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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

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Month Day

Fiscal Year

FORM TYPE				
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FORM TYPE

3rd Monday of April

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Month

Day

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

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Domestic

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Foreign

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

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File Number

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **March 31, 2023**
2. Commission identification number: **101** 3. BIR Tax Identification No.: **000-160-247**
4. Exact name of issuer as specified in its charter:

LEPANTO CONSOLIDATED MINING COMPANY

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

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office:

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

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

(632) – 815-9447

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

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

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

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

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

Yes No

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

Philippine Stock Exchange

Classes "A" and "B"

12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

PART I- FINANCIAL INFORMATION

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

PART II- OTHER INFORMATION (None)

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer : LEPANTO CONSOLIDATED MINING COMPANY

Signature : 

Title : RAMON T. DIOKNO
Chief Finance Officer

Date : May 22, 2023

Signature : 

Title : ODETTE A. JAVIER
Vice President/Assistant Corporate Secretary

Date : May 22, 2023

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

FOR THE FIRST QUARTER

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

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

	<u>MARCH 31</u> <u>2023</u>	<u>*DECEMBER 31</u> <u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalent	P 78,155	P 53,590
Receivables, net	192,235	78,748
Inventories, net	522,830	587,494
Advances to suppliers and contractors	121,293	56,384
Other current assets	653,758	477,341
Total current assets	<u>1,568,271</u>	<u>1,253,558</u>
NON-CURRENT ASSETS		
Property, plant and equipment	6,112,442	6,293,417
Available-for-sale financial assets	46,646	46,646
Investments and advances in associates	452,373	452,373
Mine exploration cost	6,982,399	6,969,680
Deferred tax assets	180,190	180,190
Other noncurrent assets	554,112	514,048
Total non-current assets	<u>14,328,162</u>	<u>14,456,353</u>
TOTAL ASSETS	<u>P 15,896,433</u>	<u>P 15,709,911</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables	P 2,835,423	P 2,775,086
Short-term borrowings	41,657	41,657
Lease Liability	8,109	8,109
Unclaimed dividends	26,693	26,693
Income tax payable	-	3,690
Total current liabilities	<u>2,911,882</u>	<u>2,855,235</u>
NON-CURRENT LIABILITIES		
Advances from Far Southeast Services Limited	6,258,475	6,242,881
Long-term borrowings	198,505	198,505
Lease Liability	1,940	1,940
Liability for mine rehabilitation cost	11,490	11,490
Retirement benefit obligations	1,042,173	1,042,173
Deposit for future stock subscriptions	69,200	69,200
Total non-current liabilities	<u>7,748,478</u>	<u>7,744,931</u>
TOTAL LIABILITIES	<u>10,660,360</u>	<u>10,600,166</u>
EQUITY		
Capital stock	6,635,685	6,635,685
Additional paid-in capital	5,077,033	5,077,033
Re-measurement loss on retirement plan	147,506	147,506
Cumulative changes in fair values of AFS investments	(59,342)	(59,342)
Deficit	(6,812,056)	(6,945,693)
	4,988,827	4,855,189
Non-controlling interests	<u>247,247</u>	<u>254,558</u>
Total equity	<u>5,236,074</u>	<u>5,109,746</u>
TOTAL LIABILITIES AND EQUITY	<u>P 15,896,433</u>	<u>P 15,709,912</u>

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

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

(With Comparative Figures for 2022)

(Amounts in Thousand Pesos)

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

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

	<u>MARCH 31</u> <u>2023</u>	<u>MARCH 31</u> <u>2022</u>
Authorized - P 6.64 billion		
Share capital at par value	P 6,637,393	P 6,637,393
Subscribed capital (net of subscriptions receivable)	(1,707)	(1,707)
Share premium	5,077,033	5,077,033
Cumulative changes in fair values of AFS investments	(59,342)	(75,010)
Re-measurement loss on retirement plan	147,506	(56,025)
Retained earnings		
Beginning balance	(6,945,694)	(6,446,391)
Net Loss for the period	133,641	(149,059)
	<u>(6,812,053)</u>	<u>(6,595,450)</u>
EQUITY ATTRIBUTABLE TO THE STOCKHOLDERS OF THE PARENT COMPANY	4,988,830	4,986,234
NON-CONTROLLING INTERESTS	247,247	255,304
	<u>P 5,236,077</u>	<u>P 5,241,538</u>

LEPANTO CONSOLIDATED MINING COMPANY

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

Note 1 - General information

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

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

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

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

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

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

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

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

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

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

MPSA No. 001-90-CAR was jointly executed by the Company and subsidiary Far Southeast Gold Resources, Inc. (FSGRI) on March 3, 1990 with the Philippine Government, through the Department of Environment and Natural Resources. The MPSA has a term of 25 years, renewable for another term not exceeding 25 years under the same terms and conditions. The Company and FSGRI filed an application for its renewal on June 4, 2014. The application for renewal of the mining rights is still pending approval as at December 31, 2022.

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

Note 2 – Compliance with Generally Accepted Accounting Principles

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

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

Note 3 – Cash and Cash Equivalents

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

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

Note 4 – Receivables

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

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

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

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

Note 5 – Inventories

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

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

Note 6 – Advances to suppliers and contractors

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

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

Note 7 – Other current assets

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

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

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

Note 8 – Trade and other payables

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

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

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

Note 9 - Business Segments

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

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

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

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

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

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

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

The assets, liabilities and results of the business segments of the LCMC Group for the 1st quarter of the year 2023 and 2022 are as follow:

Mining activities

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

Investment activities

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

Hauling and Leasing Activities

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

Drilling Activities

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

Note 10 – Seasonality

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

LEPANTO CONSOLIDATED MINING CO.

AGING OF ACCOUNTS RECEIVABLE - TRADE

AS OF MARCH 31, 2023

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

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

As of March 31, 2023

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

MINING OPERATIONS

January – March 2023 versus January – March 2022

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

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

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

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

BALANCE SHEET MOVEMENTS

March 31, 2023 versus December 31, 2022

The increase in cash and cash equivalents of P24.6 million is attributable to the favorable timing of collections vis-a-vis payments. The increase in receivables of P113.4 million pertains to the outstanding balance from a dore shipment. Inventories went down by P64.6 million due to usage and the delayed arrival of materials in transit. Advances to

suppliers and contractors increased by P64.9 million representing advance payments to various vendors for those materials in transit. Other current assets increased by P176.4 million due to recognition of input taxes from local purchases and operating development costs. On the other hand, other noncurrent assets went up by P40.0 million because of additional deferred charges.

CAPITAL EXPENDITURES

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

OUTLOOK FOR THE YEAR

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

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

SUBSIDIARIES

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

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

* - **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.

LEPANTO CONSOLIDATED MINING COMPANY
Impact of Current Global Financial Condition

Credit Risk

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

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

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

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

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

There is no significant exposure to credit risk.

Market Risk

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

Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its consolidated financial statements and consolidated statements of cash flows.

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

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

Foreign currency-denominated liabilities of Parent Company totaled US\$1.0 million at the end of first quarter this year. Same amount was revalued at the start of the year based on an exchange rate of P55.755/US\$. No revaluation of said liabilities during the current year. Foreign exchange gain or losses due to the movement of the Philippine peso vis a vis the US\$ are recognized at year-end on outstanding US\$ denominated assets and liabilities. The gain/(loss) on Philippine peso appreciation/(depreciation) against the dollar as a result of settlement of liabilities is reflected as foreign exchange gain/(loss) in the financial statements.

As of the end of the quarter, Far Southeast Gold Resources, Inc., a 60%-owned subsidiary, had total foreign currency-denominated liabilities of US\$145.9 million. Said foreign currency liabilities are converted to Philippine peso at the time of their incurrence. No revaluation of said liabilities is done on account of the appreciation/depreciation of the Philippine peso; hence, no foreign exchange gain/loss is recognized for the quarter ended. Settlement of these obligations will be at their recorded value based on the agreement with the creditor/investor.

Interest Rate Risk

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

Liquidity Risk

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

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

As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include bank loans and capital market issues. Accordingly, its loan maturity profile is regularly reviewed to ensure availability of funding through an adequate amount of credit facilities with financial institutions.

Fair Values

PFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the

measurement date. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

Cash and Cash Equivalents, Trade Receivables and Trade and Other Payables

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

AFS Financial Assets

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

Loans Payable and Borrowings

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

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
FINANCIAL RATIOS
PURSUANT TO SRC RULE 68, AS AMENDED
MARCH 31, 2023
(With Comparative Annual Figures for 2022)

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