COVER SHEET

1 0 1

S.E.C. Registration Number

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

(Company's Full Name)

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

8 7 4 7   P A S E O   D E   R O X A S

M A K A T I   C I T Y

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

ODETTE A. JAVIER

Contact Person

815-9447

Company Telephone Number

1 2   3 1

Month Day

Fiscal Year

FORM TYPE

1 7 - Q

FORM TYPE

3rd Monday of April

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

S T A M P S

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **September 30, 2020**

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 11, 2020
Signature	:	**ODETTE A. JAVIER**
Title	:	Vice President/Assistant Corporate Secretary
Date	:	November 11, 2020

ANNEX "A"

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
STATEMENT OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(With Comparative Figures for 2019)
(In Thousand Pesos, Except Earnings Per Share)

	FOR THE THIRD QUARTER		FOR NINE MONTHS ENDED SEPTEMBER 30	
	2020	**2019**	**2020**	**2019**
INCOME				
Sale of metals	P 410,510	P 440,362	P 1,093,503	P 1,556,448
Service fees and other operating income	(46,064)	8,915	(3,460)	9,433
	364,446	449,277	1,090,043	1,565,881
COSTS AND EXPENSES				
Mining, milling, roasting, smelting, refining and and other related charges; administrative expenses; depreciation, amortization and depletion; and other charges	(460,060)	(711,343)	(1,643,225)	(2,243,492)
LOSS FROM OPERATIONS	(95,614)	(262,066)	(553,182)	(677,611)
FINANCE COST, net	(2,806)	(5,358)	(8,191)	(12,674)
FOREIGN EXCHANGE LOSS, net	(857)	175	(1,826)	1,158
OTHER INCOME (CHARGES), net	9,270	4,342	16,141	53,302
SHARE IN NET LOSSES OF ASSOCIATES	1,250	-	(491)	(2,750)
LOSS BEFORE INCOME TAX	(88,757)	(262,907)	(547,549)	(638,575)
PROVISION FOR (BENEFIT FROM) INCOME TAX				
CURRENT	(2,901)	(109)	(897)	2,662
DEFERRED	1,878	695	(186)	508
	(1,023)	586	(1,083)	3,170
NET LOSS	P (87,734)	P (263,493)	P (546,466)	P (641,745)
Attributable to:				
Stockholders of the parent company	P (87,691)	P (263,456)	P (546,329)	P (641,602)
Non-controlling interest	(43)	(37)	(137)	(143)
TOTAL COMPREHENSIVE LOSS BEFORE INCOME TAX	P (87,734)	P (263,493)	P (546,466)	P (641,745)
LOSS PER SHARE attributable to stockholders of the parent company				
Basic and Diluted	P (0.001347)	P (0.009666)	P (0.008231)	P (0.009666)

ANNEX "B"

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

	SEPTEMBER 30 2020	*DECEMBER 31 2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalent	P 58,477	P 62,623
Receivables, net	83,784	71,073
Contract asset	18,732	18,732
Inventories, net	522,710	524,477
Advances to suppliers and contractors	375,959	225,869
Other current assets	872,659	938,434
Total current assets	1,932,321	1,841,207
NON-CURRENT ASSETS		
Property, plant and equipment, net	6,682,352	6,858,668
Available-for-sale financial assets	161,937	161,937
Investments and advances in associates	567,647	564,256
Mine exploration cost	6,807,924	6,746,644
Deferred income tax assets	293,498	293,071
Other noncurrent assets	100,384	89,794
Total non-current assets	14,613,742	14,714,370
Total assets	P 16,546,063	P 16,555,577
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables	P 2,310,326	P 1,765,116
Short-term borrowings	188,458	202,542
Unclaimed dividends	26,693	26,693
Income tax payable	19	649
Total current liabilities	2,525,496	1,995,000
NON-CURRENT LIABILITIES		
Advances from Far Southeast Services Limited	6,117,596	6,074,657
Long-term borrowings	759	-
Liability for mine rehabilitation cost	162,202	159,974
Retirement benefit obligations	1,167,038	1,205,852
Deferred income tax liabilities	214,891	215,547
Stock subscriptions payable	-	-
Deposit for future stock subscriptions	69,200	69,200
Total non-current liabilities	7,731,686	7,725,230
Total liabilities	10,257,182	9,720,231
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	(4,728)	(4,728)
Cumulative changes in fair values of AFS investments	58,603	58,603
Deficit	(5,719,494)	(5,173,166)
	6,047,099	6,593,427
Non-controlling interests	241,782	241,919
Total equity	6,288,881	6,835,347
Total liabilites and equity	P 16,546,063	P 16,555,577

* - **AUDITED**

ANNEX "C"

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020

(With comparative figures for 2019)
(Amounts in thousand pesos)

	FOR THE QUARTER ENDED ENDED SEPTEMBER 30		FOR NINE MONTHS ENDED SEPTEMBER 30	
	2020	2019	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	(336,167)	(392,906)	(547,549)	(638,575)
Adjustments for:				
Depreciation and depletion	(30,972)	451,400	116,624	464,413
Equity in net losses of affiliated companies	75	1,064	491	647
Foreign exchange losses (income), net	1,619	(1,920)	1,826	(1,158)
Provision for retirement benefit cost	2,904	3,224	3,877	3,224
Loss on sale of asset	(0)	3	(0)	3
Interest income	(34)	(46)	(49)	(63)
Interest expense	5,578	9,902	8,191	12,674
Provision for income tax	4,097	(6,244)	1,083	(3,170)
Operating income (loss) before working capital changes	(352,900)	64,477	(415,505)	(162,005)
Decrease (Increase) in:				
Receivables and advances to suppliers	(23,826)	(87,610)	(166,684)	(156,415)
Inventories and PPE	247,552	192,585	202,428	308,956
Prepayments and other assets	56,585	(186,394)	55,185	(145,227)
Increase (Decrease) in:				
Accounts payable and accrued expenses	241,011	133,360	536,007	319,400
Liability for mine rehabilitation cost	318	4,989	2,228	5,148
Deferred income tax liability, net	(872)	238	(1,083)	4
Cash generated used in operations	167,868	121,645	212,575	169,862
Retirement benefits paid	(24,972)	(50,950)	(42,691)	(59,030)
Interest received	34	46	49	63
Net cash used in operating activities	142,930	70,742	169,932	110,895
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments, net	320	36,849	(0)	37,169
Acquisition of property and equipment	(95,910)	(148,515)	(140,969)	(186,908)
Unrecovered exploration costs and other assets	(43,846)	(15,267)	(61,280)	(35,851)
Net cash used in investing activities	(139,436)	(126,933)	(202,250)	(185,590)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Borrowings	25,791	24,928	42,939	38,498
Payments of:				
Borrowings	(158)	(35,102)	(13,325)	(35,180)
Interest	(596)	(9,932)	(1,444)	(9,978)
Capital and other reserves	-	(1)	(1)	(1)
Net cash provided by financing activities	25,037	(20,107)	28,169	(6,661)
NET INCREASE (DECREASE) IN CASH	28,531	(76,298)	(4,148)	(81,355)
Beginning of period	29,946	123,597	62,623	123,597
CASH AT END OF THE PERIOD	58,477	47,299	58,475	42,242

ANNEX "D"

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2020 & 2019
(Amounts in thousands)

	SEPTEMBER 30 2020	SEPTEMBER 30 2019
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	58,603	58,966
Re-measurement loss on retirement plan	(4,728)	40,987
Retained earnings		
Beginning balance	(5,173,166)	(4,175,262)
Net loss for the period	(546,329)	(641,602)
	(5,719,495)	(4,816,864)
EQUITY ATTRIBUTABLE TO THE STOCKHOLDERS OF THE PARENT COMPANY	6,047,099	6,995,808
NON-CONTROLLING INTERESTS	241,782	241,749
	P 6,288,881	P 7,237,557

ANNEX “E”

LEPANTO CONSOLIDATED MINING COMPANY

NOTES TO FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2020 and DECEMBER 31, 2019

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 are still in pending approval as at December 31, 2019.

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

	09/30/2020	12/31/2019
Cash on hand	2,671	6,118
Cash in banks	55,806	56,505
	58,477	62,623

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

Note 4 – Receivables

	09/30/2020	12/31/2019
Trade	59,170	55,882
Nontrade	40,713	31,483
Advances to officers and employees	2,714	2,521
	102,598	89,887
Less: Allowance for impairment losses	18,814	18,814
	83,784	71,073

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

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

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

Note 5 – Inventories

	09/30/2020	12/31/2019
Parts and supplies	519,255	484,970
Mine Products	3,455	39,507
	522,710	524,477

Parts and supplies include materials and supplies stored in Metro Manila, Bulacan, Mankayan, and Leyte. The decrease in the amount of P34.29 million represents withdrawals of stocks used in operations.

Mine products inventory include copper concentrates stored in a concentrate bodega owned by SSI located at its compound in Poro, San Fernando City, La Union.

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

	09/30/2020	12/31/2019
Input VAT	770,670	772,658
Deferred costs	2,509	2,445
Prepayments	90,897	160,717
Others	8,583	2,611
	872,659	938,434

By virtue of Revenue Memorandum Order 9-2000 dated March 29, 2000, all sales of goods, property and services made by a Value Added Tax (VAT) - registered person to the Parent Company, being a one hundred percent (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 VAT, which can 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.

Deferred costs represent cost of withdrawn tubings to be used in drilling operations. Aforesaid costs are amortized based on meters drilled.

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 3rd quarter of the year 2020 and 2019 are as follow:

Mining activities

	2020 (in thousands)	2019 (in thousands)
CURRENT ASSET	1,880,696	1,721,946
NON-CURRENT ASSET	14,455,378	14,690,760
CURRENT LIABILITES	2,667,553	2,050,060
NON-CURRENT LIABILITIES	7,679,351	7,448,938
GROSS INCOME	1,093,503	1,556,448
NET INCOME / (LOSS)	(539,867)	(608,693)

Investment activities

	2020 (in thousands)	2019 (in thousands)
CURRENT ASSET	246	233
NON-CURRENT ASSET	206,112	205,827
CURRENT LIABILITES	90,015	89,812
NON-CURRENT LIABILITIES	18,763	18,763
GROSS INCOME	-	-
NET INCOME / (LOSS)	(149)	(121)

Hauling and Leasing Activities

	2020 (in thousands)	2019 (in thousands)
CURRENT ASSET	188,033	185,962
NON-CURRENT ASSET	403,833	407,071
CURRENT LIABILITES	13,508	9,524
NON-CURRENT LIABILITIES	135,259	128,970
GROSS INCOME	17,185	32,923
NET INCOME / (LOSS)	(3,936)	12,347

Drilling Activities

	2020 (in thousands)	2019 (in thousands)
CURRENT ASSET	228,070	247,309
NON-CURRENT ASSET	61,707	116,283
CURRENT LIABILITES	192,921	254,580
NON-CURRENT LIABILITIES	20,875	27,068
GROSS INCOME	38,747	-
NET INCOME / (LOSS)	(2,022)	(42,528)

Note 10 – Seasonality

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

ANNEX "F"

LEPANTO CONSOLIDATED MINING CO.

AGING OF ACCOUNTS RECEIVABLE - TRADE

AS OF SEPTEMBER 30, 2020

CUSTOMERS	*CURRENT*	*OVER 30 DAYS*	*OVER 60 DAYS*	*TOTAL*
HERAEUS LTD.	41,490,386	-	-	41,490,386
LOUIS DREYFUS COMPANY	(14,441,864)	-	-	(14,441,864)
CLIVEDEN TRADING	(322,620)	-	-	(322,620)
	26,725,902	-	-	26,725,902

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

As of September 30, 2020

Consolidated revenues for the third quarter of 2020 amounted to P364.4 million compared with P449.3 million in 2019. Consolidated net loss fell by 67% increased to P87.7 million from P263.5 million the previous year.

For the first nine months of the year, consolidated revenues declined to P1,090.0 million from last year's P1,565.9 million. Net loss also declined from P641.7 million to P546.5 million.

Mining Operations

July – September 2020 versus July – September 2019

Total Dore production contained 4,383 oz. of gold and 15,444 oz. of silver versus last year's 1,560 oz. gold and 400 oz. silver. Last year, the mine also produced copper concentrate containing 3,504 oz. gold, 18,954 oz. silver, and 558,198 lbs copper.

Metal sales went down by P29.9 million to P410.5 million due to the suspension of copper concentrate production and the disruptions in operation brought about by the Covid-19 pandemic. Net loss totaled P85.0 million compared with last year's P256.6 million.

Gold price averaged US$1,902.5/oz. versus US$1,464.2/oz. while silver price averaged US$23.7/oz. versus US$16.7/oz. last year. The P/US$ exchange rate averaged P49.0/US$1 compared with P51.8/US$1 last year.

Costs declined across the board as mine deliveries and milling tonnage dropped by 39% and 30%, respectively. Total cost and expenses decreased by 28% to P496.4 million. Mining cost decreased to P164.1 million from P192.0 million while milling cost went down by P16.8 million to P86.1 million. Depletion and depreciation decreased by P94.0 million to P106.0 million.

Production tax decreased by 3% to P16.5 million due to lower production. Finance cost decreased to P2.8 million from P5.4 last year due to repayment of loans.

January – September 2020 versus January – September 2019

The dore production contained 9,500 oz. of gold and 25,350 oz. of silver compared with 4,480 oz. of gold and 881 oz. of silver last year.

Copper concentrate production was suspended in March this year 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 2,096,442 lbs. of copper, 15,349 oz. of gold, and 68,719 oz. of silver.

The suspension of copper concentrate production resulted in lower sales and costs. Metal sales went down by 30% from P1,556.4 million to P1,093.5 million. Net loss decreased by 11% from P608.3 million to P539.5 million this year.

Gold price averaged US$1,726.4/oz. versus US$1,350.9/oz. while silver price averaged US$20.2/oz. versus US$15.8/oz. the previous year. Copper price averaged $2.70/lb compared with $2.80/lb last year. The P/US$ exchange rate averaged P50.0/US$1 compared with P52.1/US$1 last year.

Total costs and expenses decreased by 26% to P1,601.8 million. Mining development cost increased by P77.7 million to P146.0 million this year due to the amortization of last year's development cost.

Production tax decreased by 31% to P42.7 million due to lower metal production. Finance cost dropped from P12.7 million to P8.2 million as short-term loans were partly settled early this year. Other income totaled P4.9 million, much lower than last year's P30.8 million which came from the sale of shares of stock. .

BALANCE SHEET MOVEMENTS

September 30, 2020 versus December 31, 2019

Cash and cash equivalents decreased by P4.1 million on account of disbursements for operations. Receivables increased by P12.7 million representing the unpaid portion of a dore shipment. The decrease in other current assets of P65.8 million was due to the amortization of development cost and decrease in creditable input vat.

Trade payables increased by P545.2 million while short term borrowings decreased by P14.1 million due to repayment of loans.

Deficit increased by P546.5 million representing the net loss from operations during the period.

CAPITAL EXPENDITURES

Capital expenditures for the quarter totaled P80.8 million, of which P37.9 million went to exploration; P26.8 million to machinery and equipment; P14.2 million to mine development; and P1.8 million to maintenance of tailings storage facility 5A.

For the first nine months, total capital expenditures amounted to P202.2 million; of which P106.4 million went to exploration; P63.1 million to machinery and equipment; P23.6 million to mine development; and P9.2 million to maintenance of tailings storage facility 5A.

OUTLOOK FOR THE YEAR

Gold production will continue to improve with the stepped-up development of the Victoria gold deposit and upgrading of the carbon-in-pulp plant. Total production for the year is projected at 14,500 oz of gold and 42,000 oz of silver.

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 P2.0 million compared with P42.5 million net loss last year. Lepanto Investment and Development Corporation reported a net loss of P149.2 thousand compared with last year's net loss of P121.5 thousand. Shipside, Incorporated registered a net loss of P3.9 million against last year's net income of P12.3 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.

ANNEX “H”

LEPANTO CONSOLIDATED MINING COMPANY
Impact of Current Global Financial Condition

Credit Risk

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

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

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

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

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

There is no significant exposure to credit risk.

Market Risk

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

Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the

prevailing foreign currency exchange rates on its consolidated financial statements and consolidated statements of cash flows.
The Group follows a policy to manage its currency risk by closely monitoring its cash flow position and by providing forecast on all other exposures in non-Philippine Peso currencies.

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

Foreign currency-denominated liabilities of Parent Company totaled US$2.8 million at the end of first quarter this year. Same amount was revalued at the start of the year based on an exchange rate of P50.64/US$. 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%.

ANNEX "I"

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
FINANCIAL RATIOS
PURSUANT TO SRC RULE 68, AS AMENDED
SEPTEMBER 30, 2020
(With Comparative Annual Figures for 2019)

	AS OF 3RD QUARTER SEPTEMBER 2020	YEAR ENDED DECEMBER 2019
Profitability Ratios:		
Return on assets	-3.30%	-6.21%
Return on equity	-8.69%	-15.03%
Gross profit margin	-35.01%	-33.11%
Net profit margin	-50.13%	-50.18%
Liquidity and Solvency Ratios:		
Current ratio	0.77:1	0.92:1
Quick ratio	0.21:1	0.19:1
Solvency ratio	-0.05:1	-0.11:1
Financial Leverage Ratios:		
Asset to equity ratio	2.63:1	2.42:1
Debt to equity ratio	1.63:1	1.42:1
Interest coverage ratio	66.85:1	10.63:1