COVER SHEET

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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

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	815-9447
Contact Person	Company Telephone Number

D E F I N I T I V E

3rd Monday of April

1 2	3 1	S E C	I S 2 0		
Month	Day	FORM TYPE		Month	Day
Fiscal Year				Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

21,487		
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

Lepanto Consolidated Mining Company

NOTICE OF 2023 ANNUAL STOCKHOLDERS' MEETING

Please be informed that the **Annual Stockholders' Meeting of Lepanto Consolidated Mining Company** will be held on **Monday, July 17, 2023 at 4:00 o'clock p.m.** The Meeting will be conducted virtually via remote access communication and the access link will be provided in the Company's website at **www.lepantomining.com**

The agenda for the Meeting will be as follows:

1. Call to Order
2. Proof of due notice of the meeting and determination of quorum
3. Approval of the Minutes held on August 15, 2022
4. Approval of the Annual Report
5. Election of Directors, including the Independent Directors and the extension of their term
6. Appointment of External Auditor
7. Transaction of such other and further business as may properly come before the Meeting
8. Adjournment

Only stockholders of record as of May 29, 2023 are entitled to notice of, and to vote at, the Meeting. The stock and transfer book of the Company will be closed from May 29, 2023 to the close of business hours on July 17, 2023.

The Definitive Information Statement and Management Report and SEC Form 17-A and other pertinent documents are posted on the Company's website and PSE Edge. Guidelines for registration and participation in the Meeting shall likewise be posted on the Company's website.

Stockholders who intend to participate in the Meeting via remote communication should email on or before July 10, 2023 the Asst. Corporate Secretary at oaj@lepantomining.com a scanned copy of a valid government-issued identification card (ID) for registration and verification purposes. Indirect stockholders should include in their email their broker's certification of shareholding.

Stockholders may also be represented and vote at the Meeting by submitting a Proxy via email to oaj@lepantomining.com together with a government-issued ID. Hardcopies of proxies may also be submitted to the Company's principal office at the 21st Fl., Lepanto Building, 8747 Paseo de Roxas, Makati City. Proxies emailed or submitted after July 10, 2023 shall not be recorded for the Meeting.

Makati City, 6 June 2023.

ETHELWOLDO E. FERNANDEZ
Corporate Secretary

ANNEX "A"

EXPLANATION OF AGENDA ITEMS

1. **Call to Order** – The Chairman of the Board and CEO, Mr. Felipe U. Yap, will call the meeting to order.

2. **Proof of due notice of the meeting and determination of quorum** – The Corporate Secretary, Atty. Ethelwoldo E. Fernandez, will certify that (a) in accordance with SEC Notice dated April 20, 2020, notice of the meeting was duly published in two newspapers of general circulation for two consecutive days at least 21 days before the meeting date; and that (b) a quorum exists for the transaction of business.

   The said published notice of the meeting advised stockholders that: (a) those who intend to participate in the meeting via remote communication should send by email on or before July 10, 2023 to the Asst. Corporate Secretary at oaj@lepantomining.com a scanned copy of a valid government-issued identification card (ID) for registration and verification purposes. An Indirect shareholder should include in the email a scanned copy of his/her broker's certification of shareholding. (b) Stockholders may also be represented and vote at the meeting by submitting a Proxy (form attached) via email to oaj@lepantomining.com together with a scanned copy of a valid government-issued ID. Hardcopies of proxies may also be submitted to the Company's principal office at the 21st Fl., Lepanto Building, 8747 Paseo de Roxas, Makati City.

   Stockholders who have successfully registered will receive an email with (a) instructions on how to access the Ballot through a secure online portal which will allow them to vote at the meeting. The Ballot gives the stockholder the option not to vote directly, but to allow the Chairman to vote all items (except the election of directors) as his/her Proxy; and (b) the ZOOM meeting link. A stockholder who participates and votes *in absentia* or by remote communication shall be deemed present for purposes of quorum.

3. **Approval of the Minutes held on August 15, 2022**

   The minutes of the previous stockholders' meeting may be accessed through the Corporation's website www.lepantomining.com. A resolution on this item requires the approval of a majority of the votes of stockholders present and eligible to vote.

4. **Approval of the Annual Report** – The Chairman will deliver a report to the stockholders on the Company's performance in 2022. The President, Mr. Bryan U. Yap, will report on the Outlook for 2023. The Chairman will then address the questions sent by the stockholders via email or through the chat facility of zoom. Then, the audited financial statements for the year ended 31 December 2022 (attached to the Information Statement and accessible through the company's website) will be presented for the approval by the stockholders. A resolution on this agenda item requires the approval of a majority of the votes of stockholders present and eligible to vote.

5. **<u>Election of Directors, including the Independent Directors and the extension of their term</u>** – The Nomination Committee received nominations for the Board of Directors, consisting of seven (7) regular and two (2) independent directors within the prescribed period and found such nominees to have all the qualifications and none of the disqualifications to serve as directors. The names of the nominees and their respective personal profiles, including directorships in listed companies, are duly indicated in the Information Statement. Election of directors will be done by plurality of votes.

   The extension of the terms of Atty. Ray C. Espinosa and Atty. Val Antonio B. Suarez as independent directors for another two years will be presented to the stockholders pursuant to SEC Memorandum Circular 4, Series of 2017.

   Each shareholder is entitled to one (1) vote per share multiplied by the number of board seats to be filled, i.e. nine (9), and may cumulate his/her votes by giving as many votes as he/she wants to any candidate provided that the total votes cast shall not exceed the total votes to which he/she is entitled.

   In the event that only nine (9) are nominated to fill the nine seats in the Board, the Chairman, unless otherwise instructed by a stockholder, may direct the Corporate Secretary to cast all votes in favor of those nominated.

6. **<u>Appointment of External Auditor</u>** – The Corporation's Audit Committee has recommended the re-appointment of SyCip Gorres Velayo & Co. as external auditors for the current year. A resolution on this agenda item requires the approval of a majority of the votes of stockholders present and eligible to vote.

7. **<u>Transaction of such other and further business as may properly come before the Meeting</u>** - Stockholders may propose to discuss other issues and matters.

8. **<u>Adjournment</u>** – After all matters in the agenda have been taken up, the Chairman will entertain a motion to adjourn the meeting.

ANNEX "A-1"

P R O X Y

This undersigned stockholder of **LEPANTO CONSOLIDATED MINING COMPANY** (the "Company") hereby appoints ______________________, as attorney-in-fact and proxy, to represent and vote all shares registered in his/her/its name at the Annual Meeting of Stockholders to be held on **17 July 2023 (Monday) at 04:00 p.m**. by remote communication and at any adjournments thereof for the purpose of acting on the following matters:

Unless i have indicated my preference or my votes on the issues in the form as provided below, my shares shall be voted in accordance with the recommendation of the Board of Directors or, if there is none, at the discretion of the Proxy, except in the election of directors, on which the Proxy shall vote only the number of shares i have indicated for the candidate i have chosen.

Hereunder are the matters to be taken up during the meeting. Please indicate your vote by firmly placing an "X" in the appropriate box.

1. Approval of the Minutes held on August 15, 2022 ☐ Yes ☐ No ☐ Abstain

2. Approval of the Annual Report ☐ Yes ☐ No ☐ Abstain

3. Election of Directors, including the Independent Directors and the extension of their term

Vote for nominees listed below:

	Nominee	No. of Votes
☐	Felipe U. Yap	______________
☐	Bryan U. Yap	______________
☐	Marilyn V. Aquino	______________
☐	Ethelwoldo E. Fernandez	______________
☐	Douglas John Kirwin	______________
☐	Regis V. Puno	______________
☐	Cresencio C. Yap	______________
	Independent Directors	
☐	Ray C. Espinosa	______________
☐	Val Antonio B. Suarez	______________

4. Appointment of External Auditor ☐ Yes ☐ No ☐ Abstain

5. Transaction of such other and further business as may properly come before the meeting. ☐ Yes ☐ No ☐ Abstain

IF THE STOCKHOLDER IS A CORPORATION, A SECRETARY'S CERTIFICATE QUOTING THE BOARD RESOLUTION AUTHORIZING THE CORPORATE OFFICER WHO SIGNED THIS PROXY MUST BE SUBMITTED TO THE CORPORATE SECRETARY AT oaj@lepantomining.com.

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS CONSIDERED REVOKED IF THE STOCKHOLDER REGISTERS ON THE VOTING IN ABSENTIA & SHAREHOLDER (VISH) SYSTEM AND/OR NOTIFIES THE COMPANY BY EMAIL BY 10 JULY 2023 OF HIS INTENTION TO PARTICIPATE IN THE MEETING BY REMOTE COMMUNICATION.

STOCKHOLDERS PARTICIPATING BY REMOTE COMMUNICATION WILL NOT BE ABLE TO VOTE UNLESS THEY REGISTER IN THE VISH SYSTEM OR AUTHORIZE THE CHAIRMAN TO VOTE AS PROXY, ON OR BEFORE 10 JULY 2023.

A SCANNED COPY OF THIS PROXY SHOULD BE SENT TO THE CORPORATE SECRETARY AT oaj@lepantomining.com **ON OR BEFORE 10 JULY 2023 WHICH IS THE DEADLINE FOR SUBMISSION OF PROXIES.**

____
(Stockholder)

By: ____
Signature over printed name

ANNEX "A-2"

ONLINE BALLOT

Email Address: ______________________

1. Approval of the Minutes held on August 15, 2023 ☐ Yes ☐ No ☐ Abstain

2. Approval of the Annual Report ☐ Yes ☐ No ☐ Abstain

3. Election of Directors, including the Independent Directors and the extension of their term

   Vote for nominees listed below:

	No. of Votes
☐ Felipe U. Yap	_______________
☐ Bryan U. Yap	_______________
☐ Marilyn V. Aquino	_______________
☐ Ethelwoldo E. Fernandez	_______________
☐ Douglas John Kirwin	_______________
☐ Regis V. Puno	_______________
☐ Cresencio C. Yap	_______________
Independent Directors	
☐ Ray C. Espinosa	_______________
☐ Val Antonio B. Suarez	_______________

4. Appointment of SGV as External Auditor ☐ Yes ☐ No ☐ Abstain

5. Transaction of such other and further business as may properly come before the meeting. ☐ Yes ☐ No ☐ Abstain

☐ I OPT NOT TO VOTE DIRECTLY AND INSTEAD APPOINT THE CHAIRMAN AS MY PROXY TO VOTE ON ALL MATTERS EXCEPT IN RESPECT OF THE ELECTION OF THE DIRECTORS.

ANNEX "B"

REQUIREMENTS AND PROCEDURE FOR VOTING AND PARTICIPATING IN THE 2023 ANNUAL STOCKHOLDERS' MEETING

A. CONDUCT OF THE MEETING - The 2023 Annual Stockholders' Meeting of Lepanto Consolidated Mining Company will be conducted virtually on Monday, July 17, 2023, via ZOOM. Stockholders who participate in the meeting by remote communication shall be deemed present for purposes of quorum.

B. PRE-REGISTRATION - Stockholders intending to participate **by remote communication or by Proxy** (Annex "A-1") are required to pre-register by emailing the Asst. Corporate Secretary at oaj@lepantomining.com **not later than July 10, 2023**. Following are the requirements for pre-registration:

1. Name of the stockholder
2. Mailing Address
3. Contact number (landline or mobile)
4. email address through which the stockholder will send and receive communication from the Company
5. Scanned copy of any valid government-issued ID with photo and signature of the stockholder
6. If attending through a duly-appointed Proxy, the name of the Proxy, together with a scanned copy of the Proxy's valid government-issued ID with photo and signature (except if the designated Proxy is the Chairman of the meeting)
7. If the stockholder is a corporation, a scanned copy of the Corporate Secretary's certification stating the representative's authority to represent the corporation, and a scanned copy of the government-issued ID with photo and signature of the Company representative and email address of the representative.

THE SUBMISSION OF INCOMPLETE OR INCONSISTENT INFORMATION MAY RESULT IN UNSUCCESSFUL REGISTRATION AND WILL RENDER THE STOCKHOLDER INELIGIBLE TO PARTICIPATE IN THE MEETING.

C. REGISTRATION PROPER- Successful registrants will receive a notice by email:

1. confirming their registration status and providing:
   a. link to the online secure portal where they can vote/accomplish the Ballot (Annex "A-2"), which should be accomplished not later than July 10, 2023;
   b. ZOOM meeting link to enable them to participate at the meeting.
2. for those who submitted a PROXY, a confirmation of the validity of the PROXY.

D. VOTING

1. A stockholder who chooses to vote electronically should vote on the agenda items by accessing the Ballot through the secure online portal.
2. A stockholder who does not wish to vote electronically can only appoint the Chairman of the meeting as Proxy.
3. The Office of the Corporate Secretary will tabulate all votes received and an independent third party will validate the results.
4. The Corporate Secretary will report the results of the voting during the meeting.

E. MEETING PROPER

1. During the meeting, each proposed resolution will be shown on the screen as the relevant agenda item is taken up.
2. Participating stockholders can send questions or comments on any item on the agenda through the chat facility of ZOOM.
3. The meeting proceedings will be recorded in audio and video format. A copy of the recorded proceedings will be made available to a stockholder upon request.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   ___ Preliminary Information Statement

   _X_ Definitive Information Statement

2. Name of Registrant as specified in its charter: **LEPANTO CONSOLIDATED MINING COMPANY**

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

4. SEC Identification Number: 101

5. BIR Tax Identification Code: 320-000-160-247

6. Address of principal office: 21st Floor, Lepanto Building
8747 Paseo de Roxas
1229 Makati City, Philippines

7. Registrant's telephone number, including area code : (632) 815-9447

8. Date, time and place of the meeting of security holders :

   Monday, July 17, 2023 at 4:00 o'clock p.m. The meeting will be conducted virtually via remote access communications and the access link will be provided in the Company's website at **www.lepantomining.com**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: June 26, 2023

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

The Company has no Preferred Stock.

11. Are any or all of registrant's securities listed on a Stock Exchange?

    Yes __X__ No _______

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein.

    Philippine Stock Exchange Classes "A" & "B"

GENERAL INFORMATION

WE ARE NOT REQUESTING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

Date, time and place of meeting of security holders

The Annual Meeting of Stockholders of Lepanto Consolidated Mining Company will be will be conducted virtually via remote access communications and the access link will be provided in the Company's website at **www.lepantomining.com** on **Monday, July 17, 2023 at 4:00 o'clock p.m.** The complete mailing address of the offices of the Company is 21st Floor, Lepanto Building, 8747 Paseo de Roxas, Makati City, Philippines. This Information Statement will be posted on the Company's website on or before June 26, 2023.

Dissenters' Right of Appraisal

A stockholder has the right to dissent and demand payment of the fair value of his share: (1) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or of authorizing preference over the outstanding shares or of extending or shortening the term of corporate existence; (2) in case of any sale, lease, mortgage or disposition of all or substantially all the corporate property or assets; and (3) in case of any merger or consolidation.

The appraisal right may be exercised by a stockholder who has voted against the proposed corporate action, by making a written demand on the corporation for the payment of the fair market value of his shares within thirty (30) days after the date on which the vote was taken.

There is no matter in the Agenda that may trigger the exercise of shareholders of the right of appraisal.

Interest of Certain Persons in or Opposition to Matters to be Acted Upon

None of the directors, officers, nominees for director, or any of the associates of the foregoing persons have any substantial interest in the Matters to be Acted Upon in the Annual Meeting nor has any of them informed the Company in writing of any opposition to the matters to be acted upon.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

Of the 66,375,758,097 outstanding shares of the Company, 66,355,164,424 shares as of May 29, 2023 are entitled to one (1) vote each. Said outstanding shares, all of which are common shares, are broken down as follows:

Class "A"	-	39,817,947,179
Class "B"	-	26,537,217,245

A stockholder entitled to vote at the meeting shall have the right to vote in person or by proxy (which need not be notarized) the number of shares of stock held in his name on the stock books of the Company as of May 29, 2023.

Article VII of the Corporation's Articles of Incorporation states: "No stockholder of this corporation shall have any pre-emptive or preferential right to subscribe to any increase thereof that may be lawfully authorized, in proportion to his respective holding at the time such increase is so authorized."

Security Ownership of Certain Record and Beneficial Owners

Owners of more than 5% of the Company's securities, as of June 15, 2023, were as follows:

Title of Class	Name/Address of Record Owner	Name of Beneficial Owner/ Relationship to Issuer	Citizenship	A / B Shareholdings	%	Total Shareholdings	%
A & B	*F. Yap Securities, Inc. U-2301 & 2302, 23/F, PSE Centre, Exchange Rd.,Ortigas Center, Pasig City	F. Yap Securities, Inc./ Principal Stockholder	Filipino	13,966,348,139 8,354,084,372	35.08 31.48	22,320,432,511	33.63
A & B	** First Metro Investment Corp. Makati City	First Metro Investment Corp./ Principal Stockholder	Filipino	2,720,445,426 799,642,268	6.83 3.01	3,520,087,701	5.30
A	***Philex Mining Corporation, Brixton St., Pasig City	Philex Mining Corporation/ shareholder	Filipino	2,164,240,810 3,494,999	5.43 0.01	2,167,735,824	3.27

Equity Ownership of Foreigners

As of May 29, 2023, the record date, none of the "A" shares and 13.95% of the "B" shares were held by foreigners.

Voting Trusts and Change in Control

The Company is not aware of any voting trusts involving the Company's shares nor has there been any change in the control of the Company in the last five (5) years.

Security Ownership of Management (as of June 15, 2023)

Title of Class	Beneficial Owner (Directly Owned)	Position	Amount and Nature of Beneficial Ownership (A / B)		Citizenship	Percent of Classes (A / B)
A & B	Felipe U. Yap	Chairman of the Board	254,161,744 /134,355,552	Direct	Filipino	0.64 / 0.51
A & B	Bryan U. Yap	Director / President	970,846,692 / 50,107,284	Direct	-do-	2.44 / 0.19
B	Marilyn V. Aquino	Director	23,440,591 / 13,515,060	Indirect	-do-	0.06 / 0.05
A& B	Douglas John Kirwin	Director	1	Direct	Australian	nil
A & B	***Ray C. Espinosa	Director	1,213,447 / 500,000	Indirect	Filipino	nil
A & B	Ethelwoldo E. Fernandez	Director/Corp. Sec.	1,697,900 / 983,659	Indirect	-do-	0.01/nil
A & B	Regis V. Puno	Director	10,000 -	Indirect	-do-	nil
A & B	***Val Antonio B. Suarez	Director	1	Direct	-do-	nil
A & B	Cresencio C. Yap	Director	12,813,538 / 22,332,961	Direct	-do-	0.03 / 0.11
A	Ramon T. Diokno	Chief Finance Officer	953,183 / 333,066	Indirect	-do-	Nil
A & B	Ma. Lourdes B. Tuason	Vice Pres./Treasurer	23,991,732 / 16,328,419	Indirect	-do-	0.06 / 0.06
A & B	Odette A. Javier	Vice Pres./Asst Corp Sec	11,965,525 / 5,688,130	Indirect	-do-	0.03 / 0.02
A & B	Rene F. Chanyungco	Vice President	3,882,141 / 4,568,095	Indirect	-do-	0.01 / 0.02
A & B	Abigail Y. Ang	Vice President	6,913,351 / 8,542,361	Indirect	-do-	0.02 / 0.03
A & B	Pablo T. Ayson, Jr.	Vice President	866,516 / 2,720,074	Indirect	-do-	0.00 / 0.01
A & B	Cherry H. Tan	Asst. Vice President	4,662,880 / 3,130,959	Indirect	-do-	0.012 / 0.012
A & B	Knestor Jose Y. Godino	Vice Pres./HR	989,090 / 659,693	Indirect	-do-	nil
A & B	*Aggregate as a group*		*1,318,408,331 / 263,765,314*			*3.31 /1.00*

* - Power to dispose of shares is vested in: F. Yap Securities - Pacita K. Yap; Voting rights/proxies for F. Yap Securities have been granted to Mr. Felipe U. Yap.
** - Power to dispose of shares is vested in their respective Board of Directors; Voting rights/proxies have been granted to: Atty. Regis V. Puno.
*** - Power to dispose of shares vested in the Board of Directors of Philex Mining Corporation; Voting rights/ proxies have been granted to Marilyn V. Aquino.
**** - Independent Directors

There is no arrangement which may result in a change in the control of the Company and there have been no such changes since January 2023.

Involvement of the Company or its Directors and Officers in Certain Legal Proceedings

None of the directors and officers were involved during the past five (5) years in any bankruptcy petition. Neither has any director or officer been convicted by final judgment in any criminal proceeding, or been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in an action by any court or administrative bodies to have violated a Securities or Commodities law.

There is a pending material legal proceeding involving the Company, to wit:

Lepanto vs. NM Rothschild & Sons (Australia) Ltd. (Civil Case No. 05-782)

The Company initiated in 2005 a case for the declaration of nullity of forward gold contracts with Rothschild to sell 97,476 ounces of gold on the ground that they are considered as wagering transactions under Philippine law. In a decision dated February 5, 2018, the Regional Trial Court ("RTC") of Makati City ruled in favor of Lepanto, declaring the subject contracts null and void. The RTC decision was affirmed by the Court of Appeals in 2022, after which Rothschild filed a Petition for Review with the Supreme Court.

Directors and Executive Officers

The Directors of the Company are elected at the Regular Annual Meeting of Stockholders to hold office until the next succeeding annual meeting or until their respective successors have been elected and qualified. The incumbent Directors are:

Directors	Age	Citizenship	Period Served
FELIPE U. YAP	86	Filipino	Since 1975
BRYAN U. YAP	50	-do-	Since 1997
DOUGLAS J. KIRWIN	72	Australian	Since 2017
RAY C. ESPINOSA (Independent)	66	Filipino	Since 2005
MARILYN V. AQUINO	67	-do-	Since 2012
ETHELWOLDO E. FERNANDEZ	95	-do-	Since 2007
REGIS V. PUNO	65	-do-	Since 2016
VAL ANTONIO B. SUAREZ (Independent)	64	-do-	Since 2011
CRESENCIO C. YAP	77	-do-	2000-2004; 2006 to present

Following are the names of the Candidates for election to the Board of Directors with the names of the shareholders who nominated them, in the case of the candidates for independent directors:

	Age	Citizenship
FELIPE U. YAP	86	Filipino
BRYAN U. YAP	50	-do-
CRESENCIO C. YAP	77	-do-
REGIS V. PUNO	65	-do-
MARILYN V. AQUINO	67	-do-
DOUGLAS J. KIRWIN	72	Australian
ETHELWOLDO E. FERNANDEZ	95	Filipino
For Independent Directors:		
RAY C. ESPINOSA	66	Filipino - nominated by Mr. Antonio Cielo with whom he has no relations
VAL ANTONIO B. SUAREZ	64	Filipino - nominated by Ms. Ma. Theresa B. Tuason with whom he has no relations

Both nominees for independent directors. Messrs. Ray C. Espinosa and Val Antonio B. Suarez, had reached the maximum term allowed under SEC Memorandum Circular No. 19, Series of 2016. At the annual meeting on September 20, 2021, pursuant to SEC Memorandum Circular No. 4, Series of 2017, the stockholders approved the extension of their term for two years in view of the following: i) Mining is a complex industry and the management of a mining enterprise requires an understanding of its manifold aspects, its various phases, the factors that determine its success, and the numerous national and local laws and regulations that control its operation; and ii) Messrs. Espinosa and Suarez are not only well respected business executives, but in the course of their long exposure to the mining industry as directors of Lepanto, have acquired an acute understanding of the varied workings of the industry and have provided invaluable insights and counsel to the company. The Board of Directors will recommend to the stockholders a further extension of the term of the two independent directors for another two years for the afore-mentioned same reasons. The counsel of Messrs. Espinosa and Suarez would be particularly helpful as the Company moves towards optimal utilization of its varied resources. Furthermore, the Company announced to the public by way of a disclosure dated May 15, 2023 the deadline for nominations for independent directors. The fact that stockholders nominated again Mr. Espinosa and Mr. Suarez and nobody else is an indication that the stockholders prefer that they be retained, for which another extension is necessary.

Business Experience in the Last Five (5) Years

Mr. Felipe U. Yap became the Chairman of the Company in 1988. He is likewise the Chairman and Chief Executive Officer of Manila Mining Corporation and of Far Southeast Gold Resources, Inc. He is the Chairman of the Board of Kalayaan Copper-Gold Resources, Inc. and Zeus Holdings, Inc. and Vice Chairman of Ayala Land Logistics Holdings Corporation. Mr. Yap is a director of, among others, Manila Peninsula Hotel, Inc. and Philippine Associated Smelting and Refining Corp. (PASAR). Mr. Yap was the Chairman of the Board of the Philippine Stock Exchange from March 2000 to March 2002.

Mr. Bryan U. Yap has been the President and COO of the Company since 2003 and of Manila Mining Corporation since 2011. He is also the President of Kalayaan Copper-Gold Resources, Inc.; Lepanto Investment and Development Corporation (LIDC); Shipside, Inc.; and Diamond Drilling Corporation of the Philippines. He is also a director and Vice Chairman of Far Southeast Gold Resources, Inc. and a member of the Board of Trustees of the Chamber of Mines of the Philippines since April 15, 2009.

Atty. Marilyn V. Aquino has been a member of the board of Philex Mining Corporation since December 2009 and of PXP Energy Corporation since 2013. She was a partner of the law firm Sycip Salazar Hernandez & Gatmaitan until June 2012 when she joined First Pacific Company Limited as Assistant Director. She is now the Chief Legal Counsel of PLDT.

Atty. Ray C. Espinosa is a member of the Boards of the Manila Electric Company, Philippine Long Distance Telephone Company, Meralco PowerGen Corporation, Metro Pacific Investment Corporation, Roxas Holdings, Inc., and Mediaquest Holdings, Inc., among others. He is the vice chairman and a trustee of the Beneficial Trust Fund of PLDT.

Atty. Ethelwoldo E. Fernandez rejoined the Company as Corporate Secretary in 2001, the same year he was reappointed Corporate Secretary and elected director of Manila Mining Corporation. He is also a director of Far Southeast Gold Resources, Inc.

Mr. Douglas John Kirwin was the Exploration Manager of Ivanhoe Mines from 1995 (when it was known as Indochina Goldfields Ltd) until 2012. He was the Vice President of the Society of Economic Geology from 2009 to 2011, where he continues to serve as an honorary lecturer. He is now semi-retired with a part time consulting business. He has been a Director of Manila Mining Corporation since 2014 and an independent director of Zeus Holdings, Inc. since 2017.

Atty. Regis V. Puno is currently the Vice Chairman of Metrobank Card Corporation; Corporate Secretary of MetroBank and Special Legal Counsel to the Metrobank Group. He was a Senior Partner at Puno & Puno Law Offices until his retirement in 2018. He was formerly an Undersecretary of the Department of Justice.

Atty. Val Antonio B. Suarez is the Managing Partner of Suarez and Reyes Law Offices. He also serves as independent director of Filinvest Development Corporation and Filinvest Land, Inc. Atty. Suarez was the President and Chief Executive Officer of the Philippine Stock Exchange (PSE) and the Securities Clearing Corporation of the Philippines in 2010.

Mr. Cresencio C. Yap is the Chairman of the Rural Bank of Tagum (Davao del Norte) and General Manager of the Felcris Supermarket and Central Warehouse Club in Davao City.

There is no director who has resigned or declined to stand for re-election since the last annual meeting because of a disagreement with the Company.

<u>Executive Officers</u>

FELIPE U. YAP	-	Chairman of the Board and CEO
BRYAN U. YAP	-	President and COO
RAMON T. DIOKNO	-	Chief Finance Officer
ETHELWOLDO E. FERNANDEZ	-	Corporate Secretary
MA. LOURDES B. TUASON	-	Vice President/Treasurer
RENE F. CHANYUNGCO	-	Vice President-Logistics & Marketing
ABIGAIL K. YAP	-	Vice President for Technology & Planning
ODETTE A. JAVIER	-	Vice President/Asst. Corporate Secretary
PABLO T. AYSON, JR.	-	Vice President-Mining Claims
KNESTOR JOSE Y. GODINO	-	Vice President- Human Resource & Admin.
CHERRY H. TAN	-	Asst. Vice President- Purchasing

Business Experience of Executive Officers

Mr. Ramon T. Diokno rejoined the Company as CFO effective April 1, 2008. He held that same position from 1985 to 1996. Mr. Diokno is a member of the Board of Directors of Alcantara Consolidated Resources, Inc. and Zeus Holdings, Inc. He is also a director and the CFO of the Diamond Drilling Corporation of the Philippines (DDCP) and LIDC, and a director and Vice President of Far Southeast Gold Resources, Inc.

Ms. Ma. Lourdes B. Tuason is also the Assistant Treasurer of Manila Mining Corporation and of Far Southeast Gold Resources, Inc. and Treasurer of Shipside, Inc., DDCP and LIDC. She is a director also of LIDC and Shipside, Inc.

Mr. Rene F. Chanyungco is also a director and Senior Vice President-Treasurer of Manila Mining Corporation. He is the Vice President-Treasurer of Kalayaan Copper Gold Resources, Inc. and Vice President of LIDC.

Ms. Abigail Y. Ang, Vice President for Technology and Planning, is also the Chief Executive Officer of Yapster e-Conglomerate, Inc.

Atty. Odette A. Javier has been the Company's Assistant Corporate Secretary since 1993. She was promoted to Vice President-Assistant Corporate Secretary on February 20, 2006. She is also the Assistant Corporate Secretary of Manila Mining Corporation and Far Southeast Gold Resources, Inc. and is a Director and Corporate Secretary of Zeus Holdings, Inc. and LIDC. She is also Lepanto's Chief Information Officer.

Atty. Pablo T. Ayson, Jr. was appointed Vice President in December 2006. He is also a vice president of Manila Mining Corporation and Far Southeast Gold Resources, Inc. and a director of Zeus Holdings, Inc. and Kalayaan Copper-Gold Resources, Inc.

Mr. Knestor Jose Y. Godino joined the company as Group Manager for Administrative Services of the Lepanto Mine Division in 2006. He was promoted to Asst. Vice President for Human Resource and Administration in 2011, and to Vice President in 2015. He is also the Asst. Vice President for Human Resource of Manila Mining Corporation.

Ms. Cherry H. Tan joined the Company as Purchasing Manager in 1998. She was promoted to Assistant Vice President in 2004.

Attendance of Directors for the year 2022 Meetings:

Board	**Name**	**No. of Board Meetings Held during the year**	**No. of Meetings Attended**	**%**
Chairman	Felipe U. Yap	15	15	100%
Member	Bryan U. Yap	15	15	100%
Member	Marilyn V. Aquino	15	8	53%
Independent	Ray C. Espinosa	15	10	67%
Member	Ethelwoldo E. Fernandez	15	13	87%
Member	Douglas John Kirwin	15	13	87%
Member	Regis V. Puno	15	15	100%
Independent	Val Antonio B. Suarez	15	14	93%
Member	Cresencio C. Yap	15	13	87%

Continuing Education Attended:

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Felipe U. Yap	October 18, 2022	The Board's Agenda: Mindset Shifts for a Sustainable and Equitable Future	Institute of Corporate Directors
Bryan U. Yap	December 6, 2022	Corporate Governance Training	Center for Global Best Practices
Marilyn V. Aquino	September 22, 2022	The Metaverse and How it will Transform Business and Human Interaction; Proof of Learn: A Philippine Perspective to the Metaverse	Annual Corporate Governance Enhancement Session
Ray C. Espinosa	September 22, 2022	The Metaverse and How it will Transform Business and Human Interaction; Proof of Learn: A Philippine Perspective to the Metaverse	Annual Corporate Governance Enhancement Session
Ethelwoldo E. Fernandez	December 6, 2022	Corporate Governance Training	Center for Global Best Practices
Douglas John Kirwin	December 6, 2022	Corporate Governance Training	Center for Global Best Practices
Regis V. Puno	December 6, 2022	Corporate Governance Training	Center for Global Best Practices
Val Antonio B. Suarez	December 6, 2022	Corporate Governance Training	Center for Global Best Practices
Cresencio C. Yap	December 6, 2022	Corporate Governance Training	Center for Global Best Practices

Significant Employees

There are no significant employees expected to contribute significantly to the business other than the executive officers.

Family Relationships

Mr. Bryan U. Yap, Director and President, is the son of the Chairman and Chief Executive Officer, Mr. Felipe U. Yap. Mr. Cresencio C. Yap is a brother of the Chairman while Ms. Abigail Y. Ang is his niece.

Related Party Transactions **(From Note 15 of the 2022 Audited Financial Statements)**

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and their key management personnel, directors, or its stockholders.

The Parent Company has a Board-approved Material Related Party Transactions (Material RPTs) Policy defining Material RPTs and setting forth the approval procedure for the same in compliance with the requirements of Revised SRC Rule 68 and SEC Memorandum Circular 10, series of 2019.

Under the said policy, Material RPTs, that is, transactions which, either individually, or in aggregate over a twelve (12)-month period with the same related party, amount to at least ten percent (10%) of the Group's consolidated total assets based on its latest audited financial statements, need to be approved by at least a two-thirds (2/3) vote of the board of directors prior to execution.

Intercompany transactions involving subsidiaries are eliminated in the consolidated financial statements. The Group’s related party transactions, which are under terms that are no less favorable than those arranged with third parties, are as follows:

2022	Amount/ Volume	Outstanding Balance	Terms	Conditions
Subsidiaries and affiliates				
Receivables				
DDCP	₱30,457	₱113,498	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
LIDC	23	12,283	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
DMTC	60	1,975	On demand; non-interest bearing; and collectible in cash	Unsecured, no impairment, not guaranteed
FSGRI	7,048	–	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
Advances to				
FSGRI	–	94,140	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
MMC (Note 11)	8,423	11,805	Non-interest bearing and normally settled on 30-day term	Unsecured, no impairment, not guaranteed
Payables				
SI	17,155	(179,853)	Noninterest bearing and collectible in cash	Unsecured, not guaranteed
MMC (Note 13)	–	(12,650)	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
DMTC (Note 13)	–	(14,811)	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
FSGRI	–	(5,674)	On demand; non-interest bearing; and payable in cash	Unsecured, not guaranteed
Advances from				
SI	₱20,000	(₱20,000)	On demand; non-interest bearing; and collectible in cash	Unsecured, no impairment, not guaranteed
Rental				
FSGRI	2,238	–	Noninterest-bearing and normally settled on 30-day term	Unsecured, not guaranteed
DDCP	238	–	Non-interest bearing and normally settled on 30-day term	Unsecured, not guaranteed
Services				
DDCP	63,908	–	Noninterest-bearing and normally settled on 30-day term	Unsecured, not guaranteed
SI	15,320	–	Noninterest-bearing and normally settled on 30-day term	Unsecured, not guaranteed
Stockholders				
Payables:				
Various (Note 13)	–	(56,084)	Noninterest-bearing and are normally settled in cash on 30-day term	Unsecured, no guarantee

2021	Amount/ Volume	Outstanding Balance	Terms	Conditions
Advances				
FSGRI	–	94,140	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
MMC (Note 11)	2,830	10,992	Noninterest-bearing and normally settled on 30-day term	Unsecured, no impairment, not guaranteed
Payables				
SI	12,971	(171,794)	On demand; noninterest-bearing and collectible in cash	Unsecured, not guaranteed
DMTC (Note 13)	–	(12,650)	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
MMC (Note 13)	–	(15,070)	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
Rental				

FSGRI	2,244	–	Noninterest-bearing and normally settled on 30-day term	Unsecured, not guaranteed
Services				
DDCP	49,588	–	Noninterest-bearing and normally settled on 30-day term	Unsecured, not guaranteed
SI	12,971	–	Noninterest-bearing and normally settled on 30-day term	Unsecured, not guaranteed
Stockholders				
Payables:				
Various (Note 13)	–	(56,084)	Noninterest-bearing and are normally settled in cash on 30-day term	Unsecured, no guarantee

a. In the normal course of business, the Group grants and receives advances to and from its associates and stockholders, which are considered related parties.

The corresponding receivables and payables arising from the said transactions, including operational support as at December 31, 2022 and 2021 are as follows:

b. On April 17, 2000, the Parent Company entered into a Trust Agreement with LIDC for the latter to serve as a second trustee for the Parent Company's retirement fund.

On March 31, 2003, the Parent Company entered into a separate Trust Agreement with LIDC whereby the latter ceased to be the second trustee of the Plans and instead to become the principal trustee. Prior to the Trust Agreement, the actual disbursements of the fund for the Plans, or payments to the retiree or beneficiaries, had been the responsibility of a local bank as the principal trustee. The Parent Company has decided to terminate the services of the local bank and consolidated to LIDC the administration of the Plans.

The carrying amount and fair value of the retirement fund amounted to ₱468,066 and ₱496,433 as at December 31, 2022 and 2021, respectively (see Note 17).

The retirement fund consists of cash in banks, short-term investments, investments in quoted and unquoted equity securities which accounts for 0.16% and 97.39% and 2.41% and 0.04% of the trust fund, respectively, as at December 31, 2022 (see Note 17).

The voting rights on the shares of stock rest on the trustees of the retirement fund, who are also the key management personnel of the Parent Company.

Summary Compensation Table

Board of Directors per diem:	Year 2022	Year 2021	Year 2020
Felipe U. Yap	74,800	none	40,000
Bryan U. Yap	74,800	none	40,000
Marilyn V. Aquino	45,000	90,000	30,000
Ray C. Espinosa	63,000	100,000	10,000
Ethelwoldo E. Fernandez	90,000	120,000	30,000
Douglas John Kirwin	81,000	120,000	20,000
Regis V. Puno	99,000	110,000	20,000
Val Antonio B. Suarez	90,000	120,000	20,000
Cresencio C. Yap	90,000	90,000	20,000

	2021 Total (All Cash)	Basic Salary	Bonus (13th month)
Felipe U. Yap, Chairman Bryan U. Yap, President Ramon T. Diokno, CFO Ma. Lourdes B. Tuason, Vice Pres./Treasurer Rene F. Chanyungco, Vice President	P34.6 million	P31.9 million	P2.7 million
All officers and directors	P51.2 million	P45.3 million	P5.9 million
	2022 (Total)		
Felipe U. Yap, Chairman Bryan U. Yap, President Ramon T. Diokno, CFO Ma. Lourdes B. Tuason, Vice Pres./Treasurer Rene F. Chanyungco, Vice President	P32.3 million	P29.8 million	P2.4 million
All officers and directors	P48.0 million	P42.3 million	P5.7 million
	2023 (Estimate)		
Felipe U. Yap, Chairman Bryan U. Yap, President Ramon T. Diokno, CFO Ma. Lourdes B. Tuason, Vice Pres./Treasurer Rene F. Chanyungco, Vice President	P32.3 million	P29.8 million	P2.4 million
All officers and directors	P48.0 million	P42.3 million	P5.7 million

Compensation of Directors/Committee Members

Directors are paid a per diem of P10,000.00 each for attendance of every regular or special meeting in accordance with the Corporation's By-Laws. For committee meetings attended, non-executive member-directors are paid a per diem of P5,000.00 to P10,000.00 each.

Contracts with Officers/ Employees

The Company has no contracts or special arrangements with any of its officers or employees with respect to the terms of employment.

Pension Plan

The Parent Company has a funded, noncontributory, defined benefit retirement plans covering substantially all regular employees while DDCP and Shipside, Inc. have unfunded benefit retirement plans. Benefits are dependent on the years of service and the respective employee's compensation. The defined retirement benefit obligation is determined using the projected unit credit method. There were no plan terminations, curtailment or settlement for the years ended December 31, 2020, 2019 and 2018.

Warrants, Options, Compensation Plans, Issuance or Modification of Securities

Under the share-based plan, the Company's officers and employees and those of its subsidiaries may be granted options to purchase shares of stock of the Company. The aggregate number of shares to be granted under the plan should not exceed five percent (5%) of the total number of shares of the Company's outstanding capital stock.

An individual may be granted an option to purchase not more than five percent (5%) of the total number of shares set aside at the date of the grant and may exercise the option up to a maximum of twenty percent (20%) of the total number of option shares granted per year. Options are valid for five (5) years and are exercisable from the date of the approval of the grant by the SEC.

The last award, the 17th Stock Option Award, expired on January 30, 2013.

Authorization or Issuance of Securities Other than for Exchange

The following table illustrates the authorized capital stock ("ACS") or the number of common shares after the approved increase in ACS is implemented.

AUTHORIZED CAPITAL STOCK				
Type of "Common" Shares	Before the Increase in ACS	Increase in ACS	After the Increased in ACS	Amount (Php)
"A"	39,840,000,000	14,160,000,000	54,000,000,000	5,400,000,000.00
"B"	26,560,000,000	9,440,000,000	36,000,000,000	3,600,000,000.00
Total	**66,400,000,000**	**23,600,000,000**	**90,000,000,000**	**9,000,000,000.00**

Pursuant to the Revised Corporation Code, at least 25% of the increase in ACS, amounting P1.34 billion shall be subscribed, of which at least 25% will be paid-up. There will be no changes in the voting, dividend, or preemption rights of stockholders in connection with the issuance of additional shares. At a special meeting on April 7, 2022, the Board of Directors approved the offering to shareholders of one share for every 4.6 shares held at the price of P0.14 per share. On September 9, 2022, as authorized by the Board, the ratio and price were revised as follows: one share for every 3.95 shares held at the price of P0.12 per share. The shares will come from and support the increase in ACS, and will raise the amount of P2,000,000,000, more or less.

Class "A" and Class "B" shares enjoy the same rights and privileges. The only distinction between Class "A" and Class "B" shares is the former are available only to Filipino citizens, while the latter are available to all nationalities. Every share can vote for as many nominees as there are directors to be elected (nine for this Company) and the votes may be cumulated in favor of one, or a few candidates, or distributed among as many candidates as the shareholder may wish. Under the first paragraph of Article VII of the Corporation's Articles of Incorporation, "No stockholder of this corporation shall have any pre-emptive or preferential right to subscribe for any increase thereof that may be lawfully authorized, in proportion to his respective holding at the time such increase is so authorized."

The Company has no preferred shares and is not offering preferred shares.

There are no provision in the Company's Articles of Incorporation or By-laws that will delay, defer, or prevent a change in control of the Company.

Under the Company's By-laws, "Dividends shall be declared only from the surplus profit and shall be payable at such times and in such amounts as the Board of Directors shall determine, and shall be payable in cash or in shares of the unissued stock of the company, or both, as said Board of Directors shall determine. No dividend shall be declared that will impair the capital of the company."

Modification or Exchange of Securities

No action is to be taken by the Company with respect to the modification of any class of securities of the Company or the issuance or authorization for issuance of one class of securities of the Company in exchange for outstanding securities of another class.

Independent Public Accountant

Sycip Gorres Velayo & Co. ("SGV") has been the Company's independent public accountant since 2006. There has not been any disagreement between the Company and said accounting firm with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure. Mr. Jaime F. del Rosario was the certifying partner from 2007 to 2011 and 2014-2017. Ms. Eleanore A. Layug was the certifying partner in 2012 and 2013, and again for the 2018 to 2022 financial statements.

Representatives of SGV will be present at the Annual Stockholders' Meeting on July 17, 2023 to give statements in response to queries on issues they can shed light on.

Audit Fees

For the audit of the financial statements for the year 2021, SGV & Co. billed the Company the sum of P2,460,000. The amount was increased to P2,600,000 for the audit of the 2022 financial statements.

Tax Fees

No professional services in relation to taxes were rendered by SGV to the Company in the last three years.

All Other Fees

SGV & Co. was engaged to review the utilization of the proceeds of the Company's 1:4.685 SRO in 2017 pursuant to the PSE's conditions for listing. They were paid P40,000 for the engagement. No other non-audit services were rendered by SGV to the Company in the last three years.

Audit Committee's Approval Policies and Procedures

Prior to the commencement of audit services, the external auditors submit their Audit Plan to the Audit Committee, indicating the applicable accounting standards, audit objectives, scope, approvals, methodology, needs and expectations and timetable, among others. A presentation on the same Plan is made by the external auditors before all the members of the Committee. All the items in the Plan are considered by the Committee, along with industry standards, in approving the services and fees of the external auditors. The Audit Committee is composed of: Atty. Ray C. Espinosa, Committee Chairman and an independent director; Atty. Ethelwoldo E. Fernandez and Mr. Cresencio C. Yap, members.

The Committee revised its charter in 2012 to conform to SEC Memorandum Circular No. 4, Series of 2012.

FINANCIAL AND OTHER INFORMATION

Action with Respect to Reports

At the last **Annual Stockholders Meeting held on August 15, 2022** conducted virtually via remote access communications, the Chairman and CEO reported to the stockholders of the Company the operational and financial performance in 2021. Thereafter, the Chairman opened the floor for clarificatory questions. There were no questions from the floor.

The following were the matters discussed and the voting results for each item:

	AGENDA ITEM	IN FAVOR		AGAINST		ABSTAIN
		No. of Shares	%	No. of Shares	%	
3	Approval of the Minutes of: a. Annual Stockholders' Meeting held on September 20, 2021; and b. Special Stockholders' Meeting held on March 21, 2022	38,444,941,042	57.94	0	0	0
4	Approval of the Annual Report	38,444,941,042	57.94	0	0	0
5	Appointment of Sycip, Gorres, Velayo and Co., as External Auditor	38,444,941,042	57.94	0	0	0
	Election of Directors	**IN FAVOR**				
		No. of Shares	**%**			
	FELIPE U. YAP	38,444,940,042	57.94%			
	BRYAN U. YAP	38,444,940,042	57.94%			
	MARILYN V. AQUINO	38,444,940,042	57.94%			
	ETHELWOLDO E. FERNANDEZ	38,444,939,042	57.94%			
	RAY C. ESPINOSA	38,444,939,042	57.94%			
	DOUGLAS JOHN KIRWIN	38,444,938,042	57.94%			
	REGIS V. PUNO	38,444,938,042	57.94%			
	CRESENCIO C. YAP	38,444,938,042	57.94%			
	VAL ANTONIO B. SUAREZ	38,444,938,042	57.94%			

The following were the members of the Board of Directors present via remote communication:

1. FELIPE U. YAP
2. BRYAN U. YAP
3. CRESENCIO C. YAP
4. ETHELWOLDO E. FERNANDEZ
5. MARILYN V. AQUINO
6. DOUGLAS JOHN KIRWIN
7. REGIS V. PUNO
8. RAY C. ESPINOSA
9. VAL ANTONIO B. SUAREZ

The following were the Officers present via remote communication:

1. Mr. Ramon T. Diokno – Chief Finance Officer
2. Ms. Ma. Lourdes B. Tuason– Vice President-Treasurer
3. Atty. Odette Javier – Vice President and Asst. Corporate Secretary
4. Atty. Pablo Ayson – Vice President for Mining Claims
5. Mr. Knestor Godino – Vice President for Human Resource
6. Cherry H. Tan - Asst. Vice President - Purchasing

The following were the Stockholders present via remote communication

1. Antonino R. Bonzon
2. Luz Sta. Ana

Stockholders in attendance or represented at the meeting represented 38,444,941,042 shares constituting 57.94% of the outstanding shares of the Company.

Voting Procedures

All Agenda items will require the affirmative vote of a majority of the shares of the Company present or represented and entitled to vote at the Annual Meeting. Likewise, directors shall be elected upon the majority vote of the shares present or represented and entitled to vote at the Annual Meeting. The Voting Procedure is set forth in the Requirements and Procedure for Voting and Participating in the 2023 Annual Stockholders' Meeting attached hereto as Annex "B".

Incorporated herein are the following:

1. Management's Discussion and Analysis of Financial Condition and Results of Operations for the First Quarter ended March 31, 2023 and for the years 2022, 2021 and 2020:
2. Quarterly Market Prices of Securities from 2020, 2021 to 2022 and June 20 and 21, 2023; and
3. Audited Financial Statements for 2022 with Management's Responsibility for Financial Statements.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on June 22, 2023.

LEPANTO CONSOLIDATED MINING COMPANY
(Issuer)

For and in behalf of the Board of Directors:

ODETTE A. JAVIER
Vice President and
Asst. Corporate Secretary

REPORT TO SECURITY HOLDERS

General Nature and Scope of Business

Lepanto Consolidated Mining Company is a Filipino primary gold producer. Lepanto has been a proud corporate resident of Mankayan, Benguet for 87 years since 1936.

From 1948 to 1996, Lepanto's Enargite operations produced 1.58 billion pounds of copper, 2.9 million oz. of gold and 12.0 million oz of silver, recovered from 34.4 Mt of ore averaging 2.2% Cu and 3.5 g/t Au. Lepanto resumed copper operations in 2008, which it suspended in the fourth quarter of that year due to the sharp decline in copper prices.

Lepanto continues to produce gold from its Victoria and Teresa operations in Mankayan, Benguet. The Victoria Project has produced over 1,500,000 ounces gold from 1997 to 2022.

Lepanto has three wholly-owned subsidiaries, to wit:

SHIPSIDE, INC., based in San Fernando, La Union, is engaged principally in the hauling business. It also has a sawmill in La Union.

DIAMOND DRILLING CORPORATION OF THE PHILIPPINES is in the diamond drilling business. Itservices mostly mining companies.

LEPANTO INVESTMENT AND DEVELOPMENT CORPORATION (LIDC) is in the insurance business.

Lepanto owns 60% of FAR SOUTHEAST GOLD RESOURCES, INC., another mining company with resources in Mankayan, Benguet.

PLAN OF OPERATION/OUTLOOK FOR 2023

Lepanto will continue producing gold and silver dore from its Victoria and Teresa deposits. Most of the projects initiated in 2021-2022 to improve mill recovery and efficiency have been completed or are nearing completion, and showing desired results. These initiatives, together with the strict execution of the mine plan, will continue to improve gold production, which in turn, coupled with the buoyant gold prices, will improve liquidity and income. Preparations for drilling at Teresa South are underway.

The Company intends to raise P2 Billion within the year to support an increase in the authorized capital stock from P6,640,000,000 to P9,000,000,000 as approved by the stockholders last year. Proceeds will fund an exploration program targeting copper-gold areas, settlement of liabilities, and working capital.

There are no known events that will trigger direct or contingent material financial obligations. Neither are there any material off-balance sheet transactions or any material commitments for capital expenditures.

Management's Discussion and Analysis of Financial Condition and Results of Operations for the First Quarter ended March 31, 2023 and for the years 2022, 2021 and 2020

March 31, 2023

Consolidated revenues for the first quarter of 2023 amounted to P 803.6 million compared with P423.8 million in 2022. Consolidated net income for the period amounted to P133.6 million versus a net loss of P149.2 million the previous year.

MINING OPERATIONS

January – March 2023 versus January – March 2022

Gold production improved by 65%, 6,959 ounces versus last year's 4,207 ounces. Silver production was lower, 11,595 ounces compared with last year's 15,473 ounces.

The combination of three factors resulted in higher metal sales, P802.6 million vs. P380.4 million last year: improvement in gold production; higher gold price; and the weaker peso vis-à-vis the US$. Net income after provision for income tax was recorded at P118.8 million, a significant jump from last year's P148.6 million net loss.

Gold price for this quarter averaged US$1,907.05/oz. versus last year's US$1,884.77/oz while silver price averaged US$22.42/oz. versus US$23.93/oz. This quarter's P/US$ exchange rate averaged P54.87/US$1 compared with P51.52/US$1 last year.

Tonnage declined as mining became more selective on the higher grade sources from Victoria and Teresa. Tonnage broken decreased by 22,626 tonnes from 131,079 tonnes while tonnage milled decreased by 29,684 tonnes from 119,616 tonnes. Accordingly, mining cost decreased from P205.7 million to P175.4 million. On the other hand, milling cost increased from P101.7 million to P109.3 million due to price increases in practically production inputs. Depletion and depreciation increased by a total of P1.3 million to P126.3 million on account of amortization of additional capital expenditures and mining tonnage.

BALANCE SHEET MOVEMENTS

March 31, 2023 versus December 31, 2022

The increase in cash and cash equivalents of P24.6 million is attributable to the favorable timing of collections vis-a-vis payments. The increase in receivables of P113.4 million pertains to the outstanding balance from a dore shipment. Inventories went down by P64.6 million due to usage and the delayed arrival of materials in transit. Advances to suppliers and contractors increased by P64.9 million representing advance payments to various vendors for those materials in transit. Other current assets increased by P176.4 million due to recognition of input taxes from local purchases and operating development costs. On the other hand, other noncurrent assets went up by P40.0 million because of additional deferred charges.

CAPITAL EXPENDITURES

Capital expenditures for the quarter totaled P137.9 million, of which P89.1 million went to exploration; P21.0 million to machinery and equipment; P19.9 million to mine development; and P7.9 million to maintenance of tailings storage facility 5A.

OUTLOOK FOR THE YEAR

Lepanto will continue producing gold and silver dore from its Victoria and Teresa deposits. Most of the projects initiated in 2021-2022 to improve mill recovery and efficiency have been completed or are nearing completion, and showing desired results. These initiatives, together with the strict execution of the mine plan, will continue to improve gold production, which in turn, coupled with the rising metal prices, will improve the bottomline. Preparations for drilling at Teresa South are underway.

The Company intends to raise P2 Billion within the year to support an increase in its authorized capital stock from P6,640,000,000 to P9,000,000,000 as approved by the stockholders last year. Proceeds will fund an exploration program targeting copper-gold areas, settlement of liabilities, and working capital.

SUBSIDIARIES

The key performance indicator used for the subsidiaries is net income for the three months ended March 2023 versus the same period of the previous year.

Diamond Drilling Corporation of the Philippines reported a net income of P1.3 million this year versus a P1.2 million net loss last year. Lepanto Investment and Development Corporation reported a net loss of P49,120 compared with last year's net loss of P59, 600. Shipside, Incorporated registered a net loss of P0.35 million against last year's net loss of P1.7 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.

2022

Consolidated revenues for the year 2022 amounted to ₱1,858 million compared with ₱1,585 million in 2021. Net loss declined from ₱514.5 million to ₱494.8 million or 3.8%.

Mining Operations

2022 versus 2021

Dore production contained 19,099 oz. of gold and 48,669 oz. of silver compared with 17,039 oz. of gold and 53,916 oz. of silver last year.

Gold price averaged US$1,787.14/oz. versus US$1,796.62/oz. while silver price averaged US$21.69/oz. versus US$25.36/oz. last year. The ₱/US$ exchange rate averaged ₱54.76/US$1 compared with ₱49.23/US$1 last year.

Total cost and expenses increased by ₱255.5 million or 12% on account of higher mining and milling tonnages and cost of materials. Mining cost increased to ₱766.2 million from ₱709.8 million while milling cost also went up to ₱411.5 million from ₱339.2 million. Depletion and depreciation increased by ₱10.1 million and ₱21.2 million, respectively due to the higher tonnage and capex.

Production tax increased by 22% to ₱76.3 million due to higher production. Finance cost increased to ₱69.3 million from ₱57.2 million attributable to debt restructuring. Other income totaled ₱23.2 million which is lower than last year's ₱63.8 million due to the gain of remeasurement of the Mine Rehabilitation Liability recognized last year.

BALANCE SHEET MOVEMENTS

December 31, 2022 versus December 31, 2021

Cash and cash equivalents increased by ₱17.9 million on account of improved operations. Receivables decreased by ₱9.6 million due to timely collection of customer and subsidiary accounts. Prepayments and other current assets decreased by ₱56.4 million resulting from reconciliation of advances to suppliers' and contractors' accounts.

Financial assets designated at their fair values increased by ₱11.2 million due to higher quoted prices of investment shares with a corresponding decrease in its fair value reserve in equity of ₱8.5 million. Deferred tax assets decreased by ₱66.0 million related to the remeasurement gain on retirement benefit plans. Such remeasurement resulted to an increase of ₱203.5 million in equity. Other noncurrent assets decreased by ₱15.4 million due to amortization of deferred charges.

Short term borrowings decreased by ₱83.6 million while long term borrowings increased by ₱147.5 million due to debt restructuring. The current portion of lease liabilities increased by ₱1.5 million arising from the recognition of its correct balance of ₱2.3 million at yearend. Retirement benefits liability decreased by ₱256.7 million due to changes in actuarial valuations and mine rehabilitation costs decreased by P2.9 million.

Deficit increased by ₱499.3 million representing the net loss for the period.

CAPITAL EXPENDITURES

Capital expenditures for the year totaled ₱434.0 million, of which ₱201.3 million went to exploration; ₱77.4 million to machinery and equipment and the rest to other projects.

SUBSIDIARIES

The key performance indicator used for the subsidiaries is net income of the year versus the previous year.

Diamond Drilling Corporation of the Philippines reported a net loss of ₱9.6 million compared with ₱17.5 million net loss last year. Lepanto Investment and Development Corporation reported a net loss of ₱0.3 million compared with last year's net income of ₱5.6 million. Shipside, Incorporated registered a net income of ₱12.6 million against last year's net income of ₱11.9 million.

* - KEY PERFORMANCE INDICATORS-LCMC

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2021

Consolidated revenues for the year 2021 amounted to P1,585 million compared with P1,473 million in 2020. Net loss before income tax declined from P747.7 million to P496.5 million or 34%.

Mining Operations

2021 versus 2020

The dore production contained 17,039 oz. of gold and 53,916 oz. of silver compared with 13,314 oz. of gold and 43,007 oz. of silver last year.

Copper concentrate production was suspended in March 2020 after producing 618,442 lbs. of copper, 2,744 oz. of gold, and 10,827 oz. of silver contained in 2,173 DMT copper-gold concentrate.

Gold price averaged US$1,796.62/oz. versus US$1,763.41/oz. while silver price averaged US$25.36/oz. versus US$21.72/oz. last year. The P/US$ exchange rate averaged P49.23/US$1 compared with P49.63/US$1 last year.

Total cost and expenses decreased by 4% to P2,059 million. Mining cost decreased to P709.8 million from P716.6 million while milling cost went down by P7.5 million to P339.2 million. Depletion and depreciation increased by P1.2 million to P420.6 million.

Production tax increased by 9% to P62.4 million due to higher production. Finance cost decreased to P57.2 million from P60.6 million last year due to repayment of loans. Other income totaled P63.8 million, much higher than last year's P6.7 million due to the gain from remeasurement of the Mine Rehabilitation Liability.

BALANCE SHEET MOVEMENTS

December 31, 2021 versus December 31, 2020

Cash and cash equivalents increased by P4.2 million on account of improved operation. Receivables increased by P8.8 million representing the unpaid portion of a dore shipment. Inventories increased by P42.5 million from procurement of equipment parts and supplies.

Financial assets designated at fair value through other comprehensive income decreased by P32.5 million due to the impairment of investment with PASAR. Investments in and advances to associates decreased by P88.3 million as a result of disposition of shares of stock by a subsidiary. Increase in other noncurrent assets by P101 million is due to increase of deferred charges of Lepanto and increase in deferred Input Vat of DDCP.

Trade payables increased by P470.0 million while short term borrowings decreased by P60.4 million due to repayment of loans.

Deficit increased by P522.3 million representing the net loss from operations during the period.

CAPITAL EXPENDITURES

Capital expenditures for the year totaled P306.8 million, of which P113.1 million went to exploration; P146.8 million to machinery and equipment; P25.2 million to mine development; and P21.7 million to maintenance of tailings storage facility 5A.

SUBSIDIARIES

The key performance indicator used for the subsidiaries is net income of the year versus the previous year.

Diamond Drilling Corporation of the Philippines reported a net loss of P17.5 million compared with P29.1 million net loss last year. Lepanto Investment and Development Corporation reported a net income of P5.6 million compared with last year's net loss of P14.8 million. Shipside, Incorporated registered a net income of P11.9 million against last year's net loss of P4.5 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.

2020

Consolidated revenues for the year 2020 amounted to P1,473 million compared with P2,047.4 million in 2019. Net loss declined from P1,056.7 million to P747.7 million or 29%.

Mining Operations

Production in 2020 was lower than the previous year's largely on account of the operational disruptions caused by COVID-19 related safety protocols, affecting the availability of spare parts and supplies and delaying their deliveries to the minesite, and presenting the Company from operating at full capacity. The suspension of copper concentrate production also contributed to the lower metal production.

The dore production contained 13,314 oz. of gold and 43,007 oz. of silver compared with 6,032 oz. of gold and 1,423 oz. of silver last year.

Copper concentrate production was suspended in March 2020 after producing 618,442 lbs. of copper, 2,744 oz. of gold, and 10,827 oz. of silver contained in 2,173 DMT copper-gold concentrate. Last year's copper concentrate production totaled 7,335 DMT and contained 2,912,623 lbs. of copper, 19,926 oz. of gold, and 85,469 oz. of silver.

For the reasons cited above, revenues and costs dropped from 2019 levels. Metal sales went down by 28% from P2039.0 million to P1,460.3 million. Net loss decreased by 19% from P872.9 million to P705.6 million this year.

Gold price averaged US$1,763.4/oz. versus US$1,382.21/oz. while silver price averaged US$21.72/oz. versus US$16.1/oz. last year. The P/US$ exchange rate averaged P49.6/US$1 compared with P51.8/US$1 last year.

Costs declined across the board as mine deliveries and milling tonnage dropped by 38% and 33%, respectively. Total cost and expenses decreased by 29% to P2,166 million. Mining cost decreased to P716.6 million from P802.9 million while milling cost went down by P109.6 million to P346.7 million. Depletion and depreciation decreased by P368.7 million to P261.6 million.

Production tax decreased by 30% to P57.3 million due to lower production. Finance cost decreased to P66.9 million from P99.4 last year due to repayment of loans. Other income totaled P13.3 million, much lower than last year's P33.1 million which came from the sale of shares of stock.

BALANCE SHEET MOVEMENTS

December 31, 2020 versus December 31, 2019

Cash and cash equivalents decreased by P31.1 million on account of disbursements for operations. Receivables increased by P8.3 million representing the unpaid portion of a dore shipment. The decrease in other current assets of P59.1 million was due to the amortization of development cost and decrease in creditable input vat.

Trade payables increased by P521.8 million while short term borrowings decreased by P16.5 million due to repayment of loans.

Deficit increased by P750.9 million representing the net loss from operations during the period.

CAPITAL EXPENDITURES

Capital expenditures for the year totaled P326.4 million, of which P165 million went to exploration; P113 million to machinery and equipment; P32.6 million to mine development; and P15.8 million to maintenance of tailings storage facility 5A.

SUBSIDIARIES

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

Diamond Drilling Corporation of the Philippines reported a net loss of P29.1 million compared with P45.1 million net loss last year. Lepanto Investment and Development Corporation reported a net loss of P14.8 million compared with last year's net loss of P161.9 thousand. Shipside, Incorporated registered a net loss of P4.5 million against last year's net income of P3.3 million.

* - KEY PERFORMANCE INDICATORS-LCMC

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Securities and Shareholders:

The Company had 27,682 stockholders as of 15 June 2023. Holders of common "A" and common "B" shares number 22,468 and 5,214, respectively.

The Company's securities are listed in the Philippine Stock Exchange. Following are the average quarterly prices for the past two years:

Lepanto "A" (P/share)

	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	June 21, 2023
Low	0.1290	0.1540	0.136	0.136	0.1490	0.1330	0.1000	0.1080	0.11	0.100
High	0.1340	0.1570	0.145	0.145	0.1510	0.1350	0.1060	0.1130	0.11	0.103

Lepanto "B" (P/share)

	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	June 20, 2023
Low	0.1200	0.1570	0.136	0.136	0.1510	0.1360	0.1190	0.1070	0.12	0.096
High	0.1390	0.1590	0.142	0.142	0.1540	0.1360	0.1200	0.1080	0.12	0.096

Top 20 "A" and "B" Stockholders of the Company (as of June 15, 2023)

	Name of Stockholder	Class "A"	%
1	F. Yap Securities, Inc.	13,966,348,139	35.08
2	First Metro Investment Corp.	2,550,682,926	6.41
3	Philex Mining Corporation	2,164,240,810	5.44
4	F. Yap Sec., Inc. A/C #CPHC-2	362,240,169	0.91
5	F. Yap Sec., Inc. A/C #CPHC-3	337,989,616	0.85
6	Felcris Hotels & Resorts	310,000,000	0.78
7	F. Yap Sec., Inc. A/C #CPHC-1	301,859,763	0.76

8	Coronet Property Holdings Corp	277,556,566	0.70
9	Bryan Yap	175,915,571	0.44
10	First Metro Investment Corp.	169,762,500	0.43
11	Christine Yap	116,620,522	0.29
12	Felipe U. Yap	86,063,611	0.22
13	Manila Mining Corporation	65,870,000	0.17
14	Allen Jesse C. Mangaoang	45,113,040	0.11
15	Arlene King Yap	40,000,000	0.10
16	Christine Karen Uy Yap	40,000,000	0.10
17	Fausto R. Preysler Jr.	38,222,363	0.10
18	F. Yap Securities, Inc. A/C No. PKY-89	30,942,477	0.08
19	Felipe Yap	24,874,960	0.06
20	Christine Karen Yap	24,386,376	0.06

	Name of Stockholder	Class "B"	%
1	F. Yap Securities, Inc.	8,354,084,372	31.48
2	F. Yap Securities, Inc.	3,761,979,349	14.18
3	F. Yap Securities, Inc. A/C 521	1,343,773,000	5.06
4	F. Yap Securities, Inc. A/C 1411	1,129,238,161	4.26
5	F. Yap Securities, Inc. A/C 5217	1,020,000,000	3.84
6	First Metro Investment Corp.	799,642,268	3.01
7	F. Yap Securities, Inc. A/C 5218	669,905,750	2.64
8	Coronet Property Holdings Corp	447,665,860	1.69
9	F. Yap Securities A. S	218,404,905	0.82
10	YHS Holdings Corporation	87,758,339	0.33
11	Felipe U. Yap	54,643,386	0.21
12	Chase Leonard So Yap	50,000,000	0.19
13	David Go Securities Corp.	45,599,783	0.17
14	Allen Jesse C. Mangaoang	27,676,892	0.10
15	Luis L. and Teresa M. Oh, Trustees Luis Oh and Teresa Oh Trust Oh	24,365,714	0.09
16	F. Yap Sec., Inc. A/C No. 87-EU	23,014,545	0.09
17	Kathy Sue Trout	22,619,631	0.09
18	F. Yap Sec., Inc. A/C #PKY-89	20,577,792	0.08
19	F. Yap Sec., Inc. A/C #BSUY	20,302,971	0.08
20	Felcris Realty Investment Corp.	19,769,688	0.07

Recent Sales of Unregistered or Exempt Securities

On July 17, 2017, the parent company’s Board of Directors approved the offer of 7,007,384,282 Class “A” shares and 4,671,583,606 Class “B” shares, or 1 share for every 4.685 shares held by shareholders as at November 6, 2017 from the parent company’s unissued capital stock at the offer price of ₱0.15 per share. The offer of shares was exempt from registration. A total of 11,678,967,888 shares were sold during the Offer Period, December 4 to 8, 2017, in connection with the said offer.

Dividends Policy

Dividends may be declared out of the unrestricted retained earnings of the Company, which may be in the form of cash or stock to all stockholders on the basis of outstanding shares held by them as of the record date fixed by the Company in accordance with existing laws and rules. Any cash dividends due on delinquent stock shall first be applied to the unpaid balance on the subscription plus costs and expenses, while stock dividends shall be withheld from the delinquent stockholder until his unpaid subscription is fully paid: Provided, That no stock dividends shall be issued without the approval of stockholders representing not less than two-thirds (2/3) of the outstanding capital stock at a regular or special meeting duly called for the purpose. (Section 42, Revised Corporation Code).

Due to operational losses, there have been no dividends declared in the last two years.

Compliance with Leading Practices on Corporate Governance

Lepanto has revised its Corporate Governance Manual to comply with SEC regulations and institutionalize the principles of good governance in the entire organization. Pursuant to the said Revised Manual, the Company's Board of Directors have constituted the following committees: Audit Committee; Compensation and Remuneration Committee and the Nomination Committee. The Board of Directors is composed of highly qualified and competent individuals who excel in their respective fields. The members of the Board assess the Board's performance pursuant to good corporate governance principles.

The performance and qualifications of nominees are reviewed by the Nomination Committee. All directors and senior officers regularly attend seminars on corporate governance. The Company's Board of Directors formalized existing good governance practices by approving in 2014 various policies/codes, namely: Conflict of Interest Policy; Related Party Transactions Policy; Insider Trading Policy; Health Policy; and Whistleblower Policy.

Through regular board and committee meetings, compliance with the principles of good governance are monitored. Furthermore, the Audit Committee Charter has been revised to comply with SEC Memorandum Circular No. 4, Series of 1990, pursuant to which the performance of the Committee shall be regularly reviewed.

The performance of managers is also reviewed periodically and senior officers report to the Board of Directors. Regular meetings are held in the head office and in the mine to keep concerned officers apprised of any developments concerning production, finances, safety programs, community relations and environmental programs, and good governance, marketing, legal and human resource matters as well as of the company's compliance with pertinent regulations.

No deviation from the Company's Manual on Corporate Governance has been noted by the Company.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, RAY C. ESPINOSA, Filipino, of legal age and a resident of Unit 25H, One McKinley Place, 26th Street corner 3rd Avenue, Bonifacio Global City, Taguig, Metro Manila, after having been duly sworn in accordance with the law do hereby declare that:

1. I am a nominee for Independent Director of Lepanto Consolidated Mining Company and have been an independent director since April 18, 2005.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	**Position/Relationship**	**Period of Service**
Please see attached Annex		
"A"		

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Lepanto Consolidated Mining Company, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following direct/officer/substantial shareholders of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

Name of Director/Officer/ Substantial Shareholder	**Company**	**Nature of Relationship**
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/ I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

Offense Charged/ Investigated	**Tribunal or Agency Involved**	**Status**
N/A		

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the ___N/A________ to be an independent director in ____N/A____, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and Other SEC issuances.

8. I shall inform the Corporate Secretary of Lepanto Consolidated Mining Company of any changes in the abovementioned information within five days from its occurrence.

Done, this 6th day of June 2023 at Makati City.

RAY C. ESPINOSA
Affiant

SUBSCRIBED AND SWORN to before me this ______ day of June 2023 at Makati City, affiant personally appeared before me and exhibited to me his Philippine Passport Number P7383209B issued by DFA Manila and valid until August 11, 2031.

JUN 20 2023

MAKATI CITY

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SERIES OF 2023

ATTY. GERVACIO B. ORTIZ JR
Notary Public City of Makati
Until December 31, 2024
IBP No. 05729-Lifetime Member
MCLE Compliance No. VI-0024312
Appointment No. M-39 (2023-2024)
PTR No. 9563522 Jan. 3, 2023
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg
Brgy. Pio Del Pilar, Makati City

ANNEX "A"

List of Directorships

1. AGN Philippines, Inc. – Co-Chairman of the Board
2. Atimonan Land Ventures Development Corporation – Chairman of the Board
3. Atimonan One Energy, Inc. – Chairman of the Board
4. Aurora Managed Power Services Inc. – Chairman of the Board
5. BTF Holdings, Inc – Director
6. Beacon Electric Asset Holdings, Inc – Director
7. Beacon PowerGen Holdings, Inc. – Director
8. Bell Telecommunication Philippines, Inc. – Co-Chairman of the Board
9. Bonifacio Communications Corp. – Director
10. Bow Arken Holding Company, Inc. – Co-Chairman of the Board
11. Brightshare Holdings Corporation – Co-Chairman of the Board
12. Business World Publishing Corporation – Chairman of the Board
13. Calamba Aero Power Corporation – Chairman of the Board
14. Cignal Cable Corporation (formerly Dakila Cable TV Corporation) – Director
15. Cignal TV, Inc. – Director
16. Cinegear, Inc. – Chairman of the Board
17. CIS Bayad Center, Inc. – Chairman of the Board
18. Clark Electric Distribution Corporation – Chairman of the Board
19. Cobaltpoint Telecom, Inc. – Co-Chairman of the Board
20. Comstech Integration Alliance, Inc. – Chairman of the Board
21. Connectivity Unlimited Resource Enterprise Inc. – Director
22. Corporate Information Solutions, Inc. – Chairman of the Board
23. Dominer Pointe, Inc. – Co-Chairman of the Board
24. Eastern Telecommunications Philippines, Inc. – Co-President
25. Enterprise Investments Holdings, Inc. – Director
26. Epik Studios, Inc. – Vice Chairman of the Board
27. e-Meralco Ventures, Inc. – Chairman of the Board
28. eSakay, Inc. – Chairman of the Board
29. eTelco, Inc. – Co-Chairman of the Board
30. ESPI Real Estate Ventures Inc. – President
31. Federation of Philippine, Industries, Inc. - Director
32. First Agri Holdings Corporation – President and Director
33. First Coconut Manufacturing Inc. – Vice Chairman of the Board
34. First Delta Group Security Services, Inc. – Director
35. First Pacific Leadership Academy, Inc.- Trustee
36. FPM Power Holdings Inc. (BVI Company) – Director
37. Francom Holdings Inc. – Director
38. Global Business Power Corporation – Director
39. Hastings Holdings, Inc. – Chairman and Director
40. Hi Frequency Telecommunications, Inc. – Co-Chairman of the Board
41. JS' Publications (THE FREEMAN) Company, Inc. – Director
42. Laguna Sol Corporation – Chairman of the Board
43. Laro Technology, Inc. – Chairman of the Board
44. Lepanto Consolidated Mining Company - Independent Director
45. Liberty Telecom Holdings, Inc. – Co-Chairman of the Board
46. Maybank Philippines, Inc. – Independent Director
47. Manila Electric Company – President and CEO and Director
48. Manila Overseas Press Club – Director
49. Med Vision Resources, Inc. – Chairman of the Board
50. Mediaquest Holdings, Inc. – Director
51. Media5 Marketing Corporation – Director
52. MGen Renewable Energy, Inc. – Chairman of the Board
53. MGreen International Limited (BVI Company) – Director
54. Meralco Energy, Inc. – Chairman of the Board

55. Meralco Industrial Engineering Services Corporation (MIESCOR) – Chairman of the Board
56. Meralco Power Academy – Director
57. Meralco PowerGen Corporation – Vice Chairman of the Board
58. Meralco Power Foundation, Inc. – Vice Chairman and Trustee
59. Meridian Power Ventures Limited - Director
60. Metro Pacific Assets Holdings, Inc. – Director
61. Metro Pacific Holdings, Inc. – Director
62. Metro Pacific Investments Corporation - Director
63. Metro Pacific Resources, Inc. – Director
64. Miescor Infrastructure Development Corporation – Chairman of the Board
65. MPG Asia Limited (BVI Company) – Director
66. MPG Holdings Philippines, Inc. – Chairman of the Board
67. MPG Mauban LP Corporation – Chairman of the Board
68. M Pioneer Insurance, Inc. – Chairman of the Board
69. MRail Inc. – Chairman of the Board
70. MSpectrum, Inc. – Chairman of the Board
71. Multi Technology Investments Holdings, Inc. – Co-Chairman of the Board
72. MVP Rewards and Loyalty Solutions Inc. – Director
73. Nation Broadcasting Corp. – Chairman of the Board
74. New Century Telecoms, Inc. –Co-Chairman of the Board
75. Nuevo Solar Energy Corp. – Chairman of the Board
76. One Meralco Foundation, Inc. –Vice Chairman and Trustee
77. Pacific Aurora Plantation Corp. – Vice Chairman of the Board
78. Pacific Global One Aviation Company, Inc. – Director
79. Pacific Light Power PTE LTD (Singapore Company) – Director
80. Pacific Light Renewables Pte. Ltd. (Singapore Company) – Director
81. Paragon Vertical Corporation – Chairman of the Board
82. Perchpoint Holdings, Inc. – Co-Chairman of the Board
83. Perihelion, Inc. – Director
84. PH Broadband Networks Holdings, Inc.– Co-Chairman of the Board
85. PH Communications Holdings Corporation – Director
86. Philippine Disaster Resilience Foundation, Inc. – Director
87. Philippine Online Sportsleague, Inc. – Director
88. Philippine Telecommunications Investment Corp. – Director and Corporate Secretary
89. Philstar Daily, Inc. – Chairman of the Board
90. Philstar Global Corporation – Chairman of the Board
91. Pilipinas Global Network Limited (TV5 International)– Director
92. Pilipinas Natural Resources Holdings, Inc. – President and Director
93. Pilipinas Pacific Enterprise Holdings, Inc. – President and Director
94. Pilipina Pacific Natural Resources Holdings Inc. – President and Director
95. Pilipinas Pacific Telecom Holdings, Inc. – Asst. Corporate Secretary
96. Pilipino Star Ngayon, Inc. – Chairman of the Board
97. Pilipino Star Printing Company, Inc. – Chairman of the Board
98. PLDT, Inc. – Director
99. PLDT - Beneficial Trust Fund - Vice Chairman and Trustee
100. PLDT Capital PTE Ltd. – Director
101. PLDT Digital Investments PTE Ltd – Director
102. PLDT Global Investments Corporation – Director
103. PLDT Global Investments Holdings Inc. – Director
104. PLDT Online Investments PTE Ltd - Director
105. PLDT - Smart Foundation – Trustee
106. Radius Telecoms, Inc. – Chairman of the Board
107. Redondo Peninsula Energy, Inc. – Chairman of the Board
108. Roxas Holdings Inc. – Director
109. Roxas Power Corporation – Director
110. Sari Sari Network Inc. – Co-Chairman of the Board
111. SatVentures, Inc. – Director
112. Shin Clark Power Holdings, Inc. – Director

113. Shin Clark Power Corporation - Director
114. Skyphone Logistics, Inc. – Co-Chairman of the Board
115. Somete Logistics & Development Corporation – Co-Chairman of the Board
116. Smart Communications, Inc. - Director
117. Stargate Media Corporation (People Asia) – Chairman of the Board
118. Straight Shooters Media, Inc. – Vice Chairman of the Board
119. Studio5, Inc. – Chairman of the Board
120. Talas Data Intelligence Inc. – Director
121. Telecommunications Service Providers, Inc. – Director
122. Telecommunication Technologies Philippines, Inc. –Co-President and Co-Chairman of the Board
123. Telemedia Business Ventures, Inc. – Chairman of the Board
124. Tori Spectrum Telecom, Inc. – Co-Chairman of the Board
125. TV5 Network Inc. – Director
126. Two Cassandra - CCI Conglomerate, Inc. – Co-Chairman of the Board
127. Two Rivers Pacific Holdings Corporation – Director
128. UxS Inc. (formerly Unitel Production, Inc.) – Vice Chairman of the Board
129. Upbeam Investments, Inc. – Chairman of the Board
130. Vega Telecom, Inc. – Co-Chairman
131. World Press Incorporated – Chairman of the Board
132. WREIT, Inc. – Independent Director

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **VAL ANTONIO B. SUAREZ**, Filipino, of legal age with postal office address at Unit 5C, OPL Building, 100 C. Palanca Street, Legazpi Village, Makati City 1229, after having been duly sworn in accordance with the law do hereby declare that:

1. I am a nominee for Independent Director of Lepanto Consolidated Mining Company and have been an independent director since April 18, 2011.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
Suarez & Reyes Law Offices	Managing Partner	2000 to Present
Filinvest Development Corporation	Independent Director; Chairman, Compensation Committee; Chairman, Related Party Transaction Committee; Chairman, Corporate Governance Committee; Member, Audit and Risk Management Oversight Committee	2014 to Present
Filinvest Land, Inc.	Lead Independent Director, Chairman, Compensation Committee; Chairman, Related-Party Transaction Committee; Chairman, Corporate Governance Committee Member, Audit and Risk Management Oversight Committee	2015 to Present
Filinvest REIT Corp.	Independent Director; Member, Audit & Risk Management Oversight Committee; Chairman, Compensation Committee; Chairman, Corporate Governance Committee; Member, Related-Party Transaction Committee	2017 to Present
Tayabas Resources Ventures Corporation	Director and Corporate Secretary	2003 to Present
Southeast Cable TV Corporation	Director and Corporate Secretary	2003 to Present
Asian Vision Cable Holdings Group of Companies	Corporate Secretary	2003 to Present
Ambassador Suarez Development Corporation	Chairman and President	2003 to Present
Five Karats Property Holdings, Inc.	Director and Treasurer	2003 to Present
Gendrugs, Inc.	Director and Treasurer	2008 to Present
Amun Ini Resort and Spa, Inc.	Director and Corporate Secretary	2010 to Present
Carmen's Best Dairy Products, Inc.	Director and Corporate Secretary	2011 to Present
Headland Road Capital, Inc.	Chairman and President	2012 to Present
Camiguin Gendrugs, Inc.	Director and President	2013 to Present
Avocado Broadband Telecoms, Inc.	Director and Corporate Secretary	2015 to Present
Gendrugs Distributors, Inc.	Director and Treasurer	2016 to Present
Cebu Gendrugs, Inc.	Director and Treasurer	2016 to Present

Chocohills Generics, Inc.	Director and Treasurer	2016 to Present
Vertere Global Solutions, Inc.	Chairman	2017 to Present
Vertere Venture Capital, Inc.	Director	2017 to Present
R&S Development Corporation	Director and Treasurer	2017 to Present
Suarez Bridge Ventures, Inc.	Chairman and President	2018 to Present
AB Capital & Investment Corporation	Corporate Secretary	2021 to Present
Zamgen, Inc.	Director and Treasurer	2022 to Present
Skin Adept Clinic and Surgicenter, Inc.	Corporate Secretary	2022 to Present
Financial Executives Institute of the Phils.	Member	2010 to Present
Integrated Bar of the Philippines – Makati Chapter	Member	1986 to Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Lepanto Consolidated Mining Company, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholders of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

Name of Director/Officer/ Substantial Shareholder	Company	Nature of Relationship
N/A		

5. I disclose that I (together with the other members of the Board of Directors of Filinvest Land, Inc.) am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

Offense Charged/ Investigated	Tribunal or Agency Involved	Status
Complaint for Syndicated Estafa filed by Manila Paper Mills International, Inc. (MPMI) dated April 12, 2016	Department of Justice	Petition for Review pending after Complaint was dismissed by City Prosecutor of Dasmariñas for no probable cause

In its Resolution dated November 16, 2016 ("Resolution"), the Office of the City Prosecutor Dasmariñas ruled against MPMII, finding that there was no probable cause to charge the respondents and upholding the validity of FLI's titles to the property. MPMII then filed with the Secretary of Justice (SOJ) a Petition for Review dated February 21, 2017 questioning the Resolution. On March 21, 2017, the respondents who are directors and officers of FLI filed their Comment on the Petition. The Petition is still pending resolution by the SOJ.

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the ___N/A________ to be an independent director in ____N/A____, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and Other SEC issuances.

8. I shall inform the Corporate Secretary of Lepanto Consolidated Mining Company of any changes in the abovementioned information within five days from its occurrence.

Done this 14th day of June 2023 at Makati City.

VAL ANTONIO B. SUAREZ
Affiant

SUBSCRIBED AND SWORN to before me this JUN 14 2023 day of June 2023 at Makati City, affiant personally appeared before me and exhibited to me his IBP Lifetime Membership No. 01967 issued by the Integrated Bar of the Philippines.

Doc. No. 221;
Page No. 46;
Book No. XXXIII
Series of 2023.

MA. ESMERALDA R. CUNANAN
Notary Public
Until December 31, 2023
Appt. No. M-302 (2022-2023) Attorney's Roll No. 34562
MCLE Compliance No. VII-0004035/7-19-2021
PTR No. 9563801/1-3-2023/Makati City
IBP Lifetime Member Roll No. 05413
Ground Level, Dela Rosa Carpark I
Dela Rosa St. Legaspi Village,
Makati City

Lepanto Consolidated Mining Company

22 June 2023

Corporate Governance and Finance Department
Securities and Exchange Commission
HEAD OFFICE Secretariat Building
PICC Complex, Roxas Boulevard
Pasay City

Gentlemen:

Subject: DEFINITIVE INFORMATION STATEMENT (IS)

Gentlemen:

This certifies that none of the nominees for Directors this year or incumbent officers of Lepanto Consolidated Mining Company are government employees.

Very truly yours,

ODETTE A. JAVIER
Vice President and
Asst. Corporate Secretary

PERFORMANCE EVALUATION FORM
For Members of the Board of Directors
LEPANTO CONSOLIDATED MINING COMPANY
for the year 2022

For each of the following statements, please rate the Board's performance by checking a number between 1 and 5, with 1 indicating that you strongly disagree, and 5 indicating that you strongly agree, with the statement. Check 0 if the point is not applicable or you do not have enough knowledge or information to rank the Corporation's board on a particular statement.

	AVERAGE
Composition and Quality	
Board members have the appropriate qualifications to meet the objectives of the board's charter, including appropriate financial literacy.	5
The board demonstrates integrity, credibility, trustworthiness, active participation, an ability to handle conflict constructively, strong interpersonal skills, and the willingness to address issues proactively.	5
The board demonstrates appropriate industry knowledge and includes a diversity of experiences and backgrounds.	5
The independent directors meet all applicable independence requirements.	4.25
The board participates in a continuing education program to enhance its members' understanding of relevant risk, reporting, regulatory, and industry issues.	4.5
The board monitors compliance with corporate governance regulations and guidelines.	4.75
New board members are adequately oriented to educate them on the Corporation's operations.	4.5
Understanding the business, including Risks	
The board takes into account significant risks that may directly or indirectly affect the Corporation. Examples include: • Regulatory and legal requirements • Financing and liquidity needs • Financial exposures • Business continuity • Reputation • Strategy execution • Management's capabilities • Fraud control	4.75
The board considers, understands, and approves the process implemented by management to effectively identify, assess, and respond to the organization's key risks.	5

	AVERAGE
Process and Procedures	
The board meets regularly.	5
The level of communication between the board and relevant parties is appropriate; the board chairman encourages inputs on meeting agenda from board members and management.	5
The agenda and related information are circulated in advance of meetings to allow board members sufficient time to study and understand the information.	5
Written materials provided to board members are relevant and concise.	5
The board respects the line between oversight and management.	5
The board maintains adequate minutes of each meeting.	4.5
The board and the compensation committee regularly review management incentive plans to consider whether the incentive process is appropriate.	4.75
Board members come to meetings well prepared.	4.75
Major disclosures are discussed at the Board level.	4.5
Ethics and Compliance	
Board members oversee the process and are notified of communications received from governmental or regulatory agencies related to alleged violations or areas of non-compliance.	4.75
The board oversees management's procedures for enforcing the Corporation's Code of Ethics and Business Conduct and other good governance policies.	4.75
The board determines that there is a senior-level person designated to understand relevant legal and regulatory requirements.	4.75
Oversight of the Financial Reporting Process, including Internal Controls	
The board reviews the Corporation's significant accounting policies.	5
The board makes inquiries of the independent auditor, internal auditors, and management on the depth of experience and sufficiency of the organization's accounting and finance staff.	5
The board ensures that management takes action to achieve resolution when there are repeat comments or directives from regulators.	5
The board is consulted when management is seeking a second opinion on an accounting or auditing matter.	5

	AVERAGE
Oversight of Audit Functions	
The board, through the Audit Committee, understands the coordination of work between the independent and internal auditors and clearly articulates its expectations of each.	4.75
The board, through the Audit Committee, appropriately considers internal audit reports, management's responses, and steps toward improvement.	4.5
The board oversees the role of the independent auditor from selection to termination and has an effective process to evaluate the independent auditor's qualifications and performance.	4.5
The board, through the Audit Committee, considers the independent audit plan and provides recommendations.	4.75
The board, through the Audit Committee, reviews the audit fees paid to the independent auditor.	5
The board is consulted when management is seeking a second opinion on an accounting or auditing matter.	4.75
Monitoring Activities	
An annual performance evaluation of the board is conducted and any matters that require follow-up are resolved and presented to the full board.	5

COVER SHEET

1	0	1							

S.E.C. Registration Number

LEPANTO CONSOLIDATED MINING CO

(Company's Full Name)

21ST FLOOR LEPANTO BUILDING

8747 PASEO DE ROXAS

MAKATI CITY

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

ODETTE A. JAVIER	815-9447
Contact Person	Company Telephone Number

12 31	FORM TYPE	3rd Monday of April
Month Day	17-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: **March 31, 2023**

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	:	May 22, 2023
Signature	:	**ODETTE A. JAVIER**
Title	:	Vice President/Assistant Corporate Secretary
Date	:	May 22, 2023

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2023
(With Comparative Figures for 2022)
(Amounts In Thousand , Except Loss Per Share)

	FOR THE FIRST QUARTER			
		2023		**2022**
REVENUES				
Sale of metals	P	803,738		422,155
Service fees and other operating income		(178)		1,685
		803,560		423,840
COSTS AND EXPENSES				
Mining, milling, roasting, smelting, refining and and other related charges; administrative expenses; depreciation, amortization and depletion; and other charges		(688,872)		(579,580)
INCOME (LOSS) FROM OPERATIONS		114,688		(155,740)
FINANCE COST, net		(2,189)		(2,729)
FOREIGN EXCHANGE GAINS (LOSS), net		(2,380)		1,446
OTHER INCOME (CHARGES), net		4,178		7,793
SHARE IN NET EARNINGS (LOSSES) OF ASSOCIATES		19,475		230
INCOME (LOSS) BEFORE INCOME TAX		133,772		(149,000)
PROVISION FOR (BENEFIT FROM) INCOME TAX				
CURRENT		35		16
DEFERRED		100		153
		135		169
NET INCOME (LOSS)	P	133,637	P	(149,169)
Attributable to:				
Stockholders of the parent company		133,641		(149,059)
Non-controlling interests		(4)		(110)
Net Income / (Loss)	P	133,637	P	(149,169)
EARNINGS (LOSS) PER SHARE attributable to stockholders of the parent company				
Basic & Diluted		0.002013		(0.002246)

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

	MARCH 31 2023	*DECEMBER 31 2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalent	P 78,155	P 53,590
Receivables, net	192,235	78,748
Inventories, net	522,830	587,494
Advances to suppliers and contractors	121,293	56,384
Other current assets	653,758	477,341
Total current assets	1,568,271	1,253,558
NON-CURRENT ASSETS		
Property, plant and equipment	6,112,442	6,293,417
Available-for-sale financial assets	46,646	46,646
Investments and advances in associates	452,373	452,373
Mine exploration cost	6,982,399	6,969,680
Deferred tax assets	180,190	180,190
Other noncurrent assets	554,112	514,048
Total non-current assets	14,328,162	14,456,353
TOTAL ASSETS	P 15,896,433	P 15,709,911
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables	P 2,835,423	P 2,775,086
Short-term borrowings	41,657	41,657
Lease Liability	8,109	8,109
Unclaimed dividends	26,693	26,693
Income tax payable	-	3,690
Total current liabilities	2,911,882	2,855,235
NON-CURRENT LIABILITIES		
Advances from Far Southeast Services Limited	6,258,475	6,242,881
Long-term borrowings	198,505	198,505
Lease Liability	1,940	1,940
Liability for mine rehabilitation cost	11,490	11,490
Retirement benefit obligations	1,042,173	1,042,173
Deposit for future stock subscriptions	69,200	69,200
Total non-current liabilities	7,748,478	7,744,931
TOTAL LIABILITIES	10,660,360	10,600,166
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	147,506	147,506
Cumulative changes in fair values of AFS investments	(59,342)	(59,342)
Deficit	(6,812,056)	(6,945,693)
	4,988,827	4,855,189
Non-controlling interests	247,247	254,558
Total equity	5,236,074	5,109,746
TOTAL LIABILITIES AND EQUITY	P 15,896,433	P 15,709,912

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

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31

(With Comparative Figures for 2022)
(Amounts in Thousand Pesos)

		MARCH 2023		MARCH 2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Income/ (Loss) before tax	P	133,772	P	(149,000)
Adjustments for:				
Depreciation and depletion		345,422		199,206
Equity in net losses (income) of affiliated companies		(19,420)		(175)
Foreign exchange losses (income), net		2,371		(1,384)
Provision for retirement benefit cost		973		973
Loss on sale of asset		(0)		(0)
Interest income		(7)		(4)
Interest expense		2,189		2,719
Provision for income tax		(135)		(169)
Operating income before working capital changes		465,165		52,165
Decrease (Increase) in:				
Receivables and advances to suppliers		178,396		(52,497)
Inventories and PPE		(245,639)		(50,801)
Prepayments and other assets		(216,481)		(107,678)
Increase (Decrease) in:				
Accounts payable and accrued expenses		52,079		293,493
Liability for mine rehabilitation cost		-		369
Deferred income tax liability, net		-		(260)
Cash generated (used) from operations		233,519		134,791
Retirement benefits paid		(71,041)		(25,909)
Interest received		7		4
Income tax recovered (paid)		-		-
Net cash provided by (used in) operating activities		162,485		108,886
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments, net		-		2,698
Acquisition of property and equipment		(21,048)		(103,992)
Exploration costs and other assets		(116,872)		(16,065)
Net cash used in investing activities		(137,920)		(117,360)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Borrowings		-		26,000
Disposal of Assets		-		-
Payments of:				
Borrowings		-		(1,364)
Interest		-		(11)
Capital and other reserves		-		(1)
Net cash provided by financing activities		-		24,624
NET INCREASE (DECREASE) IN CASH		24,565		16,151
Beginning of period		53,590		35,654
CASH AT END OF THE PERIOD	P	78,155	P	51,805

LEPANTO CONSOLIDATED MINING COMPANY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED MARCH 31, 2023 & 2022
(Amounts in thousands)

	MARCH 31 2023	MARCH 31 2022
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	(59,342)	(75,010)
Re-measurement loss on retirement plan	147,506	(56,025)
Retained earnings		
Beginning balance	(6,945,694)	(6,446,391)
Net Loss for the period	133,641	(149,059)
	(6,812,053)	(6,595,450)
EQUITY ATTRIBUTABLE TO THE STOCKHOLDERS OF THE PARENT COMPANY	4,988,830	4,986,234
NON-CONTROLLING INTERESTS	247,247	255,304
	P 5,236,077	**P 5,241,538**

ANNEX “E”

LEPANTO CONSOLIDATED MINING COMPANY

NOTES TO FINANCIAL STATEMENTS
AS OF MARCH 31, 2023 and DECEMBER 31, 2022

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, 2022.

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

	03/31/2023	12/31/2022
Cash on hand	14,795,397.79	4,247,657.42
Cash in banks	63,359,879.25	49,342,425.54
	78,155,277.04	53,590,082.96

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

Note 4 – Receivables

	03/31/2023	12/31/2022
Trade	99,098,421.94	42,670,511.66
Nontrade	97,211,251.38	21,666,301.53
Advances to officers and employees	1,667,191.88	14,848,603.30
Receivable from stockholders and related parties	2,460,233.23	17,508,006.26
Less: Allowance for impairment losses	(4,074,104)	(17,944,863.14)
	192,288,890.00	78,748,559.72

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

	03/31/2023	12/31/2022
Mine Products	0	60,151,371.76
Parts and supplies	464,339,308.45	527,343,017.19
	464,339,308.45	587,494,388.95

Parts and supplies include materials and supplies stored in Metro Manila, Bulacan, Mankayan, and Leyte. The decrease in the amount of ₱63.0 million represents withdrawals of stocks 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

	03/31/2023	12/31/2022
Input VAT	378,606,816.35	453,196,385.15
Prepayments	146,085,082.66	22,652,286.02
Others	129,065,736.41	1,491,925.00
	653,757,635.42	477,340,596.17

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 for the 1st quarter of the year 2023 and 2022 are as follow:

Mining activities

	2023 (in thousands)	2022 (in thousands)
CURRENT ASSET	1,696,923	1,657,456
NON-CURRENT ASSET	7,041,399	14,563,156
CURRENT LIABILITES	3,266,490	3,357,430
NON-CURRENT LIABILITIES	1,135,397	7,801,093
GROSS INCOME	802,571	422,155
NET INCOME / (LOSS)	118,822	(148,885)

Investment activities

	2023 (in thousands)	2022 (in thousands)
CURRENT ASSET	0	96,643
NON-CURRENT ASSET	872,699	7,233
CURRENT LIABILITES	0	90,374
NON-CURRENT LIABILITIES	0	12,108
GROSS INCOME	0	-
NET INCOME / (LOSS)	0	(59.61)

Hauling and Leasing Activities

	2023 (in thousands)	2022 (in thousands)
CURRENT ASSET	216,661	183,813
NON-CURRENT ASSET	387,562	393,111
CURRENT LIABILITES	12,521	3,425
NON-CURRENT LIABILITIES	107,706	117,073
GROSS INCOME	2,400	5,035
NET INCOME / (LOSS)	(424)	(1,693)

Drilling Activities

	2023 (in thousands)	2022 (in thousands)
CURRENT ASSET	234,111	198,393
NON-CURRENT ASSET	6,570	85,463
CURRENT LIABILITES	198,705	232,718
NON-CURRENT LIABILITIES	13,545	14,199
GROSS INCOME	4,083	18,999
NET INCOME / (LOSS)	1,450	1,239

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 MARCH 31, 2023

CUSTOMERS	*CURRENT*	*OVER 30 DAYS*	*OVER 60 DAYS*	*TOTAL*
HERAEUS LTD.	99,098,422	-	-	99,098,422
LOUIS DREYFUS COMPANY	-			-
CLIVEDEN TRADING	-			-
	-	-	-	-
	99,098,422	-	-	99,098,422

ANNEX "G"

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

As of March 31, 2023

Consolidated revenues for the first quarter of 2023 amounted to P 803.6 million compared with P423.8 million in 2022. Consolidated net income for the period amounted to P133.6 million versus a net loss of P149.2 million the previous year.

MINING OPERATIONS

January – March 2023 versus January – March 2022

Gold production improved by 65%, 6,959 ounces versus last year's 4,207 ounces. Silver production was lower, 11,595 ounces compared with last year's 15,473 ounces.

The combination of three factors resulted in higher metal sales, P802.6 million vs. P380.4 million last year: improvement in gold production; higher gold price; and the weaker peso vis-à-vis the US$. Net income after provision for income tax was recorded at P118.8 million, a significant jump from last year's P148.6 million net loss.

Gold price for this quarter averaged US$1,907.05/oz. versus last year's US$1,884.77/oz while silver price averaged US$22.42/oz. versus US$23.93/oz. This quarter's P/US$ exchange rate averaged P54.87/US$1 compared with P51.52/US$1 last year.

Tonnage declined as mining became more selective on the higher grade sources from Victoria and Teresa. Tonnage broken decreased by 22,626 tonnes from 131,079 tonnes while tonnage milled decreased by 29,684 tonnes from 119,616 tonnes. Accordingly, mining cost decreased from P205.7 million to P175.4 million. On the other hand, milling cost increased from P101.7 million to P109.3 million due to price increases in practically production inputs. Depletion and depreciation increased by a total of P1.3 million to P126.3 million on account of amortization of additional capital expenditures and mining tonnage.

BALANCE SHEET MOVEMENTS

March 31, 2023 versus December 31, 2022

The increase in cash and cash equivalents of P24.6 million is attributable to the favorable timing of collections vis-a-vis payments. The increase in receivables of P113.4 million pertains to the outstanding balance from a dore shipment. Inventories went down by P64.6 million due to usage and the delayed arrival of materials in transit. Advances to suppliers and contractors increased by P64.9 million representing advance payments to various vendors for those materials in transit. Other current assets increased by P176.4 million due to recognition of input taxes from local purchases and operating development costs. On the other hand, other noncurrent assets went up by P40.0 million because of additional deferred charges.

CAPITAL EXPENDITURES

Capital expenditures for the quarter totaled P137.9 million, of which P89.1 million went to exploration; P21.0 million to machinery and equipment; P19.9 million to mine development; and P7.9 million to maintenance of tailings storage facility 5A.

OUTLOOK FOR THE YEAR

Lepanto will continue producing gold and silver dore from its Victoria and Teresa deposits. Most of the projects initiated in 2021-2022 to improve mill recovery and efficiency have been completed or are nearing completion, and showing desired results. These initiatives, together with the strict execution of the mine plan, will continue to improve gold production, which in turn, coupled with the rising metal prices, will improve the bottomline. Preparations for drilling at Teresa South are underway.

The Company intends to raise P2 Billion within the year to support an increase in its authorized capital stock from P6,640,000,000 to P9,000,000,000 as approved by the stockholders last year. Proceeds will fund an exploration program targeting copper-gold areas, settlement of liabilities, and working capital.

SUBSIDIARIES

The key performance indicator used for the subsidiaries is net income for the three months ended March 2023 versus the same period of the previous year.

Diamond Drilling Corporation of the Philippines reported a net income of P1.3 million this year versus a P1.2 million net loss last year. Lepanto Investment and Development Corporation reported a net loss of P49,120 compared with last year’s net loss of P59, 600. Shipside, Incorporated registered a net loss of P0.35 million against last year’s net loss of P1.7 million.

* - **<u>KEY PERFORMANCE INDICATORS-LCMC</u>**

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$1.0 million at the end of first quarter this year. Same amount was revalued at the start of the year based on an exchange rate of P55.755/US$. 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$145.9 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
MARCH 31, 2023
(With Comparative Annual Figures for 2022)

	AS OF 1ST QUARTER MARCH 2023	YEAR ENDED DECEMBER 2022
Profitability Ratios:		
Return on assets	0.84%	-3.15%
Return on equity	2.61%	-9.68%
Gross profit margin	23.34%	-13.48%
Net profit margin	16.63%	-26.63%
Liquidity and Solvency Ratios:		
Current ratio	0.37:1	0.44:1
Quick ratio	0.09:1	0.07:1
Solvency ratio	0.01:1	-0.05:1
Financial Leverage Ratios:		
Asset to equity ratio	3.12:1	3.07:1
Debt to equity ratio	2.12:1	2.07:1
Interest coverage ratio	-60.12:1	7.72:1

LEPANTO CONSOLIDATED MINING CO.
Lepanto Building, 8747 Paseo de Roxas, 1226 City of Makati, Philippines

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Lepanto Consolidated Mining Company** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2022 and 2021**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature:
FELIPE U. YAP
Chairman of the Board
SSS#06-0091101-0

Signature:
BRYAN U. YAP
President
SSS#33-3067339-5

Signature:
MA. LOURDES B. TUASON
Vice President - Treasurer
SSS#03-2082979-6

Signed this 16th day of May 2023.

MAKATI CITY MAY 16 2023

SUBSCRIBED AND SWORN TO before me this 16 day of May 2023 at Makati City, affiant exhibiting to me their SSS IDs.

Doc. No. 495
Page No. 100
Book No. XXXI
Series of 2023.

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2024
IBP No. 05729-Lifetime Member
MCLE Compliance No. VI-0024312
Appointment No. M-39 (2023-2024)
PTR No. 9563522 Jan. 3, 2023
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg
Brgy. Pio Del Pilar, Makati City

C O V E R S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	0	1								

C O M P A N Y N A M E

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
ACFS	CRM	N/A

C O M P A N Y I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
inquiry@lepantomining.com	(632) 8815-9447	Not Applicable

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
27,670	08/15	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Ramon T. Diokno	ramon.diokno@lepantomining.com	(632) 8815-9447	Not Applicable

CONTACT PERSON's ADDRESS

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

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Lepanto Consolidated Mining Company
21st Floor, Lepanto Building
Paseo de Roxas, Makati City

Opinion

We have audited the consolidated financial statements of Lepanto Consolidated Mining Company and its Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Going Concern Assessment

The Group incurred net losses of ₱494.8 million, ₱514.6 million and ₱751.0 million in 2022, 2021 and 2020, respectively, resulting in deficit of ₱6,945.7 million and ₱6,446.4 million as of December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, the Group's current liabilities exceeded its current assets by ₱1,601.7 million and ₱1,356.9 million, respectively. Additionally, the MPSA No. 001-90-CAR is currently under renewal with remaining certain requirements needed to be complied with.

The consolidated financial statements have been prepared on a going concern basis. The positive outlook for future operating results and cash inflows, availability of sufficient funding and management's assessment of whether the Group will be able to continue meeting its currently maturing obligations are largely based on the expectations of, and the estimates made by management. The expectations and estimates can be influenced by subjective elements in its estimated future cash flows, specifically the forecasted metal production level, commodity prices, foreign exchange rate, operating costs and expenses, the feasibility of the Group's financing activities and the continued validity of its mining rights/tenements. As the going concern assessment is a significant aspect of our audit, we have identified this as a key audit matter.

The Group's disclosures on the going concern assessment are included in Note 1 to the consolidated financial statements.

Audit Response

We obtained an understanding of management's going concern assessment, taking into consideration the Group's current business plans. We evaluated the key assumptions used, such as the forecasted production, market data, operating costs and strategic operational changes, that were used by management in the Group's cash flows forecast for the next twelve months from reporting period. We evaluated these key assumptions by reference to historical information, actual results of operations for the first quarter of 2023, information up to report date, and relevant market data and by taking into consideration the actions undertaken and the planned strategies by management in relation to the Group's operating activities. We obtained and inspected copies of the supporting documents, such as minutes of meetings of board of directors and stockholders, filing documents with regulators, letters and correspondence with external parties, on management's actions to raise capital through stock rights offering and deferral of payments on current liabilities. We inspected regulatory documents related to the Group's mining permits, including the details and status of their renewal. We evaluated the events that transpired up to date of our report which may have an impact on the Group's operating and financing activities. We also assessed the adequacy of the related disclosures in the notes to the consolidated financial statements.

Recoverability of Property, Plant and Equipment

The Group has property, plant and equipment amounting to ₱6.3 billion, which includes mine and mining properties of ₱5.0 billion as at December 31, 2022, comprising about 40% of the Group's consolidated total assets. The Group has been incurring net losses which is an impairment indicator requiring an assessment of the recoverable amount of property, plant and equipment. We considered this as a key audit matter because of the materiality of the amount involved, and the impairment assessment requires significant judgment and involves estimation and assumptions about future production levels and costs, as well as external inputs such as commodity prices, discount rate, and foreign currency exchange rate.

Hence, such assessment is a key audit matter in our audit. The Group's disclosures in relation to property, plant and equipment are included in Note 9 to the consolidated financial statements.

Audit Response

We involved our internal specialists in evaluating the methodology and the assumptions used in determining the value-in-use, such as future production levels and costs, as well as external inputs such as commodity prices, discount rate and foreign currency exchange rate. For the external inputs, we compared the key assumptions used against external data such as analysts' reports and industry benchmarks. We tested the parameters used in the determination of the discount rate against market data. For the internal inputs, we compared the ore reserves assumptions used in the cash flow projection to the ore reserves assessed by the various experts employed by the Group to produce the estimates of proven and probable reserves as at December 31, 2022. We also assessed the objectivity, competence and capabilities of those various experts, and obtained an understanding of the scope of their work. We compared the operating expense forecasts to the historical operating expenses and the production and sales forecasts against historical data and mine plans. We compared the capital expenditure projections to existing capital development work plans necessary to extract the mineable ore reserves. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on the determination of the recoverable amount of property, plant and equipment.

Recoverability of Mine Exploration Costs

As at December 31, 2022, the carrying value of the Group's mine exploration costs amounted to ₱7.0 billion, which mainly pertain to the expenditures incurred by the Group for the Far Southeast Project. Under PFRS 6, *Exploration for and Evaluation of Mineral Resources*, these mine exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The ability of the Group to recover its mine exploration costs would depend on the discovery of commercially viable quantities of mineral resources and of extracting the resulting ore reserves. We considered this as a key audit matter because of the materiality of the amount involved, and the significant management judgment required in assessing whether there is any indication of impairment. The Group's disclosures about mine exploration costs are included in Note 12 to the consolidated financial statements.

Audit Response

We obtained the schedule of exploration expenses by project, performed an understanding of the stage of the related project and the type of expenses incurred. We obtained management's assessment on whether there is any indication that mine exploration costs may be impaired. We reviewed contracts and agreements, and budget for exploration and development costs. We inspected all the licenses/permits of each of the exploration projects to determine that the period for which the Group has the right to explore in the specific area has not expired, will not expire in the near future, and will be renewed or have been applied for renewal accordingly, and compared these licenses and permits with the disclosures of regulatory agencies. We also inquired about the existing mining areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Eleanore A. Layug.

SYCIP GORRES VELAYO & CO.

Eleanore A. Layug
Eleanore A. Layug
Partner
CPA Certificate No. 0100794
Tax Identification No. 163-069-453
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 100794-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-097-2020, November 27, 2020, valid until November 26, 2023
PTR No. 9564637, January 3, 2023, Makati City

May 15, 2023

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash (Note 4)	**₱53,590**	₱35,654
Receivables (Note 5)	**78,749**	88,306
Inventories (Note 6)	**587,494**	593,500
Advances to suppliers and contractors (Note 7)	**56,384**	295,123
Other current assets (Note 8)	**477,341**	533,738
Total Current Assets	**1,253,558**	1,546,321
Noncurrent Assets		
Property, plant and equipment - net (Note 9)	**6,293,417**	6,379,039
Mine exploration costs (Note 12)	**6,969,680**	6,908,369
Financial assets designated at fair value through other comprehensive income (FVOCI; Note 10)	**46,646**	35,446
Investments in and advances to associates (Note 11)	**452,373**	469,571
Deferred tax assets - net (Note 18)	**180,190**	246,280
Other noncurrent assets	**514,048**	529,458
Total Noncurrent Assets	**14,456,354**	14,568,163
TOTAL ASSETS	**₱15,709,912**	₱16,114,484
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 13)	**₱2,801,778**	₱2,771,525
Current portion of long-term borrowings (Note 14)	**41,657**	125,608
Current portion of lease liabilities (Note 30g)	**8,109**	6,064
Income tax payable	**3,690**	4
Total Current Liabilities	**2,855,234**	2,903,201
Noncurrent Liabilities		
Advances from Far Southeast Services Limited (FSE; Note 30a)	**6,242,881**	6,194,069
Long-term borrowings (Note 14)	**198,505**	51,033
Lease liabilities - net of current portion (Note 30g)	**1,940**	7,286
Liability for mine rehabilitation cost (Note 16)	**11,490**	14,476
Retirement benefits liability (Note 17)	**1,042,173**	1,314,226
Deferred tax liabilities - net (Note 18)	**178,742**	171,005
Deposit for future subscriptions	**69,200**	69,200
Total Noncurrent Liabilities	**7,744,931**	7,821,295
Total Liabilities	**10,600,165**	10,724,496
Equity Attributable to the Equity Holders of the Parent Company		
Capital (Note 19)	**6,635,685**	6,635,685
Additional paid-in capital (APIC)	**5,077,033**	5,077,033
Remeasurement gain (loss) on retirement benefits liability	**147,506**	(56,025)
Fair value reserve of financial assets designated at FVOCI (Note 10)	**(59,342)**	(67,882)
Deficit	**(6,945,693)**	(6,446,394)
	4,855,189	5,142,417
Non-controlling interests (NCI; Note 20)	**254,558**	247,571
Total Equity	**5,109,747**	5,389,988
TOTAL LIABILITIES AND EQUITY	**₱15,709,912**	₱16,114,484

See accompanying Notes to Consolidated Financial Statements.

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands, Except for Loss per Share)

	Years Ended December 31		
	2022	2021	2020
REVENUES (Note 29)	**₱1,858,286**	₱1,585,025	₱1,472,978
COST OF SALES (Note 22)	**(2,033,004)**	(1,849,517)	(1,907,586)
COST OF SERVICES (Note 23)	**(75,704)**	(58,790)	(32,935)
OPERATING EXPENSES (Note 24)	**(202,504)**	(183,055)	(225,492)
FINANCE COSTS (Note 27)	**(72,469)**	(62,193)	(66,892)
SHARE IN NET LOSSES OF ASSOCIATES (Note 11)	**(2,759)**	54	(1,875)
FOREIGN EXCHANGE GAINS (LOSSES) - net	**(6,991)**	(111)	834
OTHER INCOME - net (Note 28)	**48,157**	72,042	13,317
LOSS BEFORE INCOME TAX	**(486,988)**	(496,545)	(747,651)
PROVISION FOR INCOME TAX (Note 18)			
Current	**5,536**	112	1,261
Deferred	**2,283**	17,895	2,064
	7,819	18,007	3,325
NET LOSS	**(494,807)**	(514,552)	(750,976)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX			
Items that will not be reclassified to profit or loss in subsequent periods:			
Changes in fair values of financial assets designated at FVOCI (Note 10)	**8,540**	(32,492)	(93,993)
Remeasurement gain (loss) on retirement benefits liability - net of tax (Note 17)	**206,026**	150,899	(204,243)
	214,566	118,407	(298,236)
TOTAL COMPREHENSIVE LOSS	**(₱280,241)**	(₱396,145)	(₱1,049,212)
Net income (loss) attributable to:			
Equity holders of the Parent Company	**(₱499,299)**	(₱522,285)	(₱750,943)
NCI (Note 20)	**4,492**	7,733	(33)
	(₱494,807)	(514,552)	(750,976)
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	**(₱287,228)**	(₱403,878)	(₱1,047,131)
NCI (Note 20)	**6,987**	7,733	(2,081)
	(280,241)	(396,145)	(₱1,049,212)
BASIC/DILUTED LOSS PER SHARE (Note 21)	**(₱0.0075)**	(₱0.0079)	(₱0.0113)

See accompanying Notes to Consolidated Financial Statements.

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(₱486,988)**	(₱496,545)	(₱747,651)
Adjustments for:			
Depletion, depreciation and amortization (Notes 22, 23 and 24)	**477,881**	451,953	460,416
Finance costs (Note 27)	**72,469**	62,193	66,892
Movement in retirement benefits liability	**(63,433)**	(66,595)	(1,577)
Gain on disposal of property, plant and equipment (Note 28)	**(33,127)**	(749)	(7,317)
Unrealized foreign exchange losses (gains) - net	**4,152**	2,021	156
Loss on dilution of investment in associate (Note 28)	**8,458**	–	–
Gain on change in estimate (Note 9 and 16)	**(3,704)**	(57,243)	–
Share in net losses (income) of associates (Note 11)	**2,759**	(54)	1,875
Gain on disposal of investment in associates (Note 28)	**(87)**	(5,906)	–
Interest income (Note 28)	**(38)**	(56)	(102)
Provision for impairment of investment in associates (Note 28)	**–**	–	7,359
Operating income (loss) before working capital changes	**(21,658)**	(110,981)	(219,949)
Decrease (increase) in:			
Receivables	**9,557**	(8,868)	10,367
Inventories	**6,006**	(42,535)	(26,488)
Advances to suppliers and contractors	**76,707**	3,536	(72,790)
Other current assets	**(14,817)**	(58,886)	58,873
Increase in trade and other payables	**227,403**	470,538	517,288
Cash generated from operations	**283,198**	252,804	267,301
Interest received	**38**	56	102
Income taxes paid	**(237)**	(115)	(1,902)
Net cash flows from operating activities	**282,999**	252,745	265,501
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment	**(429,493)**	(277,018)	(267,015)
Mine exploration costs	**(44,527)**	(61,246)	(61,634)
Proceeds from disposal of property, plant and equipment	**61,308**	8,209	9,087
Proceeds from disposal of investment in associate	**9,910**	91,304	–
Decrease (increase) in other noncurrent assets	**124,242**	(40,301)	1,839
Extension of advances to an associate	**(813)**	(8,383)	(7,694)
Net cash flows used in investing activities	**(279,373)**	(287,435)	(325,417)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from FSE (Note 30a)	**48,812**	62,297	57,115
Availment of loans	**–**	–	1,042
Payments of:			
Borrowings (Note 26)	**(21,586)**	(12,867)	(14,436)
Interest	**(5,724)**	(2,446)	(2,666)
Principal portion of lease liability (Note 30g)	**(7,796)**	(9,167)	(9,418)
Net cash flows from financing activities	**13,706**	37,817	31,637
NET INCREASE (DECREASE) IN CASH	**17,332**	3,127	(28,279)
CASH AT BEGINNING OF YEAR	**35,654**	31,446	62,623
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**604**	1,081	(2,898)
CASH AT END OF YEAR (Note 4)	**₱53,590**	₱35,654	₱31,446

See accompanying Notes to Consolidated Financial Statements.

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company									
	Capital Stock (Note 19)				**Remeasurement Gain (Loss) on Retirement Benefits Liability** (Note 17)	**Fair Value Reserves of Financial Asset Designated at FVOCI** (Note 10)				
	Issued	**Subscribed**	**Sub-total**	**APIC**			**Deficit**	**Sub-total**	**NCI** (Note 20)	**Total**
Balances at January 1, 2022	**₱5,136,596**	**₱1,499,089**	**₱6,635,685**	**₱5,077,033**	**(₱56,025)**	**(₱67,882)**	**6,446,394)**	**₱5,142,417**	**₱247,571**	**₱5,389,988**
Net loss	–	–	–	–	–	–	(499,299)	(499,299)	4,492	(494,807)
Other comprehensive income, net of tax	–	–	–	–	203,531	8,540	–	212,071	2,495	214,566
Total comprehensive income (loss)	–	–	–	–	203,531	8,540	(499,299)	(287,228)	6,987	(280,241)
Balances at December 31, 2022	**₱5,136,596**	**₱1,499,089**	**₱6,635,685**	**₱5,077,033**	**₱147,506**	**(₱59,342)**	**(₱6,945,693)**	**₱4,855,189**	**₱254,558**	**₱5,109,747**
Balances at January 1, 2021	**₱5,136,596**	**₱1,499,089**	**₱6,635,685**	**₱5,077,033**	**(₱206,924)**	**(₱35,390)**	**(₱5,924,109)**	**₱5,546,295**	**239,838**	**₱5,786,133**
Net loss	–	–	–	–	–	–	(522,285)	(522,285)	7,733	(514,552)
Other comprehensive income (loss), net of tax	–	–	–	–	150,899	(32,492)	–	118,407	–	118,407
Total comprehensive income (loss)	–	–	–	–	150,899	(32,492)	(522,285)	(403,878)	7,733	(396,145)
Balances at December 31, 2021	**₱5,136,596**	**₱1,499,089**	**₱6,635,685**	**₱5,077,033**	**(₱56,025)**	**(₱67,882)**	**(₱6,446,394)**	**₱5,142,417**	**₱247,571**	**₱5,389,988**
Balances at January 1, 2020	**₱5,136,596**	**₱1,499,089**	**₱6,635,685**	**₱5,077,033**	**(₱4,729)**	**₱58,603**	**(₱5,173,166)**	**₱6,593,426**	**₱241,919**	**₱6,835,345**
Net income (loss)	–	–	–	–	–	–	(750,943)	(750,943)	(33)	(750,976)
Other comprehensive income (loss)	–	–	–	–	(202,195)	(93,993)	–	(296,188)	(2,048)	(298,236)
Total comprehensive income (loss)	–	–	–	–	(202,195)	(93,993)	(750,943)	(1,047,131)	(2,081)	(1,049,212)
Balances at December 31, 2020	**₱5,136,596**	**₱1,499,089**	**₱6,635,685**	**₱5,077,033**	**(₱206,924)**	**(₱35,390)**	**(₱5,924,109)**	**₱5,546,295**	**239,838**	**₱5,786,133**

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information and Authorization for Issuance of the Consolidated Financial Statements

Lepanto Consolidated Mining Company

Lepanto Consolidated Mining Company (Parent Company) was incorporated in the Philippines and registered with the Philippine 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 Philippine SEC approved the extension of the Parent Company's corporate term for another 50 years after the expiration of its original term on September 8, 1986.

The Parent Company's shares are listed and traded on the Philippine Stock Exchange (PSE).

On January 14, 1997, the Parent Company was registered with the Board of Investments (BOI) under Executive Order (EO) 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-year income tax holiday (ITH), which can be further extended for another three 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 gold mine (Victoria Project) located in Mankayan, Benguet, Philippines and suspended its copper mining operations. Consequently, in October 1997, the Parent Company temporarily ceased operating its roasting plant facilities in Isabel, Leyte, Philippines for an indefinite period. The roasting plant facility was registered with the Philippine Economic Zone Authority (PEZA) on December 17, 1985 pursuant to the provisions of Presidential Decree No. 66, as amended, and EO No. 567 as a zone export enterprise to operate a roasting plant for the manufacture of copper calcine at the Isabel Special Export Processing Zone.

On March 30, 2000, the Parent Company registered its copper flotation project 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; the BOI registration was cancelled on July 11, 2006.

On January 5, 2004, the Parent Company was registered with the BOI under EO 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 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 EO 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 Parent 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 Parent 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 to avail of the rights, privileges and incentives granted to all registered enterprises.

The Parent Company continues to operate 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 Parent 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. 001-090-CAR was jointly executed by the Parent Company and a subsidiary, Far Southeast Gold Resources, Inc. (FSGRI) on March 3, 1990 with the Philippine Government, through the Department of Environment and Natural Resources. This MPSA has a term of 25 years, renewable for another term not exceeding 25 years under the same terms and conditions. The Parent Company and FSGRI filed an application for its renewal on June 4, 2014. The application for renewal of this MPSA is still pending approval as at December 31, 2022 (Note 30c).

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

Diamond Drilling Corporation of the Philippines (DDCP)
DDCP is a wholly owned subsidiary of the Parent Company and was incorporated and registered with the Philippine SEC on August 8, 1971, primarily to provide technical, engineering and management services for the purpose of engaging in mining, mineral or oil exploration, construction or other business activity, particularly but not limited to drilling, boring and sinking holes for the purposes of mineral exploration.

In 1994, DDCP's Articles of Incorporation was amended to include in Article II the following secondary purpose: to engage in the business of exploration, development, processing and marketing of minerals that may be found anywhere in the Philippines either by original acquisition, joint venture or operating agreements with other holders of existing mining rights. On April 21, 2008, the stockholders of the DDCP passed a resolution authorizing it to engage directly in the business of mining or otherwise make investments in mining projects.

DDCP primarily provides drilling services to the Parent Company and Manila Mining Corporation (MMC), an associate.

DDCP's principal office was previously located at 344 South Superhighway, Brgy. Sun Valley, Parañaque City. Starting 2020, DDCP's registered office, which is also its principal office, is 20th Floor, Lepanto Building, Paseo de Roxas, Makati City. The amendments of its Articles of Incorporation to change its principal office was approved by Board of Directors (BOD) and shareholders of the Corporation on January 20, 2020 and by the SEC on April 7, 2020.

Shipside, Incorporated (SI)
SI, a Company existing and incorporated in the Philippines and registered with the Philippine SEC on November 13, 1958, is a wholly owned subsidiary of the Parent Company and was originally organized to engage in handling all kinds of materials, products and supplies in bulk and maintaining and operating terminal facilities such as pier and warehouses.

In 1985, SI included in its activities the leasing of its properties which include apartments/guesthouses and warehouses. Pier-related activities continued to be limited to handling materials and supplies.

On July 18, 2008, the Philippine SEC approved the extension of SI's corporate term for another 50 years after the expiration of its original term on November 13, 2008.

SI's principal office is located at 21st Floor, Lepanto Building, Paseo de Roxas, Makati City.

Lepanto Investment & Development Corporation (LIDC)
LIDC, a wholly owned subsidiary of the Parent Company, was incorporated and registered with the Philippine SEC on April 8, 1969, primarily to act as a general agent, broker or factor of any insurance company, whether domestic or foreign, or as a commercial broker, real estate dealer or broker, agent or factor of any person, partnership, corporation or association engaged in any lawful business, industry or enterprise.

LIDC's principal office is located at 21st Floor, Lepanto Building, Paseo de Roxas, Makati City.

Far Southeast Gold Resources, Inc. (the Project)
FSGRI was incorporated and registered with the Philippine SEC on February 2, 1989, primarily to operate mines and prospect, explore, mine and deal with all kinds of ores, metals and minerals.

FSGRI, a 60%-owned subsidiary of the Parent Company and 40%-owned by Gold Fields Switzerland Holding AG (GFS), a company incorporated in Switzerland.

The Parent Company continues to provide financial and administrative support to FSGRI. As at December 31, 2022, FSGRI is still in the pre-operating stage.

Deferred exploration costs incurred for all exploration projects are expected to be recovered upon the start of commercial operations. Despite technical difficulties in developing the ore body, the current improving trend in metal prices and integration of recent breakthroughs in both mining and milling technologies enhance the economic feasibility of the Project. This project is considered one of the priority mining projects of the Philippine Government.

FSGRI's principal office is located at 19th Floor, Lepanto Building, Paseo de Roxas, Barangay Bel-Air, Makati City.

Diamant Manufacturing and Trading Corporation (DMTC)
DMTC, which was incorporated and registered with the Philippine SEC on September 7, 1972, is primarily engaged in manufacturing, distributing, selling and buying machinery and equipment of all kinds and descriptions, general merchandise and articles of every nature, particularly but not limited to diamond core and non-core bits, reamer shells, casing bits, diamond circular segmental and diamond gang saws, tubular and other products allied to the diamond core drilling industry.

On June 26, 2012, the Philippine SEC approved the Company's application for change in name from Diamant Boart Philippines, Inc. to Diamant Manufacturing and Trading Corporation.

On August 11, 2017, the Philippine SEC approved the Company's application on January 11, 2017 for the decrease in par value of its shares from ₱100 to ₱30 decreasing the authorized capital shares from ₱36.0 million to ₱10.8 million. Further, the Philippine SEC approved the increase in number of authorized capital shares from ₱10.8 million divided into 360,000 shares to ₱120 million divided into 4,000,000 shares or an increase of 3,640,000 shares. DMTC entered into a subscription agreement with Caliper Corporation on March 20, 2017 for the latter to subscribe to 910,000 common shares of capital stock at the par value of ₱30. Total price of the subscription amounts to ₱27.3 million, wherein 25% has been fully paid on March 20, 2017. The remaining subscription of 75% is to be paid upon notice or demand from the Board of Directors.

As of August 11, 2017, DMTC is effectively 74.56% owned by Caliper and 25.44% by LIDC, a wholly owned subsidiary of the Parent Company.

DMTC's principal office is located at 20th Floor, Lepanto Building, Paseo de Roxas, Makati City. The amendments of its Articles of Incorporation to change its principal office was approved by Board of Directors (BOD) and shareholders on January 9, 2020 and by the SEC on February 6, 2020.

The Group's Ability to Continue as a Going Concern
The Group incurred net losses of ₱494.8 million, ₱514.6 million and ₱751.0 million in 2022, 2021 and 2020, respectively, resulting in deficit of ₱6,945.7 million and ₱6,446.4 million as of December 31, 2022 and 2021, respectively. In addition, the Group's current liabilities exceeded its current assets by ₱1,601.7 million and ₱1,356.9 million as of December 31, 2022 and 2021, respectively. Additionally, the MPSA No. 001-90-CAR is currently under renewal with remaining certain requirements needed to be complied with (see Note 30g).

In response to these matters, the Group came up with the following actions:
- raise capital through stock rights offering to address liquidity gap
- restructuring of the loans
- manage expenditures for its day-to-day activities
- negotiate deferral of payments of related party and third-party liabilities
- proceed with the necessary actions to complete the requirements on its permit renewal
- improve efficiency and production level of mine operations through strategic operational changes and capital developments to increase cash inflows generated

Management has determined that the actions above are sufficient to raise financial resources for at least the next twelve months from December 31, 2022 and has therefore prepared the financial reporting on a going concern basis.

Authorization for Issue of the Consolidated Financial Statements
The consolidated financial statements of the Group as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 were authorized for issue by the BOD on May 15, 2023.

2. **Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies and Financial Reporting Policies**

Basis of Preparation
The consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets designated at FVOCI that have been measured at fair value in the consolidated statements of financial position. Disclosures have not been illustrated for standards that are either not relevant to the Group's consolidated financial instruments and are not applicable to the Group's circumstances. The consolidated financial statements are presented in Philippine Peso, the Group's functional and presentation currency. All values are rounded to the nearest thousand (₱000), except when otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in accordance with PFRSs.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as at December 31, 2022 and 2021. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has all of the following:
- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The relevant activities are those which significantly affect the subsidiary's returns. The ability to approve the operating and capital budget of a subsidiary and the ability to appoint key management personnel are decisions that demonstrate that the Group has the existing rights to direct the relevant activities of a subsidiary.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group losses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Where the Group's interest is less than 100%, the interest attributable to outside shareholders is reflected in Non-controlling Interest (NCI).

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company of the Group and to the NCI, even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, NCI and other components of equity, while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Subsidiaries are deconsolidated from the date on which control ceases.

Subsidiaries
Subsidiaries are entities over which the Parent Company has control.

NCI
Where the ownership of a subsidiary is less than 100%, and therefore an NCI exists, any losses of that subsidiary are attributed to the NCI even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any NCI;
- Derecognizes the cumulative translation differences, recognized in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

		2022	2021
	Nature of	**% of Ownership**	% of Ownership
Subsidiaries	Business	**Direct**	Direct
DDCP	Service	**100**	100
SI	Service	**100**	100
LIDC	Investment	**100**	100
FSGRI *	Mining	**60**	60

Pre-operating subsidiary

<u>Changes in Accounting Policies</u>
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent’s consolidated financial statements, based on the parent’s date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the ’10 per cent’ test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

<u>Standards and Interpretations Issued but not yet Effective</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its Group financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023

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

Effective beginning on or after January 1, 2024

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Summary of Significant Accounting Policies

Presentation of Consolidated Financial Statements
The Group has elected to present all items of recognized income and expense in one single consolidated statement of comprehensive income.

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification.

An asset as current when it is:
- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purposes of trading
- Expected to be realized within 12 months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as noncurrent.
A liability is current when:
- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Cash
Cash includes cash on hand and in banks. Cash in banks is stated at face value and earns interest at respective bank deposit rates.

Financial Instruments - Initial Recognition and Subsequent Measurement
Financial instruments are recognized when the Group becomes a party to the contractual provisions of the instrument.

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of 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.

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 payments 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.

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.

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
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost
The Group measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognized in the consolidated statement of comprehensive income when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include trade receivables (not subject to provisional pricing), nontrade receivables and advances to officers and employees.

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

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

A derivative embedded in a hybrid contract with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVPL loss category.

As PFRS 9 now has the SPPI test for financial assets, the requirements relating to the separation of embedded derivatives is no longer needed for financial assets. An embedded derivative will often make a financial asset fail the solely for payments of principal and interest test thereby requiring the instrument to be measured at FVPL in its entirety. This is applicable to the Group's trade receivables subject to provisional pricing. These receivables relate to sales contracts where the selling price is determined after delivery to the customer, based on the market price at the relevant quotational period (QP) stipulated in the contract. This exposure to the commodity price causes such trade receivables to fail the SPPI test. As a result, these receivables are measured at FVPL from the date of recognition of the corresponding sale, with subsequent movements being recognized in mark-to-market gains (losses) in the consolidated statement of comprehensive income.

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

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of comprehensive 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 OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough 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 of financial assets
The Group recognizes an allowance for expected credit loss (ECL) for all debt instruments not held at FVPL. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For any other financial assets carried at amortized cost (which are due in more than 12 months), the ECL is based on the 12-month ECL. The 12-month ECL is the proportion of lifetime expected credit losses that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

For cash, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument.

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

In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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 it 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 and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Financial Liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include payables and loans and borrowings.

Subsequent measurement

Payables and loans and borrowings

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

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

This category generally applies to trade and other payables and borrowings and other interest-bearing liabilities.

Derecognition

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

Reclassifications of financial instruments
The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

The Group does not reclassify its financial assets when:
- A financial asset that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- A financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and
- There is a change in measurement on credit exposures measured at fair value through profit or loss.

Offsetting Financial Instruments
Financial assets and financial liabilities undergo offsetting and, the net amount reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle 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 related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:
- Significant estimates and assumptions — Note 3
- Financial assets designated at FVOCI — Note 10
- Financial instruments — Note 31

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 by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interest.
A fair value measurement of a non-financial asset taken-into account a market participant's ability to generate economic benefit 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 for which adequate 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 financial statement 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 with the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Operating Segment
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing products or services within a distinct economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

For management purposes, the Group is organized into three major operating segments (mining, services and others) according to the nature of products and the services provided with each segment representing a strategic business unit that offers different products and serves different markets. The Group reports its primary segment information based on business segments which are the main revenue generating activities. Financial information on business segments is presented in Note 33.

Inventories
Mine products inventory, which consist of gold dore inventory is stated at cost. Parts and supplies are valued at the lower of cost and NRV.

NRV for mine products inventory is the selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. In the case of parts and supplies, NRV is the current replacement cost. In determining the NRV, the Group considers any adjustments necessary for obsolescence. Provision for obsolescence is determined by reference to specific items of stock.

Costs of parts and supplies comprise all costs of purchase and other costs incurred in bringing the materials and supplies to their present location and condition. The purchase cost is determined on a moving average basis. Parts and supplies in-transit is valued at invoice cost.

Advances to Suppliers and Contractors
Advances to suppliers and contractors are non-financial assets arising from payments made by the Group to its suppliers and contractors before goods or services have been received or rendered. These are classified as current since it follows the final classification of the asset to which the advances pertain to and are recognized in the books at amounts initially paid.

Other Current Assets
The Group's other current assets include various prepayments, deferred costs and excess input value-added tax (VAT). These are classified as current since the Group expects to realize or consume the assets within 12 months after the end of the reporting period.

Input VAT
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

Input VAT represents the VAT paid on purchases of applicable goods and services, net of output tax, which can be claimed for refund or recovered as tax credit against future tax liability of the Group upon approval by the Philippine Bureau of Internal Revenue (BIR) and/or the Philippine Bureau of Customs (BOC).

Input VAT on capitalized goods exceeding ₱1 million is subject to amortization and any excess may be utilized against output VAT, if any, beyond 12 months from the reporting period or can be claimed for refund or as tax credits with the BIR or the Philippine Department of Finance. The current portion is presented as part of "Other current assets" and the noncurrent portion under "Other noncurrent assets" in the consolidated statement of financial position and stated at its estimated NRV.

Pursuant to the provisions of Tax Reform for Acceleration Law (TRAIN Law) or Republic Act No. 10963, starting January 1, 2022, all input tax on purchases of capital goods shall already be allowed to be claimed outright upon purchase/payment and shall no longer be subject to amortization.

Investments in and Advances to Associates
The Group's investments in associates are accounted for using the equity method. These are entities in which the Group has significant influence and, which are neither subsidiaries nor joint ventures of the Group.

Under the equity method, the investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any allowance for impairment losses. Goodwill relating to an associate included in the carrying amount of the investment and is not tested for impairment individually.

The carrying amount of an investment in associates also includes other long-term interests in an associate, such as loans and advances. Advances and loans granted by the Group are within the nature of cash advances or expenses paid by the Group on behalf of its associates. These are based on normal credit terms, unsecured, interest-free and are recognized and carried at original amounts advanced.

The consolidated statements of comprehensive income reflect the Group's share of the results of operations of the associates. Where there has been a change recognized directly in the equity of the associates, the Group recognizes its share of any changes. Profits and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The following are the Group's associates with the corresponding percentage of ownership:

	Percentage of Ownership	
	2022	2021
MMC	**13.37%**	16.47%
DMTC	**25.44%**	25.44%

The financial statements of the associates are prepared for the same financial reporting period of the Group. Where necessary, adjustments are made, bringing the accounting policies in line with those of the Group.

The Group discontinues the use of equity method from the date when the investment ceases to be an associate, such as:
a) when the investment becomes a subsidiary,
b) If the retained interest in the former associate or joint venture is a financial asset, the Group shall measure the retained interest at fair value. The fair value of the retained interest shall be regarded as its fair value on initial recognition, as a financial asset in accordance with the relevant standards.

   The Group shall recognize the profit or loss the difference in:
   i. the fair value of any retained interest and any proceeds from disposing of a part interest in the associate; and
   ii. the carrying amount of the investment at the date the equity method was discontinued.

c) The Group shall account for all amounts previously recognized in OCI in relation to that investment on the same basis as would have been required if the investee had directly disposed of the related assets.

<u>Property, Plant and Equipment</u>
Property, plant and equipment, except land, are carried at cost less accumulated depletion, depreciation, amortization, and impairment in value, if any.

The initial cost of property, plant and equipment comprises its purchase price or construction cost, any directly attributable costs of bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is aggregate amount paid and the fair value of any other consideration given to acquire the asset. Such cost includes the cost of replacing part of such property, plant and equipment when that cost is incurred if the recognition criteria are met. Expenditures incurred after the property, plant and equipment have been put into operations, such as repairs and maintenance, are normally charged to expense in the period when the costs are incurred.

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment. Major maintenance and major overhaul costs that are capitalized as part of property, plant and equipment are depreciated on a straight-line basis over the shorter of their estimated useful lives, typically the period until the next major maintenance or inspection, and the estimated useful lives of the related property, plant and equipment.

Land is stated at cost, less any impairment in value.

The Group classify its right-of-use assets as part of property, plant and equipment. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date of the underlying assets is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-use-assets includes the amounts of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment.

Borrowing costs incurred for the construction of any qualifying assets are capitalized during the period which is required to complete and prepare the asset for its intended use. Other borrowing costs are charged to expense.

Construction in-progress is recorded at cost and the related depreciation starts upon transfer to the appropriate account of the completed project.

Mine and mining properties also consist of the fair value attributable to mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of an acquisition. When a mine construction project moves into the production phase, the capitalization of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.

Depreciation on assets are calculated using the straight-line method to allocate the cost of each property, plant and equipment less its residual value, if any, over its estimated useful life, as follows:

Type of asset	Estimated useful life in years
Buildings and improvements	2-15
Plant machinery and equipment	2-20
Office furniture and fixtures	3-5

Mine exploration and development costs of mineral properties already in operations are capitalized as mine and mining property and are included in “Property, plant and equipment” account.

Depletion of mine and mining properties is computed based on ore extraction over the estimated volume of proved and probable ore reserves as estimated by the Parent Company’s mining engineer or geologist and certified by a competent person.

The estimated recoverable reserves, depreciation and depletion methods applied are reviewed at the end of reporting period to ensure that the estimated recoverable reserves, depreciation, and depletion methods are in line with expected pattern of consumption of the future economic benefits from property plant and equipment. If there has been significant change, the method shall be changed to reflect the changed pattern.

The property, plant and equipment’s residual values, if any, and useful lives are reviewed and adjusted, if appropriate, at the end of the reporting period. An asset’s carrying amount is written down immediately to its recoverable amount if the property, plant and equipment’s carrying amount is greater than its estimated recoverable amount.

When assets are sold or retired, the cost and related accumulated depletion, amortization, and depreciation, and accumulated impairment in value are removed from the accounts. Gains and losses on disposals are determined by comparing the disposal proceeds with carrying amount and are included in the consolidated statement of comprehensive income.

Fully depreciated property, plant and equipment are maintained in the accounts until these are no longer in use.

Mine Exploration Costs
Pre-license costs incurred before the Group has obtained legal rights to explore in a specific area are expensed in the period in which they are incurred. Once the legal right to explore has been acquired, exploration and evaluation expenditure is deferred as asset when future economic benefit is more likely than not to be realized. These costs include materials and fuels used, surveying costs, drilling costs and payments made to contractors. The Group capitalizes any further evaluation costs incurred to exploration and evaluation assets up to the point when a commercial reserve is established.

In evaluating whether expenditures meet the criteria to be capitalized, several different sources of information are utilized. The information that is used to determine the possibility of future benefits depends on the extent of exploration and evaluation that has been performed.

Once commercial reserves are established, exploration and evaluation assets are tested for impairment and transferred to mine and mining properties. No amortization is charged during the exploration and evaluation phase. If the area is found to contain no commercial reserves, the accumulated costs are expensed.

Other Noncurrent Assets
Other noncurrent assets of the Group include the Mine Rehabilitation Fund (MRF) and funds to satisfy environmental obligations, intangible assets, deferred charges and various deposits. These are classified as noncurrent since the Group expects to utilize the assets beyond 12 months from the end of the reporting period.

Mine Rehabilitation Fund
MRF are funds deposited in banks, which is stated at face value, and is allotted for use in satisfying the Group's environmental and rehabilitation obligations. The funds earn interest based on the respective bank deposit rates.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite useful life are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the amortization expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

The Group's accounting software is calculated using the straight-line method over its estimated useful life of five years.

Impairment of Nonfinancial Assets

Property, Plant and Equipment and Other Nonfinancial Assets

Property, plant and equipment and other nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists, as when the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit (CGU) is written down to its recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less cost to sell and its value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the asset is tested as part of a larger CGU to which it belongs. If the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Management has assessed its CGUs as being individual mines, which is the lowest level for which cash inflows are largely independent of those of other assets. Impairment losses are recognized in profit or loss. In calculating value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/CGU. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. The Group bases its impairment calculation on detailed budgets and forecasts, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated based on the life-of-mine plans. The estimated cash flows are based on expected future production, metal selling prices, operating costs and forecast capital expenditure, and cash flows beyond six years are based on life-of-mine plans.

Value in use does not reflect future cash flows associated with improving or enhancing an asset's performance, whereas anticipated enhancements to assets are included in fair value less costs of disposal calculations.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's/CGU's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset/CGU does not exceed either its recoverable amount, or the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset/CGU in prior years. Such a reversal is recognized in the consolidated statement of comprehensive income.

Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

Investments in and Advances to Associates

After application of the equity method for investment in associates, the Group determines whether it is necessary to recognize an additional impairment loss of the Group's investments in its associates, including long-term interests, that, in substance, form part of the Group's net investment in associates. The Group determines at the end of the reporting period whether there is any objective evidence that the investment and advances in associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of the associate and the acquisition cost and recognizes the amount in the consolidated statement of comprehensive income. Recoverable amount is determined as the higher between fair value less cost of disposal and value in use.

Mine Exploration Costs
An impairment review is performed, either individually or at the CGU level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the financial period in which this is determined. Exploration assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the following conditions is met:

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities within the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing or planned in the future.

<u>Provisions</u>
General
Provisions are recognized when the Group has a present obligation (legal and constructive) as a result, of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all provisions to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as part of finance costs in the consolidated statement of comprehensive income.

Liability for Mine Rehabilitation
Mine rehabilitation costs will be incurred by the Group either while operating, or at the end of the operating life of, the Group's facilities and mine properties. The Group assesses its liability for mine rehabilitation at each reporting date. The Group recognizes a liability for mine rehabilitation where it has a legal and constructive obligation as a result, of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The nature of these restoration activities includes: dismantling and removing structures; rehabilitating mines and tailings dams; dismantling operating facilities; closing plant and waste sites; and restoring, reclaiming and revegetating affected areas.

The obligation generally arises when the asset is installed or, the ground/environment is disturbed at the mining operation's location. When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred as a result, of the development/construction of the mine. Any rehabilitation obligations that arise through the production of inventory are recognized as part of the related inventory item. Additional disturbances which arise due to further development/construction at the mine are recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. Costs related to restoration of site damage (subsequently at the start of the commercial production) that is created on an ongoing basis during production are provided for at their net present values and recognized in profit or loss as extraction progresses.

Changes in the estimated timing of rehabilitation or changes to the estimated future costs are dealt with prospectively by recognizing an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates, if the initial estimate was originally recognized as part of an asset measured in accordance with PAS 16.

Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the consolidated statement of comprehensive income.

If the change in estimate results in an increase in the liability for mine rehabilitation cost and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset and if so tests for impairment. If, for mature mines, the estimate for the revised mine assets net of liability of mine rehabilitation exceeds the recoverable value, that portion of the increase is charged directly to expense.

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of comprehensive income as part of finance costs.

For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of comprehensive income.

The Group recognizes neither the deferred tax asset in respect of the temporary difference on the decommissioning liability nor the corresponding deferred tax liability in respect of the temporary difference on a decommissioning asset.

Rehabilitation trust funds committed for use in satisfying environmental obligations are included within “Other noncurrent assets” in the consolidated statement of financial position.

<u>Stock Subscriptions Payable</u>
Stock subscriptions payable pertains to the Group’s unpaid subscription to shares of stock of other entities. These are recognized and carried in the books at the original subscription price in exchange of which, the shares of stock will be issued.

<u>Revenue Recognition</u>
Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Metals
Sale of bullion (i.e., Gold, Silver)
Income is recognized upon actual shipment of bullions. Net revenue is measured based on shipment value price based on quoted metal prices in the London Bullion Market, for both gold and silver, weight and assay content, less smelting and treatment charges. Contract terms for the Group’s sale of gold and silver bullion allow for a price adjustment based on final assay results of the metal in concentrate by the customer to determine the content.

Provisional shipment up to 98% of total value for gold and silver based on provisional prices is collected upon shipment, while the remaining 2% for gold and silver is collected upon the determination of the final shipment value based on final weight and assay for metal content and prices during the applicable QP less applicable smelting and treatment charges.

Sale of copper concentrate
Income from the sale of copper concentrate is recognized upon shipment. Net revenue is measured based on shipment value price based on quoted metal prices in the London Market Exchange, weight and assay content, less smelting and treatment charges. Contract terms for the Group's sale of copper concentrate allow for a price adjustment based on final assay results of the metal in concentrate by the customer to determine the content.

Provisional shipment up to 100% of total value for copper concentrate based on provisional prices is collected upon shipment, while the final shipment value is collected upon the determination of the final weight and assay for metal content and prices during the applicable QP less applicable smelting and treatment charges.

The terms of metal sales contracts with third parties contain provisional pricing arrangements whereby the selling price is based on prevailing spot prices on a specified future date after shipment to the customer (the "quotation period"). Mark-to-market adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement, and such adjustments are recorded as part of revenue. The period between provisional invoicing and final settlement can be between one and six months.

Bill and Hold Sales
The Group recognized sale on deliveries classified as bill and hold when there is transfer of risk and reward from the Group to the buyer due to the following:
- It is probable that delivery will be made;
- The item is on hand, identified and ready for delivery to the buyer at the time the sale is recognized;
- The buyer specifically acknowledges the deferred delivery instructions; and
- The usual payment terms apply.

Trade receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Service Fees
Service fees are recognized upon performance of the services.

Interest Income
Interest income is recognized as it accrues using EIR method.
Rental Income
Rental income arising from operating leases on land is accounted for on a straight-line basis over the lease terms and included in revenue due to its operating nature.

Other Income
Other income are income and expenses which are not directly related to the Group's regular results of operations. These include interest income, rental income, gain (loss) on disposal of assets, gain or loss from deconsolidated subsidiaries, and gain due to retrenchment.

Cost and Expenses
Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Cost of sales, cost of services and operating expenses are recognized in the consolidated statement of comprehensive income in the period these are incurred.

Capital Stock and APIC
Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in the consolidated statements of changes in equity as a deduction from proceeds. The excess of proceeds from issuance of shares over the par value of shares are credited to APIC.

Where the Parent Company purchases its own shares (treasury shares), the consideration paid including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's stockholders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Parent Company's stockholders.

Deposit for Future Subscriptions
This pertains to the amount of cash and advances from stockholders as payment for future issuance of stocks. This is classified as an equity instrument when the Group will deliver a fixed number of its own equity instruments in exchange for a fixed amount of cash or another financial asset. Otherwise, it is classified under noncurrent liabilities.

Deficit
Deficit represents accumulated losses of the Group. A "deficit" is not an asset but a deduction from equity.

OCI
OCI comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the profit or loss for the year in accordance with PFRSs.

Earnings (Loss) Per Share
Basic earnings (loss) per share amounts are calculated by dividing the net income (loss) attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared and stock rights during the year.

Diluted earnings (loss) per share amounts are calculated by dividing the net income (loss) attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus weighted average number of ordinary shares that would be issued on the conversion of all the dilutive ordinary shares into ordinary shares. The Group has no dilutive potential common shares as at December 31, 2020, 2019 and 2018.

Leases
Determination of Whether an Arrangement Contains a Lease
The Group assesses at contract inception, all arrangements to determine whether they are, or contain, a lease. That is, if the contract conveys the right of control the use of an identified asset for a period of time in exchange for consideration.

Leases - Group as a Lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-to-use assets representing the right to use the underlying assets.

Lease Liabilities
At the commencement date of the lease, the Group recognized lease liabilities measured the present value of lease payments to be made over the lease term. The lease payments include fixed payments (and in, some instances, in-substance fixed payments) less any lease incentives receivable, variable

lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its IBR at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term Leases and Leases of Low-value Assets
The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value are recognized as expense on a straight-line basis over the lease term.

Employee Benefit
The net defined retirement benefits liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined retirement benefits liability or asset
- Remeasurements of net defined retirement benefits liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined retirement benefits liability or asset is the change during the period in the net defined retirement benefits liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined retirement benefits liability or asset. Net interest on the net defined retirement benefits liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest on defined retirement benefits liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Remeasurements recognized in OCI after the initial adoption of Revised PAS 19 are not closed to any other equity account and is shown as a separate item in equity under “Remeasurement gain (loss) on retirement benefits liability”.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined retirement benefits liability, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined retirement benefits liability is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination Benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee Leave Entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before 12 months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded using the exchange rate at the date of the transaction qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange at the end of the reporting period. All differences are taken to the consolidated statement of comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Income Taxes
Current Income Tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the end of the reporting period.

Current income tax relating to items recognized directly in OCI or equity is recognized in OCI or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax
Deferred income tax is provided, using the balance sheet method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end each reporting period and reduced 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 asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax relating to items recognized in OCI or equity is recognized in OCI or equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Dividend Distribution
Dividend distribution to the Parent Company's stockholders and NCI is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved or declared by the Parent Company's BOD.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable. Contingencies, if it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

Events After the End of the Reporting Period
Events after the end of the reporting period that provide additional information about the Group's financial position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Events after the end of the reporting period that are not adjusting events are disclosed when material to the consolidated financial statements.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and the disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, 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. However, actual outcome can differ from these estimates.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Mine Exploration Costs
The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of a resource is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available.

If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available. Mine exploration costs amounted to ₱6,969,680 and ₱6,908,369 as at December 31, 2022 and 2021, respectively (see Note 12).

Assessing Recoverability of Mine Exploration Costs
Mineral property acquisition costs are capitalized until the viability of the mineral interest is determined. Exploration, evaluation and pre-feasibility costs are charged to "Mine exploration costs"

until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized to mine and mining properties. The Group reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. Mine exploration costs amounted to ₱6,969,680 and ₱6,908,369 as at December 31, 2022 and 2021, respectively (see Note 12).

As at December 31, 2022 and 2021, mine exploration costs transferred to mine and mining properties amounted to nil (see Note 12).

Assessing Impairment on Property, Plant and Equipment and Other Nonfinancial Assets
The Group assesses impairment on property, plant and equipment and other nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset 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 assets, the Group is required to make estimates and assumptions such as commodity prices, discount rates and foreign currency exchange rates that can materially affect the consolidated financial statements. Commodity prices and foreign exchange rates are based on the current and forecasts in different banks. Discount rate estimate is computed using the weighted average cost of capital.

An impairment loss would be recognized whenever evidence exists that the recoverable amount is less than the carrying amount. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

The recoverable amount of the asset is determined as the higher of its fair value less costs to sell and value in use. Fair value less costs to sell is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties, net of direct costs of selling the asset. When value in use has been undertaken, 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.

The aggregate net book values of property, plant and equipment amounted to ₱6,293,417 and ₱6,379,069 as at December 31, 2022 and 2021, respectively (see Note 9).

The carrying amount of other nonfinancial assets, which includes advances to officers and employees, advances to suppliers and contractors, other current assets and other noncurrent assets amounted to ₱1,059,464 and ₱1,359,045 as at December 31, 2022 and 2021, respectively.

Assessing Existence of Significant Influence
In assessing whether significant influence still exists, the Group considered not only its percentage ownership but other factors such as the board seat representations it has in the associate's governing body, its interchange of managerial personnel with the associate, and material transactions between the Group and its investee, among others.

As at December 31, 2022 and 2021, the Group assessed that it has significant influence over DMTC and MMC and has accounted for the investments as associates (see Note 11).

Assessing Recoverability of Deferred Tax Assets
The Group reviews the carrying amounts of deferred tax assets at the end of the reporting period and reduces the amounts to the extent that it is no longer probable that sufficient future taxable profit and taxable temporary timing differences will be available to allow all or part of the deferred income tax assets to be utilized.

The Group has deferred tax assets amounting to ₱292,405 and ₱312,209 as at December 31, 2022 and 2021, respectively (see Note 18). No deferred tax assets were recognized for temporary differences amounting to ₱1,722,111 and ₱1,967,651 as at December 31, 2022 and 2021, respectively, since there is no assurance that the Group will generate sufficient future taxable income to allow all or part of its deferred tax assets to be utilized (see Note 18).

Assessing the business models of financial assets
The Group manages its financial assets based on a business model that maintains adequate level of financial assets to match expected cash outflows.

The Group's business model can be to hold financial assets to collect contractual cash flows even when sales of certain financial assets occur.

Determining stage of impairment of financial assets
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis. Quantitative criteria may include downgrade in investment grade, defaulted assets, counterparties with objective evidence of impairment. A significant increase in credit risk is also presumed if a debtor is more than 90 days past due in making a contractual payment. Qualitative criteria may include significant adverse changes in business, financial or economic conditions in which the counterparty operates, actual or expected restructuring.

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

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

Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, information obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks

and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

<u>Estimates and Assumptions</u>
The consolidated financial statements prepared in accordance with PFRSs require management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and related notes. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Revenue Recognition
The Group recognizes revenue from sale of bullion and concentrate at the time these are produced and shipped to buyer smelters, respectively. Revenue is measured based on shipment value based on quoted metal prices in the London Bullion Market and London Market Exchange or Shanghai Gold Exchange, and weight and assay for metal content net of smelting and treatment charges. Provisional shipment values up to 98% bullion and up to 100% concentrate while the remaining balance is collected upon determination of the final shipment value based on final weights and assays for metal content and prices during the applicable QP less deduction for smelting and treatment charges. Total recognized revenue relating to sale of metals amounted to ₱1,851,172, ₱1,576,683 and ₱1,456,484, net of smelting and treatment charges of ₱4,017, ₱3,381 and ₱36,183, in 2022, 2021 and 2020, respectively (see Note 29).

Estimating Ore Reserves and Resources
Mineral reserves and resources estimates for development projects are, to a large extent, based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of costs based upon anticipated tonnage and grades of ores to be mined and processed, the configuration of the ore body, expected recovery rates from the ore, estimated operating costs, estimated climatic conditions and other factors. Proven reserve estimates are attributed to future development projects only where there is a significant commitment to project funding and extraction and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. All proven reserve estimates are subject to revision, either upward or downward, based on new information, such as from block grading and production activities or from changes in economic factors including product prices, contract terms or development plans.

Estimates of reserves for undeveloped or partially developed areas are subject to greater uncertainty over their future life than estimates of reserves for areas that are substantially developed and depleted. As an area goes into production, the amount of proven reserves will be subject to future revision once additional information becomes available. As those areas are further developed, new information may lead to revisions. The estimated recoverable reserves are used in the calculation of depletion, depreciation, amortization and testing for impairment, the assessment of life of mine, and forecasting the timing of the payment of provision for mine rehabilitation and decommissioning.

In accordance with its policy, the Group reviews the estimated resources and reserves on an ongoing basis. This review indicated that a portion of resource were part of the ore extracted in prior year. As a result, effective January 1, 2019, the Group added a portion of resources expected to be converted into reserves in the calculation of depletion. As at December 31, 2022 and 2021, mine and mining properties presented under property, plant and equipment amounted to ₱5,012,441 and ₱5,069,229, respectively (see Note 9).

Estimating Allowance for Inventory Obsolescence
Parts and supplies inventories, which are used in the Group's operations and mine products, are stated at the lower of cost or NRV. Allowance for inventory obsolescence is established when there is evidence that the equipment where the parts and supplies were originally purchased for are no longer in service. Materials which are non-moving or have become unusable are priced at their recoverable amount. The selling price estimation of mine products is based on the London Bullion Market Association, which also represents an active market for the product. Any changes in the assay for metal content of the mine products is accounted for and adjusted accordingly.

Inventories carried at lower of cost or NRV, amounted to ₱587,494 and ₱593,500 as at December 31, 2022 and 2021, respectively (see Note 6).

Estimating Impairment of Investments in and Advances to Associates
The Group assesses whether there are any indicators of impairment for investments in and advances to associates at the end of the reporting period. These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the investment is written down to its recoverable amount.

Provision for impairment of investment in associates amounted to ₱7,359 has been recognized in 2022 and 2021. Investments in and advances to associates amounted to ₱452,373 and ₱469,571 as at December 31, 2022 and 2021, respectively (see Note 11).

Estimation of Allowance for Impairment of Financial Assets

Provision for ECL for Cash, Trade Receivables (not subject to provisional pricing), Nontrade Receivables, Financial Assets Designated at FVOCI, and MRFs under "Other noncurrent assets"

The Group uses a provision matrix to calculate ECLs for trade receivables not subject to provisional pricing. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (e.g., by geography, product type, customer type and/or rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year, which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Group measures its ECL on cash, nontrade receivables, financial assets designated at FVOCI, and MRFs under "Other noncurrent assets" in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes and the time value of money. In measuring ECL, the Group consider whether there is a significant increase in credit risk. The Group uses an ECL model that considers the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). In estimating the ECL, the Group uses all available information in measuring ECL, such as available credit rating of the instruments and the debtor, default assessment on the debtor, and history of experience with the debtor. A forward-looking information, such as interest rate, inflation rate and changes in the gross domestic product, is incorporated and its relationship with the credit loss is analyzed at each reporting date.

The correlation of forecast economic conditions and ECL is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's forecast of economic conditions may also not be representative of the debtor's actual default in the future.

As at December 31, 2022 and 2021, total financial assets of the Group amounted to ₱164,056 and ₱175,321, respectively. Allowance for ECL on financial assets amounted to ₱18,911 and ₱18,398 as at December 31, 2022 and 2021, respectively.

Inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or lifetime basis depending on whether there is a significant increase in credit risk or whether an asset is considered to be credit-impaired. The ECL model considers the PD, LGD, and EAD, defined as follows:

- *Probability of default*
  The PD represents the likelihood of a customer defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is

available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

The 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.

- *Loss given default*
  Loss Given Default represents the Group's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

- *Exposure at default*
  EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime. For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original EIR or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the contractual repayments owed by the customer. Early repayment/refinance assumptions, when allowed, are also incorporated into the calculation.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period December 31, 2022 and 2021.

Incorporation of forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group has identified and documented key drivers of credit risk and credit losses of each financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables identified and credit risk and credit losses. Predicted relationship between the key indicators and default and loss rates on financial assets have been developed based on analyzing historical data.

Leases - Estimating IBR
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). The Group's lease liabilities amounted ₱10,049 and ₱13,350 as of December 31, 2022 and 2021, respectively (see Note 30g).

Estimation of Retirement Benefit Expense
The cost of defined retirement obligation as well as the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, expected rates of return on assets, future salary increases, mortality rates and future retirement increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligation are highly sensitive to changes in these assumptions. All assumptions are reviewed at each end of the reporting period. As at December 31, 2022 and 2021, the retirement benefits liability of the Group amounted to ₱1,042,173 and ₱1,314,226, respectively. Net retirement costs amounted to ₱ 110,650, ₱106,901 and ₱101,921 in 2022, 2021 and 2020, respectively (see Note 17).

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. Further details about the assumptions used are provided in Note 17.

Estimating Liability for Mine Rehabilitation Cost
The ultimate cost of mine rehabilitation and decommissioning is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience. The expected timing of expenditure can also change, for example in response to changes in ore reserves or production rates. As a result, there could be significant adjustments to the provision for mine rehabilitation and decommissioning, which would affect future financial results.

The provision for mine rehabilitation and decommissioning costs is based on estimated future costs using information available at the end of the reporting period. To the extent the actual costs differ from these estimates, adjustments will be recorded and, the profit or loss may be impacted. As at December 31, 2022 and 2021, liability for mine rehabilitation cost amounted to ₱11,490 and ₱14,476, respectively (see Note 16).

Estimating Fair Values of Financial Assets and Liabilities
PFRSs require that certain financial assets and liabilities be carried at fair value, which requires the use of accounting judgment and estimates. While significant components of fair value measurement are determined using verifiable objective evidence (e.g. foreign exchange rates, interest rates, volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would directly affect the consolidated statement of comprehensive income.

The carrying values and corresponding fair values of financial assets and financial liabilities as well as the manner, in which fair values were determined are discussed (see Note 31).

Estimating Contingencies
By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events (see Note 30).

4. Cash

	2022	2021
Cash on hand	**₱4,248**	₱2,513
Cash in banks	**49,342**	33,141
	₱53,590	₱35,654

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

Interest income earned from cash in banks amounted to ₱38, ₱56 and ₱102 in 2022, 2021 and 2020, respectively (see Note 28).

The Group has United States dollar (US$)-denominated cash in banks amounting to US$31 and US$52 as at December 31, 2022 and 2021, respectively (see Note 31).

5. Receivables

	2022	2021
Trade	**₱45,612**	₱89,880
Nontrade	**19,691**	13,602
Officers and employees	**14,849**	2,885
Receivable from stockholders and related parties	**17,508**	337
	97,660	106,704
Less allowance for expected credit losses	**18,911**	18,398
	₱78,749	₱88,306

Trade receivables include the Group's receivables arising from its shipments of gold, silver and concentrate to refinery and smelter customer under the Refining Agreements (RA; see Note 29) and receivables from third party customers for drilling, hauling and rental services.

Nontrade receivables comprise mainly of receivables from related parties and other third parties, while receivables from officers and employees pertain to cash advances made by employees for the operations of the Group subject for liquidation. Unliquidated receivables from officers and employees are collectible on demand or considered as salary deduction.

Trade, nontrade and receivables from officers and employees are noninterest-bearing and are generally collectible on demand.

Provision for expected credit losses on receivables amounting to 535, nil and nil were recognized by the Group in 2022, 2021 and 2020, respectively.

Movements of allowance for expected credit losses are as follows:

	2022	2021
Balance at beginning of year		
Trade	**₱18,012**	₱18,441
Nontrade	**386**	514
Provision	**535**	–
Effect of forex revaluation adjustment	–	(557)
Write-off	**(22)**	–
Balance at end of year	**₱18,911**	₱18,398

The Group has US$-denominated trade receivables amounting to US$150 and US$1,116 as at December 31, 2022 and 2021, respectively (see Note 31).

6. **Inventories**

	2022	2021
Parts and supplies:		
At NRV	**₱527,260**	₱593,417
At cost	**83**	83
Mine products at cost	**60,151**	–
	₱587,494	₱593,500

Parts and supplies on hand include materials and supplies stored in Metro Manila, Bulacan, Mankayan and Leyte. Cost of parts and supplies on hand amounted to ₱573,289 and ₱636,602 as at December 31, 2022 and 2021, respectively.

Mine products inventory includes gold dore inventory stored in the Lepanto Mining Division located at Mankayan, Benguet. This inventory forms part of the following year's sales and are therefore shipped subsequently.

Movements in allowance for inventory obsolescence on parts and supplies on hand as at December 31, 2022 and 2021 are as follows:

	2022	2021
Balance at beginning of year	**₱43,102**	₱41,473
Provision	**5,186**	1,629
Reversal	**(2,342)**	–
Balance at end of year	**₱45,946**	₱43,102

The Group recognized a provision for allowance for inventory obsolescence amounting to ₱5,186 and ₱1,629 in 2022 and 2021, respectively.

Parts and supplies inventories charged to profit and loss under "Consumables and supplies" account amounted to ₱533,084, ₱453,976 and ₱437,737 in 2022, 2021 and 2020, respectively (see Notes 22, 23, and 24).

7. Advances to Suppliers and Contractors

As at December 31, 2022 and 2021, the Group has advances to suppliers and contractors amounting to ₱56,384 and ₱295,123, respectively. These advances will be offset against future billings. Advances to suppliers and contractors are non-financial assets arising from advanced payments made by the Group to its 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.

8. Other Current Assets

	2022	2021
Input VAT	**₱453,196**	₱385,413
Prepaid expenses	**15,273**	127,514
Deferred costs	**8,539**	20,478
Deposits	**333**	333
	₱477,341	₱533,738

By virtue of Revenue Memorandum Order 9-2000 dated March 29, 2000, all sales of goods, property and services made by a VAT-registered person to the Parent Company, being a 100% exporter, are automatically zero-rated for VAT purposes effective August 8, 2001. The passage of Republic Act No. 11534, or the CREATE Act, with effectivity date on 11 April 2021, however amended the VAT treatment of transactions and expressly provided that only those goods and services that are directly and exclusively used in the registered project or activity of registered business enterprises qualify as zero-rated VAT local purchases.

Input VAT represents VAT paid on purchases of applicable goods and services, net of output tax, which can be claimed for refund or recovered as tax credit against certain future tax liability of the Group upon approval by the BIR and/or the Philippine Bureau of Customs.

Prepaid expenses include advance payments for taxes, insurance, rent and other services and costs incurred under operating development drives.

Deferred costs represent withdrawals of tubing to be used in drilling operations. Costs of which is amortized based on meters drilled.

Deposits are payment to suppliers and contractors before goods or services has been received or rendered.

9. Property, Plant and Equipment

	2022						
	Mine and mining properties	Buildings and improvements	Plant, machinery, equipment and office furniture and fixtures	Land	Construction in-progress	Right-of-use assets– warehouse and building	Total
Cost:							
Balances at December 31, 2021	₱12,107,769	₱558,347	₱3,143,275	₱713,469	₱161,022	₱42,105	₱16,725,987
Additions	201,299	5,731	77,420	–	145,042	4,495	433,987
Transfers	25,611	–	57,204	–	(82,815)	–	–
Retirements/disposals	–	(6,545)	(235,759)	(11,194)	–	(9,889)	(263,387)
Balances at end of year	12,334,679	557,533	3,042,140	702,275	223,249	36,711	16,,587
Accumulated depletion, depreciation and amortization:							
Balances at beginning of year	7,038,540	417,942	2,837,843	–	–	28,691	10,323,016
Depletion, depreciation and amortization	283,698	32,778	166,607	–	–	8,345	491,428
Retirement and disposals	–	(6,545)	(218,772)	–	–	(9,889)	(235,206)
Balances at end of year	7,322,238	444,175	2,785,678	–	–	27,147	10,579,238
Allowance for impairment:							
Balances at beginning and end of year	–	19,241	4,691	–	–	–	23,932
Net book values	₱5,012,441	₱94,117	₱251,771	₱702,275	₱223,249	₱9,564	₱6,293,417

	2021						
	Mine and mining properties	Buildings and improvements	Plant, machinery, equipment and office furniture and fixtures	Land	Construction in-progress	Right-of-use assets– warehouse and building	Total
Cost:							
Balances at December 31, 2020	₱12,080,127	₱556,936	₱3,067,641	₱713,469	₱159,271	₱24,907	₱16,602,351
Additions	130,258	1,542	106,645	–	45,649	17,198	301,292
Transfers	(1,795)	–	45,693	–	(43,898)	–	–
Adjustment to capitalized cost of mine rehabilitation and decommissioning (Note 16)	(100,821)	–	–	–	–	–	(100,821)
Retirements/disposals	–	(132)	(76,703)	–	–	–	(76,835)
Balances at end of year	12,107,769	558,346	3,143,276	713,469	161,022	42,105	16,725,987
Accumulated depletion, depreciation and amortization:							
Balances at beginning of year	6,764,971	384,349	2,753,773	–	–	18,772	9,921,865
Depletion, depreciation and amortization	273,569	33,725	153,160	–	–	9,919	470,373
Retirement and disposals	–	(132)	(69,090)	–	–	–	(69,222)
Balances at end of year	7,038,540	417,942	2,837,843	–	–	28,691	10,323,016
Allowance for impairment:							
Balances at beginning and end of year	–	19,241	4,691	–	–	–	23,932
Net book values	₱5,069,229	₱121,163	₱300,742	₱713,469	₱161,022	₱13,414	₱6,379,039

Prior to 2005, the Group adopted the revaluation model and engaged an independent firm of appraisers to determine the fair value of its land classified under "Property, plant and equipment" in the consolidated statement of financial position, which is equal to the amount in terms of money at which the property would exchange in the current real estate market, between willing parties both having knowledge of all relevant facts. The fair value was estimated using the market data approach, which is based on sales and listings of comparable property registered within the vicinity that considered factors such as location, size and shape of the properties.

In adopting the revaluation model, the Group applied the fair value as deemed cost exemption under PFRS 1, *First-time Adoption of PFRS*, to measure the Group's land at fair value at January 1, 2004. In 2012, the Group closed out the revaluation increment amounting to ₱511,504 as at January 1, 2010 to retained earnings. The revaluation reserve pertains to the remaining deemed cost adjustment on its land when the Group transitioned to PFRSs in 2005 (see Note 30k).

The Parent Company re-estimated its mine rehabilitation and decommissioning obligation as at December 31, 2022 and 2021 based on latest cost estimates and discount rate resulting to reduction of nil and ₱100,821 in provision from mine rehabilitation and decommissioning under "Mine and mining properties" and a gain on remeasurement of mine rehabilitation liability amounting to ₱3,704 and ₱57,243, respectively (see Note 24). As a result of the updates in estimates, provision for mine rehabilitation and decommissioning capitalized under mine and mining properties amounted to nil as at December 31, 2022 and 2021. The rates used by the Parent Company in computing depletion are ₱694, ₱646 and ₱1,136 per ton in 2022, 2021 and 2020, respectively, as a result of the costs capitalized under "Mine and mining properties" for the development of the Victoria and Quartz Pyrite Gold (QPG) Project.

Certain machinery and equipment and drilling equipment under "Plant, machinery, equipment, and office furniture and fixtures" with total costs of around ₱641,064 were used as collateral for the Group's short-term and long-term loans with a local bank (see Note 14).

Construction in-progress pertains to various mining operations requirements that undergo in-house constructions and fabrications in Mankayan. As at December 31, 2022 and 2021, the Group transferred construction in-progress amounting to ₱82,814 and ₱42,660, respectively, to mine and mining properties, and plant, machinery, equipment, office furniture and fixtures.

In August 2022, the Group sold 33,000 square meters parcel of land (sawmill lot) located in Pugo, Bauang La Union for a consideration of ₱33,000, inclusive of VAT and incurred expenses amounting to ₱961 relating to Registration of Transfer, Capital gains tax and others, resulting a gain of ₱17,309. Included in the sawmill lot sold are fully depreciated sawmill building and sawmill bailey bridge. Auxiliary of the lot sold was the Sawmill warehouse building plan which is amounting to ₱59 was retired since no future benefit is expected from the asset.

The Group subsequently disposed a field equipment with carrying amount of ₱16,928 for ₱31,657. As a result, the Group recognized a gain on disposal of property and equipment amounting to ₱14,729.

During 2022 and 2021, the Group recognized gain from the sales of fully depreciated land transportation equipment and machinery amounting ₱1,090 and ₱749, respectively.

10. **Financial Assets Designated at FVOCI**

As at December 31, 2022 and 2021, the financial assets designated at FVOCI consists of investments in:

	2022	2021
Quoted equity shares	**₱42,752**	₱31,552
Unquoted equity shares	**3,894**	3,894
	₱46,646	₱35,446

Movements in financial assets designated at FVOCI are as follows:

	2022	2021
Balance at beginning of year	**₱35,446**	₱67,915
Changes in fair values of financial assets designated at FVOCI	**11,200**	(24,738)
Disposals	–	(7,731)
Balance at end of year	**₱46,646**	₱35,446

The following table shows the movement on fair value reserves for financial assets designated at FVOCI shown as a separate component of equity.

	2022	2021
Balance at beginning of year	**(₱67,882)**	(₱35,390)
Changes in fair values of financial assets designated at FVOCI	**4,922**	(24,738)
Effect of dilution of investment in associate	**3,618**	–
Transfer of fair value reserve of financial assets designated at FVOCI to retained earnings	–	(7,754)
Balance at end of year	**(₱59,342)**	(₱67,882)

Investments in quoted equity shares pertain to investment in common shares of various local public companies and golf club shares.

Investments in unquoted equity shares pertain to investments in private local companies and therefore have no fixed maturity date or coupon rate.

Dividend income earned by the Group amounted to nil in 2022, 2021 and 2020.

The Parent Company executed a deed of assignment in favor of LCMC Employee Pension Plan ("the Plan") on December 22, 2016 covering 160,568,775 of 180,000,000 of its Prime Orion Philippines, Inc. (POPI; now known as Ayalaland Logistics Holdings Corp.) shares for a total consideration of ₱308,292.

The obligation to pay the balance of stocks subscriptions payable of ₱96,341 has been agreed and accepted by the Plan. In May 2019, the Parent Company paid its remaining stock subscriptions payable amounting to ₱11,443. There is no outstanding balance of stock subscription payable as at December 31, 2022 and 2021.

As at December 31, 2022, the Group has no intention to dispose its unquoted equity shares. The aggregate cost of these investments amounted to ₱38,261 as at December 31, 2022 and 2021.

11. **Investments in and Advances to Associates**

2022	**DMTC**	**MMC**	**Total**
Acquisition cost:			
Balances at beginning of year	**₱11,800**	**₱427,380**	**₱439,180**
Disposals	**–**	**(9,823)**	**(9,823)**
Dilution (Note 28)	**–**	**(8,458)**	**(8,458)**
Balances at end of year	**₱11,800**	**₱409,099**	**₱420,899**
Accumulated equity:			
Share in net earnings (loss):			
Balances at beginning of year	**(₱1,687)**	**₱28,445**	**₱26,758**
Equity in net loss	**(60)**	**(2,699)**	**(2,759)**
Share in OCI - FA at FVOCI	**–**	**(323)**	**(323)**
Share in OCI - RBO	**–**	**(183)**	**(183)**
Dilution	**–**	**3,535**	**3,535**
Balances at end of year	**(₱1,747)**	**₱28,775**	**₱27,028**
Allowance for impairment losses:			
Balances at beginning of year	**(₱7,359)**	**₱–**	**(₱7,359)**
Provision for impairment losses	**–**	**–**	**–**
Balances at end of year	**(₱7,359)**	**₱–**	**(₱7,359)**
Investments in associates	**2,694**	**437,874**	**440,568**
Advances to associate (Note 15)	**–**	**11,805**	**11,805**
	₱2,694	**₱449,679**	**₱452,373**

2021	DMTC	MMC	Total
Acquisition cost:			
Balances at beginning of year	₱11,800	₱518,426	₱530,226
Disposals	–	(91,046)	(91,046)
Balances at end of year	₱11,800	₱427,380	₱439,180
Accumulated equity:			
Share in net earnings (loss):			
Balances at beginning of year	(₱1,620)	₱28,906	₱27,286
Equity in net loss	(67)	121	54
Share in OCI - FA at FVOCI	–	(282)	(282)
Share in OCI - RBO	–	(300)	(300)
Balances at end of year	(₱1,687)	₱28,445	₱26,758
Allowance for impairment losses:			
Balances at beginning of year	(₱7,359)	₱–	(₱7,359)
Provision for impairment losses	–	–	–
Balances at end of year	(₱7,359)	₱–	(₱7,359)
Investments in associates	2,754	455,825	458,579
Advances to associate (Note 15)	–	10,992	10,992
	₱2,754	₱466,817	₱469,571

Investment in MMC

The Group effectively has 13.37% and 16.47% ownership in MMC in 2022 and 2021 due to the increase in outstanding shares of MMC after its stock rights offering and sale of shares from its indirect party. Due to not meeting the presumption to demonstrate significant influence, the Group assessed that it has significant influence over MMC due to the following:

(a) The Group has four out of nine board seats and three out of nine representations; and
(b) The Group has at least nine executive officers and one managerial personnel serving as part of MMC’s corporate management.

As at December 31, 2022, the fair value per share of MMC shares A and B amounted to ₱0.010 and ₱0.010, respectively. As at December 31, 2021, the fair value per share of MMC shares A and B amounted to ₱0.011 and ₱0.010. Fair market value of the investment in MMC amounted to ₱412,441 and ₱467,707 as at December 31, 2022 and 2021, respectively.

Investment in DMTC
The Group assessed that it has significant influence over DMTC due to the following:
(a) The Group has ownership interest of 25.44% over its outstanding capital shares; and
(b) The Group, through DDCP, has at least ₱15.1 million or 54.71% contribution in the total assets of the DMTC.

Provision for impairment of investment in associates amounting to nil were recognized by the Group in 2022 and 2021, respectively.

The Group measures the investments under the equity method and prepares financial statements for the same financial reporting period as the Group.

The following table illustrates summarized financial information of the Group's investments in associates:

2022	**DMTC**	**MMC**	**Totals**
Assets:			
Current assets	**₱17,898**	**₱104,339**	**₱122,237**
Noncurrent assets	**107**	**3,337,822**	**3,337,929**
Total assets	**18,005**	**3,442,161**	**3,460,166**
Liabilities:			
Current liabilities	**7,444**	**139,371**	**146,815**
Noncurrent liabilities	**–**	**52,558**	**52,558**
Total liabilities	**7,444**	**191,929**	**199,373**
Net assets	**10,561**	**3,250,232**	**3,260,793**
Proportion of ownership	**25.44%**	**13.37%**	
Share in identifiable net asset	**2,687**	**434,556**	**437,243**
Carrying amount of the investment	**2,694**	**437,874**	**440,568**
Notional goodwill	**₱–**	**₱–**	**₱–**

2021	DMTC	MMC	Totals
Assets:			
Current assets	₱18,522	₱54,269	₱72,791
Noncurrent assets	107	3,129,584	3,129,691
Total assets	18,629	3,183,853	3,202,482
Liabilities:			
Current liabilities	7,802	212,369	220,171
Noncurrent liabilities	–	62,103	62,103
Total liabilities	7,802	274,472	282,274
Net assets	10,827	2,909,381	2,920,208
Proportion of ownership	25.44%	16.47%	
Share in identifiable net asset	2,754	479,175	481,929
Carrying amount of the investment	2,754	455,825	458,579
Notional goodwill	₱–	₱23,350	₱23,350

Net asset attributable to the equity holder of DMTC and MMC amounted to ₱2,687 and ₱2,754 and ₱434,556 and ₱479,175 as at December 31,2022 and 2021, respectively.

2022	**DMTC**	**MMC**	**Totals**
Net sales	**₱133**	**₱–**	**₱133**
Cost of sales	**(258)**	**–**	**(258)**
Gross loss	**(125)**	**–**	**(125)**
Administrative and selling expenses	**(110)**	**(15,806)**	**(15,916)**
Other charges	**–**	**(749)**	**(749)**
Loss before income tax	**(235)**	**(16,555)**	**(16,790)**
Provision for income tax	**–**	**(3,628)**	**(3,628)**
Loss from continuing operations	**(235)**	**(20,183)**	**(₱20,418)**
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods, net of tax	**–**	**(3,782)**	**(3,782)**
Total comprehensive loss	**(₱235)**	**(₱23,965)**	**(₱24,200)**
Share in net loss	**(₱60)**	**(₱3,205)**	**(₱3,265)**

2021	DMTC	MMC	Totals
Net sales	₱173	₱–	₱173
Cost of sales	(264)	–	(264)
Gross loss	(91)	–	(91)
Administrative and selling expenses	(208)	(4,191)	(4,399)
Other income (charges)	36	(4,245)	(4,209)
Loss before income tax	(263)	(8,436)	(8,699)
Benefit from income tax	–	9,173	9,173
Income (loss) from continuing operations	(263)	737	474
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods, net of tax	–	(3,535)	(3,535)
Total comprehensive loss	(₱263)	(₱2,798)	(₱3,061)
Share in net loss	(₱67)	(₱461)	(₱528)

12. **Mine Exploration Costs**

	2022	2021
Balance at beginning of year	**₱6,908,369**	₱6,827,286
Additions	**61,311**	81,083
Balance at end of year	**₱6,969,680**	₱6,908,369

Pursuant to the agreement between Gold Fields Limited, FSGRI and the Parent Company, ongoing exploration and pre-development expenses are being incurred on the Far Southeast Project (see Note 30a).

Depreciation expense capitalized as part of mine exploration costs in 2022, 2021 and 2020 amounted to ₱13,791, ₱19,222 and ₱18,774, respectively.

No allowance for impairment losses on mine exploration costs was recognized in 2022 and 2021.

13. Trade and Other Payables

	2022	2021
Trade	**₱703,487**	₱831,974
Accrued expenses and other liabilities	**1,821,091**	1,568,048
Employee related expenses	**48,063**	69,516
Accrued utilities	**50,144**	61,953
Unclaimed dividends	**26,693**	26,693
Payable to regulatory authorities	**43,828**	113,147
Accrued production tax	**24,927**	16,390
Due to related parties (Note 15)	**83,545**	83,804
	₱2,801,778	₱2,771,525

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

- Trade payables include import and local purchases of equipment and inventories such various parts and supplies used in the operations of the Group. These are non-interest bearing and are normally settled on 60 days' terms.
- Accrued expenses and other liabilities are noninterest-bearing and are normally settled on a 30 to 60 days' term. These include other operating expenses that are payable to various suppliers and contractors.
- Employee related expenses include unclaimed wages, accrued vacation and sick leave and accrued payroll. These are non-interest bearing and are payable in 30 days' term.
- Accrued utilities pertain to unpaid billings for power, communication, light and water charges. These are non-interest bearing and are normally settled within 30 to 90 days.
- 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 10 days from the close of each month.
- Accrued production taxes pertain to excise taxes on metal sales. These are non-interest bearing and are settled within 15 days after the end of each quarter.

Interest incurred on trust receipts amounted to nil in 2022 and 2021, and ₱11 in 2020 (see Note 27).

The Group has US$-denominated trade and other payables amounting to US$1,010 and US$1,901 as at December 31, 2022 and 2021, respectively (see Note 31).

14. **Short-term and Long-term Debt and Other Interest-bearing Liabilities**

	2022	2021
Gold delivery agreement (US$1,000 in 2022 and 2021)	**₱55,755**	₱50,999
Obtained loan from banks:		
Peso-denominated loans	**184,407**	124,371
US$-denominated loans	–	1,271
Total borrowings	**240,162**	176,641
Less current portion of long-term borrowings	**41,657**	125,608
	₱198,505	₱51,033

Gold Delivery Agreement (GDA):
In December 1998, the Parent Company entered into a Loan and Hedging Facilities Agreement (the Agreement) with NM Rothschild & Sons (Australia) Ltd. (Rothschild) and Dresdner Bank AG (Dresdner) which provides for borrowings up to US$30 million and hedging facility up to 300,000 ounces of gold as may be agreed upon by the parties up to December 2002. A minimum hedging amount of 250,000 ounces was imposed to secure the payment of the loan. The loan was intended to finance the working capital requirements of the Victoria Project (see Note 1).

The Agreement was first amended in 2000, and further amended in 2002 principally with respect to the repayment of the loan. The 2002 deed of amendment provides for the extension of the loan agreement up to September 2007. As at December 31, 2004, the loans obtained from Rothschild and Dresdner have been fully paid.

In accordance with the hedging facility, the Parent Company entered into various forward gold contracts with Rothschild and Dresdner (Lenders) which provide for the buying or selling of gold in fixed quantities at certain fixed prices for delivery in various maturity dates in the future. Any gains or losses on the forward sales contracts are recognized upon closing of the pertinent contracts.

On December 31, 2004, the Parent Company's forward gold contracts to sell 169,043 ounces of gold at an average price of US$295 per ounce will mature on various dates in the future and are being rolled forward relative to the ongoing discussion with Lenders. These contracts had a negative mark-to-market valuation of US$24 million based on the spot rate of US$437 per ounce as at December 31, 2004.

The Parent Company does not recognize any derivative financial liability under the hedging contracts with Dresdner. After months of discussion and negotiations, the Parent Company and Dresdner agreed in December 2005 on a commercial resolution to their controversy which was formalized through a GDA that was signed on January 25, 2006. Under the GDA, a gold loan of about US$14 million shall be repaid by way of minimum monthly installments starting from February 1, 2006 up to September 30, 2009 of the cash equivalent in US$ of 200 ounces of gold computed at the spot price in the market and any remaining balance to be fully repaid by the final delivery on September 30, 2009. The Parent Company also has an option to settle by delivery of quantity of gold.

The GDA contains certain covenants, which include, among others, payment of interest, strict compliance with regulatory provisions regarding internal revenue taxes and environmental requirements, restrictions in the incurrence of indebtedness and certain derivative transactions, limitation in the disposal and transfer of assets and prohibitions in the purchase of issued shares, reduction in capital and issuance of shares other than for cash or make a distribution of assets or other capital to its stockholders.

As from September 28, 2010, the rights of Commerzbank AG (Commerzbank; formerly constituted as Dresdner Bank AG) under the GDA have been transferred to Statham Capital Corporation (Statham). Accordingly, Statham is substituted for Commerzbank as the financier under the GDA.

An amendment to the GDA was entered into by the Parent Company. On October 5, 2010, a moratorium was agreed on, providing for the resumption of monthly deliveries of 200 ounces on January 2011 and a final delivery date of December 31, 2011. Total amount under the GDA is US$10,027.

On February 10, 2011, another moratorium and restructure agreement were entered into by the Parent Company. This resulted in a reduction in the total outstanding liability, with the corresponding gain included in "Service fees and other operating income" in the parent company statements of comprehensive income. In 2014, the Parent Company and Statham entered into another restructure agreement wherein the due date was extended to 2017. The due date has been extended again to 2020 and, in 2020, the due date has been further extended to 2021. In 2022, another moratorium and restructure agreement were entered into by the Parent company wherein the due date was extended to 2025. As at December 31, 2022 and 2021, the remaining obligation owing to Statham under the GDA amounting to US$1,000 with Peso equivalents of ₱55,755 and ₱50,999, respectively, is payable on December 31, 2025 as the final delivery date based on latest restructuring.

The Parent Company filed a civil case against Rothschild for the declaration of the nullity of the forward gold contracts to sell 97,476 ounces of gold. Rothschild filed a motion to dismiss and this was denied by the Regional Trial Court (RTC) and subsequently by the Court of Appeals in December 2006. Rothschild elevated the matter to the Supreme Court (SC) in February 2007. On November 28, 2011, the SC denied the Motion to Dismiss of Rothschild and upheld the jurisdiction of the RTC over the person of Rothschild in the case for nullity of hedging contracts filed by the Parent Company in 2005. Trial of the case was completed by the RTC in 2017. In a decision dated February 5, 2019, the RTC ruled in favor of the Parent Company, declaring the forward gold contracts null and void. Defendant Rothschild has filed an appeal with the Court of Appeals, which appeal was dismissed by the court in a decision dated May 26, 2022. Rothschild has filed a Petition for Review with the Supreme Court.

Bank Loans

Borrowings from a local bank are all clean loans with interest rates ranging from 6.50% to 10.25% in 2022 and 5.50% to 10.25% in 2021.

On March 30, 2017, the Parent Company entered into an Omnibus Loan agreement amounting to ₱150,000 with United Coconut Planters Bank (UCPB). Maturity date of the said loan is on July 28, 2017. The loan carries interest per annum of 6.50%. The loan is payable in full on maturity date and, is secured by a certain equipment with a cost of ₱300,000 which covers 200% of the loan. The loan was rolled over at maturity date after the Parent Company paid ₱12,400 of principal amount, therefore carrying an outstanding balance of ₱137,600. Same terms and conditions apply for the rolled over loan. The new maturity date of the loan is November 24, 2017 but was rolled over again during 2017.

On March 30, 2017, the Parent Company entered into a Term Loan agreement amounting to ₱170,000 with UCPB. The loan carries an interest rate of 6.50% and will vary after the first payment depending on prevailing market rate and is payable in 12 equal and continuous quarterly amortizations. The loan is secured by a chattel mortgage of drilling equipment with a cost of ₱340,000 which is equivalent to 200% of the said loan.

Under the initial restructuring plan dated May 31, 2022, principal loans were merged into one amounting ₱126,804 and an additional capitalized interest and other charges was recognized amounting to ₱69,082. The principal loan shall continue to carry interest at 7.00% per annum while the capitalized interest and other charges will be paid quarterly over 3 years starting August 2022. Total loan payments are set at ₱12,300 quarterly for the first year, ₱12,000 quarterly for the second year, ₱13,000 for the third year and average of 10,500 quarterly for the fourth and fifth years. Loan payment for the restructured plan will end on May 31, 2027. The combined carrying value of the loans including the capitalized interest and other charges amounted to ₱184,372 and ₱123,949 as at December 31, 2022 and 2021, respectively. Total interest incurred for the said loan in 2022, 2021, and 2020 amounted to ₱9,981, ₱10,275, and ₱10,841 respectively (see Note 27).

On July 31, 2017, the Parent Company entered into an agreement with Philippine Bank of Communications (PBCOM) to restructure its outstanding trust receipts into long-term bank loans. The outstanding balance of Peso and USD trust receipts on the date of restructuring amounted to nil and ₱1,271, respectively, as at December 31, 2022. The Peso and USD loans bear interest at 8.75% and 5.50%, respectively, and are due on April 18, 2021. On March 2022, the loan was paid in full. The carrying value of the USD loan amounted to nil and ₱1,271, as at December 31, 2022 and 2021, respectively. Total interest incurred amounted to nil for both Peso and USD loans for 2022, respectively, nil and ₱135 for 2021, respectively and nil and ₱149 for 2020, respectively (see Note 27).

On January 17, 2020, DDCP entered into a loan agreement with Asia United Bank (AUB) also for additional working capital. The proceeds of the loan amounted to ₱1,042, net of processing fees, documentary stamp taxes and mortgage fees. The loan carries an interest per annum of 10.25% and is payable in 36 equal monthly installments of ₱35, which started on February 17, 2020. The loan is secured by a chattel mortgage of transportation equipment amounting to ₱1,064. Total interest incurred for the said loan in 2022, 2021 and 2020 amounted to ₱25, ₱63, and ₱88 respectively (see Note 27).

15. Related Party Disclosures

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and their key management personnel, directors, or its stockholders.

The Parent Company has a Board-approved Material Related Party Transactions (Material RPTs) Policy defining Material RPTs and setting forth the approval procedure for the same in compliance with the requirements of Revised SRC Rule 68 and SEC Memorandum Circular 10, series of 2019.

Under the said policy, Material RPTs, that is, transactions which, either individually, or in aggregate over a twelve (12)-month period with the same related party, amount to at least ten percent (10%) of the Group's consolidated total assets based on its latest audited financial statements, need to be approved by at least a two-thirds (2/3) vote of the board of directors prior to execution.

Intercompany transactions involving subsidiaries are eliminated in the consolidated financial statements. The Group’s related party transactions, which are under terms that are no less favorable than those arranged with third parties, are as follows:

	2022			
	Amount/ Volume	**Outstanding Balance**	**Terms**	**Conditions**
Subsidiaries and affiliates				
Receivables				
DDCP	**₱30,457**	**₱113,498**	**On demand; noninterest-bearing and collectible in cash**	**Unsecured, no impairment, not guaranteed**
LIDC	**23**	**12,283**	**On demand; noninterest-bearing and collectible in cash**	**Unsecured, no impairment, not guaranteed**
DMTC	**60**	**1,975**	**On demand; non-interest bearing; and collectible in cash**	**Unsecured, no impairment, not guaranteed**
FSGRI	**7,048**	–	**On demand; noninterest-bearing and collectible in cash**	**Unsecured, no impairment, not guaranteed**
Advances to				
FSGRI	**–**	**94,140**	**On demand; noninterest-bearing and collectible in cash**	**Unsecured, no impairment, not guaranteed**
MMC (Note 11)	**8,423**	**11,805**	**Non-interest bearing and normally settled on 30-day term**	**Unsecured, no impairment, not guaranteed**
Payables				
SI	**17,155**	**(179,853)**	**Noninterest bearing and collectible in cash**	**Unsecured, not guaranteed**
MMC (Note 13)	**–**	**(12,650)**	**On demand; noninterest-bearing and collectible in cash**	**Unsecured, no impairment, not guaranteed**
DMTC (Note 13)	**–**	**(14,811)**	**On demand; noninterest-bearing and collectible in cash**	**Unsecured, no impairment, not guaranteed**
FSGRI	**–**	**(5,674)**	**On demand; non-interest bearing; and payable in cash**	**Unsecured, not guaranteed**
Advances from				
SI	**₱20,000**	**(₱20,000)**	**On demand; non-interest bearing; and collectible in cash**	**Unsecured, no impairment, not guaranteed**
Rental				
FSGRI	**2,238**	–	**Noninterest-bearing and normally settled on 30-day term**	**Unsecured, not guaranteed**
DDCP	**238**	**–**	**Non-interest bearing and normally settled on 30-day term**	**Unsecured,not guaranteed**
Services				
DDCP	**63,908**	–	**Noninterest-bearing and normally settled on 30-day term**	**Unsecured, not guaranteed**
SI	**15,320**	–	**Noninterest-bearing and normally settled on 30-day term**	**Unsecured, not guaranteed**
Stockholders				
Payables:				
Various (Note 13)	**–**	**(56,084)**	**Noninterest-bearing and are normally settled in cash on 30-day term**	**Unsecured, no guarantee**

	2021			
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Subsidiaries and affiliates				
Receivables				
DDCP	₱49,588	₱135,493	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
LIDC	23	12,918	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
DMTC	50	1,920	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
FSGRI	2,244	1,374	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed

(Forward)

	2021			
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Advances				
FSGRI	–	94,140	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
MMC (Note 11)	2,830	10,992	Noninterest-bearing and normally settled on 30-day term	Unsecured, no impairment, not guaranteed
Payables				
SI	12,971	(171,794)	On demand; noninterest-bearing and collectible in cash	Unsecured, not guaranteed
DMTC (Note 13)	–	(12,650)	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
MMC (Note 13)	–	(15,070)	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
Rental				
FSGRI	2,244	–	Noninterest-bearing and normally settled on 30-day term	Unsecured, not guaranteed
Services				
DDCP	49,588	–	Noninterest-bearing and normally settled on 30-day term	Unsecured, not guaranteed
SI	12,971	–	Noninterest-bearing and normally settled on 30-day term	Unsecured, not guaranteed
Stockholders				
Payables:				
Various (Note 13)	–	(56,084)	Noninterest-bearing and are normally settled in cash on 30-day term	Unsecured, no guarantee

a. In the normal course of business, the Group grants and receives advances to and from its associates and stockholders, which are considered related parties.

   The corresponding receivables and payables arising from the said transactions, including operational support as at December 31, 2022 and 2021 are as follows:

b. On April 17, 2000, the Parent Company entered into a Trust Agreement with LIDC for the latter to serve as a second trustee for the Parent Company's retirement fund.

   On March 31, 2003, the Parent Company entered into a separate Trust Agreement with LIDC whereby the latter ceased to be the second trustee of the Plans and instead to become the principal trustee. Prior to the Trust Agreement, the actual disbursements of the fund for the Plans, or payments to the retiree or beneficiaries, had been the responsibility of a local bank as the principal trustee. The Parent Company has decided to terminate the services of the local bank and consolidated to LIDC the administration of the Plans.

   The carrying amount and fair value of the retirement fund amounted to ₱468,066 and ₱496,433 as at December 31, 2022 and 2021, respectively (see Note 17).

   The retirement fund consists of cash in banks, short-term investments, investments in quoted and unquoted equity securities which accounts for 0.16% and 97.39% and 2.41% and 0.04% of the trust fund, respectively, as at December 31, 2022 (see Note 17).

   The voting rights on the shares of stock rest on the trustees of the retirement fund, who are also the key management personnel of the Parent Company.

The Group made contributions to the trust fund amounting to ₱106,142 and ₱117,372 in 2022 and 2021, respectively (see Note 17).

c. Compensation of key management personnel are as follows:

	2022	2021	2020
Short-term benefits	**₱73,538**	₱80,021	₱73,763
Post-employment benefits	**13,200**	13,200	13,200
	₱86,738	₱93,221	₱86,963

16. **Liability for Mine Rehabilitation Cost**

	2022	2021
Balance at beginning of year	**₱14,476**	₱169,349
Effect of change in estimate (Note 9)	**(3,704)**	(158,064)
Accretion of interest (Note 27)	**718**	3,191
Balance at end of year	**₱11,490**	₱14,476

The Parent Company makes a full provision for the future cost of rehabilitating the mine site and other future costs on a discounted basis amounting to ₱11,490 and ₱14,476 as at December 31, 2022 and 2021, respectively. Provision for mine rehabilitation and decommissioning represents the present value of future rehabilitation and other costs. These provisions have been created based on the Parent Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take-into account any material changes to the assumptions. However, actual costs will ultimately depend upon future market prices for the necessary works required which will reflect market conditions at the relevant time. Furthermore, the timing of the rehabilitation and expenditure of other costs is likely to depend on when the mine ceases to produce at economically viable rates, and the timing that the event for which the other provisions provided for will occur.

The Parent Company re-estimated its mine rehabilitation and decommissioning obligation as at December 31, 2022 and 2021 based on latest cost estimates and discount rate resulting to reduction of nil and ₱100,821 in provision for mine rehabilitation and decommissioning under "Mine and mining properties" in "Property, plant and equipment" and a gain on remeasurement of mine rehabilitation liability amounting to ₱3,704 and ₱57,243, respectively (see Notes 9 and 28).

Discount rate used by the Parent Company is 4.72% and 4.96% in 2022 and 2021, respectively.

17. **Retirement Plans**

The Parent Company has funded, noncontributory defined benefit retirement plans covering substantially all regular employees, while DDCP, FSGRI and SI have unfunded defined benefit retirement plans. Benefits are dependent on the years of service and the respective employee's compensation. The defined benefit retirement obligation is determined using the projected unit credit method.

The amounts of defined benefit retirement expense recognized in the consolidated statements of comprehensive income follow:

	2022			2021			2020		
	Funded	**Unfunded**	**Total**	Funded	Unfunded	Total	Funded	Unfunded	Total
Current service cost (Note 25)	**₱46,068**	**₱2,438**	**₱48,506**	₱55,585	₱2,526	₱58,111	₱48,126	₱1,850	₱49,976
Interest cost - net (Note 27)	**59,248**	**2,896**	**62,144**	46,532	2,258	48,790	49,117	2,828	51,945
	₱105,316	**₱5,334**	**₱110,650**	₱102,117	₱4,784	₱106,901	₱97,243	₱4,678	₱101,921

The Group has current service costs capitalized to mine exploration costs amounted to ₱1,613, ₱1,523 and ₱837 in 2022, 2021 and 2020, respectively. Further, interest costs capitalized to mine exploration costs in 2022, 2021 and 2020 amounted to ₱549, ₱481 and ₱289, respectively.

The amounts of remeasurement gain (loss) recognized in the consolidated statements of comprehensive income follow:

	2022	2021	2020
Remeasurement gain (loss) on retirement	**₱274,592**	₱278,327	(₱291,776)
Income tax effect of statutory income tax	**(68,648)**	(69,582)	87,533
Effect of change in tax rate due to CREATE	**–**	(57,846)	–
Effect of dilution of investment in associate	**82**	–	–
Remeasurement gain (loss) on retirement liability - net of tax	**₱206,026**	₱150,899	(₱204,243)

The table below shows the movement analysis of remeasurement gain (loss) on retirement benefits liability in the Group's statements of financial position as at December 31, 2022, 2021 and 2020:

	2022	2021	2020
Balance at beginning of year	**(₱56,025)**	(₱206,924)	(₱4,729)
Remeasurement gain during the year	**203,531**	150,899	(202,195)
Balance at end of year	**₱147,506**	(₱56,025)	(₱206,924)

The amounts of defined benefit retirement obligation recognized in the consolidated statements of financial position follow:

	Funded			**Unfunded**	
2022	**Defined Benefit Liability**	**Fair Value of Plan Assets**	**Net Defined Benefit Liability**	**Defined Benefit Liability**	**Total**
Balances at beginning of year	**₱1,743,501**	**₱496,433**	**₱1,247,068**	**₱67,158**	**₱1,314,226**
Interest cost/income	**82,829**	**23,581**	**59,248**	**2,896**	**62,144**
Current service cost	**46,068**	**–**	**46,068**	**2,438**	**48,506**
Benefits paid	**(106,656)**	**(106,913)**	**257**	**(1,764)**	**(1,507)**
Actuarial gain/loss:					
Change in financial assumptions	**(156,426)**	**(51,177)**	**(105,249)**	**(11,769)**	**(117,018)**
Experience adjustment	**(150,892)**	**–**	**(150,892)**	**(7,144)**	**(158,036)**
Change in demographic assumptions	**–**	**–**	**–**	**–**	**–**
Contributions	**–**	**106,142**	**(106,142)**	**–**	**(106,142)**
Balances at end of year	**₱1,458,424**	**₱468,066**	**₱990,358**	**₱51,815**	**₱1,042,173**

2021	Funded: Defined Benefit Liability	Funded: Fair Value of Plan Assets	Funded: Net Defined Benefit Liability	Unfunded Defined Benefit Liability	Total
Balances at beginning of year	₱2,027,200	₱553,854	₱1,473,346	₱74,317	₱1,547,663
Interest cost/income	61,627	15,095	46,532	2,258	48,790
Current service cost	55,585	–	55,585	2,526	58,111
Benefits paid	(117,426)	(117,168)	(258)	(1,704)	(1,962)\
Actuarial gain/loss:					
Change in demographic assumptions	(289,148)	(15,397)	(273,751)	(7,554)	(281,305)
Change in financial assumptions	5,663	(57,323)	62,986	(2,685)	60,301
Experience adjustment	–	–	–	–	–
Contributions	–	117,372	(117,372)	–	(117,372)
Balances at end of year	₱1,743,501	₱496,433	₱1,247,068	₱67,158	₱1,314,226

The overall expected return on plan assets is determined based on the market prices prevailing on that date applicable to the period over which the obligation is to be settled.

The major categories of the Group's plan assets as a percentage of the fair value of total plan assets follow:

	2022	2021	2020
Cash in banks	**0.16%**	0.33%	0.28%
Short-term investments	**97.39%**	96.20%	86.25%
Equity investments:			
Quoted	**2.41%**	3.44%	13.44%
Unquoted	**0.04%**	0.03%	0.03%
	100.00%	100.00%	100.00%

The principal assumptions used in determining pension and post-employment benefits for the Group's plan assets in 2022, 2021 and 2020 follow:

	2022	2021	2020
Discount rate	**5.90%**	4.75%	3.40%
Expected rate of return on plan assets	**4.30%**	4.30%	4.30%
Salary increase rate	**0% for 2023; 2.00% for 2024 onwards**	0% for 2022; 3.00% for 2023 onwards	0% for 2021; 2.00% for 2022 onwards
Turnover rate	**Across the board 5.00% rate**	Across the board 5.00% rate	Across the board 5.00% rate
Mortality rate	**1994 US Group Annuity Mortality**	1994 US Group Annuity Mortality	1994 US Group Annuity Mortality

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined retirement benefits liability as of the end of the reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	**2022**	2021
Discount rates	+0.25%	**(₱1,120,802)**	(₱1,872,920)
	-0.25%	**1,171,585**	1,993,570
Salary increase rate	+1.00%	**926,396**	2,220,412
	-1.00%	**(828,242)**	(1,939,083)

The average future working years of service covered by the Group's retirement benefit plan is 11 years in 2022 and nine to 11 years in 2021.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2022:

1 to 5 years	₱871,437
6 to 10 years	519,657
11 to 15 years	411,952
16 years and up	777,323
	₱2,580,369

The actuarial valuation report was certified by the Actuarial Society of the Philippines on March 29, 2023 as presenting fairly the fair value of plan assets and defined benefit liability as of December 31, 2022.

18. Income Taxes

Current provision for income tax in 2022 pertains to DDCP's Minimum Corporate Income Tax (MCIT) amounting to ₱237 and FSGRI's and SSI's Regular Corporate Income Tax (RCIT) amounting to ₱5,298. Current provision for income tax in 2021 pertains to DDCP's, SI's and FSGRI's Minimum Corporate Income Tax (MCIT) amounting to ₱269.

The components of the Group's deferred tax assets and liabilities at December 31, 2022 and 2021 follow:

	Deferred Tax Assets -net		Deferred Tax Liabilities -net	
	2022	2021	**2022**	2021
Recognized directly in profit or loss:				
Accrual of:				
Retirement benefits liability	**₱269,159**	₱278,281	**₱8,951**	₱5,662
Liability for mine rehabilitation cost	**2,872**	3,619	**–**	–
Lease liability	**–**	215	**–**	–
Provisions for:				
Inventory obsolescence	**11,067**	9,448	**82**	667
Impairment losses on property, plant and equipment	**5,983**	5,983	**–**	–
Impairment losses on receivables	**61**	3,589	**3,650**	78
Unrealized foreign exchange losses	**2,572**	868	**–**	–
Various expense	**691**	–	**1,043**	–
Unbilled revenue	**–**	1,308	**–**	–
Remeasurement of DBO	**–**	–	**–**	1,228
Recognized directly in other comprehensive income:				
Retirement benefits liability	**–**	8,898	**270**	3,529
Deferred tax assets	**292,405**	312,209	**13,996**	11,164
Recognized directly in profit or loss:				
Revaluation increment on land	**(62,125)**	(62,125)	**(87,537)**	(89,638)
Cost of mine rehabilitation and decommissioning	**–**	–	**–**	–
Right-of-use assets	**(655)**	(230)	**–**	–
Unrealized foreign exchange gains	**(256)**	(664)	**(99,358)**	(92,531)
Unbilled revenue	**–**	–	**(4,992)**	–
Remeasurement of DBO	**(49,179)**	–	**(851)**	–
Various accrued expense	**–**	(2,910)	**–**	–
Recognized directly in other comprehensive income:				
Retirement benefits liability	**–**	–	**–**	–
Deferred tax liabilities	**(112,215)**	(65,929)	**(192,738)**	(182,169)
Net deferred tax assets (liabilities)	**₱180,190**	₱246,280	**(₱178,742)**	(₱171,005)

The reconciliation of the Group's provision for income tax for the three years ended December 31, 2022 computed at the statutory tax rates to the provision for (benefit from) income tax shown in the consolidated statements of comprehensive income follow:

	2022	2021	2020
Tax at statutory income tax rates	**(₱118,193)**	(₱124,136)	(₱224,295)
Additions to (reductions in) income taxes resulting from tax effects of:			
NOLCO and Excess MCIT for which no deferred tax assets were recognized	**193,258**	122,841	14,525
Change in unrecognized deferred tax assets	**(69,763)**	22,894	206,903
Nondeductible expenses	**8,711**	3,408	6,505
Nontaxable income	**(6,186)**	(1,107)	–
Share in operating results of associates	**690**	14	562
Interest income subjected to final tax	**(8)**	(11)	(20)
Others	**(690)**	(5,896)	(855)
Tax at effective income tax rates	**₱7,819**	₱18,007	₱3,325

The Group did not recognize deferred income tax assets on certain NOLCO and excess MCIT over RCIT because management believes that it is more likely than not that the carryforward benefits will not be realized in the near future.

	2022	2021
NOLCO	**₱1,687,067**	₱1,939,802
Provisions	**26,166**	19,012
Allowance for impairment of investments in associates (Note 11)	**7,359**	7,359
Excess MCIT over RCIT	**1,519**	1,478
	₱1,722,111	₱1,967,651

As of December 31, 2022, the Group has incurred NOLCO and excess MCIT over RCIT before taxable year 2021 which can be claimed as deduction from future taxable income and income tax payable and, excess MCIT over RCIT that can be claimed as tax credit, respectively, as follows:

Year Incurred	Year of Expiration	NOLCO	Excess MCIT over RCIT
2020	2025	581,108	1,170
2021	2026	553,132	112
2022	2025	552,827	237
		₱1,687,067	₱1,519

Movements of NOLCO and excess MCIT over RCIT for the years ended December 31, 2022 and 2021 are as follows:

NOLCO	**2022**	2021
Balances at beginning of year	**₱1,979,272**	₱2,062,097
Additions	**552,826**	557,748
Applications	**(22,154)**	(62)
Expirations	**(822,877)**	(640,511)
Balances at end of year	**₱1,687,067**	₱1,979,272

Excess MCIT over RCIT	**2022**	2021
Balances at beginning of year	**₱1,713**	₱2,297
Additions	**237**	274
Expirations	**(431)**	(858)
Balances at end of year	**₱1,519**	₱1,713

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act", which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five taxable years following the year of such loss.

As at December 31, 2022, the Group has incurred NOLCO that can be claimed as deduction from future taxable income for the next three to five consecutive taxable years, as follows:

Parent Company

Year Incurred	Availment Period	NOLCO Unapplied Previous Years	NOLCO Incurred Current Year	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied Current Year
2019	2020-2022	₱793,982	₱–	₱793,982	₱–	₱–
2020	2021-2025	580,903	–	–	–	580,903
2021	2022-2026	551,344	–	–	–	551,344
2022	2023-2025	–	552,572	–	–	552,572
		₱1,926,229	₱552,571	₱793,982	₱–	₱1,684,819

LIDC

Year Incurred	Availment Period	NOLCO Unapplied Previous Years	NOLCO Incurred Current Year	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied Current Year
2019	2020-2022	₱162	₱–	(₱162)	₱–	₱–
2020	2021-2025	205	–	–	–	205
2021	2022-2026	940	–	–	–	940
2022	2023-2025	255	–	–	–	255
		₱1,562	₱–	(₱162)	₱–	₱1,400

DDCP

Year Incurred	Availment Period	NOLCO Unapplied Previous Years	NOLCO Incurred Current Year	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied Current Year
2019	2020-2022	₱48,727	(₱5,345)	(₱28,734)	(₱14,648)	₱–
2021	2022-2026	848	–	–	–	848
		₱49,575	(₱5,345)	(₱28,734)	(₱14,648)	₱848

SI

Year Incurred	Availment Period	NOLCO Unapplied Previous Years	NOLCO Incurred Current Year	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied Current Year
2020	2021-2025	₱2,783	₱–	₱–	(₱2,783)	₱–
2021	2022-2026	4,615	–	–	(4,615)	–
		₱7,398	₱–	₱–	(₱7,398)	₱–

FSGRI

Year Incurred	Availment Period	NOLCO Unapplied Previous Years	NOLCO Incurred Current Year	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied Current Year
2020	2021-2025	₱107	₱–	₱–	(₱107)	₱–

19. **Capital Stock**

The Parent Company's authorized share capital is ₱6.64 billion divided into 66.4 billion shares at ₱0.10 par value each, consisting of 39.8 billion Class "A" and 26.6 billion Class "B" common shares.

Only Philippine nationals are qualified to acquire, own, or hold Class "A" shares. The total number of Class "B" shares of stock subscribed, issued or outstanding at any time shall in no case exceed two/thirds (2/3) of the number of Class "A" shares or 40 of the aggregate number of Class "A" and Class "B" shares then subscribed, issued or outstanding.

As at December 31, 2022 and 2021, the Parent Company's capital stock is as follows:

	No. of shares	Amount
Issued and outstanding		
Class "A"	39,821,417,656	₱3,982,142
Class "B"	26,552,508,993	2,655,251
	66,373,926,649	6,637,393
Subscribed		
Class "A"	1,451,540	145
Class "B"	379,908	38
	1,831,448	183
Total shares issued and subscribed	66,375,758,097	6,637,576
Less subscription receivable		1,891
		₱6,635,685

As at December 31, 2022 and 2021, subscriptions receivable amounted to ₱1,891 and was presented as a deduction to capital stock.

On August 15, 2005, the Parent Company's BOD approved the offer of 2,558,803,769 Class "A" shares and 1,705,868,182 Class "B" shares, or 1 share for every 5 shares held by shareholders as at September 21, 2005 from the Parent Company's unissued capital stock at the offer price of ₱0.20 per share. The offer of shares was exempt from registration. As at the end of that year, the Parent Company had 22,035 stockholders.

On July 17, 2006, the Parent Company's BOD approved the offer of 1,919,102,827 Class "A" shares and 1,279,401,137 Class "B" shares, or 1 share for every 8 shares held by shareholders as at August 16, 2006 from the Parent Company's unissued capital stock at the offer price of ₱0.20 per share. The sale of shares was exempt from registration. As at the end of that year, the Parent Company had 21,788 stockholders.

On November 19, 2007, the Parent Company's BOD approved the grant of the 17th Stock Option Awards (Awards) to selected employees, directors and officers of the Group in accordance with the BOD approved Revised Stock Option Plan ("RSOP"). The Awards cover a total of 420,000,000 common shares consisting of 252,000,000 Class "A" and 168,000,000 Class "B" shares from the Parent Company's unissued capital stock, exercisable at the price of ₱0.32 per share, within five (5) years from the date of SEC approval of the same. The option price of ₱0.32 per share was computed based on a new formula in the RSOP, i.e., the amount equivalent to 80% of the average closing price of the stock for the ten (10) trading days immediately preceding the date of the approval of the Grant by the Parent Company's BOD. The SEC approved the Awards and the RSOP on February 1, 2008.

On February 18, 2008, the Parent Company's BOD approved the offer of 2,467,419,971 Class "A" shares and 1,644,944,414 Class "B" shares, or one (1) share for every seven (7) shares held by shareholders as at March 25, 2008 from the Parent Company's unissued capital stock at the offer price of ₱0.25 per share. The offer of shares was exempt from registration. As at the end of that year, the Parent Company had twenty-one thousand four hundred thirty-nine (21,439) stockholders. By virtue of the 1:7 stock rights offering at the price of ₱0.25 per share approved by the Parent Company's BOD on February 18, 2008, the shares covered by the Awards increased by 36,000,000 Class "A" shares and 24,000,000 Class "B" shares. The average option price was accordingly adjusted to ₱0.3112 per share.

During the annual meeting of the stockholders on April 20, 2009, the shareholders approved the increase in the authorized capital stock from ₱3.35 billion to ₱6.64 billion. The stockholders also approved the one-time waiver of their pre-emptive right to subscribe to issues or dispositions of shares of the Parent Company in proportion to their respective shareholdings but only with respect to the issues or dispositions of shares in support of the increase in the authorized capital stock to ₱6.64 billion, provided that the shares to be issued to support such increase in the Authorized Capital Stock shall not exceed 20% of the stock subscribed, issued and outstanding after such issuance.

On October 18, 2010, the Parent Company's BOD approved the offer of 6,031,372,952 Class "A" shares and 4,020,909,888 Class "B" shares, or one (1) share for every 3.3 shares held by shareholders as at December 3, 2010 at the offer price of ₱0.30 per share to support the increase in the Parent Company's authorized capital stock from ₱3.35 billion to ₱6.64 billion. The offer was approved and confirmed by the SEC as an exempt transaction on November 9, 2010. As at the end of that year, the Parent Company had 21,173 stockholders.

By virtue of the 1:3.3 stock rights offering at ₱0.30 per share approved by the Parent Company's BOD on October 18, 2010, the number of shares covered by the Awards, specifically those for the fourth and fifth years of the option, increased by 33,409,662 Class "A" and 22,273,108 Class "B" shares. Accordingly, the average option price was adjusted to ₱0.3086 per share.

There were no outstanding stock options as at December 31, 2022 and 2021.

On September 15, 2014, the BOD approved an offer to shareholders, on record as at November 12, 2014, the right to subscribe to one (1) share of common stock for every 5.5 shares held on such record date at the price of ₱0.20 per share from the Parent Company's unissued capital stock. Proceeds from the offering were utilized for the settlement of debts as well as for the exploration programs covering the Victoria, Enargite, and Honeycomb areas.

On July 17, 2017, the BOD approved an offer to shareholders, on record as at November 6, 2017, the right to subscribe to one share of common stock for every 4.685 shares held on such record date at the price of ₱0.15 per share from the Parent Company's unissued capital stock. Proceeds from the offering were/will be utilized for the further exploration and development of the Copper-Gold project and settlement of debts and pension obligations. As at December 31, 2017, the Parent Company's proceeds from the said offering amounted to ₱118,425.

Further to the Parent Company's SRO last November 6, 2017, proceeds from the offering amounted to ₱1,633,420 as at January 15, 2018.

Subscription Receivable amounting to ₱802,299 pertaining to the uncollected balance from the offering as of December 31, 2017 were fully collected as at January 15, 2018.

On June 15, 2020, the BOD approved and recommend to shareholders for approval, the amendment of the Articles of Incorporation for the purpose of (1) increasing the authorized capital stock from ₱6.64 Billion to ₱12.00 Billion; and (2) removing the requirement in paragraph (b) that "The total number of shares "B" common stock will shall at any time be subscribed, issued and outstanding shall in no case exceed four-sixths (4/6) of the number of shares of class "A" and class "B" common stock subscribed, issued, and outstanding". On July 27, 2020, the Board decided that the plans for amendment of the Articles of Incorporation and increase in authorized capital stock will no longer be taken up at the annual meeting as it was not necessary.

On February 2, 2022, in a special meeting, the BOD amended the board resolution dated June 15, 2020, approving the increase in the authorized capital stock from ₱6.64 billion to ₱9.00 billion, which superseded the earlier proposal.

During the special meeting of the stockholders on March 21, 2022, the shareholders approved the amendment to article VII of the Articles of Incorporation to reflect the increase in the authorized capital stock from ₱6.64 billion to ₱9.00 billion.

On April 7, 2022, the BOD approved an offer to shareholders, the right to subscribe to one (1) share of common stock for every 4.6 shares held on such record date at the price of ₱0.14 per share from the Parent Company's unissued capital stock. Proceeds from the offering will be utilized to fund exploration drilling for gold and copper deposits; settlement of payables, pension update, capital expenditures, and for working capital.

On July 18, 2022, the price and other details of the stock rights offering have been changed in consideration of the present market conditions, as authorized by the BOD. The offer to shareholders was the right to subscribe to one (1) share of common stock for every 3.95 shares held on such record date at the price of ₱0.12 per share from the Parent Company's unissued capital stock. The total number of shares offered amounts to 16.80 billion and the value of the stock rights offering amounts to ₱2.02 billion. The record and ex-dates as well as the Offer Period are yet to be announced upon PSE approval of the pertinent listing application.

The Parent Company had 27,670, 27,752 and 27,752 stockholders as at December 31, 2022, 2021 and 2020, respectively.

20. **Non-controlling Interests (NCI)**

NCI represent third parties' interests in FSGRI.

Financial information of subsidiary that has material NCI is provided below:

	Principal Place of Business	**2022**	2021
FSGRI	Philippines	**40%**	40%

Equity attributable to material NCI:

	2022	2021
FSGRI	**₱254,558**	₱247,571

Net income and OCI attributable to material NCI:

	2022	2021	2020
FSGRI			
Net income (loss)	**(₱11,231)**	(₱19,333)	₱83
OCI	**(6,237)**	–	5,120

The summarized financial information of this subsidiary is provided below. This information is based on amounts before intercompany eliminations.

	2022	2021
Operating expenses	**(₱665)**	(₱695)
Finance income	**131**	39
Other income	**15,474**	407
Income before income tax	**14,940**	(249)
Provision for income tax	**(3,709)**	(19,084)
Net income (loss)	**11,231**	(19,333)
Other comprehensive income	**6,237**	–
Total comprehensive income	**17,468**	(19,333)
Attributable to NCI	**₱6,987**	(₱7,733)

Summarized statements of financial position as at December 31, 2022 and 2021 are as follows:

	2022	2021
Current assets	**₱20,508**	₱11,023
Noncurrent assets	**7,328,710**	7,290,155
Current liabilities	**(170,315)**	(178,674)
Noncurrent liabilities	**(6,539,263)**	(6,500,332)
Net assets	**₱639,640**	₱622,172

Attributable to:	**2022**	2021
Equity holders of the Parent Company	**₱385,082**	₱414,601
NCI	**254,558**	247,571

Summarized cash flow information for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Operating	**(₱18,792)**	(₱2,500)
Investing	**(18,422)**	(59,547)
Financing	**35,534**	56,204
Effect of exchange rate changes on cash	**(155)**	39
Net decrease in cash	**(₱1,835)**	(₱5,804)

21. Loss Per Share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Parent Company by the weighted average number of common shares in issue during the year.

In computing for the diluted loss per share, the Parent Company considered the effect of any potentially dilutive stock options outstanding as at December 31, 2022 and 2021. There were no outstanding stock options as of December 31, 2022 and 2021.

	2022	2021	2020
Net loss attributable to equity holders of the Parent Company	**(₱499,299)**	(₱522,285)	(₱750,943)
Weighted average number of common shares for basic and diluted loss per share	**66,373,758**	66,373,758	66,373,758
Basic/Diluted loss per share	**(₱0.0075)**	(₱0.0079)	(₱0.0113)

22. Cost of Sales

	2022	2021	2020
Consumables and supplies (Note 6)	**₱497,085**	₱422,946	₱425,339
Depletion, depreciation, and amortization	**451,931**	420,592	419,371
Personnel costs (Note 25)	**425,314**	427,226	424,796
Repairs and maintenance	**254,009**	221,957	212,527
Utilities	**229,150**	213,688	220,290
Production tax	**76,295**	62,432	57,341
Contractual services	**25,863**	14,742	57,717
Professional fees	**21,044**	17,783	22,697
Outside Services	**17,811**	10,247	–
Taxes, duties and licenses	**10,870**	9,515	15,020
Freight and handling charges	**10,131**	4,638	6,932
Insurance expense	**6,377**	5,245	2,703
Others	**7,124**	18,506	42,853
Total	**₱2,033,004**	₱1,849,517	₱1,907,586

Depletion, depreciation and amortization includes amortization for intangible assets under "Other noncurrent assets" amounting to ₱243, ₱802 and ₱1,920 in December 31, 2022, 2021 and 2020, respectively.

23. **Cost of Services**

	2022	2021	2020
Consumables and supplies (Note 6)	**₱27,707**	₱28,760	₱10,360
Personnel costs (Note 25)	**19,106**	12,148	7,974
Depreciation and amortization	**12,021**	9,053	6,233
Repairs and maintenance	**11,349**	339	1,753
Taxes, duties and license fees	**2,419**	2,755	2,132
Transportation and travel	**1,611**	336	19
Utilities	**770**	681	1,768
Professional fees	**–**	3,167	2,512
Others	**721**	1,551	184
	₱75,704	₱58,790	₱32,935

24. **Operating Expenses**

	2022	2021	2020
Personnel costs (Note 25)	**₱80,978**	₱84,344	₱95,127
Taxes, duties and license fees	**17,311**	6,807	5,687
Disallowed VAT Claims	**16,365**	8,465	5,925
Depreciation and amortization	**13,929**	22,308	34,812
Outside services	**12,067**	10,226	20,161
Professional fees	**10,892**	8,113	13,331
Consumables and supplies (Note 6)	**8,292**	2,270	2,038
Representation and entertainment	**6,880**	2,293	2,125
Insurance expense	**6,404**	3,702	3,552
Security and janitorial fees	**6,046**	5,459	5,604
Transportation and travel	**4,495**	4,991	8,445
Utilities	**4,483**	4,959	4,339
Rentals	**4,037**	3,354	4,767
Consultancy and director's fee	**2,898**	5,147	2,940
Repairs and maintenance	**2,115**	3,352	4,388
Stockholders' meeting and expenses	**995**	1,118	908
Bank charges	**438**	591	949
Inventory obsolescence	–	1,629	–
Contribution and donation	–	–	585
Others	**3,879**	3,927	9,809
	₱202,504	₱183,055	₱225,492

25. **Personnel Costs**

	2022	2021	2020
Cost of sales (Note 22)	**₱425,314**	₱427,226	₱424,796
Cost of services (Note 23)	**19,105**	12,147	7,974
Operating expenses (Note 24)	**80,978**	84,344	95,127
	₱525,397	₱523,717	₱527,897

Details of personnel costs follow:

	2022	2021	2020
Salaries and wages	**₱463,233**	₱460,891	₱371,700
Retirement benefits (Note 17)	**46,893**	56,588	49,139
Others	**15,271**	6,238	107,058
	₱525,397	₱523,717	₱527,897

26. **Supplemental Disclosure to Statements of Cash Flows**

Non-cash investing and financing activities pertain to the following:

2022

- Decrease in liability for mine rehabilitation costs amounting to ₱3,704 due to the effect of change in estimate and accretion of interest amounting to ₱718.
- Increase in right of use assets and lease liability of ₱4,495, due to renewal of lease contracts.
- Increase in other noncurrent assets amounting to ₱243 due to amortization of intangible assets, adjustments to capitalize interest and other charges under the restructuring plan amounting to ₱39,775, and reclassifications of refundable security deposits from other current assets amounting to ₱392 and reclassifications of input VAT from noncurrent assets to current assets amounting to ₱69,209.

2021

- Decrease in liability for mine rehabilitation costs and decrease in property, plant and equipment amounting to ₱158,064 and ₱100,821, respectively, due to the effect of change in estimate and accretion of interest amounting to ₱3,191.
- Increase in right of use assets amounting to ₱16,661 due to renewal of lease contracts.
- Decrease in other noncurrent assets amounting to ₱802 due to amortization of intangible assets and reclassifications of input VAT from current assets to noncurrent assets amounting to ₱62,610.

2020

- Increase in liability for mine rehabilitation costs and decrease in property, plant and equipment amounting to ₱5,672, due to the effect of change in estimate and accretion of interest amounting to ₱3,703.
- Increase in right of use assets amounting to ₱4,238 due to renewal of lease contracts.
- Decrease in other noncurrent assets amounting to ₱1,920 due to amortization of intangible assets.

Movements on the reconciliation of liabilities arising from financing activities are as follows:

2022	**January 1, 2022**	**Cashflows**	**Foreign exchange**	**Restructuring**	**Leases**	**December 31, 2022**
Interest-bearing loans and borrowings	**₱176,641**	**(₱21,586)**	**₱4,756**	**₱80,351**	**₱–**	**₱240,162**
Lease liabilities	**13,350**	**(7,796)**	**–**	**–**	**4,495**	**10,049**
Total liabilities from financing activities	**₱189,991**	**(₱29,382)**	**₱4,756**	**₱80,351**	**₱4,495**	**₱250,211**

2021	January 1, 2021	Cashflows	Foreign exchange	Leases	December 31, 2021
Interest-bearing loans and borrowings	₱186,406	(₱12,867)	₱3,102	₱–	₱176,641
Lease liabilities	6,455	(9,167)	–	16,062	13,350
Total liabilities from financing activities	₱192,861	(₱22,034)	₱3,102	₱16,062	₱189,991

2020	January 1, 2020	Cashflows	Foreign exchange	Leases	December 31, 2020
Interest-bearing loans and borrowings	₱202,542	(₱13,394)	(₱2,742)	₱–	₱186,406
Lease liabilities	11,822	(9,418)	–	4,051	6,455
Total liabilities from financing activities	₱214,364	(₱22,812)	(₱2,742)	₱4,051	₱192,861

27. **Finance Costs**

	2022	2021	2020
Interest cost on retirement liability - net (Note 17)	**₱61,595**	₱48,309	₱51,656
Interest expense:			
Short-term and long-term borrowings (Note 14)	**10,006**	10,473	11,078
Trust receipts (Note 13)	**–**	–	11
Accretion of interest on mine rehabilitation costs (Note 16)	**718**	3,191	3,703
Interest cost on lease liability (Note 30g)	**150**	220	444
	₱72,469	₱62,193	₱66,892

28. **Other Income - net**

	2022	2021	2020
Gain on disposal of property, plant and equipment - net (Note 9)	**₱33,127**	₱749	₱7,317
Loss on dilution of investment in associates (Note 11)	**(8,458)**	–	–
Gain on remeasurement of rehab liability (Note 9 and 16)	**3,704**	57,243	–
Loss on sale of scrap inventories	**782**	–	(7,476)
Interest income from others	**434**	–	–
Gain on sale of investment in associates	**87**	5,906	(7,359)
Interest income (Note 4)	**38**	56	102
Interest income from customer	**17**	–	–
Loss on disposal of available for sale	**–**	(437)	–
Miscellaneous income	**18,426**	8,525	20,733
	₱48,157	₱72,042	₱13,317

Miscellaneous income of the Group pertains to disposal of low-grade concentrates.

29. **Revenues**

	2022	2021	2020
Revenue from contracts with customers:			
Sale of bullion	**₱1,851,172**	₱1,573,931	₱1,232,588
Sale of concentrate	**–**	2,752	223,896
Services	**10,650**	15,687	17,757
	1,861,822	1,592,370	1,474,241
Other revenues:			
Rent income (Note 30g)	**1,770**	2,334	2,252
Mark-to-market losses	**(5,306)**	(9,679)	(3,515)
	₱1,858,286	₱1,585,025	₱1,472,978

Sale of Bullion
The Parent Company entered into RA with Heraeus Limited (Heraeus) in 2005 for the refining of the former's gold and silver bullion production. Each shipment of materials under the agreement will consist of no less than 20 kilograms of materials.

At settlement, the prices for all sales are as follows:

- Gold - the London Bullion Market Association PM fixing in US$
- Silver - the London Bullion Market Association fixing in US$

Heraeus shall settle the metal payables initially up to 98% of the provisional values less smelting and treatment charges while the remaining balance shall be paid after determining the final assayed gold and silver contents of refined materials for each shipment.

Smelting and refining charges include refining, transportation and insurance charges incurred by Heraeus. These charges are deducted from the amount receivable from Heraeus. On January 1, 2008, the RA was renewed under the same terms. A further renewal was made on October 1, 2013, effective for two years. Heraeus confirmed purchase of gold and silver for the year 2015, also under the same and existing terms, in their letter dated April 1, 2015. On October 1, 2021, the refining agreement was renewed under the same terms of the previous year contract to be applied prospectively.

Sale of Concentrate
On September 21, 2017, the Parent Company entered into a copper-gold concentrate contract with Louis Dreyfus Company Metals Suisse of the former's copper-gold concentrate production. Each shipment of materials under the agreement consists of no less than 20 containers with a minimum of container loading quality of 23 wet metric tons. The contract will terminate upon performance of all obligations stated in the agreement. The latest renewal of contract with IXM S.A formerly known as Louis Dreyfus Company Metal Suisse was on February 1, 2020. The contract terminated upon rendering the performance of all obligations stated in the agreement for the year 2020. In the current year, no renewal has been made due to suspension of copper concentrate production.

Moreover, on December 13, 2017, the Parent Company entered into a copper-gold concentrate contract with Cliveden Trading AG (Cliveden). The Material shall be shipped in big bags on wooden pallets and stuffed in containers, in lots of five hundred (500) dry metric tons plus/minus ten percent (+/- 10%), in the Parent Company's option. The Parent Company has the option to increase the committed quantity by up to another five hundred (500) dry metric tons plus/minus ten percent (+/- 10%) under the same terms and conditions. After successful completion of the lot, Cliveden and the Parent Company will agree to enter into a discussion for possible deliveries from the Parent Company's 2019 production. In year 2020, the contract with Cliveden was not renewed due to suspension of copper concentrate production.

During the current year, Parent Company entered into a gold concentrate contract with Open Mineral AG dated March 1, 2021. The Parent Company agreed to deliver the materials in big bags in 45 wet metric tons plus/minus ten percent (+/-10%) chosen by Open Mineral AG in its discretion. The contract shall have a duration from March 1, 2021 to May 31, 2021 which will remain in full force until all financial and delivery obligations have been fully fulfilled by Open Mineral AG and the Parent Company. In year 2021, all the conditions have been fulfilled by both parties. The concentrate revenue recognized by the Parent Company amounting to ₱2,752 was pertaining to sales of remaining concentrate to Open Mineral AG from 2020 production.

At settlement, the prices for all sales are as follows, following the month after shipment:
- Gold - the London Bullion Market Association AM and PM monthly average fixing in US$
- Silver - the London Bullion Market Association monthly average fixing in US$
- Copper - the London Metal Exchange monthly average settlement prices in US$

Smelting and refining charges in 2022, 2021, and 2020 related to sale of bullion and concentrates amounted to ₱4,017, ₱3,381 and ₱36,183, respectively.

30. Commitments, Agreements, Contingent Liabilities and Other Matters

(a) The Parent Company's BOD approved its execution of an Option and Shareholders' Agreement ("Agreement") with Gold Fields Switzerland Holding AG ("GFS"), a wholly owned subsidiary of Gold Fields Limited, in relation to the development and operation of the Far Southeast Project.

The Agreement grants GFS an option to subscribe to new shares of FSGRI representing a 20% interest in FSGRI within 18 months from the execution of the Agreement or 10 days from the issuance of a Financial or Technical Assistance Agreement (FTAA) over the Project area, whichever comes later. If the option is exercised by GFS, the Parent Company's interest in FSGRI will be reduced from 60% to 40%.

The Parent Company was paid a non-refundable option fee of US$10 million. The option requires GFS to sole-fund pre-development expenses including exploration and a feasibility study of the Project and contribute US$110 million into FSGRI. GFS must also contribute its proportionate share of the development cost at which point GFS will receive its 20% interest in FSGRI.

Advances from GFS to FSGRI are mainly for funding of its ongoing exploration activities. As at December 31, 2022 and 2021, the advances amounted to ₱6,242,881 and ₱6,194,069, respectively. These advances will be converted to equity upon Gold Field's exercise of the Option in accordance with the Agreement.

(b) In an agreement entered into with Philippine Associated Smelting & Refining Corporation (PASAR) on April 21, 1983, the Parent Company committed to deliver to PASAR and PASAR committed to take in a minimum quantity of its calcine production from its roaster plant in accordance with the pricing and payment terms defined in the agreement. The agreement is for an indefinite period unless otherwise terminated or cancelled pursuant to agreed terms or by the parties' mutual consent. In 1998, the agreement was suspended for an indefinite period in view of the temporary cessation of the Parent Company's roaster plant operations.

(c) On March 3, 1990, FSGRI entered into a MPSA with the Philippine Government through the Department of Environment and Natural Resources (DENR) and the Parent Company pursuant to Executive Order No. 279. Under the terms of the agreement, FSGRI shall pay the Philippine Government a production share of 2% on gross mining revenues and 10% on net mining revenues payable within thirty (30) days at the end of each financial reporting year and such will commence upon the start of FSGRI's commercial operations. The said government shares have been effectively revised by Republic Act. No. 7942 or the Philippine Mining Act, Sec. 84 of which states that the excise tax on mineral products provided under Sec. 151 of the National Internal Revenue Code shall be the government share under the MPSA.

The initial term of this agreement shall be twenty-five contract years from the effective date, subject to termination as provided in the agreement, and renewable for another period of twenty-five years upon such terms and conditions as may be mutually agreed upon by the parties or as may be provided for by law.

In November 2011, pursuant to the Agreement with GFS, the Parent Company filed a letter of intent with the Mine and Geosciences Bureau to convert portions of MPSA No. 01-90-CAR, MPSA No. 151-2000-CAR and APSA No. 096 with an aggregate area of 424.3477 hectares into an FTAA.

On August 13, 2013, the BOD resolved to renew MPSA No. 001-90 that will be expiring in March 2015. FSGRI joined LCMC in its application for the renewal of the MPSA without prejudice to FSGRI's pending application for conversion to FTAA. The assignment documents whereby the two (2) parties exchanged properties, with FSGRI obtaining about 304.08 hectares of the MPSA and the Parent Company getting the balance remain pending with the DENR.

The Parent Company and co-contractor FSGRI (the "Applicants") filed a joint application for the renewal (the "Application") of MPSA 001-90-CAR with the Mines and Geosciences Bureau-Cordillera Administrative Region (MGB-CAR) on June 4, 2014. In a letter dated August 20, 2014, the MGB-CAR informed the applicants that they had substantially complied with the requirements for the renewal of the said MPSA and that the Application will be indorsed to the National Commission on Indigenous Peoples (NCIP) for appropriate action. The Applicants replied that the imposition of new requirements such as the Free and Prior Informed Consent ("FPIC") or the endorsement of the Application to the NCIP impairs the contractors' vested rights under the MPSA, the Mining Act (MA) and the Constitution, including, but not limited to, the contractors' right under Section 32 of the MA to a renewal of the MPSA "under the same terms and conditions." Since, despite good faith efforts of the Applicants, the matter had remained unresolved as of mid-February 2015, a month prior to the expiry of the initial term of the MPSA, the Applicants initiated Arbitration proceedings against the Republic of the Philippines, represented by the DENR, pursuant to Sections 12.1 and 12.2 of the MPSA. Pursuant to the Republic Act (Rep. Act) No. 876, Arbitration Act, Rep. Act No. 9285, the Alternative Dispute Resolution (ADR) Act of 2004, and the Special ADR Rules, the applicants filed with the Regional Trial Court a Petition for Interim Measures of Protection whereby their prayed for the issuance of a writ of Preliminary Injunction against the DENR, MGB and the NCIP to be assured of uninterrupted operations during the pendency of the Arbitration.

In December 2015, the Applicants obtained the Arbitral Tribunal's Final Award upholding their position. Specifically, the Final Award confirmed that the FPIC and Certification Precondition requirements under the Indigenous Peoples' Rights' Act may not be validly imposed as requirements for the renewal of the MPSA, and the latter should be renewed under the same terms and conditions, without prejudice to changes mutually agreed upon by the parties. In a decision dated April 30, 2018, the Court of Appeals upheld the Final Award of the Arbitral Tribunal. The Republic of the Philippines filed a Petition for Review with the Supreme Court.

In a decision of the Supreme Court dated June 21, 2022, the Final Award was vacated without prejudice to the Parent Company's and FSGRI's full compliance with the Free and Prior Informed and Written Consent requirement of the Mankayan Indigenous Cultural Communities/Indigenous Peoples as a condition for the renewal of the MPSA No. 001-90.

Under a memorandum of agreement entered into on October 18, 1991 by FSGRI and the Parent Company among residents of various barangays of Mankayan, Benguet, the municipal government of Mankayan, the Benguet provincial government, the DENR, FSGRI and the Parent Company (collectively as "Group"), among other things, are mandated to abide by certain commitments to the barangays as contained in the said agreement in return for the continued implementation of the Far Southeast Project. The agreement likewise provides that: (1) the implementation of the project is subject to the conditions imposed or may be imposed by the DENR specifically on certain environmental concerns; and the residents shall not hinder the implementation of the project and shall assist the Group and the DENR in the peaceful solution of conflicts relative to the Group's operations.

In April 1998, the Parent Company entered into a separate memorandum of agreement with the Office of Municipal Mayor and Sangguniang Bayan of Mankayan, DENR and MGB. Under the agreement, the Parent Company is mandated to establish and maintain a Monitoring Trust Fund and MRF amounting to ₱50 and ₱5,000, respectively. The funds are to be used for physical and social rehabilitation, reforestation and restoration of areas and communities affected by mining activities and for pollution control, slope stabilization and integrated community development. The rehabilitation fund to be maintained by the Parent Company in a mutually acceptable bank, subject to annual review of MRF committee, is payable in four (4) equal quarterly payments of ₱1,250 up to March 1999. As at December 31, 2022 and 2021, the rehabilitation fund of ₱5,000, which does not meet the features provided under Philippine Interpretation IFRIC 5, *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*, is presented under "Other noncurrent assets" account in the consolidated statements of financial position.

(e) The Parent Company is either a defendant or co-defendant in certain civil, labor and administrative cases which are now pending before the courts and other governmental bodies. In the opinion of management and the Parent Company's legal counsel, any adverse decision on these cases would not materially affect the Parent Company's financial position as at December 31, 2022 and 2021, and results of operations for the years ended December 31, 2022, 2021 and 2020.

(f) The Parent Company filed a petition with the Panel of Arbitrators of the MGB-Cordillera Autonomous Region (CAR), Baguio City for the cancellation of the mining claims of the Gaffneys after discovering that the Gaffneys' 6 patentable mining claims were floating claims in violation of Section (Sec.) 28 of the Philippine Bill of 1902, hence void ab initio. However, the Panel of Arbitrators, relying on a 1991 decision of the 1st Division of the Supreme Court (SC) ("Poe Mining Association vs. Garcia", 202 SCRA 222) which has already been discarded and overruled by the SC En Banc in the 1997 case "Itogon-Suyoc Mines, Inc. vs. DENR Secretary, et al." (which states that "the requirement that a mining claim must have valid tie points, i.e., must be described with reference to a permanent object, cannot be dispensed with and non-compliance therewith renders the mining claims null and void) erroneously sustained the validity of the mining claims of the Gaffneys. The Panel further entertained the monetary counterclaim of the Gaffneys and awarded them damages notwithstanding that it has no jurisdiction whatsoever over money claims. This is clear in Sec. 77 of the Philippine Mining Act and in the case of "Jorge Gonzales and the Panel of Arbitrators vs. Climax Arimco Mining Corp., et al.", G.R. No. 161957, where the SC, reiterating its ruling in "Philex Mining Corp. vs. Zaldivia", 150 PHIL 547 (1972), stated that contractual violations such as fraud, misrepresentation, non-payment of royalties, compensation, validity of contracts and the like, are judicial questions that only the courts, not the Panel of Arbitrators, could hear and decide. The Parent

Company appealed this ruling to the Mines Adjudication Board which affirmed the decision of the Panel of Arbitrators in June 2011 but ordered the MGB Central Offices to review and determine the reasonable amounts of monetary awards to which the Gaffneys are entitled. Both parties filed motions for reconsideration. Acting on the said motions, the MAB affirmed its decision in respect of the validity of the mining claims, but reversed itself on the monetary awards, stating that monetary claims can only be determined through a competent court. Both parties appealed, the Parent Company in respect of the validity of the Gaffneys' mining claims and the Gaffneys in respect of the jurisdiction of the Panel of Arbitrators over their monetary claims. The Gaffneys' appeal was dismissed by the Court of Appeals and they have filed a motion for reconsideration. The Parent Company's appeal was granted by the Court of Appeals, declaring as null and void the mining claims of the Gaffneys, which ruling has been affirmed with finality by the Supreme Court.

(g) The Parent Company leases in Bulacan where its roasting plant is constructed. The lease agreement for the roasting plant is effective until March 2024. FSGRI has lease contracts for office space and building. Leases of the properties have lease terms of three years.

The following amounts recognized in statement of comprehensive income:

	2022	2021
Depreciation expense of right-of-use assets included in property, plant and equipment	**₱8,345**	₱9,489
Interest expense on lease liabilities	**1,176**	1,315
Expenses relating to short-term leases (included in cost of sales)	**1,763**	78
Expenses relating to short-term leases (included in operating expenses)	**3,410**	2,506
	₱14,694	₱13,388

The roll forward analysis of lease liabilities follows:

	2022	2021
At January 1	**₱13,350**	₱6,455
Addition	**4,495**	16,062
Interest expense	**1,176**	1,315
Payments of:		
Interest	**(1,176)**	(1,315)
Principal portion	**(7,796)**	(9,167)
As at December 31	**10,049**	13,350
Current portion of lease liabilities	**8,109**	6,064
Noncurrent portion of lease liabilities	**₱1,940**	₱7,286

Interest expense amounting to ₱832 and ₱966 were capitalized as part of mine exploration costs in 2022 and 2021, respectively.

Shown below is the maturity analysis of the undiscounted lease payments for the period ended December 31, 2022:

	2022	2021
Within one year	**₱8,659**	₱6,522
More than one year to two years	**1,969**	7,787

The Parent Company leases out some of its properties which include land, a warehouse, guesthouses and other facilities to various entities. Rental income for 2022, 2021 and 2020 amounted to ₱1,770, ₱2,334 and ₱2,252, respectively (see Note 29). Lease term of the rent agreements are valid for one year and are renewable at the discretion of both the contracting parties.

(h) As at December 31, 2022 and 2021, the Parent Company has no unused credit lines with various banks. These facilities can be availed of through short-term and long-term loans, opening of import letters of credit and outright purchase of negotiable bills.

(i) In an execution sale held on December 12, 2001, DDCP acquired a 40% interest in the Guinaoang Project of Crescent Mining and Development Corporation (Crescent) which is covered by MPSA No. 057-096-CAR. The execution sale was done in connection with the case filed by DDCP before the RTC-Makati City against Pacific Falcon Resources Corporation (Pacific Falcon) for the payment of drilling services rendered at the Guinaoang Project amounting to US$307,187. Per records of the MGB and the Joint Venture Agreement between Crescent and Pacific Falcon (formerly known as Trans Asian Resources Ltd.), Pacific Falcon has a 40% interest in the subject MPSA. DDCP had the pertinent certificate of sale registered with the MGB and requested the MGB for approval of the transfer to DDCP of Pacific Falcon’s 40% interest in MPSA No. 057-096-CAR. The MGB having refused to effect, such transfer DDCP, filed a motion with the RTC of Makati praying that an Order be issued directing the MGB and the DENR to amend the MPSA of Crescent to reflect DDCP’s 40% interest therein, which the RTC granted, subject to the pertinent provisions of mining law and its Implementing Rules and Regulations (“IRR”). The DENR filed a petition for review of the said Order with the Court of Appeals but the same was dismissed for lack of merit. On the other hand, Crescent filed a Petition for Review with the Court of Appeals, claiming that the Decision of the RTC dated 23 April 2001 could no longer be executed because it was barred by prescription. The CA granted the petition. DDCP elevated the matter to the Supreme Court where it is pending resolution.

(j) SEC Transitional Relief in PAS 39

The SEC, in its Notice (the Notice) dated November 30, 2006 pursuant to Resolution No. 493, provided transitional relief allowing certain commodity derivative contracts of mining companies be “grandfathered” and exempted from the fair value requirements of PAS 39.

The said exemption will apply only if the following requirements are met:

1. Commodity derivative contracts entered into and effective prior to January 1, 2005;
2. Commodity derivative contracts with original maturity of more than one (1) year; and
3. Commodity derivative contracts that would have qualified under PAS 39 hedge accounting rules had these been applied at inception of such contracts.

The Parent Company notified SEC that it is availing of the exemption from compliance with PAS 39 pursuant to the Notice on its letter to SEC dated December 19, 2006.

Had the Parent Company qualified and was not exempted from PAS 39, retained earnings will be reduced and liabilities will be increased as at January 1, 2005 by ₱1,280,000.

(k) Reclassification adjustments

1. The Parent Company and its subsidiary, SI, reclassified the revaluation increment in land account with the balance amounting to ₱511,504 to retained earnings. The revaluation increment pertains to the remaining balance of the deemed cost adjustment on land which arose when the Group transitioned to PFRS in 2005.

As at December 31, 2022 and 2021, the balance of retained earnings which will not be available for dividend distribution, includes the remaining balance of the deemed cost adjustment amounting to ₱248,502.

2. The consolidated financial statements reflected the proper accounting for the Group's revaluation increment in land.

3. There were some reclassifications made in December 31, 2021 balances to facilitate proper classification and conform to the December 31, 2022 consolidated financial statements presentation.

(l) EO No. 79

On July 12, 2012, EO No. 79 was released to lay out the framework for the implementation of mining reforms in the Philippines. The policy highlights several issues that includes area of coverage of mining, small-scale mining, creation of a council, transparency and accountability and reconciling the roles of the national government and local government units. Management believes that EO 79 has no major impact on its current operations since the mine is covered by an existing MPSA with the government. Section 1 of EO No. 79, provides that mining contracts approved before the effectivity of the EO shall continue to be valid, binding, and enforceable so long as they strictly comply with existing laws, rules and regulations and the terms and conditions of their grant.

On March 7, 2013, the MGB has recommended with the DENR the lifting of DENR Memorandum Order No. 2011-01 on the suspension of acceptance of all types of mining applications. Effective March 18, 2013, MGB has started accepting mining applications for Exploration Permits (EPs) and Financial or Technical Assistance Agreement (FTAA) pursuant to DENR Administrative Order (DAO) No. 2013-11.

On April 14, 2021, President Rodrigo R. Duterte issued EO 130 lifting the moratorium on mineral agreements.

(m) The Parent Company initiated in 2005 a case for the declaration of nullity of forward gold contracts with Rothschild to sell 97,476 ounces of gold on the ground that they are considered as wagering transactions under Philippine law. In a decision dated February 5, 2018, the Regional Trial Court ("RTC") of Makati City ruled in favor of Lepanto, declaring the subject contracts null and void. Defendant Rothschild elevated the matter to the Court of Appeals, which affirmed the decision in favor of Lepanto. Rothschild filed a Petition for Review with the Supreme Court.

(n) The Parent Company received on February 14, 2017 an Order of Suspension from the then DENR Secretary alleging the Parent Company had violated "certain provisions" of the EIS Law, the Philippine Mining Act, DAO No. 2010-21, and DAO No. 2000-98. On the same date, the Parent Company filed a Notice of Appeal with the Office of the President (OP) pursuant to Administrative Order No. 22, Series of 2011, which filing effectively stayed the execution of the Order. The Parent Company filed its Memorandum on Appeal with the OP a month later. In a decision dated October 12, 2017, the OP provisionally lifted the Suspension Order subject to the following conditions: (i) The Parent Company is given six months from receipt of the decision to implement appropriate mitigating measures and ordered to pay fines to the Mines and Geosciences Bureau and Environmental Management Bureau; and (ii) The appropriate agency of the DENR is directed to conduct a monthly inspection on Company's compliance with the decision and to submit a monthly report to the Office of the President regarding the progress of the corrective measures. The Parent Company has paid the fines and is complying with the said decision.

31. **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments comprise cash and interest-bearing borrowings. The main purpose of the Group's financial instruments is to fund the Group's operations. The Group has other financial instruments such as receivables, AFS financial assets and trade and other payables, which arise directly from operations. The main risks arising from the use of financial instruments are credit risk, market risk, and liquidity risk.

The Group's BOD reviews and approves the policies for managing each of these risks and they are summarized below.

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.

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.

Credit Risk Exposure
With respect to credit risk arising from cash, trade and other receivables, financial assets designated at FVOCI, and MRFs and under "Other noncurrent assets", the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The table below shows the gross maximum exposure to credit risk without consideration to collaterals or other credit enhancements for the components of the consolidated statements of financial position as at December 31, 2022 and 2021.

	2022	2021
Cash in banks (Note 4)	**₱49,342**	₱33,141
Trade receivables (Note 5)	**45,612**	89,880
Nontrade receivables (Note 5)	**19,691**	13,602
MRFs under "Other noncurrent assets"	**2,765**	3,252
Financial assets designated at FVOCI (Note 10)		
Quoted instruments	**42,752**	31,552
Unquoted instruments	**3,894**	3,894
	₱164,056	₱175,321

As at December 31, 2022 and 2021, these financial assets, except receivables where allowance for ECL were recognized, are neither past due nor impaired.

Cash in banks, Trade receivables not subject to provisional pricing), Nontrade and other receivables, Financial assets designated at FVOCI, and MRFs under "Other noncurrent assets"
In determining the credit risk exposure for cash in banks, financial assets designated at FVOCI, and MRFs under "Other noncurrent asset, the Group has established probability of default rates based on available credit ratings published by third-party credit rating agencies. The credit ratings already considered the forward-looking information. When a counterparty does not have published credit ratings, the Group benchmarks the credit ratings of comparable companies, adjusted to account for the

difference in size and other relevant metrics. While cash in banks and short-term cash investments are also subject to the impairment requirements of PFRS 9, the identified impairment loss was immaterial.

	2022				
	General Approach				
	Stage 1	**Stage 2**	**Stage 3**	**Simplified Approach**	**Total**
Cash in banks	**₱49,342**	**₱–**	**₱–**	**₱–**	**₱49,342**
Trade receivables (not subject to provisional pricing)	–	**–**	**–**	**63,637**	**63,637**
Nontrade and other receivables	**19,691**	**–**	**386**	**–**	**20,077**
MRFs under "Other noncurrent assets"	**2,765**	**–**	**–**	**–**	**2,765**
Financial assets designated at FVOCI					
Quoted equity shares	**42,752**	**–**	**–**	**–**	**42,752**
Unquoted equity shares	**3,894**	**–**	**–**	**–**	**3,894**
	₱118,444	**₱–**	**₱386**	**₱63,637**	**₱182,467**

	2021				
	General Approach				
	Stage 1	Stage 2	Stage 3	Simplified Approach	Total
Cash in banks	₱33,141	₱–	₱–	₱–	₱33,141
Trade receivables (not subject to provisional pricing)	–	–	–	58,136	58,136
Nontrade and other receivables	13,602	–	386	–	13,988
MRFs under "Other noncurrent assets"	3,252	–	–	–	3,252
Financial assets designated at FVOCI					
Quoted equity shares	31,552	–	–	–	31,552
Unquoted equity shares	3,894	–	–	–	3,894
	₱85,441	₱–	₱386	₱58,136	₱143,963

General Approach

The credit risk of financial assets under the general approach are determined to be under Stage 1. Individually impaired that were specifically determined by the Group is under Stage 3 and is fully provided with ECL.

Simplified Approach
Se out below is the information about the credit risk exposure to the Group's trade receivables (not subject to provisional pricing) using simplified approach (provisional matrix).

	Current	**Days past due**				**Total**
		< 30 days	**31-60 days**	**61-90 days**	**>91 days**	
2022						
ECL rate	**0%**	**0%**	**0%**	**0%**	**100%**	
Estimated total gross carrying amount at default	**₱44,019**	**₱485**	**₱4**	**₱604**	**₱18,525**	**₱63,637**
ECL	**₱–**	**₱–**	**₱–**	**₱–**	**₱18,525**	**₱18,525**

	Current	Days past due				Total
		< 30 days	31-60 days	61-90 days	>91 days	
2021						
ECL rate	0%	0%	0%	0%	100%	
Estimated total gross carrying amount at default	₱39,009	₱563	₱17	₱535	₱18,012	₱58,136
ECL	₱–	₱–	₱–	₱–	₱18,012	₱18,012

Trade receivables (subject to provisional pricing)
All gold exports when priced are practically settled on cash basis. Parent Company's existing contracts with gold refineries allow for advances up to 98% of payable metals paid in two working days from pricing. Full settlement is normally received within three working days. For copper concentrates, Parent Company's existing contracts with smelters allow for advances of 95% of payable metals paid within two to five working days from pricing. Full settlement, however, takes three to six 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 refining agreement with Heraeus for gold and Open Mineral AG for gold-copper concentrates.

The Group has a significant concentration of credit risk in relation to its trade receivables from Heraeus Ltd. pertaining to sales of bullion. 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.

As at December 31, 2022 and 2021, the Group's trade receivables subject to provisional pricing amounted to ₱500 and ₱49,756, respectively.

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 exchange rates.

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's US$ denominated monetary assets and liabilities as at December 31, 2022 and 2021 follow:

	2022		2021	
	Original Currency	**Peso Equivalent**	Original Currency	Peso Equivalent
Assets				
Cash	**US$31**	**₱1,738**	US$52	₱2,648
Trade receivables	**150**	**8,347**	1,116	56,934
	US$181	**₱10,085**	US$1,168	₱59,582
Liabilities				
Trade payables and accrued expenses	**US$1,010**	**₱56,338**	US$1,901	₱ 96,949
Borrowings	**1,000**	**55,755**	1,025	52,270
	US$2,010	**₱112,093**	US$2,926	₱149,219
Net assets (liabilities)	**(US$1,829)**	**(₱102,008)**	(US$1,758)	(₱89,637)

As at December 31, 2022 and 2021, the exchange rate of the Philippine Peso to the US$ is ₱55.76 and ₱50.99, respectively to US$1.

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 of December 31, 2022 and 2021 is as follows:

	2022		2021	
Currency	**Change in foreign exchange rate**	**Sensitivity of Pretax Income**	Change in foreign exchange rate	Sensitivity of Pretax Income
US$	**(₱1.14)**	**2,086**	(₱1.02)	1,793
	₱1.02	**(1,866)**	₱0.27	(475)

There is no other impact on the Group's equity other than those already affecting the consolidated profit or loss.

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 availment of 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.

The table below summarizes the maturity profile of the Group's financial liabilities which is based on contractual undiscounted payments and financial assets which are used to manage the liquidity risk as at December 31, 2022 and 2021:

2022	**On demand**	**Less than three months**	**Three to six months**	**More than six to 12 months**	**More than one to two years**	**More than two years**	**Total**
Financial Assets:							
Cash on hand (Note4)	**₱4,248**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱4,248**
Cash in banks (Note 4)	**49,342**	**–**	**–**	**–**	**–**	**–**	**49,342**
Trade receivables (Note 5)	**44,854**	**154**	**–**	**604**	**–**	**–**	**45,612**
MRF	**2,765**	**–**	**–**	**–**	**–**	**–**	**2,765**
Nontrade receivables (Note 5)	**19,691**	**–**	**–**	**–**	**–**	**–**	**19,691**
Financial assets designated at FVOCI (Note 10)	**46,646**	**–**	**–**	**–**	**–**	**–**	**46,646**
Total	**167,546**	**154**	**–**	**604**	**–**	**–**	**168,304**
Financial Liabilities:							
Trade and other payables (Note 13)*	**(283,085)**	**(462,875)**	**(112,670)**	**(210,841)**	**(967,699)**	**(720,780)**	**(2,757,950)**
Borrowings (Note 14)	**–**	**(10,146)**	**(10,139)**	**(21,372)**	**(43,235)**	**(155,270)**	**(240,162)**
Lease liabilities							
Carrying amount	**–**	**(1,936)**	**(594)**	**(5,579)**	**(1,941)**	**–**	**(10,050)**
Unamortized discount	**–**	**(202)**	**(159)**	**(190)**	**(28)**	**–**	**(579)**
Total	**(283,085)**	**(475,159)**	**(123,562)**	**(237,982)**	**(1,012,903)**	**(876,050)**	**(3,008,741)**
	(₱133,865)	**(₱474,670)**	**(₱123,562)**	**(₱237,378)**	**(₱1,012,903)**	**(₱876,050)**	**(₱2,858,428)**

Excluding payable to regulatory authorities

2021	On demand	Less than three months	Three to six months	More than six to 12 months	More than one to two years	More than two years	Total
Financial Assets:							
Cash on hand (Note 4)	₱2,513	₱–	₱–	₱–	₱–	₱–	₱2,513
Cash in banks (Note 4)	33,141	–	–	–	–	–	33,141
Trade receivables (Note 5)	74,885	220	17	335		14,423	89,880
MRF	3,252	–	–	–	–	–	3,252
Nontrade receivables (Note 5)	13,459	–	–	–	–	143	13,602
Financial assets designated at FVOCI (Note 10)	35,446	–	–	–	–	–	35,446
Total	162,696	220	17	335	–	14,566	177,834
Financial Liabilities:							
Trade and other payables (Note 13)*	(406,274)	(364,747)	(157,470)	(99,071)	(1,305,944)	(324,872)	(2,658,378)
Borrowings (Note 14)	(125,608)	–	–	–	(51,033)	–	(176,641)
Lease liabilities							
Carrying amount	–	(1,943)	(1,454)	(2,667)	(5,755)	(1,532)	(13,351)
Unamortized discount	–	(316)	(274)	(448)	(475)	(26)	(1,539)
Total	(531,493)	(367,006)	(159,198)	(102,186)	(1,363,595)	(326,430)	(2,849,909)
	(₱368,797)	(₱366,786)	(₱159,181)	(₱101,851)	(₱1,363,595)	(₱311,864)	(₱2,672,075)

Excluding payable to regulatory authorities

The group plans to address its liquidity gap by a combination of issuance of equity securities, availment of advances from related parties or loans from banks.

Fair Values

PFRS 13 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. 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.

Cash in Banks, Trade Receivables, Nontrade Receivables and Trade and Other Payables
The carrying amounts of cash in banks, trade receivables, nontrade 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.

Financial Assets Designated at FVOCI
Fair values of financial assets designated at FVOCI quoted equity securities are based on quoted prices published in markets. Fair values of financial assets designated at FVOCI unquoted equity securities are based on the latest selling price available.

Borrowings
The outstanding short-term borrowings and long-term borrowings as at December 31, 2022 and 2021 bear floating rates that are repriced monthly and quarterly.

The fair value of the interest-bearing long-term debt in 2022 and 2021 is based on the discounted value of future cash flows using the applicable rates for the similar types of loans.

The Group uses the following hierarchy for determining and disclosing the fair value by valuation technique:

- Quoted prices in active markets for identical asset or liability (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those inputs for asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The fair value hierarchy of the financial assets and liabilities as at December 31 of each year is presented as follows:

2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets designated at FVOCI	**₱42,752**	**₱–**	**₱3,894**	**₱46,646**
Borrowings	**–**	**(240,162)**	**–**	**(240,162)**
	₱42,752	**(₱240,162)**	**₱3,894**	**(₱193,516)**

2021	Level 1	Level 2	Level 3	Total
Financial assets designated at FVOCI	₱3,684	₱31,552	₱210	₱35,446
Borrowings	–	(176,641)	–	(176,641)
	₱3,684	(₱145,089)	₱210	(₱141,195)

There were no transfers between levels of fair value measurement as at December 31, 2022 and 2021.

32. Capital Management

The primary objective of the Group's capital management is to ensure that the Group maintains positive cash balance in order to support their businesses, pay existing obligations and maximize shareholder value. 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 during the year ended December 31, 2022 and 2021. The Group monitors capital using the consolidated financial statements. The Group has complied with all externally imposed capital requirements in 2022 and 2021.

As at December 31, 2022 and 2021, the Group's capital, which is composed of common shares and additional paid-in capital, amounted to ₱11,712,718.

33. Segment Information

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. 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 their related by-products. Revenue from sale of metals - bullion represent sale from one customer, Heraeus. Revenue from sale of metals - concentrate are significantly from IXM S.A. and Cliveden in 2020, with each approximating half of total concentrate revenues, and from Open Mineral AG in 2021.

Service
This segment derives its income from drilling, hauling and sawmilling services to its related and outside parties.

Others
This segment is engaged in the trading, manufacturing, investing and insurance broker activities of the Group.

Transfer prices between business segments are set on an arm's-length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation.

The Group operates and generates revenue principally in the Philippines. Thus, geographical segmentation is not required.

The following tables present certain information regarding the Group's operating business segments:

2022	Mining	Service	Others	Elimination	Consolidated
Revenue from external customers:					
Sale of metals – net	**₱1,845,867**	**₱–**	**₱–**	**₱–**	**₱1,845,867**
Others	**5,105**	**–**	**7,314**	**–**	**12,419**
Inter-segment revenue	**2,475**	**63,908**	**15,802**	**(82,185)**	**–**
Segment revenue	**1,853,447**	**63,908**	**23,116**	**(82,185)**	**1,858,286**
Cost and operating expenses	**(2,296,690)**	**(69,382)**	**(27,922)**	**82,782**	**(2,311,212)**
Share in operating results of associates	**–**	**–**	**–**	**(2,759)**	**(2,759)**
Income (loss) before income tax	**(443,243)**	**(5,474)**	**(4,806)**	**(2,162)**	**(455,685)**
Finance cost, net of other income	**(38,213)**	**1,268**	**16,936**	**(11,294)**	**(31,303)**
Provision for (benefit from) income tax	**(2,678)**	**(5,399)**	**258**	**–**	**(7,819)**
Net income (loss)	**(₱484,134)**	**(₱9,605)**	**₱12,388**	**(₱13,455)**	**(₱494,807)**

2022	**Mining**	**Service**	**Others**	**Elimination**	**Consolidated**
Segment assets	**₱15,708,661**	**₱228,931**	**₱630,369**	**(₱858,049)**	**₱15,767,881**
Investments in and advances to associates	**970,384**	**–**	**2,767**	**(520,778)**	**452,373**
Segment liabilities	**(10,605,277)**	**(201,587)**	**(144,755)**	**351,455**	**(10,658,128)**
Depreciation	**461,904**	**11,271**	**4,464**	**–**	**477,639**
Capital expenditures:					
Tangible fixed assets	**5,881,880**	**7,218**	**354,243**	**50,076**	**6,298,442**
Intangible assets	**657**	**–**	**–**	**–**	**657**
Cash flows arising from (used in):					
Operating activities	**459,743**	**3,610**	**(29,129)**	**(151,225)**	**282,999**
Investing activities	**(459,803)**	**(3,061)**	**41,295**	**142,196**	**(279,373)**
Financing activities	**6,107**	**(414)**	**(642)**	**8,655**	**13,706**

2021	Mining	Service	Others	Elimination	Consolidated
Revenue from external customers:					
Sale of metals - net	₱1,567,004	₱–	₱–	₱–	₱1,567,004
Others	5,278	5,517	7,226	–	18,021
Inter-segment revenue	2,244	42,925	13,614	(58,783)	–
Segment revenue	1,574,526	48,442	20,840	(58,783)	1,585,025
Cost and operating expenses	(2,059,897)	(64,211)	(30,503)	63,249	(2,091,362)
Share in operating results of associates	–	–	–	54	54
Income (loss) before income tax	(485,371)	(15,769)	(9,663)	4,520	(506,283)
Finance cost, net of other income	5,916	812	7,477	(4,467)	9,738
Provision for (benefit from) income tax	(35,146)	(2,582)	19,721	–	(18,007)
Net income (loss)	(₱514,601)	(₱17,539)	₱17,535	₱53	(₱514,552)
Segment assets	₱16,095,859	₱245,771	₱612,116	(₱827,441)	₱16,194,157
Investments in and advances to associates	969,571	–	12,590	(504,859)	477,302
Segment liabilities	(10,711,889)	(210,399)	(152,543)	350,788	(10,724,043)
Depreciation	368,957	24,004	4,562	–	488,982
Capital expenditures:					
Tangible fixed assets	5,945,193	15,199	368,570	50,076	6,379,069
Intangible assets	900	–	–	–	900
Cash flows arising from (used in):					
Operating activities	249,402	(1,195)	(11,885)	16,243	252,745
Investing activities	(281,740)	1,013	94,029	(100,737)	(287,435)
Financing activities	32,827	(414)	(76,949)	82,353	37,817

2020	Mining	Service	Others	Elimination	Consolidated
Revenue from external customers:					
Sale of metals - net	₱1,460,353	₱–	₱–	₱–	₱1,460,353
Others	2,252	4,168	6,205	–	12,625
Inter-segment revenue	2,274	36,227	15,657	(54,158)	–
Segment revenue	1,464,879	40,395	21,862	(54,158)	1,472,978
Cost and operating expenses	(2,135,365)	(63,270)	(26,982)	59,604	(2,166,013)
Share in operating results of associates	–	–	–	(1,875)	(1,875)
Income (loss) before income tax	(670,486)	(22,875)	(5,120)	3,571	(694,910)
Finance cost, net of other income	(52,322)	14,573	(14,506)	(486)	(52,741)
Provision for (benefit from) income tax	17,102	(20,781)	354	–	(3,325)
Net income (loss)	(₱705,706)	(₱29,083)	(₱19,272)	₱3,085	(₱750,976)
Segment assets	₱16,354,006	₱266,392	₱691,280	(₱901,269)	₱16,410,409
Investments in and advances to associates	966,273	–	95,905	(504,331)	557,847
Segment liabilities	(10,562,697)	(216,081)	(258,244)	412,746	(10,624,276)
Depreciation	460,416	24,004	4,562	–	488,982
Capital expenditures:					
Tangible fixed assets	6,206,211	29,760	371,044	49,539	6,656,554
Intangible assets	1,702	–	–	–	1,702
Cash flows arising from (used in):					
Operating activities	13,833	(8,712)	3,251	257,129	265,501
Investing activities	(60,804)	6,581	851	(272,045)	(325,417)
Financing activities	49,233	685	146	(18,427)	31,637

34. **Events after the Reporting Period**

Arbitration Case concerning the MPSA Renewal

On January 4, 2023, the Parent Company and FSGRI filed with the Supreme Court a Motion for Reconsideration of the decision dated June 21, 2022 vacating the Final Award. In a Resolution dated January 24, 2023, the Supreme Court denied the said motion.

The MGB-CAR has endorsed to the NCIP the application of the Parent Company and FSGRI for the renewal of the MPSA and the FPIC process is underway.

Since the SC decision expressly states that it is "without prejudice to their (Lepanto and FSGRI) full compliance with the requirement of the Free and Prior Informed and Written Consent requirement (sic) of the Mankayan Indigenous Cultural Communities/ Indigenous Peoples as a condition for the renewal of Mineral Production Sharing Agreement No. 001-90", Parent Company's mining operations continue.

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Building a better working world

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Lepanto Consolidated Mining Company
21st Floor, Lepanto Building
Paseo de Roxas, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Lepanto Consolidated Mining Company and Subsidiaries (the Group) as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated May 15, 2023. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Eleanore A. Layug
Partner
CPA Certificate No. 0100794
Tax Identification No. 163-069-453
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 100794-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-097-2020, November 27, 2020, valid until November 26, 2023
PTR No. 9564637, January 3, 2023, Makati City

May 15, 2023

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
As of December 31, 2022

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
21st Floor, Lepanto Building, Paseo de Roxas, Makati City

	Formula	**2022**	2021
Profitability Ratios:			
Return on assets	Net Loss / Total Assets	**(3.15%)**	(3.19%)
Return on equity	Net Loss / Total Equity	**(9.68%)**	(9.55%)
Gross profit margin	Gross Profit / Net Revenues	**(13.48%)**	(20.40%)
Net profit margin	Net Loss / Revenues	**(26.63%)**	(32.46%)
Liquidity and Solvency Ratios:			
Current ratio	Current Assets / Current Liabilities	**0.44:1**	0.53:1
Quick ratio	Current Assets – Inventories – Advances to Suppliers and Contractors - Other Current Assets / Current Liabilities	**0.05:1**	0.04:1
Solvency ratio	Net Loss / Total Liabilities	**(0.05:1)**	(0.05:1)
Financial Leverage Ratios:			
Asset to equity ratio	Total Assets / Total Equity	**3.07**	2.99
Debt to equity ratio	Total Liabilities / Total Equity	**2.07**	1.99
Interest coverage ratio	Earnings Before Interest and Taxes (EBIT) / Finance Costs	**7.72**	8.98

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
INDEX TO THE SUPPLEMENTARY SCHEDULES

SGV
Building a better
working world

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and Board of Directors
Lepanto Consolidated Mining Company
21st Floor, Lepanto Building
Paseo de Roxas, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Lepanto Consolidated Mining Company and Subsidiaries (the Group) as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated May 15, 2023. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

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May 15, 2023

SCHEDULE I
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2022
(Amounts in thousands)

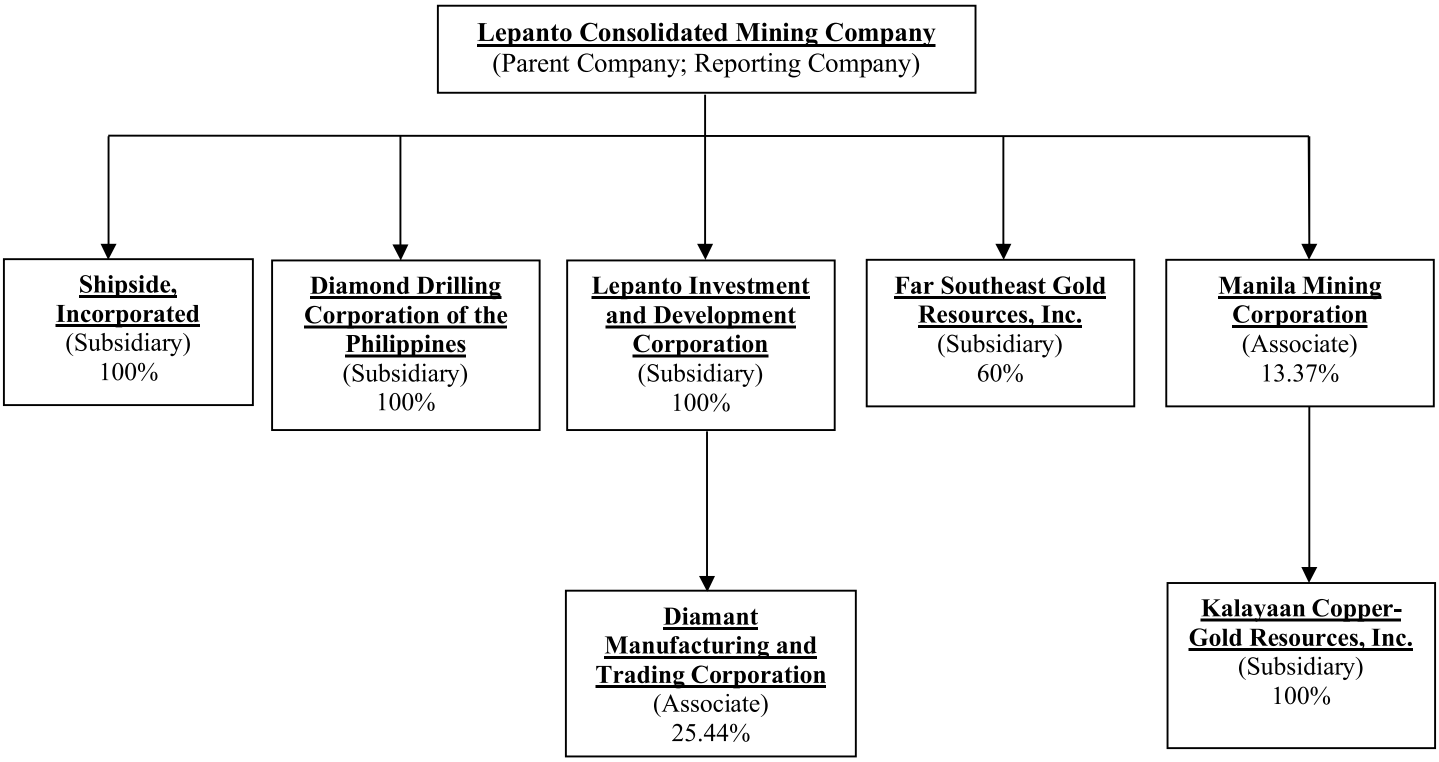
LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
21st Floor, Lepanto Building, Paseo de Roxas, Makati City

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning of the year		(₱7,041,177)
Add: Net loss actually earned/realized during the period		
Net loss during the period closed to Retained Earnings	(495,365)	
Less: **Non-actual/unrealized income net of tax**		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - (after tax) except those attributable to cash and cash equivalents)	–	
Unrealized actuarial gain	–	
Fair value adjustment (mark-to-market gains)	–	
Fair value adjustment of investment property resulting to gain	–	
Adjustment due to deviation from PFRS - gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Subtotal	–	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS - loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Subtotal	–	
Net loss actually incurred during the period		(495,365)
Add (Less):		
Dividend declarations during the period	–	
Appropriations of retained earnings during the period	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares		
Subtotal	–	
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DISTRIBUTION		₱–

†*Amount is zero since the reconciliation results to a deficit*

SCHEDULE II
MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
As of December 31, 2022

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
21st Floor, Lepanto Building, Paseo de Roxas, Makati City



SCHEDULE III
SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-J
As of December 31, 2022

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
21st Floor, Lepanto Building, Paseo de Roxas, Makati City

SCHEDULE A: FINANCIAL ASSETS

Name of issuing entity and association of each issue	Number of shares or principal amounts of bonds and notes	Amounts shown in the Statement of Financial Position (figures in thousands)	Income received and accrued
Cash:			
Cash on hand	N/A	₱4,248	₱–
Cash in banks	N/A	49,342	35
Receivables:			
Trade	N/A	₱45,612	₱–
Nontrade	N/A	19,691	–
MRFs under “Other noncurrent assets”	N/A	₱3,252	₱3
Financial asset designated at FVOCI:			
Philippine Associated Smelting & Refining Corp.	37,407,798	₱–	₱–
Filsyn Corporation	4,545,034	–	–
Manila Peninsula Hotel	1,304,632	3,684	–
Philippine Fire and Marine Insurance Corp.	330,613	–	–
Crown Fruits	20,000	–	–
Alabang Country Club Inc.	1	9,412	–
Canlubang Golf & Country Club Inc.	1	2,500	–
Club Filipino	1	250	–
Makati (Sports) Club Inc.	1	800	–
Manila Polo Club	1	30,000	–
PHILAM Properties Corp.	1	–	–

SCHEDULE III
SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-J
As of December 31, 2022

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
21st Floor, Lepanto Building, Paseo de Roxas, Makati City

SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected	Amounts Written off	Current	Not Current	Balance at end of period

NOT APPLICABLE

SCHEDULE III
SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-J
As of December 31, 2022

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
21st Floor, Lepanto Building, Paseo de Roxas, Makati City

SCHEDULE C: AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATED FINANCIAL STATEMENTS

Name and Designation of Debtor	Balance at Beginning of period	Additions	Amounts Collected / Settled	Amounts Written off	Current	Not Current	Balance at end period
DDCP	₱135,493,070	₱11,948,237	₱33,942,945	₱–	₱113,498,362	₱–	₱113,498,362
FSGRI	95,514,152	9,379,211	16,427,022	–	868466,341	–	88,466,341
LIDC	12,918,444	418,004	1,053,594	–	12,282,854	–	12,282,854

SCHEDULE III
SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-J
As of December 31, 2022

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
21st Floor, Lepanto Building, Paseo de Roxas, Makati City

SCHEDULE D: LONG TERM DEBT

Title of Issue and type of obligation	Amount authorized by Indenture	Amount shown under the caption "Current Portion of long-term borrowings" in related balance sheet	Amount shown under the caption "Long-term borrowings- net of current portion" in related balance sheet
Statham Capital Corporation - *Gold Delivery Agreement*	US$1,000,000	₱–	₱55,755,000
UCPB Peso Loan	₱184,373,028	₱41,622,920	₱142,750,108
AUB Peso Loan	₱34,160	₱34,160	₱–

SCHEDULE III
SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-J
As of December 31, 2022

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
21st Floor, Lepanto Building, Paseo de Roxas, Makati City

SCHEDULE E: INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

Name of Related Party	Balance at beginning of period	Balance at end of period

NOT APPLICABLE

SCHEDULE III
SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-J
As of December 31, 2022

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
21st Floor, Lepanto Building, Paseo de Roxas, Makati City

SCHEDULE F: GUARANTEES OF SECURITIES OF OTHER ISSUES

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owed by person for which statement is filed	Nature of guarantee

NOT APPLICABLE

SCHEDULE III
SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-J
As of December 31, 2022

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
21st Floor, Lepanto Building, Paseo de Roxas, Makati City

SCHEDULE G: CAPITAL STOCK

The Parent Company's authorized share capital is ₱6.64 billion divided into 66.4 billion shares at ₱0.10 par value each, consisting of 39.8 billion Class "A" and 26.6 billion Class "B" common shares. As at December 31, 2022, total shares issued and outstanding is 66,375,758 held by 27,670 shareholders.

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversions and other rights	No. of shares held by		
				Related parties	Directors and Officers	Others
Common Stock						
Class A	39,840,000,000	39,821,417,656	–	30,920	1,318,408,331	38,502,978,405
Class B	26,560,000,000	26,552,508,993	–	783,523	263,765,314	26,287,960,156