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S.E.C. Registration Number

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(Company's Full Name)

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

ODETTE A. JAVIER

Contact Person

815-9447

Company Telephone Number

3rd Monday of April

1	2
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Month

3	1
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Day

Fiscal Year

S	E	C
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FORM TYPE

1	7	A
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Month

Day

Year

Annual Meeting

Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total no. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Document I.D.

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2021**
2. SEC Identification number: **101**
3. BIR Tax Identification number: **000-160-247-000**
4. Exact name of registrant as specified in its charter

LEPANTO CONSOLIDATED MINING COMPANY

5. Province, country or other jurisdiction of incorporation or organization: **Manila, Philippines**
6. Industry Classification Code: (SEC Use Only)

Mining

7. Address of registrant's principal office:
21st Floor, Lepanto Building
8747 Paseo de Roxas, Makati City, Philippines

8. Registrant'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 4 and 12 of the SRC, or Sec. 4 and 8 of the RSA

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

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

Yes [☒] No [☐]

If yes, state the name of such stock exchange and the classes of securities listed therein.

Philippine Stock Exchange

Classes "A" & "B"

The Company has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months. The Company has not been subject to such filing requirements for the past 90 days.

The aggregate market value of the voting stock held by non-affiliates of the Company as of December 31, 2021 was P10,513,615,577.23

Business and General Information

Business

Lepanto was incorporated in 1936 and until 1997 was operating an enargite copper mine located in Mankayan, Benguet. Lepanto has been producing gold dore since 1997 through its Victoria Project. It produced copper-gold concentrates from the fourth quarter of 2017 to the first quarter of 2020.

The only raw material component of Lepanto's products is the ore that it mines. Its ore reserves, per the attached Certification as of January 1, 2021 (Exhibit "J"), consist of 347,000 oz. of gold from the Victoria and Teresa orebodies; and 397,000 oz. of gold and 212.77 million lbs. of copper from the Enargite-Quartz-Pyrite-Gold deposits, as certified by Ms. Michelle Mae F. Rafanan and Engr. Art S. Anongos, both Competent Persons under the Philippine Mineral Reporting Code.

The Company's revenues (100%) from 2019-2021 came solely from its sales of gold/silver dore and gold/copper concentrates. Under the contract with Heraeus Ltd., the Company ships gold (dore) bars to the said buyer on a weekly basis. The contract has a term of two years which is regularly renewed, and has provisions regarding assay, manner of delivery, weighing and sampling, settlement/ payment, pricing and refining charges.

The gold/copper concentrates were exported to smelters in Taiwan and China pursuant to contracts with two Swiss metals traders. The said contracts are volume-based, 1000 DMT at a time, and have provisions in respect of assay, manner of delivery, weighing and sampling, settlement/payment, and refining and smelting charges.

There is no market competition in the industry. The gold/silver dore and gold/copper concentrates of the Company are readily marketable. Metal prices are dictated by world market forces.

The following schedule indicates the percentage of Sales and Net Income contributed by foreign sales in the last three years:

Percentage of Sales Contributed by Foreign Sales:

	<u>2019</u>	<u>2020</u>	<u>2021</u>
Hongkong	21.00	84.40	99.56
Taiwan	4.00	0.00	0.00
China	75.00	15.60	0.44
	-----	-----	-----
	100%	100%	100%

Percentage of Net Income/Loss Contributed by Foreign Sales:

	<u>2019</u>	<u>2020</u>	<u>2021</u>
Hongkong	(21.46)	(84.96)	(100.44)
Taiwan.	(3.84)	0.00	0.00
China	(75.20)	(15.70)	(0.44)
Other Income	0.50	0.65	0.87
	-----	-----	-----
	100%	-100%	-100%

The Company has Environmental Compliance Certificates for its tailings storage facility 5A and for its mineral extraction and processing operations.

Subsidiaries

SHIPSIDE, INC., based in San Fernando, La Union, was incorporated in 1958. It is engaged principally in the hauling business and supports the hauling requirements of the parent company, Lepanto. It has 2 flatbed and 2 dump trucks, and is a heavy user of diesoline, gasoline and tires. It also has warehouses for lease located at Poro Point, San Fernando, La Union. Generally, Shipside is not dependent on any single supplier for its raw material requirements, i.e., fuel and tires, and these are readily available from a number of suppliers. In 2021, income from hauling and rentals businesses amounted to P14 million and P7 million, respectively

The DIAMOND DRILLING CORPORATION OF THE PHILIPPINES (DDCP) was incorporated in 1971 and is in the business of providing diamond drilling services. It services mostly mining companies. DDCP has a ready market in Lepanto Consolidated Mining Company and affiliate Manila Mining Corporation. Contract Revenues for 2021 amounted to P48.44 million.

LEPANTO INVESTMENT AND DEVELOPMENT CORPORATION (LIDC), incorporated in 1969, is in the insurance business. It owns 12.38% of Philippine Fire and Marine Insurance Corporation (Philfire) and 25% of DIAMANT MANUFACTURING AND TRADING CORPORATION (DMTC), a manufacturer of industrial diamond tools for mining exploration, marble cutting and the construction industry. LIDC'S income is principally in the form of commissions on insurance policies of various clients, none of whom contributes more than 10% of total revenues.

Lepanto owns 60% of FAR SOUTHEAST GOLD RESOURCES, INC. (FSGRI), another mining company with resources in Mankayan, Benguet; the remaining 40% is owned by Gold Fields Switzerland Holding AG ("Gold Fields"). Incorporated in 1989, FSGRI is not yet in operation. On September 20, 2010, Lepanto entered into an Option and Shareholders' Agreement with Gold Fields which grants Gold Fields an option to subscribe to new shares of stock of FSGRI representing a 20% interest in FSGRI. If the option is exercised by Gold Fields, Lepanto's interest in FSGRI will be reduced from 60% to 40%.

Cost and Effects of Compliance with Environmental Laws/Governmental Approvals

Lepanto complies with governmental regulations, particularly those of the Department of Environment and Natural Resources, with respect to mining methods, disposal of waste and tailings, rehabilitation of environment, etc. Lepanto has the approvals needed for its operations: Environmental³

Compliance Certificates from the DENR for the operation of its tailings dam and for mining and mineral processing. It has two Mineral Production Sharing Agreements, as discussed on page 4. A total of P147.19 million was spent for the Company's Environmental Protection and Enhancement Program (AEPEP) in 2021. AEPEP includes treatment of mill tailings and wastewater, rehabilitation, reforestation and resource management. Also, P21.67 million went to Tailings Storage Facility maintenance and management.

Research and Development Activities

During the last three years, Lepanto spent a total of P34.22 million for Research and Development, to wit: 2019, P10.48 million; 2020, P11.43 million and 2021, P12.13 million.

Mining Claims

The Company's mining properties are summarized as follows:

Mineral Production and Sharing Agreements (MPSAs)

Lepanto has two (2) Mineral Production Sharing Agreements (MPSAs), namely MPSA No. 001-90-CAR (948.9696 has.), where subsidiary FSGRI is a co-contractor, and MPSA No. 151-2000-CAR (1,829.3565 has.), approved on March 3, 1990 and March 9, 2000, respectively, each having a term of twenty-five (25) years, renewable for another 25 years. Mining claims subject of the said MPSAs are located in Mankayan, Benguet where commercial mining operations are presently undertaken. The reportorial requirements are regularly submitted by Lepanto to the Mines and Geosciences Bureau (MGB) of the DENR to preserve the Company's rights and privileges under the agreements.

LCMC and FSGRI applied in June 2014 for the renewal of MPSA No. 001-90-CAR. The renewal became subject of an arbitration case which was resolved in their favor in December 2015, but now subject of a Petition for Review with the Supreme Court, as discussed on page 14 hereof. Meanwhile, Lepanto continues mining operations within this MPSA.

MPSA Applications

Lepanto has two (2) MPSA Applications docketed as APSA No. 096 comprising of 1,057.1739 has. in Mankayan, Benguet and APSA No. 00004-VIII with a total area of 78.5220 has. in Villaba, Leyte. Said applications are still pending with the MGB.

Patented Claims

Lepanto has forty-six (46) patented mining claims, which was allowed under the Phil. Bill of 1902, with a total area of 335.5179 hectares, all situated in Mankayan, Benguet. Exploration works are ongoing in these areas.

Operating Agreements

- a. **APSA Nos. 063, 064 and 065** – On October 12, 1992, LCMC entered into separate Operating Agreements with Jaime Paul B. Panganiban, June Prill Brett and Heirs of James D. Brett, registered

MPSA applicants of APSA Nos. 063, 064, and 065, respectively, all situated in Suyoc, Mankayan. The combined total area of the subject MPSA Applications is 343.86 hectares.

- b. **APSA No. 023** – an Operating Agreement was entered into between Lepanto and Montañosa Mining Exploration Company (“Montañosa”) over mining tenements located in Bontoc, Mountain Province. On October 7, 1991, Lepanto, as mining operator of Montañosa, filed an MPSA Application (APSA No. 023) with the MGB-CAR. This was opposed by Mr. Delfin Comedis, et al. which opposition has been dismissed by the Mines Adjudication Board (MAB) of DENR. Evaluation of the application is ongoing.
- c. **Exploration Permit No. 2004-000003-VIII** –Lepanto has an Operating Agreement with the Philippine National Oil Company / Energy Development Corporation for the Leyte Geothermal Reservation. The corresponding application for the renewal of the pertinent exploration permit, which expired last March 19, 2006, is still pending approval by the MGB.

Employees

Lepanto has 1,529 mine-based and 58 Makati-based employees. In the Lepanto Mine Division, there are 42 managerial employees; 339 Supervisory and Technical Staff, of whom 248 are members of the Supervisors’ Union (LLSU); 90 clerical and technical non-union members; 1,148 rank-and-file employees, of whom 1,030 are members of the Lepanto Local Employees’ Union or LLEU. The 28th CBA of LLEU was executed in November 2018 and the 12th CBA of LLSU, in July 2018.

Of the 58 employees in Makati, 11 are members of the Lepanto Employees Union-Makati (LEUM) whose CBA was renewed in July 2017 and will expire in June 30, 2020; 25 are managerial/supervisory employees (including officers); and 22 are clerical non-union members.

Lepanto provides health card benefits to its Makati employees. Mine-based employees get free housing and free hospitalization at the Lepanto Hospital.

Shipside has 21 employees, of whom 6 are administrative, 3 are clerical and 9 are involved in operations. They are not subject to any CBA. There are no plans to hire additional employees in the next twelve months.

DDCP had a total of six employees, 2 managerial, 4 staff and supervisory, in 2021. The employees are not covered by any CBA.

LIDC has no employees.

FSGRI has 21 employees, comprising of 3 managerial, 9 supervisory and 9 rank-and-file employees. The employees are not covered by any CBA.

Properties

Parent Company

The Company owns about 2,030.2 has. of land in Mankayan, Benguet, where its plants and mining facilities are located. As discussed above, it has two (2) Mineral Production Agreements with

the Government, namely: MPSA Nos. 001-90 (for which an application for renewal is pending with the MGB and subject of a petition with the Supreme Court) and 151-2000-CAR.

The Roaster Plant, which the Company owns, sits on 4.7 hectares of land which the Company had been leasing from Mahler Holdings Corporation (“Mahler”) and National Development Corporation (“NDC”). The area leased from Mahler, consisting of 3.1 hectares, was purchased by the Company on December 16, 2009. The rental on the NDC property is P143,835.24 per month.

Lepanto owns two storeys of the Lepanto Building in Paseo de Roxas, Makati City, where its principal offices are located. It also owns a 3,493 sq. meter residential property in Baguio City and 3.5 has. of commercial land in Poro Point, San Fernando, La Union. Lepanto leases a 1,789.65 sq. meter property in Malolos, Bulacan, used for its warehouse. The lease, at the rate of P186,900 per month, is good until 2022.

Its Machinery and Equipment located in Mankayan, Benguet, consist of the following:

- Processing Plant
- Tubo Shaft Complex
- Power House
- Machine Shop
- Sandfill Tramline
- Furniture and Fixtures
- Foundry Shop
- Assay Laboratory Equipment
- Mechanical equipment
- Internal Shaft at Nayak

Further, it has various automotive equipment/vehicles in Makati City, Benguet and Leyte.

Lepanto’s infrastructure include roads, rails and bridges, twin declines, undergrounds shafts, river diversion and an airport, all located in Mankayan, Benguet. Its mineral processing plants are located in Mankayan, Benguet.

Lepanto’s assets directly utilized for the Victoria Project were mortgaged to Rothschild and Dresdner Banks in connection with a Loan and Hedging Facilities Agreement executed in 1998. These include the plants and other facilities used for the Victoria project. The real properties covered by the mortgage constitutes about 1.2% of the Company’s landholdings in Mankayan, Benguet. The subject loan has been fully repaid. It is the Company’s position that the hedging contracts with the said banks are null and void and therefore the mortgages are likewise not effective. The Company initiated in 2005 a case for the declaration of nullity of the hedging contracts with Rothschild 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 case is now pending with the Court of Appeals.

No acquisition of any real property is intended within the next 12 months.

Subsidiaries

Shipside has substantial properties in La Union. It owns about 19.78 hectares of land in Poro Point, San Fernando, La Union and in Bauang, La Union, used for its hauling, warehousing, and sawmilling businesses. It owns 2 flatbed and 2 dump trucks for its trucking/ hauling business.

DDCP owns about 7 units of drill rigs which are vital to its operations, and 5.6982 hectares of land in Tanquigan, La Union.

LIDC's properties consist of shares of stock in DMTC, Philfire and Manila Mining Corporation.

FSGRI is co-contractor of Lepanto in MPSA No. 001-90-CAR issued by the government on March 3, 1990. It also co-owns with Lepanto on a 50/50 basis Tailings Pond. No. 5A located in Mankayan, Benguet. FSGRI has applied for the partial conversion of MPSA No. 001-90-CAR into an FTAA. Please refer to the discussion of the arbitration concerning the renewal of the said MPSA on page 14.

Business Risks

i) Volatility of Metal Prices

The Company's revenues are directly affected by the prices of the metals it produces, which are gold, copper and silver. These metal prices are influenced principally by demand factors in the world market. The prices of these metals are currently at historical highs but there is no assurance that the upward trend will continue.

ii) Competition/ Market for Lepanto's Products

The gold dore and gold/copper concentrates produced by Lepanto are readily marketable. The gold is sold to Heraeus Metals of Hongkong. The gold-copper concentrates are sold to Swiss metals traders. The Company is free to sell its metal production to other traders or smelters/refiners. Because of the high demand for metals, there is virtually no competition in the industry and gold-silver-copper producers may easily their products.

iii) Appreciation of the Peso vis-a-vis the US Dollar

Being a 100% exporter, the Company's revenues are directly impacted by the appreciation of the Philippine Peso against the US dollar. Although it has dollar denominated costs, most of the Company's costs and expenses are, such as labor and power, in Pesos.

iv) Risk on Environmental Legislation

Mining activities in the Philippines are monitored and highly regulated by the DENR. New government regulations could affect the Company's exploration or mining activities and entail additional costs. (Please see discussion of the Order of Suspension on page 14.)

(v) **Fuel Prices**

A subsidiary, Shippside Incorporated, is in the hauling business and its revenues are affected by fuel prices. Hauling rates are adjusted to cushion the impact of price changes.

Market for Registrant's Common Equity and Related Matters

Lepanto's shares of stock are listed on the Philippine Stock Exchange. Following are the quarterly prices of Lepanto securities for 2020-2021 and as of April 29, 2022:

Lepanto "A" (P/share)

	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	April 29 2022
Low	0.0710	0.0890	0.1270	0.1510	0.1290	0.1540	0.136	0.136	0.14
High	0.0710	0.0920	0.1320	0.1600	0.1340	0.1570	0.145	0.145	0.139

Lepanto "B" (P/share)

	1Q19	2Q19	3Q19	4Q19	1Q21	2Q21	3Q21	4Q21	April 29 2022
Low	0.153	0.127	0.111	0.113	0.1200	0.1570	0.136	0.136	0.14
High	0.118	0.129	0.110	0.101	0.1390	0.1590	0.142	0.142	0.137

Securities, Shareholders and Public Ownership

As of April 30, 2022, there were a total of 27,711 shareholders; 22,495 shareholders holding Common "A" shares, or 86.04% of total shareholders; and 5,216 shareholders with Common "B" shares, or 13.96% of total. As of the same date, Total Public Ownership constituted 64.59% of the outstanding shares.

Top 20 "A" and "B" Stockholders of the Company (as of April 30, 2022)

<u>Name of Stockholder</u>	<u>Class "A"</u>	<u>%</u>
1 F. Yap Securities, Inc.	13,592,362,044	34.14
2 First Metro Investment Corp.	2,550,682,926	6.41
3 Philex Mining Corporation	2,164,240,810	5.43
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 Emma Yap	242,838,706	0.61
10 Bryan Yap	175,915,571	0.44
11 First Metro Investment Corp.	169,762,500	0.43
12 Paulino Yap	155,062,032	0.43
13 Pacita K. Yap	117,176,650	0.29

14	Christine Yap	116,620,522	0.29
15	Felipe U. Yap	86,063,611	0.22
16	Manila Mining Corporation	65,870,000	0.17
17	Arlene King Yap	40,000,000	0.10
18	Christine Karen Uy Yap	40,000,000	0.10
19	Fausto R. Preysler Jr.	38,222,363	0.10
20	F. Yap Securities, Inc. A/C No. PKY-89	30,942,477	0.08

	<u>Name of Stockholder</u>	<u>Class "B"</u>	<u>%</u>
1	F. Yap Securities, Inc.	8,326,090,030	31.38
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.	45,604,103	0.17
14	Luis L. and Teresa M. Oh, Trustees Luis Oh and Teresa Oh Trust Oh	24,365,714	0.09
15	Emma Yap	24,313,091	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

Submission of Matters to a Vote of Security Holders

No matter was submitted during the fourth quarter of 2021 to a vote of security holders.

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).

Independent Public Accountant

In October 2006, Sycip Gorres Velayo & Co. (“SGV”) was designated by the Board as the Company’s independent public accountant. 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 2021 financial statements.

SGV will be recommended for re-appointment as external auditor of the Company.

Audit and Audit Related Fees

For the audit of the financial statements for the year 2019, SGV & Co. billed the Company the sum of P2,460,000. The same amount was agreed for the audit of the 2020 and 2021 financial statements.

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; and 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.

Directors and Executive Officers of the Company

<u>Directors (with term of office of one year)</u>	<u>Age</u>	<u>Citizenship</u>	<u>Period Served</u>
FELIPE U. YAP	85	Filipino	Since 1975
BRYAN U. YAP	49	-do-	Since 1997
DOUGLAS J. KIRWIN	71	Australian	Since 2017
RAY C. ESPINOSA (Independent)	65	Filipino	Since 2005
MARILYN V. AQUINO	66	-do-	Since 2012
ETHELWOLDO E. FERNANDEZ	94	-do-	Since 2007
REGIS V. PUNO	64	-do-	Since 2016
VAL ANTONIO B. SUAREZ (Independent)	63	-do-	Since 2011
CRESENCIO C. YAP	76	-do-	2000-2004; 2006 to present

<u>Executive Officers</u>	<u>Citizenship</u>	<u>Position</u>
FELIPE U. YAP	Filipino	Chairman of the Board and Chief Executive Officer since 1988
BRYAN U. YAP	-do-	President/Chief Operating Officer since March 2003
RAMON T. DIOKNO	-do-	Chief Finance Officer since April 2008
MA. LOURDES B. TUASON	-do-	Vice President/Treasurer since 1995
ETHELWOLDO E. FERNANDEZ	-do-	Corporate Secretary since 2000
RENE F. CHANYUNGO	-do-	Vice President since 1997
ABIGAIL K. YAP	-do-	Vice President-Tech. & Planning since 1999
ODETTE A. JAVIER	-do-	Vice President since Feb. 20, 2006/ Asst. Corp. Secretary since 1993
PABLO T. AYSON, JR.	-do-	Vice President-Mining Claims since Dec.18, 2006
KNESTOR JOSE Y. GODINO	-do-	Vice President for Human Resource since June 2015
CHERRY H. TAN	-do-	Asst. Vice President-Purchasing since July 1, 2004

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.; Diamond Drilling Corporation of the Philippines and Diamant Manufacturing and Trading Corporation (DMTC). He is also a director and Vice Chairman of Far Southeast Gold Resources, Inc.

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 the president of the Manila Electric Company (MERALCO) and a Director of Philippine Long Distance Telephone Company ("PLDT"), Meralco PowerGen Corporation, Metro Pacific Investment Corporation and Roxas Holdings, Inc., among many others. He is also the President and Director of Mediaquest Holdings, Inc. 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 of Zeus Holdings, Inc. since 2017.

Atty. Regis V. Puno is currently the Vice Chairman of Metrobank Card Corporation 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.

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 the CFO of the Diamond Drilling Corporation of the Philippines (DDCP), LIDC and DMTC.

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

Mr. Rene F. Chanyungco is also a director of Manila Mining Corporation, of Far Southeast Gold Resources, Inc. and of Kalayaan Copper Gold Resources, Inc. He is the Senior Vice President-Treasurer of Manila Mining Corporation 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 Company's Chief Information Officer and the Assistant Corporate Secretary of Manila Mining Corporation and Far Southeast Gold Resources, Inc. She is a Director of Zeus Holdings, Inc. and LIDC.

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 for Human Resource and Administration 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.

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.

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 are pending material legal proceedings 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 case is now pending with the Court of Appeals.

In re an Arbitration between Lepanto Consolidated Mining Company (LCMC) and Far Southeast Gold Resources, Inc. (FSGRI) and the Republic of the Philippines, represented by the Department of Environment and Natural Resources (DENR)

LCMC and FSGRI applied in June 2014 for the renewal of MPSA No. 001-90-CAR. An issue arose as to the applicability of certain provisions of the Indigenous Peoples’ Rights Act to such renewal, which issue has been submitted to arbitration. Pending and in connection with the arbitration proceedings, LCMC and FSGRI (Petitioners) filed a petition for interim reliefs with the Regional Trial Court. On 18 March 2015, the court issued a writ of preliminary injunction, enjoining the respondents DENR, MGB, NCIP and the NCIP Regional Hearing Office- CAR from performing any acts that would (a) disrupt, disturb or impede the operations of Petitioners in the area covered by the MPSA; and acts that would (b) hinder, prevent or delay the Petitioners from exercising their rights and/or from discharging their obligations under the MPSA in any manner whatsoever, until such time that a final and executory award is issued with respect to the arbitration proceedings commenced by the Petitioners; and directing the respondents to perform all acts necessary and proper to maintain and protect the validity and/or enforceability of the Petitioners’ vested rights under the MPSA during the pendency of the13

arbitration proceedings. In a final award dated November 27, 2015, the Arbitral Tribunal ruled that the Free and Prior Informed Consent (FPIC) and Certification Precondition may not be validly imposed as requirements for the renewal of MPSA 001-90, 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 affirmed the final award of the Arbitral Tribunal. The Republic has elevated the matter to the Supreme Court.

Should the case be finally resolved in favor of LCMC and FSGRI, then the renewed MPSA shall in due course be issued by the DENR. Otherwise, LCMC and FSGRI will have to seek the FPIC and Certification Precondition from the IPs/National Commission on Indigenous Peoples.

Lepanto vs. Regina Paz L. Lopez in her capacity as DENR Secretary

Lepanto received on February 14, 2017 an Order of Suspension from Secretary Lopez alleging that Lepanto 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, Lepanto 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. Lepanto 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) Lepanto is given six months from receipt of the decision to implement appropriate mitigating measures and ordered to pay fines of P27,275 to the Mines and Geosciences Bureau and P100,000 to the Environmental Management Bureau; and (ii) The appropriate agency of the DENR is directed to conduct a monthly inspection on Lepanto’s compliance with the decision and to submit a monthly report to the Office of the President regarding the progress of the corrective measures. Lepanto has paid the fines and complied with the said decision.

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 Company'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 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:

2021				
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Subsidiaries				
<i>Receivables</i>				
DDCP	₱49,588	₱135,953	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
LIDC	–	90,013	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
<i>Advances</i>				
FSGRI	–	94,140	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
<i>Payables</i>				
SI	12,971	(171,794)	On demand; noninterest-bearing and collectible in cash	Unsecured, not guaranteed
<i>Rental</i>				
FSGRI	2,244	–	Noninterest-bearing and normally settled on 30-day term	Unsecured, not guaranteed
<i>Services</i>				
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
2020				
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Subsidiaries				
<i>Receivables</i>				
DDCP	₱42,435	₱137,626	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
LIDC	–	89,867	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
FSGRI	2,274	685	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
<i>Advances</i>				
FSGRI	–	94,140	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
<i>Payables</i>				
SI	16,380	(163,768)	On demand; noninterest-bearing and collectible in cash	Unsecured, not guaranteed
<i>Rental</i>				
FSGRI	2,274	–	Noninterest-bearing and normally settled on 30-day term	Unsecured, not guaranteed
<i>Services</i>				
DDCP	42,435	–	Noninterest-bearing and normally settled on 30-day term	Unsecured, not guaranteed
SI	16,380	–	Noninterest-bearing and normally settled on 30-day term	Unsecured, not guaranteed

- 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, 2021 and 2020 are as follows:

2021				
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Associates				
Receivable:				
DMTC	P50	P1,920	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
Payables:				
DMTC (Note 13)	62	(1,532)	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
MMC (Note 13)	–	(32,628)	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
Advances:				
MMC (Note 11)	2,830	10,992	Noninterest-bearing and normally settled on 30-day term	Unsecured, no impairment, not guaranteed
Stockholders				
Payables:				
Various (Note 13)	–	(56,084)	Noninterest-bearing and are normally settled in cash on 30-day term	Unsecured, no guarantee
2020				
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Associates				
Receivable:				
DMTC	P139	P1,861	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
Payables:				
DMTC (Note 13)	62	(15,132)	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
MMC (Note 13)	–	(12,650)	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
Advances:				
MMC (Note 11)	2,672	7,694	Noninterest-bearing and normally settled on 30-day term	Unsecured, no impairment, not guaranteed
Stockholders				
Payables:				
Various (Note 13)	–	(56,084)	Noninterest-bearing and are normally settled in cash on 30-day term	Unsecured, no guarantee

- 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 P493,334 and P550,755 as at December 31, 2021 and 2020, 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 0.33% and 96.19% and 3.47% and nil of the trust fund, respectively, as at December 31, 2021 (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 P117,372 and P49,720 in 2021 and 2020, respectively (see Note 17).

- c. Compensation of key management personnel are as follows:

	2021	2020	2019
Short-term benefits	P51,100	P51,100	P51,100
Post-employment benefits	13,200	13,200	13,200
	P64,300	P64,300	P64,300

Summary Compensation Table

Board of Directors per diem:	Year 2021	Year 2020	Year 2019
Felipe U. Yap	none	40,000	120,000
Bryan U. Yap	none	40,000	120,000
Marilyn V. Aquino	90,000	30,000	80,000
Ray C. Espinosa	100,000	10,000	105,000
Ethelwoldo E. Fernandez	120,000	30,000	155,000
Douglas John Kirwin	120,000	20,000	80,000
Regis V. Puno	110,000	20,000	80,000
Val Antonio B. Suarez	120,000	20,000	100,000
Cresencio C. Yap	90,000	20,000	120,000
	2020 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
	2021 (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	P34.6 million	P31.9 million	P2.7 million
All officers and directors	P51.2 million	P45.3 million	P5.9 million
	2022 (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	P34.6 million	P31.9 million	P2.7 million
All officers and directors	P51.2 million	P45.3 million	P5.9 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.

Voting Trusts and Change in Control

There are no 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.

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 was no plan termination, 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.

***Security Ownership**

Security Ownership of Certain Record and Beneficial Owners

Owners of more than 5% of the Company's securities as of April 30, 2022 (other than PCD) 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	13,592,362,044 12,088,069,379	34.13 45.52	24,616,899,562	38.69
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 April 30, 2022, none of the "A" shares and 13.96% of the "B" shares were held by foreigners.

Security Ownership of Management (April 30, 2022)

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	Filipino	0.64 / 0.51
A & B	Bryan U. Yap	Director / President	970,846,692 / 50,107,284	-do-	2.44 / 0.19
B	Marilyn V. Aquino	Director	23,440,591 / 13,515,060	-do-	0.06 / 0.05
A & B	Douglas John Kirwin	Director	1	Australian	nil
A & B	***Ray C. Espinosa	Director	1,213,447 / 500,000	-do-	nil
A & B	Ethelwoldo E. Fernandez	Director/Corp. Sec.	1,697,900 / 983,659	-do-	0.01/nil
A & B	Regis V. Puno	Director	10,000 -	-do-	nil
A & B	***Val Antonio B. Suarez	Director	1	-do-	nil
A & B	Cresencio C. Yap	Director	12,813,538 / 22,332,961	-do-	0.03 / 0.11
A	Ramon T. Diokno	Chief Finance Officer	953,183 / 333,066	-do-	Nil
A & B	Ma. Lourdes B. Tuason	Vice Pres./Treasurer	23,991,732 / 16,328,419	-do-	0.06 / 0.06
A & B	Odette A. Javier	Vice Pres./Asst Corp Sec	11,965,525 / 5,688,130	-do-	0.03 / 0.02
A & B	Rene F. Chanyungco	Vice President	3,882,141 / 4,568,095	-do-	0.01 / 0.02
A & B	Abigail Y. Ang	Vice President	6,913,351 / 8,542,361	-do-	0.02 / 0.03
A & B	Pablo T. Ayson, Jr.	Vice President	866,516 / 2,720,074	-do-	0.00 / 0.01
A & B	Cherry H. Tan	Asst. Vice President	4,662,880 / 3,130,959	-do-	0.012 / 0.012
A & B	Knestor Jose Y. Godino	Vice Pres./HR	989,090 / 659,693	-do-	nil

A & B	Aggregate as a group		1,318,408,331 / 263,765,314		3.31 / 1.00
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- * - 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 has been no such change since January 2021.

Plan of Operation for 2022

Lepanto will continue producing gold and silver dore from its Victoria and Teresa deposits. The Copper/Gold resources are being reviewed with a view to resuming copper production in the near future. The Company intends to raise P2 Billion within the year, to come from and support an increase in the authorized capital stock from P6,640,000,000 to P9,000,000,000. Proceeds will fund an exploration program targeting copper-gold areas, settlement of liabilities and working capital.

Management's Discussion and Analysis of Financial Condition and Results of Operations for 2021, 2020 and 2019

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**

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.

2019

Consolidated revenues decreased by 3% from ₱2.12 billion in 2018 to ₱2.05 billion. Consolidated net loss was ₱1,027 billion versus last year's loss of ₱775.0 million as explained below.

MINING OPERATIONS

Metal sales decreased slightly from ₱2.1 billion to ₱2.04 billion this year. Gold production decreased to 25,958 oz. from last year's 28,147 oz. due to the lower gold grade, 1.68 g/t vs. 2.03 g/t. Silver production decreased to 86,888 oz. from 87,365 oz. Copper production decreased from 3,171,060 lbs to 2,912,623 lbs. Average gold price went up from US\$1,261.59/oz. to US\$1,381.21/oz. and silver price, from US\$15.65/oz. to US\$16.05/oz. Average copper price dropped from US\$2.96/lb to US\$2.72/lb. The Peso was stronger vs. the US\$, ₱51.84/ US\$1 compared with last year's ₱52.72/ US\$1.

Mine deliveries increased from 564,601 tonnes to 685,779 tonnes; total mine cost however decreased by ₱102.8 million as the development cost (which in prior years was immediately expensed) was amortized. Milling cost increased by ₱35.0 million as milled tonnage increased by 18%. Production tax decreased by P3 million due to the lower gold production. Depreciation rose by ₱6.1 million due to the mill retrofit project. Marketing expenses increased by ₱0.93 million in relation to the marketing, handling and assaying of copper – gold concentrate.

Administration costs remained flat at ₱ 166.0 million.

Other income totaled ₱4.0 million from sale of by - products, compared with last year's ₱5.0 million representing sale of scrap.

Net loss amounted to ₱977.8 million against last year's net loss of ₱800 million.

BALANCE SHEET MOVEMENTS

Cash on hand and in banks decreased to ₱62.6 million from ₱123.6 million on account of capital expenditures and exploration and payment of borrowings. Receivables went up to ₱71.1 million from ₱42.3 million. Parts and supplies inventories decreased to ₱524.5 million from ₱585.9 million due to decrease in materials and supplies requirement and the increase in allowance for obsolescence of a subsidiary. Advances to suppliers and contractors went up to ₱225.9 million from ₱206.0 million.

Assets-For-Sale (AFS) decreased to ₱161.9 million from ₱212.0 million mainly due to disposal of financial assets. Other current assets increased to ₱938.4 million from ₱780.3 due to prepaid and unamortized development cost.

Trade Payables and Accrued Expenses increased to ₱1,780.0 million from ₱1,382.1 million on account of materials and supplies purchased. Short-term and long-term borrowings decreased by ₱40.0 million and ₱14.2 million, respectively, due to loan settlements. Income tax payable increased to P0.6 million from P0.4 million in relation to income earned by a subsidiary.

Retirement benefit liability went up by ₱0.79 million to ₱1,205.8 million following a re-measurement of the retirement liability.

Re-measurement loss on retirement liability was ₱4.7 million compared with a gain of ₱41.0 million last year due to a change in actuarial assumption pursuant to Philippine Accounting Standards 19. Unrealized gain on AFS financial assets decreased to ₱58.6 million from ₱61.3 million due to the sale of a financial asset. A gain of ₱23.0 million from the sale of AFS was recognized in the Retained Earnings pursuant to PFRS 9 on Financial Instruments. Deficit climbed to ₱5.17 billion from ₱4.18 billion on account of the consolidated loss for the year.

CAPITAL EXPENDITURES

Total capital expenditures for the year reached ₱873.4 million consisting of: mine development, ₱287.5 million; mine exploration, ₱310.6 million; TSF 5A maintenance, ₱7.7 million; and machineries, equipment and other depreciable assets, ₱267.6 million.

SUBSIDIARIES

Net Income is the key performance indicator used for the subsidiaries.

DIAMOND DRILLING CORPORATION OF THE PHILIPPINES (DDCP)

Gross revenue decreased by 92.1% to ₱12.9 million as there were no drilling projects during the first three quarters of 2019. A net loss of ₱47.5 million was incurred versus last year's net income of ₱25.2.

LEPANTO INVESTMENT AND DEVELOPMENT CORPORATION (LIDC)

Lepanto Investment and Development Corporation reported a net loss of P0.16 million compared with last year's net loss of P0.31 million.

SHIPSIDE, INCORPORATED (SSI)

Total revenue increased to ₱37.1 million from ₱35.9 million last year. SSI posted a net income of ₱3.3 million, up from last year's P2.9 million.

FAR SOUTHEAST GOLD RESOURCES, INC. (FSGRI)

This year's net income amounted to ₱0.68 million compared to last year's ₱4.2 million on account of scrap sales.

* - KEY PERFORMANCE INDICATORS-LCMC (applicable to the period 2019-2021)

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.

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.

Financial Statements

Attached as Exhibit "A" hereof, are the Company's Audited Financial Statements for 2021 covered by the Statement of Management's Responsibility and the Auditor's Report signed by Ms. Eleanore A. Layug, with the following exhibits:

- Exhibits "B" - Schedule A - Financial Assets
- "C" - Schedule B - Amounts Receivable from Directors, Officers, etc.
- "D" - Schedule C - Amounts Receivable from Related Parties
- "E" - Schedule D - Intangible Assets – Other Assets
- "F" - Schedule E - Long-Term Debt
- "G" - Schedule F - Indebtedness to Related Parties
- "H" - Schedule G - Guarantees of Securities of Other Issuers
- "I" - Schedule H - Capital Stock

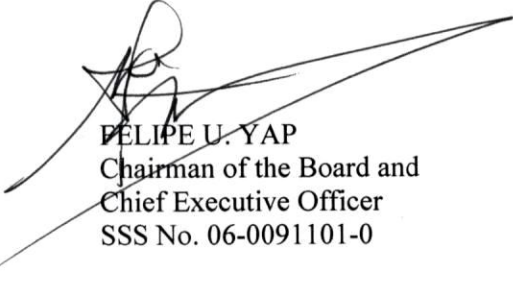
Reports on Form 17-C


<u>Date of Report</u>	<u>Subject</u>
February 15, 2021	Setting of Annual Stockholders' Meeting
March 15, 2020	Retention of Independent Directors
March 22, 2021	Postponement of the ASM
April 19, 2021	New date for ASM
May 24, 2021	Postponement of the ASM
July 19, 2021	Promotion of Legal Manager to Vice President
Aug. 16, 2021	New Date for Annual Stockholders' Meeting and Revision of ASM Agenda
Sept. 20, 2021	Results of the Annual Stockholders' Meeting
Oct. 18, 2021	Results of the Organizational Meeting
Nov. 15, 2021	Adjourned Stockholders' Meeting
Nov. 26, 2021	Postponement of the continuation of the adjourned stockholders' meeting


SIGNATURES


Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in Makati City on May 16, 2022.

Lepanto Consolidated Mining Company
Issuer


FELIPE U. YAP
Chairman of the Board and
Chief Executive Officer
SSS No. 06-0091101-0


BRYAN U. YAP
President and
Chief Operating Officer
SSS No. 33-3067339-5


RAMON T. DIOKNO
Chief Finance Officer
SSS No. 03-2133095-4


ODETTE A. JAVIER
Vice President/ Asst. Corp. Secretary
SSS No. 03-7641344-4

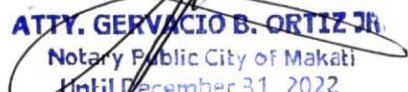

CLAUDE MARK A. IMBAT
Chief Accountant
SSS No. 01-14137254

MAKATI CITY

MAY 16 2022

SUBSCRIBED AND SWORN TO before me this 16th day of May 2022 at Makati City, affiant, who are personally known to me, exhibiting to me their SSS ID nos. indicated above.

Doc. No. 71:
Page No. 16:
Book No. XII:
Series of 2022.


ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2022
IBP No. 05729-Lifetime Member
MCLE Compliance No. VI-0024312
Appointment No. M-82-(2021-2022)
PTR No. 8852511 Jan. 3, 2022
Makati City Roll No. 40091
101 Urbah Ave. Campos Rueda Bldg
Brgy. Pio Del Pilar, Makati City

2021 SUSTAINABILITY REPORT

Lepanto Consolidated Mining Company has been a proud resident of Mankayan, Benguet since 1936. The municipality of Mankayan grew and developed alongside Lepanto, achieving first-class municipality status largely on account of Lepanto's operations and community development initiatives. Lepanto is guided by its Vision-Mission:

To be a global Filipino mining company by attaining world-class capabilities and becoming a corporate model in the fulfillment of social responsibilities.

We shall turn this vision into reality through the efforts of highly motivated, committed, and competent employees who:

- continually explore and develop ore reserves
- optimize metal production through cost-efficient operations
- maintain outstanding safety records and ensure responsible environmental stewardship
- foster mutually beneficial partnership with host communities
- exhibit initiative and decisiveness.

Reinforcing its commitment to environmental stewardship, Lepanto adopted an Environmental Policy in 2015 which was revised in 2018 as follows:

We commit to become a model of a socially responsible mining organization through the effective implementation of our Environmental Management System.

We commit to protect, keep sustainable and enhance our environment, minimize the impact of our operations thereon and continually improve our environmental management system performance by:

- Ensuring compliance with all applicable environmental compliance obligations and industry standards;
- Promoting environmental management system awareness to all interested parties through an effective information, education and communication strategy and program;
- Fostering sustainable, effective and responsible use of resources, conservation of biodiversity and effective means of pollution prevention, including tailings storage facility and-waste management ; and
- Enhancing the organizational capability and employees' competencies towards environmentally responsible and efficient operations

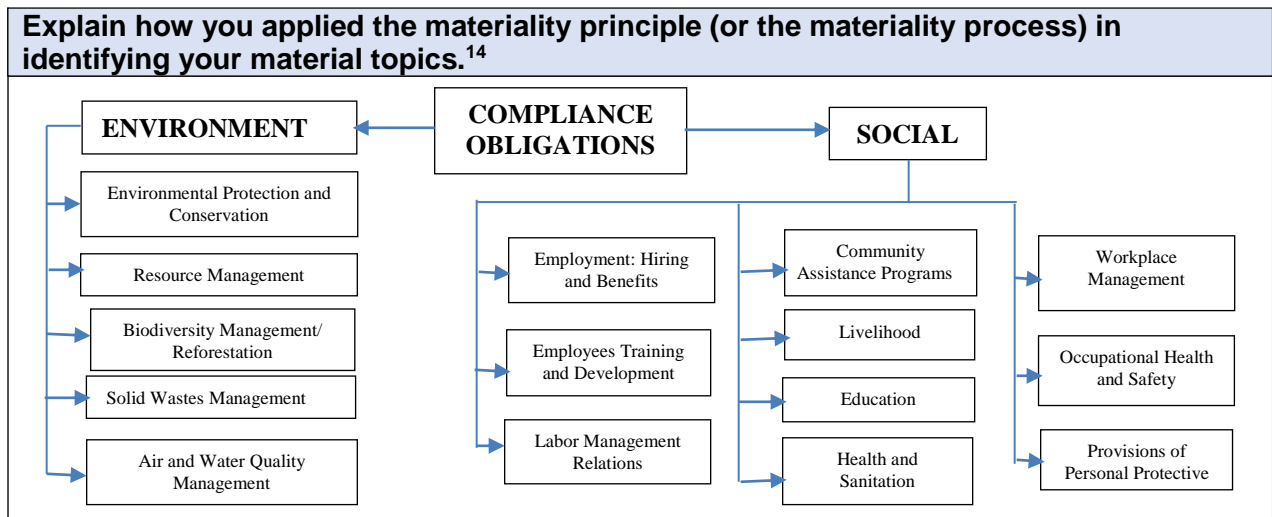
We further commit to consistently implement, measure, monitor, review and continually improve our environmental management system and performance to achieve the foregoing objectives.

The report below illustrates how Lepanto has lived up to its commitment.

Contextual Information

Company Details	
Name of Organization	<i>LEPANTO CONSOLIDATED MINING COMPANY</i>
Location of Headquarters	<i>21F, Lepanto Building, 8747 Paseo de Roxas, Makati City</i>
Location of Operations	<i>Mankayan, Benguet</i>
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	<i>No subsidiaries included</i>
Business Model, including Primary Activities, Brands, Products, and Services	<i>Mining of gold, copper, and silver</i>
Reporting Period	<i>2021</i>
Highest Ranking Person responsible for this report	<i>ODETTE A. JAVIER, VP/ Asst. Corporate Secretary KNESTOR JOSE Y. GODINO, VP-Human Resource, Training and Administration</i>

Materiality Process



ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	1,567,004,288.00	PhP
Direct economic value distributed:		
a. Operating costs	1,561,862,611.73	PhP
b. Employee wages and benefits	490,939,689.27	PhP
c. Payments to suppliers, other operating costs	1,234,922,737.60	Php
d. Dividends given to stockholders and interest payments to loan providers	10,410,288.61	PhP
e. Taxes given to government	114,435,739.28	PhP
f. Investments to community (e.g. donations, CSR)	26,397,170.76	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Impact on cash flow, relationships with employees, suppliers and other stakeholders.</i>	<i>Employees, shareholders, suppliers, service providers, community, government</i>	<i>Continuous exploration efforts to support long-term mine life plan; Annual business planning and budgeting to sustain business operations and ensure ROI;</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Tight cash flow</i>	<i>employees, shareholders, suppliers, service providers, community, government</i>	<i>Cost Management program; Evaluation of the effectiveness of the business plan/mining plan; Company-wide Resources Management</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Opportunities to streamline operations and rationalize expenses.</i>	<i>Employees, community and stakeholders</i>	Monitoring

Climate-related risks and opportunities¹⁵

Governance	Strategy	Risk Management	Metrics and Targets
<i>Disclose the organization's governance around climate-related risks and opportunities</i>	<i>Disclose the actual and potential impacts¹⁶ of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.</i>	<i>Disclose how the organization identifies, assesses, and manages climate-related risks</i>	<i>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</i>
<p><i>Under the oversight of our Board of Directors and leadership of our senior management, the Company is committed to fostering an effective and efficient risk and control environment. Matters related to climate change are an essential component of our sustainability strategy.</i></p> <p><i>The senior management and functional unit heads are tasked to oversee a range of environmental, social and compliance obligation matters. It includes managing the environmental impacts of the operations, resource management and the resilience to potential business disruptions, including extreme weather or other events that could be caused or exacerbated by climate change.</i></p>	<p><i>Penalties will be incurred for non-compliance with government standards. Strategies include-</i></p> <p><i>Monthly monitoring of organizational and departmental environmental objectives and plans.</i></p> <p><i>Quarterly company-wide evaluation of compliance</i></p> <p><i>Annual Environmental Management Review</i></p> <p><i>Maintenance of ISO 14001 certification which requires yearly follow-up audit by a third-party certification body.</i></p> <p><i>Massive information, education and communication (IEC) programs for all interested parties.</i></p> <p><i>Continuous implementation of environment-related programs such as -</i></p>	<p><i>Yearly review and assessment of risks and opportunities including evaluation of effectiveness of the implementation and results.</i></p> <p><i>SWOT analysis and Environmental Aspects and Impacts (EAI) Assessment are used as tools.</i></p> <p><i>Identified risks and significant impacts form part of the departmental plans and control mechanisms must be identified and implemented.</i></p> <p><i>The company established an Engineered Sanitary Landfill (ESL) at the camp site. Segregation of solid wastes is implemented within camp site. Only residual wastes go to the</i></p>	<p><i>Ensure full compliance with all applicable laws, industry standards and other legal requirements.</i></p> <p><i>Metrics :</i></p> <p><i>Compliance Rate (actual/total)</i></p> <p><i>2. Implementation of environmental awareness program among employees, contractors, suppliers and community members</i></p> <p><i>Metrics : Program implementation Rate (actual/planned programs)</i></p> <p><i>3. Foster sustainable use of resources, effective waste management and pollution control :</i></p>

	<i>Company-wide Energy Conservation Program; Reforestation/Tree-Planting Program; Solid Waste Management and wastes Segregation Program; Reuse-Reduce-Recycle Projects; Reforestation and tree planting are being done at the decommissioned and open areas within camp.</i>	<i>Engineered Sanitary Landfill and recyclable/reusable wastes are collected at clustered Materials Recovery Facility.</i> <i>A 3rd party service provider is contracted for the hauling, disposal and treatment of generated hazardous wastes.</i>	
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PROCUREMENT PRACTICES

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers		60-65%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Business output and job generation</i>	<i>Over 200 suppliers</i>	<i>We have a Suppliers' Handbook which serves as the framework of our relationship with the suppliers</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Operational downtime</i>	<i>Employees and suppliers</i>	<i>Regular monitoring of targets and communication with stakeholders</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Improve competency and operational efficiency</i> <i>Promote awareness and adherence to Lepanto's Environmental Policy</i>	<i>Employees and suppliers</i>	<i>Suppliers handbook</i>

Anti-corruption Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	1,200	65%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	All suppliers and service providers	100 %
Percentage of directors and management that have received anti-corruption training	9	100%
Percentage of employees that have received anti-corruption training	1200	65%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Impact on cost of production or cost of doing business and the morale of employees; occurs in the supply chain.</i>	<i>Shareholders, employees, suppliers</i>	<i>Whistleblower policy Conflict of Interest Policy Related Party Transactions Policy Code of Conduct and Business Ethics Suppliers Handbook</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Dishonesty in the procurement process affects cost of production, profitability, and morale of the employees.</i>	<i>Shareholders, employees, suppliers, government</i>	<i>Whistleblower policy Conflict of Interest Policy Related Party Transactions Policy Code of Conduct and Business Ethics Suppliers Handbook</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Measures to prevent corruption help bring down cost of doing business and improve quality of materials</i>	<i>Shareholders, employees, suppliers</i>	<i>Code of Conduct and Business Ethics Suppliers Handbook</i>

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	zero	zero
Number of incidents in which employees were dismissed or disciplined for corruption	zero	zero
Number of incidents when contracts with business partners were terminated due to incidents of corruption	zero	zero

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Morale of employees</i>	<i>Employees and suppliers</i>	<i>We have policies in place, as enumerated above.</i>

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	0	GJ
Energy consumption (gasoline)	80.41	GJ
Energy consumption (LPG)	430.85	GJ
Energy consumption (diesel)	51,132.45	GJ
Energy consumption (electricity)	149,174.90	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy usage (gasoline)	39.27	GJ
Energy usage (LPG)	193.39	GJ
Energy usage (diesel)	3,865.79	GJ
Energy usage (electricity)	7,935.76	kWh

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach

<i>Impact is on mining operations. Consumption of these items directly impact the Company's cost.</i>	<i>Stockholders, employees, suppliers and community</i>	<i>Lepanto pursued the ISO:14001: Environmental Management System Certification and is now ISO: 14001 Certified and continuously being monitored by the Environmental Regulatory bodies for its compliance.</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Following are the identified risks associated with using electricity, Diesoline and Gasoline; Resource Depletion Electric generation may cause air pollution and water contamination High cost</i>	<i>The company, employees, suppliers and community</i>	<i>Implementation of applicable Energy Conservation Programs; Close monitoring of resources consumption</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Use of alternative sources of energy Innovations in use of energy</i>	<i>Employees and community</i>	<i>Promote acquisition of energy-efficient equipment (motors) Support Trainings and Seminars re: Energy Efficiency Technology Incorporation of energy efficiency in the plans/designs of retrofit activities.</i>

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	2,996,868	Cubic Meters
Water consumption	1,281,861	Cubic Meters
Water recycled and reused	731,715	Cubic Meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
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Materials used by the organization

Disclosure		Quantity	Units
Materials used by weight or volume			
Renewable: Lumber Paper		417,838	Board feet
		1,068	Ream
Non-renewable Explosives Lime Sodium Metabisulfite		355,923	Kg
		5,328,568	Kg
		857,575	Kg
Percentage of recycled input materials used to manufacture the organization's primary products and services		<i>The determination of exact figure is not possible because these are integral part of the over-all process.</i>	%
What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach	
<i>Mining operations and cost</i>	<i>stockholders, employees, suppliers, community</i>	<i>Lepanto recycles and repurposes materials whenever possible.</i>	
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach	
<i>Resource depletion and cost</i>	<i>Suppliers, stockholders, employees, suppliers, community</i>	<i>Monitoring and evaluation of material usage against set parameters (e.g. tons broken or meters advanced for the mine, and tons milled for the mill) are done on a monthly basis.</i>	
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach	

<i>Use of new technology to reduce usage</i>	<i>stockholders, employees, suppliers, community</i>	<i>Research and development for continuous improvement cost management</i>
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Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	4,171.21	Has.
Habitats protected or restored	4,171.21	Has.
IUCN ¹⁷ Red List species and national conservation list species with habitats in areas affected by operations	No identified species included in the Red Book List	

¹⁷ International Union for Conservation of Nature

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>There are no declared protected areas within the camp area.</i>	NA	NA

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	<i>Diesel:</i> 3,260.49 <i>Gasoline:</i> 2.8	Tonnes CO ₂ e
Energy indirect (Scope 2) GHG Emissions	<i>No data available</i>	Tonnes CO ₂ e
Emissions of ozone-depleting substances (ODS)	<i>There are no substantial emission sources of ozone depleting substances.</i>	N/A
What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Mining operations and cost</i>	stockholders,	<i>Pollution Control Program</i>

	employees, suppliers, community	
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Air pollution Complaints from community</i>	<i>stockholders, employees, suppliers, community.</i>	<i>Lepanto initiated a program to monitor and regularly report direct greenhouse gas emissions of its mining operation.</i> <i>Greening of the area through reforestation help neutralize effect of gas emissions.</i> <i>Information, Education and Communication program</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Optimized the design of the plants and selection of efficient equipment and fixtures.</i>	<i>stockholders, employees, suppliers, community.</i>	<i>Pollution Control Program Preventive Maintenance Program</i>

Air pollutants

Disclosure	Quantity	Units
NO _x SWA-8 No. 1 SWA-8 No. 3 SW-VEE 12 No. 1 SW-VEE 12 No. 2	within allowable limits	mg/Nm ³
Sox SWA-8 No. 1 SWA-8 No. 3 SW-VEE 12 No. 1 SW-VEE 12 No. 2	<i>within allowable limits</i>	mg/Nm ³
Persistent organic pollutants (POPs)	<i>Not required to monitor as per issued permit.</i>	mg/Nm ³
Volatile organic compounds (VOCs)		kg
Hazardous air pollutants (HAPs)		kg
Particulate matter (PM) SWA-8 No. 1 SWA-8 No. 3 SW-VEE 12 No. 1	<i>within allowable limits</i>	Mg/Nm ³

SW-VEE 12 No. 2		
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What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Mining operations and cost</i>	<i>stockholders, employees, suppliers, community</i>	<i>Pollution Control Program</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Air pollution Complaints from Community</i>	<i>stockholders, employees, suppliers, community</i>	<i>Pollution Control Program.</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Use of new technology</i>	<i>stockholders, employees, suppliers, community</i>	<i>Pollution Control Program</i>

Solid and Hazardous Wastes
Solid Waste

Disclosure	Quantity	Units
Total solid waste generated		kg
Reusable and Recyclable	139,817.5	kg
Composted	No data available	kg
Incinerated	Not practiced	kg
Residuals/Landfilled	83,148	kg
What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Solid wastes come mostly from households, institutions and business areas within the mining camp.</i>	<i>employees and community</i>	<i>Only residual wastes go to the Engineered Sanitary Landfill and recyclable/reusable wastes are collected at clustered Materials Recovery Facility.</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach

<i>Complaints from community Contamination and pollution</i>	<i>Employees and community</i>	<i>Segregation at source</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Reduce cost through recycling; use of technology and engineering expertise</i>	<i>Employees and communities</i>	<i>To further reduce sources of wastes, the company implemented a ban on the use of plastic bags, plastic straws, and Styrofoam containers inside the camp. The company is looking to other technologies to further manage solid waste like the introduction of eco-compostable receptacle.</i>

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	41,514.25	kg
Total weight of hazardous waste transported	12,218.00	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Mining operations and cost</i>	<i>Employees, third-party service providers and community</i>	<i>Each type of waste is recorded and precisely analyzed and described. Proper disposal is ensured through the services of DENR accredited facilities. With the high cost associated with hazardous waste transport, disposal and treatment, the company is looking into waste minimization.</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach

<i>Contamination and pollution</i>	<i>Employees and community</i>	<i>Proper disposal; With the high cost associated with hazardous waste transport, disposal and treatment, the company is working at waste minimization.</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Research for alternative products and services</i>	<i>Employees, third-party service providers and community</i>	<i>Green Procurement</i>

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	54,051	Cubic meters
Percent of wastewater recycled	50.42	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Mining operations and cost</i>	<i>Employees, government and community</i>	<i>At Lepanto, wastewater is subjected to multi-stage chemical-physical treatment before release to the receiving water bodies. Regular monitoring, both in-house and through a 3rd party service provider, is performed to ensure that the effluent conforms to national standards.</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>water pollution</i>	<i>Employees, government and community</i>	<i>monitoring and compliance with government standards</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach

<i>Use of technology for cost-efficient water treatment</i>	<i>Shareholders, employees</i>	<i>Research and development activities are undertaken provide new and efficient solutions (in terms of cost and results)</i> <i>R & D activities include process improvement and use of others reagents</i>
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Environmental compliance

Disclosure	Quantity	Unit
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	<i>No fines paid for the year</i>	NA
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	<i>No violations for the year</i>	NA
No. of cases resolved through dispute resolution mechanism	none	NA

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>mining operations and cost</i>	<i>Management, employees, and third party service providers</i>	<i>ISO 14001-2015-certified EMS</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>penalties</i>	<i>Management, shareholders, employees, and third party service providers</i>	<i>Quarterly evaluation of compliance.</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Company-wide adherence to the Environmental Management System and continuous improvement.</i>	<i>Management and employees</i>	<i>Regular monitoring of compliance obligations.</i>

SOCIAL

Employee Management Employee Hiring and Benefits Employee data

Disclosure	Quantity	Units
Total number of employees ¹⁸	1723	persons
a. Number of female employees	149	
b. Number of male employees	1574	
Attrition rate ¹⁹	2.51%	rate
Ratio of lowest paid employee against minimum wage	1.05:1	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	7.44%	10.23%
PhilHealth	Y	12.34%	22.52%
Pag-ibig	Y	4.13%	1.62%
Parental leaves	Y	8.26%	1.81%
Vacation leaves	Y	99%	99%
Sick leaves	Y	1.65%	70.16%
Medical benefits (aside from PhilHealth))	Y	100%	100%
Housing assistance (aside from Pag-ibig)	Y	66.16%	57.91%
Retirement fund (aside from SSS)	Y	.83%	2.00%
Further education support	Y	0.00%	0.00%
Company stock options	N		
Telecommuting	N		
Flexible-working Hours	N		
(Others)			

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Motivation, performance and well-being of employees Retention	<ul style="list-style-type: none"> • Compliance with the labor standards • Benchmarking of compensation and benefits within and across industries • Providing health care, medicine allowance and group life insurance • Promotion of work-life balance • Offering an attractive retirement benefit

¹⁸ Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)

¹⁹ Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

What are the Risk/s Identified?	Management Approach
<i>Overly-strict government regulations and permitting requirements on mining operations</i> <i>Few students interested to build a career in mining</i> <i>Few schools offering mining courses</i> <i>Talent flight risk</i>	<i>Full compliance with government regulations</i> <i>Labor-management cooperation approach</i>
What are the Opportunity/ies Identified?	Management Approach
<i>Talent retention</i>	<i>A more extensive communication campaign to better inform the public of responsible mining</i> <i>Competency development</i>

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	4,662	hours
b. Male employees	25,371	hours
Average training hours provided to employees		
a. Female employees	20.3	hours/ employee
b. Male employees	35.65	hours/ employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Employee competency and performance</i>	<i>Employee competency and development</i>
What are the Risk/s Identified?	Management Approach
<i>Talent Flight Risk</i> <i>Cost</i>	<i>Talent and Succession Management Strategy</i> <i>In-house training</i>
What are the Opportunity/ies Identified?	Management Approach

<i>Present career and development opportunities within the organization Availment of online training courses</i>	<i>Holistic training approach; Use of Technology</i>
--	--

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	85.71	%
Number of consultations conducted with employees concerning employee-related policies	8	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Employee productivity</i> <i>Labor-management relationship</i>	<i>CBA administration</i> <i>Labor-management Cooperation approach</i>
What are the Risk/s Identified?	Management Approach
<i>Deadlock in negotiation</i>	<i>Building of trust</i>
What are the Opportunity/ies Identified?	Management Approach
<i>Human Resource programs</i>	<i>Open-door policy</i>

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	7.26	%
% of male workers in the workforce	92.74	%
Number of employees from indigenous communities and/or vulnerable sector*	1,263 (76%)	#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
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<i>Hiring and performance</i>	<i>While the industry by its nature is male-dominated, the females get equal opportunity in employment and in occupying leadership roles. The executive team is composed of 40% female. Prioritization of local community members and indigenous peoples in hiring.</i>
What are the Risk/s Identified?	Management Approach
<i>Culture fit</i>	<i>Integration Program</i>
What are the Opportunity/ies Identified?	Management Approach
<i>Wider labor market</i>	<i>Engagement programs to promote diversity</i>

Workplace Conditions, Labor Standards, and Human Rights
Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	LCMC only = 3,958,933 LCMC + Contractors = 4,897,987	Man-hours
No. of work-related injuries	7	#
No. of work-related fatalities	2	#
No. of work related ill-health	0	#
No. of safety drills	17	#
What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach	
<i>Employees' welfare</i>	<i>Implementation of safety programs and compliance with health and safety standards</i>	
What are the Risk/s Identified?	Management Approach	
<i>Increase in Lost-time incidents</i>	<i>Safety inspections</i>	
What are the Opportunity/ies Identified?	Management Approach	
<i>Improve productivity through health and safety standards</i>	Recognition of safety performance	

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallow violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	<i>Recruitment Policy</i>
Child labor	Y	<i>Recruitment Policy</i>
Human Rights	Y	<i>Code of Conduct</i>
What is the impact and where does it occur? What is the organization's involvement in the impact?		Management Approach
N/A		<i>Pls see above policies; compliance with labor laws</i>

Supply Chain Management

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	Y	<i>Under Section 1.1.5.4 of the Supplier Accreditation Guideline; LCMC Supplier Handbook – under Supplier Responsibility Section II. Environmental Compliance</i>
Forced labor	Y	
Child labor	Y	
Human rights	Y	
Bribery and corruption	Y	<i>LCMC Supplier Handbook – under Supplier Responsibility Section I. Code of Conduct</i>

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Supply chain</i>	<i>Adoption and implementation of the Suppliers Accreditation Guideline.</i>
What are the Risk/s Identified?	Management Approach
<i>Non-cooperation of some suppliers which can delay procurement.</i>	<i>Prepare a timeline schedule for each material to avoid unavailability and not to hamper the company's operations.</i>
What are the Opportunity/ies Identified?	Management Approach
<i>Encourage the suppliers to comply with the Suppliers Accreditation Policy.</i>	Coordination/dialogue with suppliers

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that is of or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
A. Development of Host & Neighboring Communities					
<i>1. Infrastructure</i>	<i>Host and neighboring communities</i>	<i>Senior Citizens</i>	<i>Y</i>	<i>Constant dialogue Provision of social development projects</i>	<i>Maintain good relationship with the LGUs, communities, contractors & other stakeholders.</i>
<i>2. Education</i>	<i>Host and neighboring communities</i>	<i>children</i>	<i>Y</i>	<i>Provision of financial assistance per semester or per request</i>	<i>Provision of school bus services, library, computers, scholarships (Lepanto Educational Assistance Program)</i>
<i>3. Livelihood</i>	<i>Host Community</i>	<i>Women's group and solo parents</i>	<i>Y</i>	<i>Provision of livelihood projects</i>	<i>Technical assistance to the recipients i.e. project proposals / feasibility study / trainings</i>
<i>4. Health</i>	<i>Host Community</i>	<i>Persons with disability (PWD)</i>	<i>Y</i>	<i>Only one barangay identified this as a priority</i>	<i>Provide health services to indigent families &</i>

					<i>PWDs.</i>
<i>5. Peace and Order</i>	<i>Host Community</i>	<i>N/A</i>	<i>Y</i>	<i>Only one barangay identified this as a priority</i>	<i>Continuous program</i>
B. Information, Education and Communication					
<i>1. Community Immersion</i>	<i>Host and neighboring communities</i>	<i>PWD, Women's group & senior citizens</i>	<i>Y</i>	<i>Communities should feel the presence of Lepanto</i>	<i>Continuous program</i>
<i>2. Community meetings</i>	<i>Host and neighboring communities</i>	<i>Women's group, solo parents, PWD, senior citizens</i>	<i>Y</i>	<i>Communities need to be informed.</i>	<i>Continuous activities</i>
<i>3. SDMP updates & planning</i>	<i>Host and neighboring communities</i>	<i>Women's group, solo parents, PWD, senior citizens</i>	<i>Y</i>	<i>Communities need to be updated and participate in SDMP planning</i>	<i>Continuous program</i>
<i>4. IEC materials</i>	<i>Host and neighboring communities</i>	<i>Women's group, solo parents, PWD, senior citizens, youth, children, migrants</i>	<i>Y</i>	<i>Host & neighboring communities & other stakeholders must be informed of the company's programs & activities</i>	<i>Continues IEC program</i>
C. Development of Mining Technology and Geosciences					
<i>1. Full Scholarship</i>	<i>Host community</i>	<i>N/A</i>	<i>Y</i>	<i>Qualified students from the Host and neighboring communities</i>	<i>Continuous program for deserving students</i>
<i>2. Datashed</i>	<i>Host community</i>	<i>N/A</i>	<i>Y</i>		

3. Trainings, seminars, workshops	Host and neighboring communities	N/A	Y	Employees development and advancement of skills and technologies	Continuous program for LCMC employees, contractors,
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Certificates		Quantity	Units
FPIC process		0	
CP secured		Not Applicable	
What are the Risk/s Identified?		Management Approach	
<i>Applicability of the FPIC process to the renewal of MPSA 001-90-CAR is subject of a court case.</i>		<i>Lepanto and co-contractor Far Southeast Gold Resources, Inc. obtained a final award in 2015 from an arbitral tribunal confirming that the Free and Prior Informed Consent and Certification Precondition requirements under the Indigenous Peoples' Rights' Act may not be validly imposed as requirements for the renewal of MPSA 001-90-CAR, 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 has elevated the matter to the Supreme Court where it remains pending.</i>	
What are the Opportunity/ies Identified?		Management Approach	
Clarification of whether there is need for FPIC for renewal of a pre-existing MPSA		<i>Pls. see above</i>	

Customer Management/Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction		No

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Timely shipment Our customers are the buyers of our copper concentrate and gold dore.</i>	<i>Good relationship with buyers</i>
What are the Risk/s Identified?	Management Approach
<i>Weather disturbances affect shipment date.</i>	<i>Good planning Quality control</i>
What are the Opportunity/ies Identified?	Management Approach
<i>Continuous improvement of sampling and assaying of data</i>	<i>Quality Control</i>

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	0	#
No. of complaints addressed	0	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Impact is on relationship with the customers.</i>	<i>Incorporation of Data Privacy notices in contracts and forms</i>
What are the Risk/s Identified?	Management Approach
<i>Data breach</i>	<i>Privacy Risk Assessment Compliance Monitoring Physical and Technical security measures Recovery and restoration measures</i>
What are the Opportunity/ies Identified?	Management Approach
<i>Employees become more professional in handling information</i>	<i>Compliance Monitoring Physical and Technical security measures</i>

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	None	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<p><i>Impact is on the company's image. It occurs in the operations, supply chain, and transactions with service providers, stockholders, and employees.</i></p> <p><i>We process information relating to prospective and current employees, retirees and shareholders.</i></p>	<p><i>Data Privacy manual /guidelines;</i></p> <p><i>Appropriate orientation at head office, mine site and other units;</i></p> <p><i>Incorporation of Data Privacy notices in contracts and forms</i></p>
What are the Risk/s Identified?	Management Approach
<i>Data Breach</i>	<p><i>Privacy Risk Assessment</i></p> <p><i>Compliance Monitoring</i></p> <p><i>Physical and Technical security measures</i></p> <p><i>Recovery and restoration measures</i></p>
What are the Opportunity/ies Identified?	Management Approach
<p><i>Enhancement of data protection measures</i></p> <p><i>Instill discipline and responsible use of information among employees</i></p>	Follow-up and continuous improvement



LEPANTO CONSOLIDATED MINING CO.

Lepanto Building, 8747 Paseo de Roxas, 1226 City of Makati, Philippines

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, 2021 and 2020**, 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.

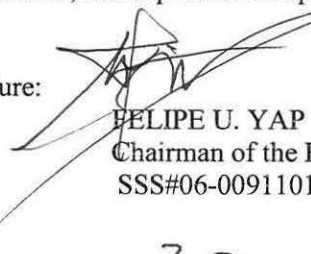
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidated the Company or to 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.

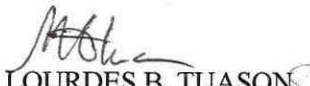
Signature:


PELIPE U. YAP
Chairman of the Board and Chief Executive Officer
SSS#06-0091101-0

Signature:


BRYAN U. YAP
President and Chief Operating Officer
SSS#33-3067339-5

Signature:


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

MAKATI CITY

MAY 13 2022

SUBSCRIBED AND SWORN TO before me this ____ day of ____ 2022 at Makati City, affiant exhibiting to me their SSS ID nos. indicated above.

Doc. No. *221*

Page No. *46*

Book No. *XII*

Series of *2022*

ATTY. GERVACIO B. ORTIZ JR.

Notary Public City of Makati

Until December 31, 2022

IBP No. 05729-Lifetime Member

MCLE Compliance No. VI-0024312

Appointment No. M-82-(2021-2022)

PTR No. 8852511 Jan. 3, 2022

Makati City Roll No. 40091

101 Urbah Ave. Campos Rueda Bldg.

Brgy. Pio Del Pilar, Makati City

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	0	1							
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COMPANY NAME

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
M	P	A	N	Y				A	N	D				S	U	B	S	I	D	I	A	R	I	E	S				

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

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P	a	s	e	o		d	e		R	o	x	a	s	,		M	a	k	a	t	i		C	i	t	y			

Form Type

A	C	F	S
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Department requiring the report

C	R	M	
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Secondary License Type, If Applicable

N	/	A	
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COMPANY INFORMATION

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)
27,736	06/21	12/31

CONTACT PERSON INFORMATIONThe 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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021, 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 ₱514.6 million, ₱751.0 million and ₱1,027.4 million in 2021, 2020 and 2019, respectively, resulting in deficit of ₱6,446.4 million and ₱5,924.1 million as of December 31, 2021 and 2020, respectively. As of December 31, 2021, and 2020, the Group's current liabilities exceeded its total assets by ₱1,356.9 million and ₱995.1 million, respectively.

The consolidated financial statements have been prepared on a going concern basis. The 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 such as estimated future cash flows, forecasted results and margins from operations, that are subject to higher level of estimation uncertainty, and the feasibility of the Group's financing activities. 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 Notes 1 and 3 to the consolidated financial statements.

Audit Response

We obtained an understanding of management's going concern assessment, taking into consideration the current business environment and the Group's recovery plans. We evaluated the key assumptions, such as the forecasted revenues and operating costs, 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 and experience, 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 documents, such as minutes of meetings, letters and correspondence with external parties, on management's actions to raise capital through loans, private placements and/or stock rights offering, and deferral of payments on current liabilities. We reviewed events that transpired up to date of our report which may have an impact on the Group's 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 ₱6.4 billion, which includes mine and mining properties of ₱5.1 billion as at December 31, 2021, 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, 2021. 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, 2021, the carrying value of the Group's mine exploration costs amounted to ₱6.9 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, 2021 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, 2021 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

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. 8854310, January 3, 2022, Makati City

May 16, 2022



LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash (Note 4)	₱35,654	₱31,446
Receivables (Note 5)	88,306	79,438
Inventories (Note 6)	593,500	550,965
Advances to suppliers and contractors (Note 7)	295,123	298,659
Other current assets (Note 8)	533,738	537,462
Total Current Assets	1,546,321	1,497,970
Noncurrent Assets		
Property, plant and equipment - net (Note 9)	6,379,039	6,656,554
Mine exploration costs (Note 12)	6,908,369	6,827,286
Financial assets designated at fair value through other comprehensive income (FVOCI; Note 10)	35,446	67,915
Investments in and advances to associates (Note 11)	469,571	557,847
Deferred tax assets - net (Note 18)	246,280	374,890
Other noncurrent assets	529,458	427,947
Total Noncurrent Assets	14,568,163	14,912,439
TOTAL ASSETS	₱16,114,484	₱16,410,409
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 13)	₱2,771,525	₱2,301,506
Current portion of long-term borrowings (Note 14)	125,608	185,984
Current portion of lease liabilities (Note 30g)	6,064	5,594
Income tax payable	4	7
Total Current Liabilities	2,903,201	2,493,091
Noncurrent Liabilities		
Advances from Far Southeast Services Limited (FSE; Note 30a)	6,194,069	6,131,772
Long-term borrowings (Note 14)	51,033	422
Lease liabilities - net of current portion (Note 30g)	7,286	861
Liability for mine rehabilitation cost (Note 16)	14,476	169,349
Retirement benefits liability (Note 17)	1,314,226	1,547,663
Deferred tax liabilities - net (Note 18)	171,005	211,918
Deposit for future subscriptions	69,200	69,200
Total Noncurrent Liabilities	7,821,295	8,131,185
Total Liabilities	10,724,496	10,624,276
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 loss on retirement benefits liability	(56,025)	(206,924)
Fair value reserve of financial assets designated at FVOCI (Note 10)	(67,882)	(35,390)
Deficit	(6,446,394)	(5,924,109)
	5,142,417	5,546,295
Non-controlling interests (NCI; Note 20)	247,571	239,838
Total Equity	5,389,988	5,786,133
TOTAL LIABILITIES AND EQUITY	₱16,114,484	₱16,410,409

See accompanying Notes to Consolidated Financial Statements.



LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands, Except Loss per Share)

	Years Ended December 31		
	2021	2020	2019
REVENUES (Note 29)	₱1,585,025	₱1,472,978	₱2,047,384
COST OF SALES (Note 22)	(1,849,517)	(1,907,586)	(2,699,878)
COST OF SERVICES (Note 23)	(58,790)	(32,935)	(25,339)
OPERATING EXPENSES (Note 24)	(183,055)	(225,492)	(315,032)
FINANCE COSTS (Note 27)	(62,193)	(66,892)	(99,378)
SHARE IN NET LOSSES OF ASSOCIATES (Note 11)	54	(1,875)	(2,972)
FOREIGN EXCHANGE GAINS (LOSSES) - net	(111)	834	5,326
OTHER INCOME - net (Note 28)	72,042	13,317	33,149
LOSS BEFORE INCOME TAX	(496,545)	(747,651)	(1,056,740)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 18)			
Current	112	1,261	2,124
Deferred	17,895	2,064	(31,500)
	18,007	3,325	(29,376)
NET LOSS	(514,552)	(750,976)	(1,027,364)
OTHER COMPREHENSIVE INCOME, NET OF TAX			
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Changes in fair values of financial assets designated at FVOCI (Note 10)	(₱32,492)	(₱93,993)	₱26,801
Remeasurement gain (loss) on retirement benefits liability - net of tax (Note 17)	150,899	(204,243)	(45,715)
	118,407	(298,236)	(18,914)
TOTAL COMPREHENSIVE LOSS	(396,145)	(1,049,212)	(₱1,046,278)
Net income (loss) attributable to:			
Equity holders of the Parent Company	(₱522,285)	(₱750,943)	(₱1,027,391)
NCI (Note 20)	7,733	(33)	27
	(514,552)	(750,976)	(₱1,027,364)
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	(₱403,878)	(₱1,047,131)	(₱1,046,305)
NCI (Note 20)	7,733	(2,081)	27
	(₱396,145)	(₱1,049,212)	(₱1,046,278)
BASIC/DILUTED LOSS PER SHARE (Note 21)	(₱0.0079)	(₱0.0113)	(₱0.0155)

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		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	(P496,545)	(P747,651)	(P1,056,740)
Adjustments for:			
Depletion, depreciation and amortization	452,479	460,416	880,462
Finance costs (Note 27)	62,193	66,892	99,378
Movement in retirement benefits liability	(60,266)	(1,577)	(39,258)
Gain on change in estimate	(57,243)	—	—
Gain on disposal of investment in associates	(5,906)	—	—
Unrealized foreign exchange losses (gains) - net	2,021	(834)	(5,325)
Provision for impairment of investment in associates (Note 28)	—	7,359	—
Gain (loss) on disposal of property, plant and equipment (Note 28)	(749)	(7,317)	(13,372)
Interest income (Note 28)	(56)	(102)	(2,324)
Share in net losses of associates (Note 11)	(54)	1,875	2,972
Operating income (loss) before working capital changes	(104,126)	(220,939)	(134,207)
Decrease (increase) in:			
Receivables and contract assets	(8,868)	9,999	(28,363)
Inventories	(42,535)	(26,488)	61,394
Advances to suppliers and contractors	3,536	(72,790)	(19,836)
Other current assets	3,724	61,790	(127,855)
Increase in trade and other payables	470,538	518,646	397,324
Cash generated from operations	322,269	270,218	148,457
Interest received	56	102	2,324
Income taxes paid	(115)	(1,902)	(2,417)
Net cash flows from operating activities	322,210	268,418	850,654
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment	(277,544)	(267,015)	(197,354)
Mine exploration costs	(61,246)	(61,634)	(40,813)
Proceeds from disposal of investment designated at FVOCI (Note 10)	—	—	77,135
Proceeds from disposal of property, plant and equipment	749	9,087	21,126
Proceeds from disposal of investment in associate	91,304	—	—
Payment of subscription payable (Note 10)	—	—	(11,443)
Collection of advances to an associate	(8,383)	—	—
Increase in other noncurrent assets	(102,911)	(1,078)	(35,963)
Extension of advances to an associate	—	(7,694)	(2,334)
Net cash flows used in investing activities	(358,031)	(16,639)	(52,944)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from FSE (Note 30a)	62,297	57,115	54,105
Availment of loans	—	1,042	—
Payments of:			
Borrowings (Note 26)	(12,867)	(14,436)	(51,594)
Interest	(1,315)	(2,666)	(12,330)
Principal portion of lease liability (Note 30g)	(9,167)	(9,418)	(8,668)
Net cash flows from (used in) financing activities	38,948	31,637	(18,487)
NET DECREASE IN CASH	3,127	(28,279)	(59,769)
CASH AT BEGINNING OF YEAR	31,446	62,623	123,597
EFFECT OF EXCHANGE RATE CHANGES ON CASH	1,081	(2,898)	(1,205)
CASH AT END OF YEAR (Note 4)	P35,654	P31,446	P62,623

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, 2021, 2020 AND 2019

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company									Total
	Capital Stock (Note 19)			APIC	Remeasurement Gain (Loss) on Retirement Benefits Liability (Note 17)	Fair Value Reserves of Financial Asset Designated at FVOCI (Note 10)	Deficit	Sub-total	NCI (Note 20)	
	Issued	Subscribed	Sub-total							
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 loss	—	—	—	—	—	—	(750,943)	(750,943)	(33)	(514,552)
Other comprehensive income, net of tax	—	—	—	—	(202,195)	(93,993)	—	(296,188)	(2,048)	(298,236)
Total comprehensive income (loss)	—	—	—	—	(202,195)	(93,993)	(522,285)	(403,878)	7,733	(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
Balances at January 1, 2019	₱5,136,596	₱1,499,089	₱5,833,386	₱5,077,033	₱40,986	₱61,288	(₱4,175,261)	₱7,639,731	₱241,892	₱7,881,623
Net income (loss)	—	—	—	—	—	—	(1,027,391)	(1,027,391)	27	(1,027,364)
Other comprehensive income (loss)	—	—	—	—	(45,715)	26,801	—	(18,914)	—	(18,914)
Total comprehensive income (loss)	—	—	—	—	(45,715)	26,801	(6,446,394)	(1,046,305)	27	4,736,921
Transfer of fair value reserve of financial assets designated at FVOCI (Note 10)	—	—	—	—	—	(29,486)	29,486	—	—	—
Balances at December 31, 2019	₱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

See accompanying Notes to Consolidated Financial Statements.



LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Amounts Per Unit and Number of Shares)

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, 2021 (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, 2020, 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. On December 10, 2020, DMTC engaged KnowledgeLab, Inc. to perform the December 31, 2020 and 2021 year end audit.

DMTC's principal office was previously located at Km. 14 344 West Service, Brgy. Sun Valley, Parañaque City. Starting 2020, DMTC'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 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 ₱515 million, ₱751.0 million and ₱1,027.4 million in 2021, 2020 and 2019, respectively, resulting in deficit of ₱6,446.4 million and ₱5,924.1 million as of December 31, 2021 and 2020, respectively. And, as of December 31, 2021 and 2020, the Group's current liabilities exceeded its total assets by ₱1,356.9 million and ₱995.1 million, respectively.

In response to these matters, the Group came up with the following actions:

- raise capital through loans, private placements, and/or stock rights offering to address liquidity gap
- restructuring of the Group's loans
- manage expenditures for its day-to-day activities
- negotiate deferral of payments of related party and third-party liabilities
- improve efficiency and production level of mine operations through 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, 2021 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, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 were authorized for issue by the BOD on May 16, 2022.

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, 2021 and 2020. 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 loses 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:

Subsidiaries	Nature of Business	2021	2020
		% of Ownership	% of Ownership
		Direct	Direct
DDCP	Service	100	100
SI	Service	100	100
LIDC	Investment	100	100
FSGRI *	Mining	60	60

*Pre-operating subsidiary

Changes in Accounting Policies

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, 2021. 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.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.



A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

The Group adopted the amendment beginning April 1, 2021. The amendment does not have any impact on the consolidated financial statements of the Group as the Group does not have COVID-19-related rent concessions.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The Group adopted the amendments beginning January 1, 2021. The amendment does not have any impact on the consolidated financial statements of the Group as the Group has no transaction during the year involving interbank offered rate (IBOR).

Standards and Interpretations Issued but not yet Effective

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, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a 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*
 - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
 - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*



Effective beginning on or after January 1, 2023

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

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

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) and contract assets, 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 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.

Financial liabilities

A financial liability is derecognized when the obligation under the liability has expired or is discharged or has cancelled. Where 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

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 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 copper concentrates containing copper, gold and silver, are stated lower of cost or net realizable value (NRV). 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 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.

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	
	2021	2020
MMC	16.47%	19.60%
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.

Property, Plant and Equipment

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-of-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.

Provisions

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.

Stock Subscriptions Payable

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.

Revenue Recognition

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.

Contract asset

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

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 (prior to adoption of PFRS 16)

Determination of Whether an Arrangement Contains a Lease

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the date of inception. The arrangement is assessed to determine whether fulfilment is dependent on the use of a specific assets and the arrangement conveys a right to use the assets, even if those assets are not explicitly specified in an arrangement. The Group is not a lessor in any transactions, it is only lessee. A reassessment is made after inception of the lease only if one of the following applies:

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) A renewal option is exercised, or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- (c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- (d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Operating Lease - Group as a Lessee

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Leases (upon adoption of PFRS 16)

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.

Use of Going Concern Assumption

The underlying assumption in the preparation of the accompanying consolidated financial statements is that the Group has the ability to continue as a going concern for at least the next 12 months from December 31, 2021. The use of the going concern assumption involves management making significant judgments, at a particular point in time, about the future outcome of events or conditions that are inherently uncertain which include, but are not limited to, forecasted level of revenue and operating costs, cash flows, and the other potential sources of financing including capital raising activities. Management's assessment on going concern and steps undertaken or will be undertaken to reduce operating costs and manage financing plans are disclosed in Note 1. Accordingly, the accompanying consolidated financial statements have been prepared on a going concern basis of accounting.

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 ₱6,910,642 and ₱6,827,286 as at December 31, 2021 and 2020, 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 ₱6,910,642 and ₱6,827,286 as at December 31, 2021 and 2020, respectively (see Note 12).

As at December 31, 2021 and 2020, 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 ₱6,379,069 and ₱6,656,554 as at December 31, 2021 and 2020, respectively (see Note 9).

The carrying amount of other nonfinancial assets, which include advances to officers and employees, advances to suppliers and contractors, other current assets and other noncurrent assets amounted to ₱1,359,045 and ₱1,262,956 as at December 31, 2021 and 2020, 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, 2021 and 2020, 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 ₱314,101 and ₱374,890 as at December 31, 2021 and 2020, respectively (see Note 18). No deferred tax assets were recognized for temporary differences amounting to ₱2,301,922 and ₱2,301,922 as at December 31, 2021 and 2020, 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.

Estimates and Assumptions

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 ₱1,576,683, ₱1,456,484 and ₱2,030,103, net of smelting and treatment charges of ₱3,381, ₱36,183 and ₱168,879, in 2021, 2020 and 2019, 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 Company 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 Company added a portion of resources expected to be converted into reserves in the calculation of depletion. As at December 31, 2021 and 2020, mine and mining properties presented under property, plant and equipment amounted to ₱5,069,258 and ₱5,315,156, respectively (see Note 9).

Estimating Allowance for Inventory Obsolescence

Parts and supplies inventories, which are used in the Group's operations, 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.

Inventories carried at lower of cost or NRV, amounted to ₱593,500 and ₱550,965 as at December 31, 2021 and 2020, 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 2021 and 2020. Investments in and advances to associates amounted to ₱484,537 and ₱557,847 as at December 31, 2021 and 2020, respectively (see Note 11).

Estimation of Allowance for Impairment of Financial Assets

Provision for ECL for Cash, Trade Receivables (not subject to provisional pricing), Non-trade Receivables and Contract 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, non-trade receivables and contract asset 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, 2021 and 2020, total financial assets of the Group amounted to ₱211,182 and ₱194,787, respectively. Allowance for ECL on financial assets amounted to ₱18,398 and ₱18,955 as at December 31, 2021 and 2020, 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, 2021 and 2020.

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 ₱861 and ₱6,455 as of December 31, 2021 and 2020, 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, 2021 and 2020, the retirement benefits liability of the Group amounted to ₱1,314,226 and ₱1,547,663, respectively. Net retirement costs amounted to ₱45,757, ₱101,921 and ₱122,432 in 2021, 2020 and 2019, 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, 2021 and 2020, liability for mine rehabilitation cost amounted to ₱14,476 and ₱169,349, 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

	2021	2020
Cash on hand	₱2,513	₱4,079
Cash in banks	33,141	27,367
	₱35,654	₱31,446

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

Interest income earned from cash in banks amounted to ₱54, ₱102 and ₱198 in 2021, 2020 and 2019, respectively.

The Group has United States dollar (US\$)-denominated cash in banks amounting to US\$52 and US\$99 as at December 31, 2021 and 2020, respectively (see Note 31).

5. Receivables

	2021	2020
Trade	₱89,880	₱68,898
Nontrade	13,602	26,670
Officers and employees	2,885	2,825
Receivable from stockholders and related parties	337	—
	106,704	98,393
Less allowance for expected credit losses	18,398	18,955
	₱88,306	₱79,438

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 nil, nil and ₱4,146 were recognized by the Group in 2021, 2020 and 2019, respectively (see Note 24).

Movements of allowance for expected credit losses are as follows:

	2021	2020
Balance at beginning of year		
Trade	₱18,441	₱18,441
Nontrade	514	514
Effect of forex revaluation adjustment	(557)	—
Balance at end of year	₱18,398	₱18,955

The Group has US\$-denominated trade receivables amounting to US\$1,116 and US\$968 as at December 31, 2021 and 2020, respectively (see Note 31).

6. Inventories

	2021	2020
Parts and supplies:		
At NRV	₱593,417	₱547,416
At cost	83	94
Mine products at NRV	—	3,455
	₱593,500	₱550,965

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 ₱636,519 and ₱588,983 as at December 31, 2021 and 2020, respectively.

Mine products inventory includes copper concentrates stored in a concentrate bodega owned by SSI located compound in Poro, San Fernando City, La Union. Cost of mine products amounted to nil and ₱3,455 as at December 31, 2021 and 2020, respectively.

Movements in allowance for inventory obsolescence on parts and supplies on hand as at December 31, 2021 and 2020 are as follows:

	2021	2020
Balance at beginning of year	₱ 41,473	₱59,703
Provision (Note 22)	1,629	—
Reversal of allowance for inventory losses	—	(18,230)
Balance at end of year	₱43,102	₱41,473

Parts and supplies inventories charged to profit and loss under “Consumables and supplies” account amounted to ₱453,976, ₱437,737 and ₱575,844 in 2021, 2020 and 2019, respectively (see Notes 22, 23 and 24).



7. Advances to Suppliers and Contractors

As at December 31, 2021 and 2020, the Group has advances to suppliers and contractors amounting to ₱295,123 and ₱298,659, 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

	2021	2020
Input VAT	₱385,413	₱434,586
Prepaid expenses	127,514	89,941
Deferred costs	20,478	10,190
Rental deposits	333	2,745
	₱533,738	₱537,462

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.

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.

Rental deposits are refundable at the end of the lease term.



9. Property, Plant and Equipment

	2021						Total
	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	
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	1,543	107,882	–	45,649	13,810	299,142
Transfers	(1,795)	–	44,455	–	(42,660)	–	–
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	16,750,409	91,154,976	713,469	162,260	38,717	16,723,837
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	–	–	7,769	468,223
Retirement and disposals	–	(132)	(69,090)	–	–	–	(69,222)
Balances at end of year	7,038,540	417,942	2,837,843	–	–	26,541	10,320,866
Allowance for impairment:							
Balances at beginning and end of year	–	19,241	4,691	–	–	–	23,932
Net book values	₱5,069,229	₱121,164	₱85,169,167	₱713,469	₱162,260	₱12,176	₱6,379,039



	2020						
	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, 2019	₱11,923,372	₱556,500	₱3,273,982	₱713,469	₱114,969	₱20,669	₱16,602,961
Additions	150,460	160	66,352	–	50,043	4,238	271,253
Transfers	623	–	5,118	–	(5,741)	–	–
Adjustment to capitalized cost of mine rehabilitation and decommissioning (Note 16)	5,672	–	–	–	–	–	5,672
Retirements/disposals	–	276	(277,811)	–	–	–	(277,535)
Balances at end of year	12,080,127	556,936	3,067,641	713,469	159,271	24,907	16,602,351
Accumulated depletion, depreciation and amortization:							
Balances at beginning of year	6,503,386	347,989	2,859,624	–	–	9,361	9,720,360
Depletion, depreciation and amortization	261,585	36,084	170,189	–	–	9,411	477,269
Retirement and disposals	–	276	(276,040)	–	–	–	(275,764)
Balances at end of year	6,764,971	384,349	2,753,773	–	–	18,772	9,921,865
Allowance for impairment:							
Balances at beginning and end of year	–	19,241	4,691	–	–	–	23,932
Net book values	₱5,315,156	₱153,346	₱309,177	₱713,469	₱188,160	₱6,135	₱6,656,554



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 Group re-estimated its mine rehabilitation and decommissioning obligation as at December 31, 2021 based on latest cost estimates resulting to reduction of ₱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 ₱57,243 (see Note 24). Mine and mining properties include provision for mine rehabilitation and decommissioning amounting to nil and ₱108,274 as at December 31, 2021 and 2020, respectively. The rates used by the Parent Company in computing depletion are ₱646, ₱1,136 and ₱2,838 per ton in 2021, 2020 and 2019, 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 ₱341,357 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, 2021 and 2020, the Group transferred construction in-progress amounting to ₱42,660 and ₱5,741, respectively, to mine and mining properties, and plant, machinery, equipment, office furniture and fixtures.

10. Financial Assets Designated at FVOCI

As at December 31, 2021 and 2020, the financial assets designated at FVOCI consists of investments in:

	2021	2020
Quoted equity shares	₱31,552	₱26,194
Unquoted equity shares	3,894	41,721
	₱35,446	₱67,915

Movements in financial assets designated at FVOCI are as follows:

	2021	2020
Balance at beginning of year	₱77,920	₱161,937
Changes in fair values of financial assets designated at FVOCI	2,665	(94,022)
Disposals	(7,731)	—
Balance at end of year	₱72,854	₱67,915



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

	2021	2020
Balance at beginning of year	(P35,390)	P58,603
Changes in fair values of financial assets designated at FVOCI	12,647	(93,993)
Transfer of fair value reserve of financial assets designated at FVOCI to retained earnings	—	—
Balance at end of year	(P22,743)	(P35,390)

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 2021, 2020 and 2019.

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) shares for a total consideration of P308,292.

The obligation to pay the balance of stocks subscriptions payable of P96,341 has been agreed and accepted by the Plan. In May 2019, the Parent Company paid its remaining stock subscriptions payable amounting to P11,443. There is no outstanding balance of stock subscription payable as at December 31, 2021 and 2020.

As at December 31, 2021, the Group has no intention to dispose its unquoted equity shares. The aggregate cost of these investments amounted to P38,261 and P41,721 as at December 31, 2021 and 2020, respectively.

11. Investments in and Advances to Associates

2021	DMTC	MMC	Total
Acquisition cost:			
Balances at beginning and end of year	P11,800	P518,426	P530,226
Disposals	—	(91,046)	(91,046)
Balance 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 income (loss)	(67)	121	54
Share in OCI - FA at FVOCI	—	(282)	(282)
Share in OCI - RBO	—	(300)	(300)
Balances at end of year	(P1,687)	P28,445	P26,758

(Forward)



2021	DMTC	MMC	Total
Allowance for impairment losses:			
Balances at beginning of year	(P7,359)	P–	(P7,359)
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
	P2,754	P466,817	P469,571
<hr/>			
2020	DMTC	MMC	Total
Acquisition cost:			
Balances at beginning and end of year	P11,800	P518,426	P530,226
Accumulated equity:			
Share in net earnings (loss):			
Balances at beginning of year	(1,150)	30,306	29,156
Equity in net loss	(470)	(1,405)	(1,875)
Share in OCI - FA at FVOCI	–	28	28
Share in OCI - RBO	–	(23)	(23)
Balances at end of year	(P1,620)	P28,906	P27,286
Allowance for impairment losses:			
Balances at beginning of year	P–	P–	P–
Provision for impairment losses	(7,359)	–	(7,359)
Balances at end of year	(7,359)	–	(7,359)
Investments in associates	2,821	547,332	550,153
Advances to associate (Note 15)	–	7,694	7,694
	P2,821	P555,026	P557,847

Investment in MMC

The Group effectively has 16.47% and 19.60% ownership in MMC in 2021 and 2020. Thus, the Group assessed that it has significant influence over MMC due to the following:

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

As at December 31, 2021, the fair value per share of MMC shares A and B amounted to P0.011 and P0.010, respectively. As at December 31, 2020, the fair value per share of MMC shares A and B amounted to P0.010 and P0.011. Fair market value of the investment in MMC amounted to P543,875 and P543,875 as at December 31, 2021 and 2020, respectively.

Investment in DMTC

The Group assessed that it has significant influence over DMTC due to the following:

- The Group has ownership interest of 25.44% over its outstanding capital shares; and
- The Group, through DDCP, has at least P15.1 million or 54.71% contribution in the total assets of the DMTC.

Provision for impairment of investment in associates amounting to nil and P7,359 were recognized by the Company in 2021 and 2020, respectively (see Note 28).

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:

2021	DMTC	MMC	Totals
Assets:			
Current Assets	₱18,522	₱54,269	₱73,673
Noncurrent Assets	107	3,129,584	3,111,972
Total Assets	18,629	3,183,853	3,185,645
Liabilities:			
Current Liabilities	7,802	212,369	190,682
Noncurrent Liabilities	–	62,103	71,694
Total Liabilities	7,802	274,472	262,376
Net Assets	₱10,827	₱2,909,381	₱2,923,269
Net Income (Loss)	(₱263)	₱737	(₱9,016)
2020	DMTC	MMC	Totals
Assets:			
Current Assets	₱19,213	₱54,460	₱73,673
Noncurrent Assets	225	3,111,747	3,111,972
Total Assets	19,438	3,166,207	3,185,645
Liabilities:			
Current Liabilities	6,868	183,814	190,682
Noncurrent Liabilities	1,480	70,214	71,694
Total Liabilities	8,348	254,028	262,376
Net Assets	₱11,090	₱2,912,179	₱2,923,269
Net Loss	(₱1,847)	(₱7,169)	(₱9,016)

12. Mine Exploration Costs

	2021	2020
Balance at beginning of year	₱6,827,286	₱6,746,644
Additions	81,083	80,642
Balance at end of year	₱6,908,369	₱6,827,286

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 2021, 2020 and 2019 amounted to ₱19,222, ₱18,774 and ₱21,568, respectively.

No allowance for impairment losses on mine exploration costs was recognized in 2021 and 2020.



13. Trade and Other Payables

	2021	2020
Trade	₱978,157	₱1,194,810
Accrued expenses and other liabilities	1,472,534	740,052
Employee related expenses	69,516	104,523
Accrued utilities	61,953	64,477
Unclaimed dividends	26,693	26,695
Payable to regulatory authorities	129,484	72,408
Accrued production tax	16,390	14,675
Due to related parties (Note 15)	16,798	83,866
	₱2,771,525	₱2,301,506

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, ₱11 and ₱1,274 in 2021, 2020 and 2019, respectively (see Note 27).

The Group has US\$-denominated trade and other payables amounting to US\$1,901 and US\$2,831 as at December 31, 2021 and 2020, respectively (see Note 31).

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

	2021	2020
Gold delivery agreement (US\$1,000 in 2021 and 2020)	₱50,999	₱48,023
Obtained loan from banks:		
Peso-denominated loans	124,372	135,990
US\$-denominated loans	1,271	2,393
Total borrowings	176,641	186,406
Less current portion of long-term borrowings	125,608	185,984
	₱51,033	₱422



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. As at December 31, 2021 and 2020, the remaining obligation owing to Statham under the GDA amounting to US\$1,000 with Peso equivalents of ₱50,999 and ₱48,023, respectively, is payable on December 31, 2023 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.

Bank Loans

Borrowings from a local bank are all clean loans with interest rates ranging from 5.50% to 10.25% in 2021 and 5.50% to 10.25% in 2020.

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. The carrying value of the loan amounted to ₱97,977 and ₱106,885 as at December 31, 2021 and 2020, respectively. Total interest incurred related to the said loan in 2021, 2020 and 2019 amounted to ₱8,276, ₱8,911 and ₱9,005, respectively (see Note 27).

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. The carrying value of the short-term portion of the loan amounted to ₱25,972 and ₱28,333 as at December 31, 2021 and 2020, respectively. As of December 31, 2021, and 2020, the long-term portion of this loan amounted to nil. Total interest incurred for the said loan in 2021, 2020 and 2019 amounted to ₱1,999, ₱1,930 and ₱5,340, 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 ₱1,279, respectively, as at December 31, 2021. The Peso and USD loans bear interest at 8.75% and 5.50%, respectively, and are due on April 18, 2021. The carrying value of the USD loan amounted to ₱1,279 and ₱2,523, as at December 31, 2021 and 2020, respectively. Total interest incurred amounted to nil and ₱135 for Peso and USD loans for 2021, respectively, nil and ₱149 for 2020, respectively and ₱25 and ₱304 for 2019, 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 ₱34, which started on February 17, 2020. The loan is secured by a chattel mortgage of transportation equipment. Total interest incurred for the said loan in 2021 amounted to ₱63 (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 Company'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 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:

2021				
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Subsidiaries				
<i>Receivables</i>				
DDCP	₱49,588	₱135,953	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
LIDC	–	90,013	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
<i>Advances</i>				
FSGRI	–	94,140	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
<i>Payables</i>				
SI	12,971	(171,794)	On demand; noninterest-bearing and collectible in cash	Unsecured, not guaranteed
<i>Rental</i>				
FSGRI	2,244	–	Noninterest-bearing and normally settled on 30-day term	Unsecured, not guaranteed
<i>Services</i>				
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



2020				
	Amount/ Volume	Outstanding Balance	Terms	Conditions
<i>Subsidiaries</i>				
<i>Receivables</i>				
DDCP	₱42,435	₱137,626	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
LIDC	–	89,867	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
FSGRI	2,274	685	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
<i>Advances</i>				
FSGRI	–	94,140	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
<i>Payables</i>				
SI	16,380	(163,768)	On demand; noninterest-bearing and collectible in cash	Unsecured, not guaranteed
<i>Rental</i>				
FSGRI	2,274	–	Noninterest-bearing and normally settled on 30-day term	Unsecured, not guaranteed
<i>Services</i>				
DDCP	42,435	–	Noninterest-bearing and normally settled on 30-day term	Unsecured, not guaranteed
SI	16,380	–	Noninterest-bearing and normally settled on 30-day term	Unsecured, not guaranteed

- 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, 2021 and 2020 are as follows:

2021				
	Amount/ Volume	Outstanding Balance	Terms	Conditions
<i>Associates</i>				
<i>Receivable:</i>				
DMTC	₱50	₱1,920	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
<i>Payables:</i>				
DMTC (Note 13)	62	(1,532)	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
MMC (Note 13)	–	(32,628)	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
<i>Advances:</i>				
MMC (Note 11)	2,830	10,992	Noninterest-bearing and normally settled on 30-day term	Unsecured, no impairment, not guaranteed
<i>Stockholders</i>				
<i>Payables:</i>				
Various (Note 13)	–	(56,084)	Noninterest-bearing and are normally settled in cash on 30-day term	Unsecured, no guarantee



2020				
	Amount/ Volume	Outstanding Balance	Terms	Conditions
<i>Associates</i>				
<i>Receivable:</i>				
DMTC	₱139	₱1,861	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
<i>Payables:</i>				
DMTC (Note 13)	62	(15,132)	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
MMC (Note 13)	–	(12,650)	On demand; noninterest-bearing and collectible in cash	Unsecured, no impairment, not guaranteed
<i>Advances:</i>				
MMC (Note 11)	2,672	7,694	Noninterest-bearing and normally settled on 30-day term	Unsecured, no impairment, not guaranteed
<i>Stockholders</i>				
<i>Payables:</i>				
Various (Note 13)	–	(56,084)	Noninterest-bearing and are normally settled in cash on 30-day term	Unsecured, no guarantee

- 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 ₱493,334 and ₱550,755 as at December 31, 2021 and 2020, 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 0.33% and 96.19% and 3.47% and nil of the trust fund, respectively, as at December 31, 2021 (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 ₱117,372 and ₱49,720 in 2021 and 2020, respectively (see Note 17).

- c. Compensation of key management personnel are as follows:

	2021	2020	2019
Short-term benefits	₱51,100	₱51,100	₱51,100
Post-employment benefits	13,200	13,200	13,200
	₱64,300	₱64,300	₱64,300



16. Liability for Mine Rehabilitation Cost

	2021	2020
Balance at beginning of year	₱169,349	₱159,974
Effect of change in estimate (Note 9)	(158,064)	5,672
Accretion of interest (Note 27)	3,191	3,703
Balance at end of year	₱14,476	₱169,349

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 ₱14,476 and ₱169,349 as at December 31, 2021 and 2020, 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.

Discount rate used by the Parent Company is 4.96% and 1.88% in 2021 and 2020, 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:

	2021			2020			2019		
	Funded	Unfunded	Total	Funded	Unfunded	Total	Funded	Unfunded	Total
Current service cost (Note 25)	₱55,585	₱2,526	₱58,111	₱48,126	₱1,850	₱49,976	₱42,197	₱2,437	₱44,634
Interest cost - net (Note 27)	46,532	2,258	48,790	49,117	2,828	51,945	73,486	4,312	77,798
	₱102,117	₱4,784	₱106,901	₱97,243	₱4,678	₱101,921	₱115,683	₱6,749	₱122,432

The Group has current service costs capitalized to mine exploration costs amounted to ₱1,523, ₱837 and ₱696 in 2021, 2020 and 2019, respectively. Further, interest costs capitalized to mine exploration costs in 2021, 2020 and 2019 amounted to ₱480, ₱289 and ₱243, respectively.



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

	2021	2020	2019
Remeasurement gain (loss) on retirement	₱221,003	(₱291,776)	(₱65,308)
Less deferred tax	(55,251)	87,533	19,593
Remeasurement gain (loss) on retirement liability - net of tax	₱165,752	(₱204,243)	(₱45,715)

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

	Funded			Unfunded	
	Defined Benefit Liability	Fair Value of Plan Assets	Net Defined Benefit Liability	Defined Benefit Liability	Total
2021					
Balances at beginning of year	₱2,027,200	₱550,755	₱1,476,445	₱71,218	₱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 financial assumptions	(289,148)	(15,397)	(273,751)	(7,554)	(281,305)
Experience adjustment	5,663	(57,323)	62,986	(2,685)	60,301
Change in demographic assumptions	—	—	—	—	—
Contributions	—	117,372	(117,372)	—	(117,372)
Balances at end of year	₱1,743,501	₱493,334	₱1,250,167	₱64,059	₱1,314,226

	Funded			Unfunded	
	Defined Benefit Liability	Fair Value of Plan Assets	Net Defined Benefit Liability	Defined Benefit Liability	Total
2020					
Balances at beginning of year	₱1,624,228	₱478,881	₱1,145,347	₱60,505	₱1,205,852
Interest cost/income	69,842	20,725	49,117	2,828	51,945
Current service cost	48,126	—	48,126	1,850	49,976
Benefits paid	(50,443)	(50,443)	—	(2,133)	(2,133)
Actuarial gain/loss:					
Change in demographic assumptions	185,812	51,872	133,940	7,005	140,945
Change in financial assumptions	(92,592)	—	(92,592)	4,956	(87,636)
Experience adjustment	242,227	—	242,227	(3,793)	238,434
Contributions	—	49,720	(49,720)	—	(49,720)
Balances at end of year	₱2,027,200	₱550,755	₱1,476,445	₱71,218	₱1,547,663

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:

	2021	2020	2019
Cash in banks	0.33%	0.28%	0.52%
Short-term investments	96.19%	86.25%	87.12%
Equity investments:			
Quoted	3.47%	13.44%	8.06%
Unquoted	—	0.03%	4.30%
	100.00%	100.00%	100.00%



The principal assumptions used in determining pension and post-employment benefits for the Group's plan assets in 2021, 2020 and 2019 follow:

	2021	2020	2019
Discount rate	4.75%	3.40%	4.30%
Expected rate of return on plan assets	4.30%	4.30%	4.30%
Salary increase rate	0% for 2022; 3.00% for 2023 onwards	0% for 2021; 2.00% for 2022 onwards	2.00%
Turnover rate	Across the board 5.00% rate	Across the board 5.00% rate	Across the board 8.50% 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)	2021	2020
Discount rates	+0.25%	(P1,872,920)	(P1,512,366)
	-0.25%	1,993,570	1,623,627
Salary increase rate	+1.00%	2,220,412	297,688
	-1.00%	(1,939,083)	(249,241)

The average future working years of service covered by the Group's retirement benefit plan is eight to 14 years in 2020 and eight to 13 years in 2019.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2021:

Less than one year	P135,920
More than one year to five years	11,611,534
More than five years to 10 years	27,320,948
More than 10 years to 15 years	15,897,755
More than 15 years to 20 years	18,411,829
More than 20 years	65,522,802
	P138,900,788

The actuarial valuation report was certified by the Actuarial Society of the Philippines on March 16, 2021 as presenting fairly the fair value of plan assets and defined benefit liability as of December 31, 2020.

18. Income Taxes

The "CREATE" Act was signed into law on March 26, 2021 and became effective on April 11, 2021. This effectively amended applicable regular corporate income tax (RCIT) rates of the entities from 30% to 20% or 25%, as applicable, and minimum corporate income tax (MCIT) rates from 2% to 1% effective July 1, 2020.



The CREATE Act was considered as non-adjusting subsequent event pursuant to Philippine Interpretations Committee Q&A No. 2020-07. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of and for the year then ended (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Current provision for income tax in 2021 pertains to SI's and FSGRI's Minimum Corporate Income Tax (MCIT) amounting to ₱112. Current provision for income tax in 2020 pertains to DDCP's, SI's and FSGRI's Minimum Corporate Income Tax (MCIT) amounting to ₱1,261.

The components of the Group's deferred tax assets and liabilities at December 31, 2021 and 2020 follow:

	Deferred Tax Assets -net		Deferred Tax Liabilities -net	
	2021	2020	2021	2020
<i>Recognized directly in profit or loss:</i>				
Accrual of:				
Retirement benefits liability	₱278,281	₱330,649	₱5,662	₱6,521
Liability for mine rehabilitation cost	3,619	50,805	—	—
Lease liability	215	1,473	—	—
Provisions for:				
Inventory obsolescence	9,448	11,402	667	312
Impairment losses on property, plant and equipment	5,983	7,180	—	32
Impairment losses on receivables	3,589	4,307	78	93
Unrealized foreign exchange losses	868	8	—	—
NOLCO	—	—	—	—
Unrealized foreign exchange loss	—	—	—	—
Excess MCIT	—	—	—	—
Various expense	—	1,573	—	—
<i>Recognized directly in other comprehensive income:</i>				
Retirement benefits liability	8,898	77,098	3,529	6,267
Deferred tax assets	310,901	484,495	9,936	13,225
<i>Recognized directly in profit or loss:</i>				
Revaluation increment on land	(62,125)	(74,550)	(89,638)	(107,600)
Cost of mine rehabilitation and decommissioning	—	(31,899)	—	—
Right-of-use assets	(230)	(1,420)	—	—
Unrealized foreign exchange gains	(664)	(1,322)	(92,531)	(119,016)
Unbilled revenue	1,308	(414)	—	—
Remeasurement of DBO	—	—	1,228	1,473
Various accrued expense	(2,910)	—	—	—
<i>Recognized directly in other comprehensive income:</i>				
Retirement benefits liability	—	—	—	—
Deferred tax liabilities	(64,621)	(109,605)	(180,941)	(225,143)
Net deferred tax assets (liabilities)	₱246,280	₱374,890	(₱171,005)	(₱211,918)



The reconciliation of the Group's provision for income tax for the three years ended December 31, 2021 computed at the statutory tax rates to the provision for (benefit from) income tax shown in the consolidated statements of comprehensive income follow:

	2021	2020	2019
Tax at statutory income tax rates	(P124,136)	(P224,295)	(P317,022)
Additions to (reductions in)			
income taxes resulting from			
tax effects of:			
NOLCO and Excess MCIT for			
which no deferred tax			
assets were recognized	122,841	14,525	—
Change in unrecognized			
deferred tax assets	22,894	206,903	249,907
Nondeductible expenses	3,408	6,505	37,492
Nontaxable income	(1,107)	—	—
Share in operating results			
of associates	14	562	892
Interest income subjected			
to final tax	(11)	(20)	(34)
Others	(5,897)	(855)	(611)
Tax at effective income tax rates	P18,006	P3,325	(P29,376)

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.

	2021	2020
NOLCO	P1,939,802	P2,271,378
Provisions	19,012	21,805
Allowance for impairment of investments in		
associates (Note 11)	7,359	7,359
Excess MCIT over RCIT	1,478	1,379

As of December 31, 2021, the Group has incurred NOLCO and excess MCIT over RCIT before taxable year 2020 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
2019	2022	788,840	112
2020	2025	584,006	1,254
2021	2026	566,956	112
		P1,939,802	P1,478



Movements of NOLCO and excess MCIT over RCIT for the years ended December 31, 2021 and 2020 are as follows:

NOLCO	2021	2020
Balances at beginning of year	₱2,271,378	₱2,454,136
Additions	566,956	584,006
Applications	—	(5,345)
Expirations	(898,532)	(761,419)
Balances at end of year	₱1,939,802	₱2,271,378

Excess MCIT over RCIT	2021	2020
Balances at beginning of year	₱1,379	₱140
Additions	112	1,254
Expirations	(13)	(15)
Balances at end of year	₱1,478	₱1,379

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, 2021, the Group has incurred NOLCO before taxable year 2020 that can be claimed as deduction from future taxable income for the next three consecutive taxable years, as follows:

Parent Company

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Years	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2018	2019-2021	640,217	—	640,217	—	—
2019	2020-2022	793,982	—	—	—	793,982
		₱1,434,199	₱—	₱640,217	₱—	₱793,982

LIDC

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Years	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2018	2019-2021	294	—	294	—	—
2019	2020-2022	162	—	—	—	162
		₱456	₱—	₱294	₱—	₱162

DDCP

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Years	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2018	2019-2021	—	—	—	—	—
2019	2020-2022	48,727	5,211	—	—	43,516
		₱48,727	₱5,211	₱—	₱0	₱43,516



SI

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Years	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2018	2019-2021	—	—	—	—	—
2019	2020-2022	—	—	—	—	—
		<u>P—</u>	<u>P—</u>	<u>P—</u>	<u>P—</u>	<u>P—</u>

FSGRI

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Years	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2018	2019-2021	—	—	—	—	—
2019	2020-2022	54	—	—	—	54
		<u>P54</u>	<u>P—</u>	<u>P—</u>	<u>P—</u>	<u>P54</u>

As of December 31, 2021, the Group incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income or the next five consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Parent Company

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Years	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2020	2021-2025	P580,903	P—	P—	P—	P580,903
2021	2022-2026	551,344	—	—	—	551,344
		<u>P1,132,247</u>	<u>P—</u>	<u>P—</u>	<u>P—</u>	<u>P1,132,247</u>

LIDC

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Years	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2020	2021-2025	P205	P—	P—	P—	P205
2021	2021-2026	940	—	—	—	940
		<u>P1,145</u>	<u>P—</u>	<u>P—</u>	<u>P—</u>	<u>P1,145</u>

DDCP

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Years	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2020	2021-2025	P—	P—	P—	P—	P—
2021	2022-2026	9,778	—	—	—	9,778
		<u>P9,778</u>	<u>P—</u>	<u>P—</u>	<u>P—</u>	<u>P9,778</u>



SI

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Years	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2020	2021-2025	₱2,783	₱—	₱—	₱—	₱2,783
2021	2022-2026	4,615	—	—	—	4,615
		₱7,398	₱—	₱—	₱—	₱7,398

FSGRI

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Years	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2020	2021-2025	₱114	₱—	₱—	₱—	₱114
2021	2022-2026	279	—	—	—	279
		₱393	₱—	₱—	₱—	₱393

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, 2021 and 2020, the Parent Company's capital stock is as follows:

	No. of shares	Amount
Issued		
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, 2021 and 2020, 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, 2018 and 2017.



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.

The Parent Company had 27,752, 27,752 and 27,777 stockholders as at December 31, 2021, 2020 and 2019, 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	2021	2020
FSGRI	Philippines	40%	40%

Equity attributable to material NCI:

	2021	2020
FSGRI	₱247,570	₱239,838



Net income and OCI attributable to material NCI:

	2021	2020	2019
FSGRI			
Net income(loss)	(P19)	(P33)	P27
OCI	—	(2,048)	—

The summarized financial information of this subsidiary is provided below. This information is based on amounts before intercompany eliminations.

	2021	2020
Operating expenses	(P695)	(P459)
Finance income (charge)	39	15
Other income	407	381
Income before income tax	249	(63)
Benefit from (provision for) income tax	(19,579)	(20)
Net loss	(19,330)	(83)
Other comprehensive income	—	—
Total comprehensive income	(P19,330)	(P83)
Attributable to NCI	(P7,732)	(P2,081)

Summarized statements of financial position as at December 31, 2021 and 2020 are as follows:

	2021	2020
Current assets	P357,074	P363,182
Noncurrent assets	6,944,104	6,862,646
Current liabilities	(190,486)	(186,467)
Noncurrent liabilities	(6,315,523)	(6,263,522)
Total equity	P795,169	P775,839
Attributable to:	2021	2020
Equity holders of the Parent Company	P547,599	P536,001
NCI	247,570	239,838

Summarized cash flow information for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Operating	(P547)	P13,733
Investing	(55,150)	(60,842)
Financing	49,855	49,407
Effect of exchange rate changes on cash	39	15
Net increase (decrease) in cash	(P5,803)	P2,313



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, 2021 and 2020. There were no outstanding stock options as of December 31, 2021 and 2020.

	2021	2020	2019
Net loss attributable to equity holders of the Parent Company	(P522,285)	(P750,943)	(P1,027,391)
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	(P0.0079)	(P0.0113)	(P0.0155)

22. Cost of Sales

	2021	2020	2019
Personnel costs (Note 25)	P427,226	P424,796	P467,780
Consumables and supplies (Note 6)	422,946	425,339	560,415
Depletion, depreciation, and amortization	420,592	419,371	818,341
Repairs and maintenance	221,957	212,527	274,470
Utilities	213,688	220,290	253,373
Production tax	62,432	57,341	81,563
Professional fees	17,783	22,697	33,077
Contractual services	14,742	57,717	75,578
Outside Services	10,247	—	—
Taxes, duties and licenses	9,515	15,020	14,748
Insurance expense	5,245	2,703	12,384
Freight and handling charges	4,638	6,932	26,623
Provision for inventory obsolescence (Note 6)	—	—	18,232
Others	18,510	42,853	63,294
Total	P1,849,521	P1,907,586	P2,699,878

Depletion, depreciation and amortization includes amortization for intangible assets under “Other noncurrent assets” amounting to P802, P1,920 and P1,800 in December 31, 2021, 2020 and 2019, respectively.



23. Cost of Services

	2021	2020	2019
Consumables and supplies (Note 6)	₱28,760	₱10,360	₱13,234
Personnel costs (Note 25)	12,148	7,974	4,638
Depreciation and amortization	9,053	6,233	3,989
Professional fees	3,167	2,512	217
Taxes, duties and license fees	2,755	2,132	1,923
Utilities	681	1,768	496
Repairs and maintenance	339	1,753	480
Transportation and travel	336	19	128
Others	1,551	184	234
	₱58,790	₱32,935	₱25,339

24. Operating Expenses

	2021	2020	2019
Personnel costs (Note 25)	₱84,344	₱95,127	₱109,836
Depreciation and amortization	22,308	34,812	58,132
Outside services	10,226	20,161	52,425
Professional fees	8,113	8,828	10,680
Taxes, duties and license fees	6,807	5,687	19,994
Security and janitorial fees	5,459	5,604	5,674
Transportation and travel	4,991	8,445	8,139
Utilities	4,959	4,339	4,086
Insurance expense	3,702	3,552	3,021
Rentals	3,354	4,767	4,771
Repairs and maintenance	3,352	4,388	1,406
Consultancy and directors' fees	2,897	2,940	6,161
Representation and entertainment	2,293	2,125	4,500
Consumables and supplies (Note 6)	2,270	2,038	2,195
Inventory Obsolescence	1,629	—	—
Stockholders' meeting and expenses	1,118	908	2,824
Bank charges	591	949	1,413
Contribution and donation	—	585	104
Provision for expected credit losses on receivables (Note 5)	—	—	4,146
Others	14,642	20,237	15,525
	₱183,055	₱225,492	₱315,032

25. Personnel Costs

	2021	2020	2019
Cost of sales (Note 22)	₱427,226	₱424,796	₱467,780
Cost of services (Note 23)	12,147	7,974	4,638
Operating expenses (Note 24)	84,344	95,127	109,836
	₱523,717	₱527,897	₱582,254



Details of personnel costs follow:

	2021	2020	2019
Salaries and wages	₱460,891	₱371,700	₱359,897
Retirement benefits (Note 17)	57,790	49,139	43,938
Others	5,036	107,058	178,419
	₱523,717	₱527,897	₱582,254

26. Supplemental Disclosure to Statements of Cash Flows

Noncash investing activities pertain to the following:

	2021	2020	2019
Increase (decrease) in:			
Liability for mine rehabilitation costs	(₱158,065)	₱5,672	₱53,314
FVOCI	(34,743)	(94,022)	(50,014)
Mine exploration costs	—	—	—

Movements on the reconciliation of liabilities arising from financing activities are as follows:

2021

	January 1, 2021	Cash flows	Foreign exchange movement	Other	December 31, 2021
Current interest-bearing loans and borrowings	₱185,984	(₱283,344)	(₱3,102)	₱ 351	(₱100,111)
Non-current interest-bearing loans and borrowings	422	—	—	422	844
Current lease liabilities	5,594	(11,050)	—	20,628	15,172
Noncurrent lease liabilities	861	—	—	(3,247)	(2,386)
Total liabilities from financing activities	₱214,364	(₱294,394)	(₱3,102)	₱18,154	(₱86,481)

2020

	January 1, 2020	Cash flows	Foreign exchange movement	Other	December 31, 2020
Current interest-bearing loans and borrowings	₱202,542	(₱14,166)	(₱2,742)	₱350	₱185,984
Non-current interest-bearing loans and borrowings	—	(270)	—	692	422
Current lease liabilities	7,714	(10,096)	—	7,976	5,594
Noncurrent lease liabilities	4,108	—	—	(3,247)	861
Total liabilities from financing activities	₱214,364	(₱24,532)	(₱2,742)	₱5,771	₱192,861

2019

	January 1, 2020	Cash flows	Foreign exchange movement	Adoption of PFRS 16	Other	December 31, 2020
Current interest-bearing loans and borrowings	₱242,541	(₱51,594)	(₱2,572)	₱—	₱14,167	₱202,542
Non-current interest-bearing loans and borrowings	14,167	—	—	—	(14,167)	—
Current lease liabilities	—	(9,659)	—	8,668	5,099	4,108
Noncurrent lease liabilities	—	—	—	11,822	(4,108)	7,714
Total liabilities from financing activities	₱256,708	(₱61,253)	(₱2,572)	₱20,490	₱991	₱214,364



27. Finance Costs

	2021	2020	2019
Interest cost on retirement liability - net (Note 17)	₱48,309	₱51,656	₱77,555
Interest expense:			
Short-term and long-term borrowings (Note 14)	10,473	11,078	14,719
Trust receipts (Note 13)	-	11	1,274
Accretion of interest on mine rehabilitation costs (Note 16)	3,191	3,703	5,277
Interest cost on lease liability (Note 30g)	220	444	490
Others	-	-	63
	₱62,193	₱66,892	₱99,378

28. Other Income - net

	2021	2020	2019
Gain on remeasurement of rehab liability	₱57,243	₱-	₱965
Miscellaneous income	8,525	20,733	5,785
Gain on sale of investment in associates	5,906	(7,359)	-
Gain (loss) on disposal of property, plant and equipment – net	749	7,317	13,372
Gain (loss) on disposal of available for sale	(437)	-	-
Interest income	56	102	2,324
Gain due to retrenchment	-	-	10,703
Loss on sale of scrap inventories	-	(7,476)	-
	₱72,042	₱13,317	₱33,149

29. Revenues

	2021	2020	2019
Revenue from contracts with customers:			
Sale of bullion	₱1,573,931	₱1,232,588	₱435,365
Sale of concentrate	2,752	223,896	1,594,738
Services	15,687	17,757	33,750
	1,592,370	1,474,241	2,063,853
Other revenues:			
Rent income (Note 30g)	2,334	2,252	3,963
Mark-to-market losses	(9,679)	(3,515)	(20,431)
	₱1,585,025	₱1,472,978	₱2,047,385



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. As of December 31, 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 2021, 2020, and 2019 related to sale of bullion and concentrates amounted to ₱3,381, ₱36,183 and ₱168,879, 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 stock 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, 2021 and 2020, the advances amounted to ₱6,194,069 and ₱6,131,772, 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 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 Free and Prior Informed Consent 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 which remains pending.

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, 2019 and 2018, 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, 2020 and 2019, and results of operations for the years ended December 31, 2020, 2019 and 2018.
- (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 lands where its roasting plant and central warehouse is constructed. Lease agreement for the roasting plant, which expired in April 2016, was extended to another term of six years while the other lease agreement covering the Parent Company's warehouse will extend until February 2022. 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:

	2021	2020
Depreciation expense of right-of-use assets included in property, plant and equipment	₱9,489	₱9,411
Interest expense on lease liabilities	1,315	678
Expenses relating to short-term leases (included in cost of sales)	78	1,259
Expenses relating to short-term leases (included in operating expenses)	2,506	3,572
	₱13,388	₱14,920

The rollforward analysis of lease liabilities follows:

	2021	2020
At January 1	₱6,455	₱11,822
Addition	16,062	4,051
Interest expense	1,315	678
Payments of:		
Interest	(220)	(678)
Principal portion	(10,262)	(9,418)
As at December 31	13,350	6,455
Current portion of lease liabilities	6,064	5,594
Noncurrent portion of lease liabilities	₱7,286	₱861

Interest expense amounting to ₱1,100 and ₱234 were capitalized as part of mine exploration costs in 2021 and 2020, respectively.

Shown below is the maturity analysis of the undiscounted lease payments for the period ended December 31, 2021:

	2021
Within one year	₱6,522
More than one year to two years	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 2021, 2020 and 2019 amounted to ₱7,521, ₱2,252 and ₱3,962, 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, 2020 and 2019, 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, 2020 and 2019, the balance of retained earnings which will not be available for dividend distribution, includes the remaining balance of the deemed cost adjustment amounting to ₱471,529.



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, 2018 balances to facilitate proper classification and conform to the December 31, 2019 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 has filed an appeal with the Court of Appeals.
- (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.



(o) Continuing COVID-19 pandemic

The Group was able to continue operating despite the COVID-19 pandemic. The Group experienced a slowdown in production especially during the early parts of the community quarantine. However, with great diligence in implementing quarantine protocols, the Group was able to resume its production. The Group also faced several challenges because it had to prioritize the health, safety, and well-being of its employees. Despite the challenges of the Group, it has had the opportunity to continue operating and provide for its employees and their families, pay its taxes on time, and contribute a significant amount for relief efforts to its local communities. The Group continues to monitor developments, including government requirements and recommendations at the national, state, and local level to evaluate its current operations and implement further measures to minimize the impact to its business.

31. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents 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, foreign exchange risk, interest rate risk, equity price 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.

All gold exports when priced are practically settled on cash basis. The Parent Company's existing contracts with gold refineries allow for advances of 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 reputation. Since the Parent Company became a primary gold and copper concentrates producer, it has entered into exclusive marketing contracts with Heraeus for gold and Cliveden Trading AG and Louis Dreyfus Company Metals Suisse SA for copper concentrates.

The Group has a significant concentration of credit risk in relation to its trade receivables from Heraeus. 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.



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, 2021 and 2020.

	2021	2020
Cash in banks (Note 4)	₱33,141	₱27,367
Trade receivables (Note 5)	89,880	68,898
Nontrade receivables (Note 5)	13,602	26,670
MRF under other noncurrent assets	3,252	3,937
Financial assets designated at FVOCI (Note 10)		
Quoted instruments	31,552	26,194
Unquoted instruments	3,894	41,721
	₱175,321	₱194,787

Credit Quality and Aging Analysis of Financial Assets

The credit quality of financial assets is managed by the Group using internal credit ratings and is classified into three: High grade, which has no history of default; Standard grade, which pertains to accounts with history of one or two defaults; and Substandard grade, which pertains to accounts with history of at least three payment defaults.

2021	Neither past due nor impaired	Past due but not impaired				ECL	Total
		Less than 30 days	30 to 60 days	61 to 90 days	Over 90 days		
Cash in banks	₱33,141	₱-	₱-	₱-	₱-	₱-	₱33,141
Trade receivables	74,885	220	17	335	-	14,423	89,880
Nontrade receivables	13,459	-	-	-	-	143	13,602
MRF	3,252	-	-	-	-	-	3,252
Financial assets designated at FVOCI							
Quoted	31,552	-	-	-	-	-	31,552
Unquoted	3,894	-	-	-	-	-	3,894
	₱160,183	₱220	₱17	₱335	₱-	₱14,566	₱175,321

2020	Neither past due nor impaired	Past due but not impaired				ECL	Total
		Less than 30 days	30 to 60 days	61 to 90 days	Over 90 days		
Cash in banks	₱27,367	₱-	₱-	₱-	₱-	₱-	₱27,367
Trade receivables	32,490	-	-	-	17,967	18,441	68,898
Nontrade receivables	13,023	-	13,133	-	-	514	26,670
MRF	3,937	-	-	-	-	-	3,937
Financial assets designated at FVOCI							
Quoted	26,194	-	-	-	-	-	26,194
Unquoted	41,721	-	-	-	-	-	41,721
	₱144,732	₱-	₱13,133	₱-	₱17,967	₱18,955	₱194,787

Aging analysis of past due but not impaired financial assets per class

As of December 31, 2021, the aging analysis of past due but not impaired receivables presented per class, follow (amounts in thousands):

	Past Due but Not Impaired				Total
	Within 30 days	31 to 60 days	61 to 90 days	Over 90 Days	
December 31, 2021					
Trade receivables	₱2,196	₱283	₱131	₱15,357	₱17,967



Excessive risk concentration

Given the Group's diverse base of counterparties in its financial assets, it is not exposed to large or excessive concentrations of credit risk in any geographical region or industry.

Write-off policy

The Group writes-off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Group writes off an account when all of the following conditions are met:

- the asset is in past due for over 120 days or 360 days for special customers, or is already an item-in-litigation with any of the following:
 - a. no properties of the borrower could be attached
 - b. the whereabouts of the client cannot be located
 - c. it would be more expensive for the Group to follow-up and collect the amount, hence the Group has ceased enforcement activity, and
 - d. collections can no longer be made due to insolvency of bankruptcy of the borrower
- restructuring is no longer possible
- filing of legal case is not possible

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, 2020 and 2019 follow:

	2021		2020	
	Original Currency	Peso Equivalent	Original Currency	Peso Equivalent
<u>Assets</u>				
Cash	US\$52	₱2,648	US\$99	₱4,739
Trade receivables	1,116	56,934	968	46,486
	US\$ 1,168	₱59,582	US\$1,067	₱51,225
<u>Liabilities</u>				
Trade payables and accrued expenses	US\$1,901	₱ 96,949	US\$2,831	₱135,953
Borrowings	1,025	52,270	1,050	50,413
	US\$ 2,926	₱ 149,219	US\$3,881	₱186,366
Net assets (liabilities)	(US\$1,758)	(₱89,637)	(US\$2,814)	(₱135,141)



As at December 31, 2021 and 2020, the exchange rate of the Philippine Peso to the US\$ is ₱50.999 and ₱48.02, 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, 2020 and 2019 is as follows:

Currency	2021		2020	
	Change in foreign exchange rate	Sensitivity of Pretax Income	Change in foreign exchange rate	Sensitivity of Pretax Income
US\$	(₱1.02) ₱0.27	₱1,793 (₱475)	₱0.32 (₱0.11)	(₱901) ₱310

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 availing 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, 2021 and 2020:

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 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	160,183	220	17	335	—	14,566	175,321
Financial Liabilities:							
Trade and other payables (Note 13)*	(519,421)	(364,747)	(157,470)	(99,071)	(1,305,944)	(324,872)	(2,771,525)
Borrowings (Note 14)	(125,220)	—	—	—	(51,421)	—	(176,641)
Total	(644,641)	(364,747)	(157,470)	(99,071)	(1,357,365)	(324,872)	(2,948,166)
	(₱)	(₱364,527)	(₱)	(₱)	(₱1,357,365)	(₱310,306)	(₱2,772,845)

*Excluding payable to regulatory authorities



2020	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 in banks (Note 4)	P27,367	P—	P—	P—	P—	P—	P27,367
Trade receivables (Note 5)	32,490	2,196	283	131	15,357	18,441	68,898
MRF	3,937	—	—	—	—	—	3,937
Nontrade receivables (Note 5)	13,023	—	—	—	13,133	514	26,670
Financial assets designated at FVOCI (Note 10)	67,915	—	—	—	—	—	67,915
Total	144,732	2,196	283	131	28,490	18,955	194,787
Financial Liabilities:							
Trade and other payables (Note 13)*	(2,203,498)	(375)	(572)	(3,894)	(989)	(19,770)	(2,229,098)
Borrowings (Note 14)	(185,984)	—	—	—	(422)	—	(186,406)
Total	(2,389,482)	(375)	(572)	(3,894)	(1,411)	(19,770)	(2,415,504)
	(P2,244,750)	P1,821	(P289)	(P3,763)	P27,079	(P815)	(P2,220,717)

*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

PFRSs 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 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 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, 2020 and 2019 bear floating rates that are repriced monthly and quarterly.

The fair value of the interest-bearing long-term debt in 2020 and 2019 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:

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)

2020	Level 1	Level 2	Level 3	Total
Financial assets designated at FVOCI	₱26,194	₱–	₱41,721	₱67,915
Borrowings	–	(186,406)	–	(186,406)
	₱26,194	(₱186,406)	₱41,721	(₱118,491)

There were no transfers between levels of fair value measurement as at December 31, 2021 and 2020.

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, 2021 and 2020. The Group monitors capital using the consolidated financial statements. The Group has complied with all externally imposed capital requirements in 2021 and 2020.

As at December 31, 2021 and 2020, 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 2019 and 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:

2021	Mining	Service	Others	Elimination	Consolidated
Revenue from external customers:					
Sale of metals – net	₱1,567,004	₱–	₱–	₱–	₱1,567,004
Others	7,521	5,517	7,224	–	20,262
Inter-segment revenue	–	42,925	13,614	(56,539)	–
Segment revenue	1,574,525	48,442	20,838	(56,539)	1,587,266
Cost and operating expenses	(2,059,866)	(64,211)	(30,504)	62,046	(2,092,535)
Share in operating results of associates	–	–	–	(387)	(387)
Income (loss) before income tax	(485,341)	(15,769)	(9,666)	5,120	(505,656)
Finance cost, net of other income	481	812	14,638	–	15,931
Provision for (benefit from) income tax	19,161	(2,582)	19,722	–	36,301
Net income (loss)	(₱460,265)	(₱17,539)	(₱17,532)	₱ 6,846	(₱453,426)
Segment assets	₱16,163,711	₱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	460,416	24,004	4,562	–	488,982
Capital expenditures:					
Tangible fixed assets	5,945,224	15,199	368,570	50,076	6,379,069
Intangible assets	900	–	–	–	900
Cash flows arising from (used in):					
Operating activities	316,823	(8,712)	(11,885)	96,797	393,023
Investing activities	(345,939)	6,581	16,934	(116,929)	(439,353)
Financing activities	28,856	685	146	5,688	35,375
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)	₱3,031	(₱750,976)

(Forward)



2020	Mining	Service	Others	Elimination	Consolidated
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
2019	Mining	Service	Others	Elimination	Consolidated
Revenue from external customers:					
Sale of metals - net	₱2,038,979	₱–	₱–	₱–	₱2,038,979
Others	3,961	–	4,444	–	8,405
Inter-segment revenue	2,274	12,944	32,665	(47,883)	–
Segment revenue	2,045,214	12,944	37,109	(47,883)	2,047,384
Cost and operating expenses	(2,958,320)	(102,731)	(34,458)	55,260	(3,040,249)
Share in operating results of associates	–	–	–	(2,972)	(2,972)
Income (loss) before income tax	(913,106)	(89,787)	2,651	4,405	(995,837)
Finance cost, net of other income	(79,441)	26,251	1,938	(9,651)	(60,903)
Provision for (benefit from) income tax	14,776	16,045	(1,445)	–	29,376
Net income (loss)	(₱977,771)	(₱47,491)	₱3,144	(₱5,246)	(₱1,027,364)
Segment assets	₱16,351,157	₱330,728	₱796,842	(₱923,148)	₱16,555,579
Investments in and advances to associates	963,454	–	110,499	(509,697)	564,256
Segment liabilities	(9,649,120)	(252,726)	(252,076)	433,688	(9,720,234)
Depreciation	853,874	42,839	5,665	–	902,378
Capital expenditures:					
Tangible fixed assets	6,382,788	53,368	375,124	47,389	6,858,669
Intangible assets	3,622	–	–	–	3,622
Cash flows arising from (used in):					
Operating activities	144,060	(79,607)	(7,642)	61,109	117,920
Investing activities	(181,394)	30,910	7,792	(16,510)	(159,202)
Financing activities	(20,481)	(10,524)	225	12,293	(18,487)

34. Events after the Reporting Period

Increase in Capital Stock

On February 2, 2022, the board of directors amended the board resolution dated June 15, 2020 and approved the increase in authorized capital stock from ₱6.64 billion to ₱9.00 billion which supersedes the proposal to increase the authorized capital to ₱12.00 billion. Furthermore, on a special stockholders' meeting dated March 21, 2022, the stockholders 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 board of directors approved an offer to shareholders to subscribe to one (1) share of common stock for every 4.6 shares held at the price of ₱0.14 per share. The record and ex-dates as well as the offer period will be announced upon PSE approval of the pertinent listing application. The offer shares will come from and support the increase in the Parent Company's authorized capital stock from ₱6.64 billion to ₱9.00 billion.

The proceeds of the offer, amounting to ₱2.02 billion will be utilized to fund exploration drilling for gold and copper deposits, settlement of payables, pension update and capital expenditures, and for working capital.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULE

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 as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, included in this Form 17-A, and have issued our report thereon dated May 16, 2022. 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 Company'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.

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. 8854310, January 3, 2022, Makati City

May 16, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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 as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated May 16, 2022. 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 Company'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, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 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. 8854310, January 3, 2022, Makati City

May 16, 2022



SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

As of December 31, 2021

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES

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

	Formula	2021	2020
<u>Profitability Ratios:</u>			
Return on assets	$\frac{\text{Net Loss}}{\text{Total Assets}}$	(3.19%)	(4.58%)
Return on equity	$\frac{\text{Net Loss}}{\text{Total Equity}}$	(9.55%)	(12.98%)
Gross profit margin	$\frac{\text{Gross Profit}}{\text{Net Revenues}}$	(20.40%)	(31.74%)
Net profit margin	$\frac{\text{Net Loss}}{\text{Revenues}}$	(32.46%)	(50.98%)
<u>Liquidity and Solvency Ratios:</u>			
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.53:1	0.74:1
Quick ratio	$\frac{\text{Current Assets} - \text{Inventories} - \text{Other Current Assets}}{\text{Current Liabilities}}$	0.14:1	0.16:1
Solvency ratio	$\frac{\text{Net Loss}}{\text{Total Liabilities}}$	(0.05:1)	(0.07:1)
<u>Financial Leverage Ratios:</u>			
Asset to equity ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	2.99	2.84
Debt to equity ratio	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$	1.99	1.84
Interest coverage ratio	$\frac{\text{Earnings Before Interest and Taxes (EBIT)}}{\text{Finance Costs}}$	0.14	0.10

**INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2021**

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
21st Floor, Lepanto Building, Paseo de Roxas, Makati City

	<u>Schedule</u>
Reconciliation of Retained Earnings Available for Dividend Declaration	I
Map of the Relationships of the Companies Within the Group	II
Supplementary Schedules Required by Annex 68-J	III
Financial Assets	A
Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	B
Amounts Receivable from Related Parties which are Eliminated During Consolidation of Financial Statements	C
Long-term Debt	D
Indebtedness to Related Parties (Long-term Loans from Related Companies)	E
Guarantees of Securities and Other Issues	F
Capital Stock	G

SCHEDULE I
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION

As of December 31, 2021

(Amounts in thousands)

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES

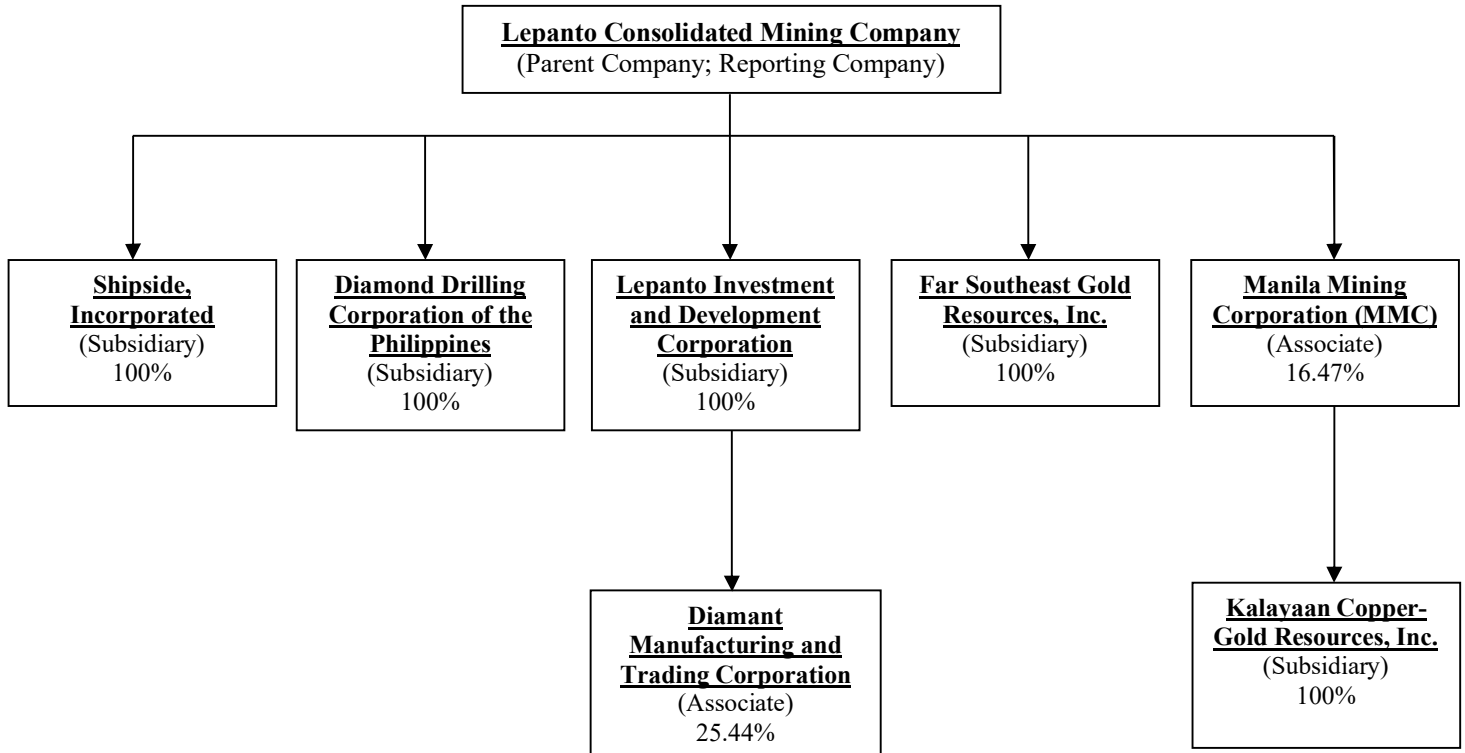
21st Floor, Lepanto Building, Paseo de Roxas, Makati City

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning of the year		(P6,507,253)
Add: Net loss actually earned/realized during the period		
Net loss during the period closed to Retained Earnings	(533,924)	
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		(514,552)
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		P—†

†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, 2021

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, 2021

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
Financial asset designated at FVOCI:			
Philippine Associated Smelting & Refining Corp.	37,407,798	—	—
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	4,702	—
Canlubang Golf & Country Club Inc.	1	1,750	—
Club Filipino	1	300	—
Makati (Sports) Club Inc.	1	800	—
Manila Polo Club	1	24,000	—
PHILAM Properties Corp.	1	210	—

SCHEDULE III
SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-J
As of December 31, 2021

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, 2021

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	₱129,931,908	₱6,021,267	₱—	₱—	₱135,953,175	₱—	₱135,953,175
FSGRI	94,825,330	688,822	—	—	95,514,152	—	95,514,152
LIDC	89,867,313	145,828	—	—	90,013,141	—	90,013,141

SCHEDULE III
SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-J
As of December 31, 2021

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 - <i>Gold Delivery Agreement</i>	US\$1,000,000	P—	P50,999,000
PBCOM USD Loan	US\$49,830	P1,270,646	P—
UCPB Peso Loan	P320,000,000	P124,372,486	P—
PBCOM Peso Loan	P4,041,719	P—	P—
AUB Peso Loan	P1,041,898	P—	P—

SCHEDULE III
SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-J
As of December 31, 2021

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, 2021

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, 2021

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, 2021, total shares issued and outstanding is 66,373,926,649 held by 27,777 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