133 ounces of silver versus last year's 4,000 ounces and 8,598 ounces, respectively.

Metal sales went up by P102.5 million to P471.5 million because of the higher quantity of metals sold and the peso depreciation versus the US dollar. Consequently, net loss decreased to P83.3 million compared with last year's P130.5 million.

Gold price for this quarter averaged US$1,711.80/oz. versus last year's US$1,790.25/oz while silver price averaged US$19.21/oz. versus US$24.28/oz. for the applicable quarters. This quarter's P/US$ exchange rate averaged P56.37/US$1 compared with P50.10/US$1 last year.

Due to the imposition of a higher cut-off grade, tonnage broken decreased by 22,517 tonnes from 126,840 tonnes while tonnage milled decreased by 19,602 tonnes to 99,332 tonnes. Accordingly, mining cost decreased from P182.6 million to P179.6 million because of the reduction in tonnage. On the other hand, milling cost increased from P80.9 million to P98.5 million due to price increases on production materials. Depletion and depreciation increased by a total of P1.8 million to P112.7 million on account of amortization of additional capital expenditures.

January – September 2022 versus January – September 2021

Metal production for the period ended September, 2022 consisted of 12,945 oz of gold and 36,688 oz of silver from last year's 12,649 oz of gold and 42,698 oz of silver.

Metal revenue increased from P1.16 billion to P1.28 billion due to the improved gold production and weakening of the Peso vis-à-vis the US dollar. Higher production costs widened net loss by P89.8 million from P289.3 million last year to P379.1 million.

Gold price for this year averaged US$1,811.28/oz. versus US$1,794.56/oz. last year, while silver price averaged US$21.82/oz. versus US$25.89/oz for the comparative periods. The P/US$ exchange rate averaged P53.59/US$1 compared with P48.81/US$1 last year.

Total cost and expenses increased by 15% to P1.68 billion from P1.45 billion generally due to the increase in cost of major materials, and specifically on account of: 13% increase in mining cost to P570.26 million; 21% increase in milling cost to P297.41 million; and on account of higher consumption and price increases, 22% increase in overhead cost to P276.50 million.. A 12% increase in depletion and depreciation is attributable to increased tonnage and capex.

BALANCE SHEET MOVEMENTS

September 30, 2022 versus December 31, 2021

The increase in cash and cash equivalents by P8.4 million is attributable to the timing issues on collections and payments. The increase in receivables of P27.9 million represents the outstanding balance from a dore shipment. The increase in advances to suppliers and contractors of P93.8 million pertains to advance payments to various vendors for future deliveries. Other current assets increased by P198.8 million resulting from unamortized operating development expenses. Other noncurrent assets decreased by P76.9 million due to the reclassification of deferred input vat to current assets.

Trade and other payables increased by P514.4 million due to mine development, mill upgrade and exploration expenditures. The non-current portion of lease liability decreased by P3.0 million on account of settlement made by a subsidiary. Liability for mine rehabilitation increased by P1.1 million in compliance with regulatory requirements.

Deficit widened by P376.7 million representing the net loss from operations during the period.

CAPITAL EXPENDITURES

Capital expenditures for the quarter totaled P44.3 million, of which P6.4 million went to exploration; P20.9 million to machinery and equipment; P10.4 million to mine development; and P6.5 million to maintenance of tailings storage facility 5A.

For the nine months ended September, total capital expenditures amounted to P245.7 million; of which P52.9 million went to exploration; P125.6 million to machinery and equipment; P36.5 million to mine development; and P30.7 million to maintenance of tailings storage facility 5A.

OUTLOOK FOR THE YEAR

Lepanto is presently focusing on gold dore production from its Victoria and Teresa deposits. Exploration drilling is concentrated on targeting extensions of the said deposits. The rehabilitation and upgrading of the mill plant and CIP continue and, together with the higher cut-off grade, have resulted in substantial improvement in gold recovery. There are no plans for any significant changes in the number of employees. The Company intends to raise capital to support operations, reduce payables, and undertake exploration of its gold and copper deposits, and mine development.

SUBSIDIARIES

The key performance indicator used for the subsidiaries is net income for the nine months ended September 2022 versus the same period of the previous year.

Diamond Drilling Corporation of the Philippines reported a net loss of P5.9 million this year versus P8.4 million net loss last year. Lepanto Investment and Development Corporation reported a net loss of P255 thousand compared with last year's net income of P4.2 million. Shipside, Incorporated registered a net income of P9.9 million against last year's net loss of P2.4 million.

* - **KEY PERFORMANCE INDICATORS-LCMC**

Tonnes Milled which indicate the amount of ore taken for processing, **Milled Head** is the amount of gold per ton milled and **Gold production** which is the final product of the operations. **Metal sales**, **Cost and Expenses** and **Net Income** round up the review process on how the company is performing vis-à-vis the performance of the same period last year. **Average Gold price** for the period adds another parameter that needs watching notwithstanding that the company has no direct influence on its movement.

ANNEX “H”

LEPANTO CONSOLIDATED MINING COMPANY
Impact of Current Global Financial Condition

Credit Risk

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as 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.

All gold exports when priced are practically settled on cash basis. Parent Company’s existing contracts with gold refineries allow for advances of 98% of payable metals paid in two (2) working days from pricing. Full settlement is normally received within three (3) working days. For copper concentrates, Parent Company’s existing contracts with smelters allow for advances of 90% of payable metals paid within two (2) to five (5) working days from pricing. Full settlement, however, takes three (3) to six (6) months..

The Parent Company enters into marketing contracts only with refineries and smelters of established international repute. Since the Parent Company became a primary gold and copper concentrates producer, it has entered into exclusive marketing contracts with Heraeus for gold and Trafigura Beheer BV and Shanghang County Jinshan Trading Co., Ltd. for copper concentrates.

The Group has a significant concentration of credit risk in relation to its trade receivables from Hereaus. Such risk is managed by securing the specific approval of the BOD before entering into contracts with refineries and by assessing the creditworthiness of such refineries.

The credit risk arising from these financial assets arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments. The Group’s gross maximum exposure to credit risk is equivalent to the carrying values since there are no collateral agreements for these financial assets.

There is no significant exposure to credit risk.

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchanges rates, interest rates, equity prices and other market changes.

Foreign Exchange Risk

Foreign exchange 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 consolidated financial statements and consolidated statements of cash flows.

The Group follows a policy to manage its currency risk by closely monitoring its cash flow position and by providing forecast on all other exposures in non-Philippine Peso currencies.

The Group sells its product to the interstates national market. All metal sales are denominated in US$. Dollar conversion of metal sales to Philippine Peso is based on the prevailing exchange rate at the time of sale. The Group also has purchase transactions denominated in AU$.

Foreign currency-denominated liabilities of Parent Company totaled US$1.0 million at the end of first quarter this year. Same amount was revalued at the start of the year based on an exchange rate of P50.999/US$. No revaluation of said liabilities during the current year. Foreign exchange gain or losses due to the movement of the Philippine peso vis a vis the US$ are recognized at year-end on outstanding US$ denominated assets and liabilities. The gain/(loss) on Philippine peso appreciation/(depreciation) against the dollar as a result of settlement of liabilities is reflected as foreign exchange gain/(loss) in the financial statements.

As of the end of the quarter, Far Southeast Gold Resources, Inc., a 60%-owned subsidiary, had total foreign currency-denominated liabilities of US$145.4 million. Said foreign currency liabilities are converted to Philippine peso at the time of their incurrence. No revaluation of said liabilities is done on account of the appreciation/depreciation of the Philippine peso; hence, no foreign exchange gain/loss is recognized for the quarter ended. Settlement of these obligations will be at their recorded value based on the agreement with the creditor/investor.

Interest Rate Risk

The Group's exposure to the risk for changes in market interest rate relates primarily to its long-term borrowings with floating interest rates. The Group regularly monitors its exposure to interest rates movements. Management believes that cash generated from operations is sufficient to pay for its obligations under the loan agreements as they fall due.

Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet maturing obligations from financial instruments or that a market for derivatives may not exist in some circumstances.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of advances from related parties. The Group considers its available funds and its liquidity in managing its long-term financial requirements. For its short-term funding, the Group's policy is to ensure that there are sufficient capital inflows to match repayments of short-term debt.

As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include 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.

Fair Values

PFRS defines fair value as 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. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

Cash and Cash Equivalents, Trade Receivables and Trade and Other Payables
The carrying amounts of cash and cash equivalents, receivables and trade and other payables, which are all subject to normal trade credit terms and are short-term in nature, approximate their fair values.

AFS Financial Assets
Fair values of investments are estimated by reference to their quoted market price at the end of the reporting period. Unquoted equity securities are carried at cost, net of impairment in value, since fair value of these AFS securities cannot be reliably determined as these securities are not listed and have no available bid price.

Loans Payable and Borrowings
Carrying value of the loans payable and borrowings as at end of the quarter approximate their fair values. Borrowings from local banks are all clean loans with interest rates ranging from 5.0% to 7.0%.

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
FINANCIAL RATIOS
PURSUANT TO SRC RULE 68, AS AMENDED
SEPTEMBER 30, 2022
(With Comparative Annual Figures for 2021)

	AS OF SEPTEMBER 2022	YEAR ENDED DECEMBER 2021
Profitability Ratios:		
Return on assets	-2.32%	-3.19%
Return on equity	-7.52%	-9.55%
Gross profit margin	-20.59%	-20.40%
Net profit margin	-29.23%	-32.46%
Liquidity and Solvency Ratios:		
Current ratio	0.55:1	0.53:1
Quick ratio	0.16:1	0.14:1
Solvency ratio	-0.03:1	-0.05:1
Financial Leverage Ratios:		
Asset to equity ratio	3.24:1	2.99:1
Debt to equity ratio	2.24:1	1.99:1
Interest coverage ratio	44.88:1	7.98:1