COVER SHEET

101

S.E.C. Registration Number

LEPANTO CONSOLIDATED MINING CO

(Company's Full Name)

21ST FLOOR LEPANTO BUILDING

8747 PASEO DE ROXAS

MAKATI CITY

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

ODETTE A. JAVIER

Contact Person

815-9447

Company Telephone Number

FORM TYPE

3rd Monday of April

12 31

Month Day

Fiscal Year

17-Q

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total no. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended**: September 30, 2023**

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

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

LEPANTO CONSOLIDATED MINING COMPANY

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

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

7. Address of issuer's principal office:

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

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

(632) – 815-9447

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

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

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

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

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

Yes [x] No [ ]

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

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

12. Indicate by check mark whether the registrant:

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

Yes [**x**] No [ ]

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

Yes [ ] No [**x**]

PART I- FINANCIAL INFORMATION

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

PART II- OTHER INFORMATION (None)

SIGNATURES

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

Issuer	:	**LEPANTO CONSOLIDATED MINING COMPANY**
Signature	:	**RAMON T. DIOKNO**
Title	:	Chief Finance Officer
Date	:	November 14, 2023
Signature	:	**ODETTE A. JAVIER**
Title	:	Vice President/Assistant Corporate Secretary
Date	:	November 14, 2023

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
STATEMENTS OF INCOME
FOR THE PERIODS ENDED SEPTEMBER 30, 2023
(With Comparative Figures for 2022)
(Amounts In Thousand , Except Earnings (Loss) Per Share)

	FOR THE THIRD QUARTER		FOR NINE MONTHS ENDED SEPTEMBER 30	
	2023	**2022**	**2023**	**2022**
REVENUES				
Sale of metals	₱ 495,380	₱ 472,579	₱ 1,866,592	₱ 1,285,617
Service fees and other operating income	673	1,511	5,073	5,131
	496,053	474,090	1,871,666	1,290,748
COSTS AND EXPENSES				
Mining, milling, roasting, smelting, refining and and other related charges; administrative expenses; depreciation, amortization and depletion; and other charges	(587,240)	(567,375)	(1,888,965)	(1,696,655)
INCOME (LOSS) FROM OPERATIONS	(91,187)	(93,285)	(17,299)	(405,907)
FINANCE COST, net	(599)	(2,774)	(5,001)	(8,249)
FOREIGN EXCHANGE GAINS (LOSS), net	1,428	5,595	(1,092)	8,165
OTHER INCOME (CHARGES), net	(1,013)	22,587	233	36,351
SHARE IN NET EARNINGS (LOSSES) OF ASSOCIATES	(335)	(178)	(1,004)	(577)
INCOME (LOSS) BEFORE INCOME TAX	(91,705)	(68,055)	(24,163)	(370,217)
PROVISION FOR (BENEFIT FROM) INCOME TAX				
CURRENT	-	5,904		5,937
DEFERRED	-	1,239	-	1,086
	-	7,143	-	7,023
NET INCOME (LOSS)	₱ (91,705)	₱ (75,198)	₱ (24,163)	₱ (377,240)
Attributable to:				
Stockholders of the parent company	(88,080)	(75,147)	(24,012)	(376,721)
Non-controlling interests	(3,625)	(51)	(151)	(519)
Net Income / (Loss)	₱ (91,705)	₱ (75,198)	₱ (24,163)	₱ (377,240)
BASIC/DILUTED EARNINGS (LOSS) PER SHARE	(0.001382)	(0.001133)	(0.000364)	(0.005683)

ANNEX "B"

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

	SEPTEMBER 30 2023	*DECEMBER 31 2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalent	₱ 38,434	₱ 53,590
Receivables, net	78,018	78,749
Inventories, net	542,356	587,494
Advances to suppliers and contractors	57,228	56,384
Other current assets	493,128	477,341
Total current assets	**1,209,164**	**1,253,558**
NON-CURRENT ASSETS		
Property, plant and equipment	6,251,210	6,293,417
Available-for-sale financial assets	42,255	46,646
Investments and advances in associates	452,748	452,373
Mine exploration cost	7,117,341	6,969,680
Deferred tax assets	223,684	180,190
Other noncurrent assets	538,445	514,048
Total non-current assets	**14,625,684**	**14,456,354**
TOTAL ASSETS	**₱ 15,834,847**	**₱ 15,709,912**
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables	₱ 2,838,953	₱ 2,801,778
Short-term borrowings	41,716	41,657
Lease Liability	8,109	8,109
Income tax payable	4,503	3,690
Total current liabilities	**2,893,281**	**2,855,234**
NON-CURRENT LIABILITIES		
Advances from Far Southeast Services Limited	6,288,240	6,242,881
Long-term borrowings	199,458	198,505
Lease Liability	409	1,940
Liability for mine rehabilitation cost	12,329	11,490
Retirement benefit obligations	1,067,613	1,042,173
Deferred income liabilities	220,292	178,742
Deposit for future stock subscriptions	69,200	69,200
Total non-current liabilities	**7,857,541**	**7,744,931**
TOTAL LIABILITIES	**10,750,822**	**10,600,165**
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	143,201	147,506
Cumulative changes in fair values of AFS investments	(56,592)	(59,342)
Deficit	(6,969,861)	(6,945,693)
	4,829,467	**4,855,189**
Non-controlling interests	254,559	254,558
Total equity	**5,084,026**	**5,109,747**
TOTAL LIABILITIES AND EQUITY	**₱ 15,834,847**	**₱ 15,709,912**

* - AUDITED

ANNEX "C"

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
AS OF SEPTEMBER 30, 2023

(With Comparative Figures for 2022)

(Amounts in Thousand Pesos)

	FOR THE QUARTER ENDED SEPTEMBER 30		FOR NINE MONTHS ENDED SEPTEMBER 30	
	2023	2022	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Income/ (Loss) before tax	(91,705)	(68,055)	(24,163)	(370,217)
Adjustments for:				
Depreciation and depletion	62,528	(11,080)	187,583	189,413
Equity in net losses (income) of affiliated companies	335	178	1,004	578
Foreign exchange losses (income), net	3,611	(5,157)	1,092	(7,498)
Provision for retirement benefit cost	-	-	-	973
Interest income	(8)	(5)	(21)	(17)
Interest expense	730	2,769	5,022	8,226
Provision for income tax	-	(7,143)	-	(7,023)
Operating income before working capital changes	(24,511)	(88,494)	170,516	(185,566)
Decrease (Increase) in:				
Receivables and advances to suppliers	(38)	(51,827)	(113)	(134,814)
Inventories and PPE	29,115	159,266	87,345	195,613
Prepayments and other assets	(3,924)	(13,326)	(11,771)	(121,950)
Increase (Decrease) in:				
Accounts payable and accrued expenses	30,272	60,488	38,047	516,928
Liability for mine rehabilitation cost	280	369	839	1,107
Deferred income tax liability, net	13,850	(2,163)	41,550	(2,434)
Cash generated (used) from operations	45,045	64,313	326,414	268,883
Retirement benefits paid	(31,440)	(14,165)	(140,687)	(65,276)
Interest received	8	5	21	17
Net cash provided by (used in) operating activities	13,613	50,154	185,747	203,625
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments, net		-		9,826
Acquisition of property and equipment	(21,666)	(44,578)	(157,056)	(213,474)
Exploration costs and other assets	(14,616)	289	(43,848)	(34,475)
Net cash used in investing activities	(36,282)	(44,289)	(200,904)	(238,124)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Borrowings	-	5,110	-	44,425
Payments of:	-			
Borrowings	-	(99)	-	(1,558)
Interest	-	-	-	(11)
Capital and other reserves	-	-		(1)
Net cash provided by financing activities	-	5,011	-	42,855
NET INCREASE (DECREASE) IN CASH	(22,669)	10,876	(15,156)	8,356
Beginning of period	61,102	33,134	53,590	35,654
CASH AT END OF THE PERIOD	38,434	44,010	38,434	44,010

ANNEX "D"

LEPANTO CONSOLIDATED MINING COMPANY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
AS OF SEPTEMBER 30, 2023 & 2022

(Amounts in thousands)

	SEPTEMBER 30 2023	SEPTEMBER 30 2022
Authorized - ₱ 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	(56,592)	(67,882)
Re-measurement loss on retirement plan	143,201	(56,025)
Retained earnings		
Beginning balance	(6,945,698)	(6,446,391)
Net Income (Loss) for the period	(24,163)	(376,721)
	(6,969,861)	(6,823,112)
EQUITY ATTRIBUTABLE TO THE STOCKHOLDERS OF THE PARENT COMPANY	4,829,467	4,765,700
NON-CONTROLLING INTERESTS	254,559	247,571
	P 5,084,026	**P 5,013,271**

ANNEX “E”

LEPANTO CONSOLIDATED MINING COMPANY

NOTES TO FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 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, 2021.

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

Note 2 – Compliance with Generally Accepted Accounting Principles

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

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

Note 3 – Cash and Cash Equivalents

	09/30/2023	12/31/2022
Cash on hand	2,858	4,248
Cash in banks	35,576	49,342
	38,434	53,590

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

Note 4 – Receivables

	09/30/2023	12/31/2022
Trade	44,610	87,892
Nontrade	45,408	15,773
Advances to officers and employees	2,987	32,357
	93,005	97,660
Less: Allowance for impairment losses	(14,987)	(18,911)
	78,018	78,749

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

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

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

Note 5 – Inventories

	09/30/2023	12/31/2022
Parts and supplies	542,356	527,343
Mine products		60,151
	542,356	587,494

Parts and supplies include materials and supplies stored in Metro Manila, Bulacan, Mankayan, and Leyte. The decrease in the amount of ₱45.14 million represents withdrawn 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

	09/30/2023	12/31/2022
Input VAT	169,939	453,196
Prepayments	91,303	15,273
Others	231,886	8,872
	493,128	477,341

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

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

Note 8 – Trade and other payables

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

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

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

Note 9 - Business Segments

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

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

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

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

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

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

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

The assets, liabilities and results of the business segments of the LCMC Group as of and for the period ended SEPTEMBER 30, 2023 and 2022 are as follows:

Mining activities

	2023 (in thousands)	2022 (in thousands)
CURRENT ASSET	1,545,236	1,795,395
NON-CURRENT ASSET	14,583,954	14,449,390
CURRENT LIABILITES	3,114,800	3,635,673
NON-CURRENT LIABILITIES	7,633,544	7,777,866
GROSS INCOME	1,873,426	1,285,617
NET INCOME / (LOSS)	1,897,997	(380,421)

Investment activities

	2023 (in thousands)	2022 (in thousands)
CURRENT ASSET	96,846	96,366
NON-CURRENT ASSET	79,925	7,244
CURRENT LIABILITES	15,809	90,302
NON-CURRENT LIABILITIES	-	12,108
GROSS INCOME	-	-
NET INCOME / (LOSS)	(138)	(255)

Hauling and Leasing Activities

	2023 (in thousands)	2022 (in thousands)
CURRENT ASSET	434,105	212,249
NON-CURRENT ASSET	392,243	380,774
CURRENT LIABILITES	19,774	7,596
NON-CURRENT LIABILITIES	106,386	115,237
GROSS INCOME	19,664	16,270
NET INCOME / (LOSS)	629	9,933

Drilling Activities

	2023 (in thousands)	2022 (in thousands)
CURRENT ASSET	254,337	238,237
NON-CURRENT ASSET	5,389	14,145
CURRENT LIABILITES	164,522	207,120
NON-CURRENT LIABILITIES	18,165	14,230
GROSS INCOME	44,686	49,045
NET INCOME / (LOSS)	9,989	(5,918)

Note 10 – Seasonality

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

ANNEX "F"

LEPANTO CONSOLIDATED MINING COMPANY

AGING OF ACCOUNTS RECEIVABLE - TRADE

AS OF SEPTEMBER 30, 2023

CUSTOMERS	*CURRENT*	*OVER 30 DAYS*	*OVER 60 DAYS*	*TOTAL*
HERAEUS LTD.	44,609,712	-	-	44,609,712
	44,609,712	-	-	44,609,712

MANAGEMENT’s DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULT OF OPERATIONS
As of September 30, 2023

Consolidated revenues for the third quarter of 2023 amounted to P 496.1 million compared with P474.1 million in 2022. Operations resulted to consolidated net loss of P91.7 million versus P75.2 million last year.

For the first nine months of 2023, combined revenues reached P 1.8 billion compared with P1.3 billion for the same period in 2022. A consolidated net loss of P 24.2 million was incurred, compared with last year’s loss of P377.2 million.

Mining Operations

July – September 2023 versus July – September 2022

Dore production contained 4,511 ounces of gold and 9,204 ounces of silver versus last year’s 4,814 ounces and 11,133 ounces of gold and silver, respectively.

Metal sales went up by P 22.8 million to P 494.3 million because of the higher metal prices. Operations resulted in a net loss of P 89.7 million compared with last year’s P83.3 million.

Gold price for this quarter averaged US$1,931.59/oz. versus last year’s US$1,711.80/oz. while silver price averaged US$23.75/oz. versus US$19.21/oz. last year. This quarter’s P/US$ exchange rate averaged P55.81/US$1 compared with P56.37/US$1 last year.

Due to selective mining, tonnage broken decreased by 15,835 tonnes from 104,323 tonnes while tonnage milled decreased by 14,120 tonnes to 85,212 tonnes. Consequently, milling cost decreased from P 98.5 million to P 94.6 million. However, mining cost increased from P 179.5 million to P 211.3 million due to price increases in production materials. Depletion and depreciation decreased by a total of P 25.3 million to P 87.4 million on account of lower production tonnage.

January – September 2023 versus January – September 2022

Metal production for the period ended September 2023 consisted of 16,538 oz of gold and 32,142 oz of silver from last year’s 12,945 oz of gold and 36,688 oz of silver.

Gold price averaged US$1,932.94/oz. versus US$1,811.28/oz. last year and silver price, US$23.24/oz. versus US$21.82/oz. The P/US$ exchange rate averaged P55.37/US$1 compared with P53.59/US$1 last year.

Metal revenue increased by P579.2 million to P1.86 billion due to higher gold sales, metal prices, and the weaker peso vis-s-vis the US dollar. Total costs inched up by 9% from P1.68 billion to P1.83 billion resulting in a net loss of P24.2 million against last year’s net loss of P379.1 million.

Due to the higher gold production and price, , excise tax increased by 40% to P72.1 million and dore handling increased by 12% to P6.9 million.

Tonnage broken decreased by 14% to 298,063 tonnes corresponding to depletion of P199.9 million compared with last year's P222.5 million. Mining costs increased by P23.2 million to P593.5 million due to increases in costs of power and of various materials.

Overhead costs increased by 22% to P337.5 million due to payments of contractual service while administration costs increased by 51% to P170.3 million attributable to the expense of prior years' Value Added Taxes.

BALANCE SHEET MOVEMENTS

September 30, 2023 versus December 31, 2022

The decrease in cash and cash equivalents by P 15.1 million is attributable to the timing issues on collections and payments. Inventories declined by P 45.1 million due to consumption of production materials. Available-for-sale financial assets decreased by P 4.4 million attributable to changes in their quoted prices. Deferred tax assets and other noncurrent assets increased by P 43.5 and P 24.4 million, respectively, due to account adjustments.

Income tax payable increased by P 0.81 million as tax provision for the period. The non-current portion of lease liability decreased by P 1.5 million on account of settlement made by a subsidiary. Liability for mine rehabilitation increased by P 0.84 million in compliance with regulatory requirements.

Deficit widened by P 24.2 million representing net loss from operations during the period.

CAPITAL EXPENDITURES

Capital expenditures for the quarter totaled P 154.6 million, of which P 58.3 million went to exploration; P 52.4 million to machinery and equipment; P 36.6 million to mine development; and P 7.3 million to maintenance of tailings storage facility 5A.

For the nine months ended September, total capital expenditures amounted to P337.2 million of which P 155.8 million went to exploration; P 96.8 million to machinery and equipment; P 68.3 million to mine development; and P 16.4 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 to further validate gold deposits are underway.

SUBSIDIARIES

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

Diamond Drilling Corporation of the Philippines reported a net income of P 9.9 million this year versus P5.9 million net loss last year. Lepanto Investment and Development Corporation reported a net loss of P 138.4 thousand compared with last year's net loss of P 255 thousand. Shipside, Incorporated registered a net income of P 0.63 million against last year's net income of P9.9 million.

* - **KEY PERFORMANCE INDICATORS-LCMC**

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

ANNEX “H”

LEPANTO CONSOLIDATED MINING COMPANY
Impact of Current Global Financial Condition

Credit Risk

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

All gold exports when priced are practically settled on cash basis. Parent Company’s existing contracts with gold refineries allow for advances of 98% of payable metals paid in two (2) working days from pricing. Full settlement is normally received within three (3) working days.

The Parent Company enters into marketing contracts only with refineries and smelters of established international repute. Since the Parent Company is a primary gold producer, it has an exclusive marketing contracts with Heraeus Ltd.

The Group has a significant concentration of credit risk in relation to its trade receivables from Heraeus Ltd. 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$1.0 million at the end of second quarter this year. Same amount was revalued at the start of the year based on an exchange rate of P55.755/US$. 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$145.4 million. Said foreign currency liabilities are converted to Philippine peso at the time of their incurrence. No revaluation of said liabilities is done on account of the appreciation/depreciation of the Philippine peso; hence, no foreign exchange gain/loss is recognized for the quarter ended. Settlement of these obligations will be at their recorded value based on the agreement with the creditor/investor.

Interest Rate Risk

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

Liquidity Risk

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

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

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

Fair Values

PFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

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

AFS Financial Assets

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

Loans Payable and Borrowings

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

ANNEX "I"

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

	PERIOD ENDED SEPTEMBER 30, 2023	YEAR ENDED DECEMBER 31, 2022
Profitability Ratios:		
Return on assets	-0.47%	-3.15%
Return on equity	-1.48%	-9.68%
Gross profit margin	-0.92%	-9.40%
Net profit margin	-1.29%	-26.63%
Liquidity and Solvency Ratios:		
Current ratio	0.42 :1	5.06:1
Quick ratio	0.06 :1	0.07:1
Solvency ratio	0.02 :1	-0.47:1
Financial Leverage Ratios:		
Asset to equity ratio	3.11 :1	3.07:1
Debt to equity ratio	2.11 :1	2.07:1
Interest coverage ratio	4.83 :1	29.16:1