



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: **June 30, 2021**
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:

**21<sup>st</sup> 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:
<b>Class "A"</b>	<b>39,822,869,196</b>
<b>Class "B"</b>	<b>26,552,888,901</b>

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:** *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 :

August 23, 2021

Signature :

  
**ODETTE A. JAVIER**

Title :

Vice President/Assistant Corporate Secretary

Date :

August 23, 2021

**LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES**  
**STATEMENTS OF INCOME**  
**FOR THE QUARTERS AND PERIODS ENDED JUNE 30, 2021 AND 2020**  
(With Comparative Figures for 2020)  
(Amounts In Thousand , Except Loss Per Share)

	FOR SECOND QUARTER ENDED JUNE 30		FOR SIX MONTHS ENDED JUNE 30	
	2021	2020	2021	2020
<b>REVENUES</b>				
Sale of metals	P 382,278	260,791	P 788,216	P 682,993
Service fees and other operating income	7,248	13,063	8,865	42,604
	<u>389,526</u>	<u>273,854</u>	<u>797,081</u>	<u>725,597</u>
<b>COSTS AND EXPENSES</b>				
Mining, milling, roasting, smelting, refining and and other related charges; administrative expenses; depreciation, amortization and depletion; and other charges	(501,306)	(520,032)	(974,516)	(1,183,165)
<b>INCOME (LOSS) FROM OPERATIONS</b>	(111,780)	(246,178)	(177,435)	(457,568)
<b>FINANCE COST, net</b>	(2,776)	(2,772)	(5,614)	(5,385)
<b>FOREIGN EXCHANGE GAINS (LOSS), net</b>	625	(762)	1,882	(969)
<b>OTHER INCOME (CHARGES), net</b>	12,057	1,886	16,113	6,871
<b>SHARE IN NET EARNINGS (LOSSES) OF ASSOCIATES</b>	(118)	2,157	(2,051)	-
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	(101,992)	(245,669)	(167,105)	(457,051)
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>				
CURRENT	(1,657)	(6,770)	(3,352)	2,004
DEFERRED	(219)	3,696	(471)	(2,064)
	<u>(1,876)</u>	<u>(3,074)</u>	<u>(3,823)</u>	<u>(60)</u>
<b>NET INCOME (LOSS)</b>	<u>P (100,116)</u>	<u>P (242,595)</u>	<u>P (163,282)</u>	<u>P (456,991)</u>
<b>Attributable to:</b>				
Stockholders of the parent company	(100,076)	(242,548)	P (163,189)	P (456,897)
Non-controlling interests	(40)	(47)	(93)	(94)
<b>Net Income / (Loss)</b>	<u>P (100,116)</u>	<u>P (242,595)</u>	<u>P (163,282)</u>	<u>P (456,991)</u>
<b>EARNINGS (LOSS) PER SHARE</b>				
attributable to stockholders of the parent company				
Basic & Diluted	<u>(0.001508)</u>	<u>(0.006883)</u>	<u>(0.002459)</u>	<u>(0.006883)</u>

**LEPANTO CONSOLIDATED MINING COMPANY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Amounts in thousands)

	<b>JUNE 30</b>		<b>*DECEMBER 31</b>	
	<b>2021</b>		<b>2020</b>	
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalent	P 120,889		P 31,446	
Receivables, net	92,622		79,438	
Contract asset	-		-	
Inventories, net	561,926		550,965	
Advances to suppliers and contractors	396,855		298,659	
Other current assets	926,742		879,374	
<b>Total current assets</b>	<b>2,099,034</b>		<b>1,839,882</b>	
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	6,566,000		6,650,419	
Available-for-sale financial assets	67,915		67,915	
Investments and advances in associates	538,779		557,847	
Mine exploration cost	6,862,885		6,827,286	
Deferred income tax assets	374,891		374,891	
Other noncurrent assets	90,261		92,170	
<b>Total non-current assets</b>	<b>14,500,731</b>		<b>14,570,528</b>	
<b>TOTAL ASSETS</b>	<b>P 16,599,765</b>		<b>P 16,410,410</b>	
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Trade and other payables	P 2,651,979		P 2,280,406	
Short-term borrowings	185,900		185,984	
Unclaimed dividends	26,693		26,693	
Income tax payable	47		7	
<b>Total current liabilities</b>	<b>2,864,619</b>		<b>2,493,091</b>	
<b>NON-CURRENT LIABILITIES</b>				
Advances from Far Southeast Services Limited	6,167,360		6,131,772	
Long-term borrowings	(833)		422	
Lease Liability	861		861	
Liability for mine rehabilitation cost	170,945		169,349	
Retirement benefit obligations	1,493,315		1,547,663	
Deferred income tax liabilities	211,446		211,917	
Stock subscriptions payable	-		-	
Deposit for future stock subscriptions	69,200		69,200	
<b>Total non-current liabilities</b>	<b>8,112,294</b>		<b>8,131,185</b>	
<b>TOTAL LIABILITIES</b>	<b>10,976,913</b>		<b>10,624,276</b>	
<b>EQUITY</b>				
Capital stock	6,635,687		6,635,685	
Additional paid-in capital	5,077,033		5,077,033	
Re-measurement loss on retirement plan	(206,924)		(206,924)	
Cumulative changes in fair values of AFS investments	(35,390)		(35,390)	
Deficit	(6,087,298)		(5,924,109)	
	5,383,108		5,546,295	
<b>Non-controlling interests</b>	239,744		239,838	
<b>Total equity</b>	<b>5,622,852</b>		<b>5,786,133</b>	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P 16,599,765</b>		<b>P 16,410,409</b>	

\* - A U D I T E D

**LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2021**

(With Comparative Figures for 2020)

(Amounts in Thousand Pesos)

	JUNE		FOR SIX MONTHS					
	2021	2020	ENDED JUNE 30					
			2021	2020				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Income/ (Loss) before tax	P	(101,992)	P	(245,669)	P	(167,105)	P	(457,051)
Adjustments for:								
Depreciation and depletion		5,667		13,013		208,795		160,609
Equity in net losses (income) of affiliated companies		118		(417)		177		-
Foreign exchange losses (income), net		(625)		762		(1,882)		969
Provision for retirement benefit cost		-		-		973		973
Loss on sale of asset		(0)		-		(0)		(0)
Interest income		(7)		(17)		(12)		(32)
Interest expense		2,776		2,772		5,614		5,385
Provision for income tax		1,876		3,074		3,823		60
Operating income before working capital changes		(92,187)		(226,482)		50,382		(289,087)
Decrease (Increase) in:								
Receivables and advances to suppliers		(91,430)		(68,805)		(105,251)		(211,661)
Inventories and PPE		68,957		116,371		(3,840)		71,247
Prepayments and other assets		(48,771)		41,167		(45,459)		39,767
Increase (Decrease) in:								
Accounts payable and accrued expenses		316,895		186,040		367,985		481,036
Liability for mine rehabilitation cost		1,121		159		1,596		2,069
Deferred income tax liability, net		(220)		(234)		(471)		(445)
Cash generated (used) from operations		154,365		48,217		264,943		92,926
Retirement benefits paid		(29,017)		(8,080)		(56,335)		(25,799)
Interest received		7		17		12		32
Income tax recovered (paid)		-		-		-		-
Net cash provided by (used in) operating activities		125,356		40,153		208,620		67,158
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Investments, net		20,577		320		13,775		(0)
Acquisition of property and equipment		(77,544)		(38,393)		(131,497)		(83,452)
Exploration costs and other assets		(19,124)		(20,584)		(35,599)		(38,018)
Net cash used in investing activities		(76,091)		(58,657)		(153,321)		(121,471)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
Proceeds from:								
Borrowings		12,334		13,570		35,588		30,718
Disposal of Assets		-		-		-		-
Payments of:								
Borrowings		(1,255)		(78)		(1,339)		(13,245)
Interest		(37)		(46)		(106)		(894)
Capital and other reserves		2		-		1		(1)
Net cash provided by financing activities		11,044		13,446		34,144		16,578
NET INCREASE (DECREASE) IN CASH		60,309		(5,058)		89,443		(37,735)
Beginning of period		31,446		62,623		31,446		62,623
CASH AT END OF THE PERIOD	P	91,755	P	57,566	P	120,889	P	24,888

**LEPANTO CONSOLIDATED MINING COMPANY**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED JUNE 30, 2021 & 2020**  
(Amounts in thousands)

	<u>JUNE 30</u> <u>2021</u>	<u>JUNE 30</u> <u>2020</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)	<u>(1,707)</u>	<u>(1,707)</u>
Share premium	<u>5,077,033</u>	<u>5,077,033</u>
Cumulative changes in fair values of AFS investments	<u>(35,390)</u>	<u>58,283</u>
Re-measurement loss on retirement plan	<u>(206,924)</u>	<u>(4,728)</u>
Retained earnings		
Beginning balance	(5,924,109)	(5,173,166)
Net Loss for the period	<u>(163,189)</u>	<u>(214,349)</u>
	<u>(6,087,298)</u>	<u>(5,387,515)</u>
<b>EQUITY ATTRIBUTABLE TO THE STOCKHOLDERS OF THE PARENT COMPANY</b>	<u>5,383,107</u>	<u>6,378,759</u>
<b>NON-CONTROLLING INTERESTS</b>	<u>239,744</u>	<u>241,825</u>
	<b><u>P 5,622,851</u></b>	<b><u>P 6,620,584</u></b>

**LEPANTO CONSOLIDATED MINING COMPANY**

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2021 and DECEMBER 31, 2020

**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, 2020.

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**

	06/30/2021	12/31/2020
Cash on hand	4,836	4,079
Cash in banks	116,053	27,367
	120,889	31,446

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

**Note 4 – Receivables**

	06/30/2021	12/31/2020
Trade	61,019	53,608
Nontrade	47,286	41,529
Advances to officers and employees	2,961	2,607
	111,266	97,744
Less: Allowance for impairment losses	(18,645)	(18,645)
	92,622	79,099

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**

	06/30/2021	12/31/2020
Parts and supplies	561,926	547,510
Mine Products	0	3,455
	561,926	550,965

Parts and supplies include materials and supplies stored in Metro Manila, Bulacan, Mankayan, and Leyte. The decrease in the amount of P14.42 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**

	06/30/2021	12/31/2020
Input VAT	786,491	776,498
Deferred costs	2,042	10,190
Prepayments	136,481	89,941
Others	2,613	2,745
	927,626	879,374

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 24<sup>th</sup> 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 2nd quarter of the year 2021 and 2020 are as follow:

#### **Mining activities**

	2021 (in thousands)	2020 (in thousands)
CURRENT ASSET	2,041,000	1,994,166
NON-CURRENT ASSET	14,497,909	14,461,275
CURRENT LIABILITES	3,018,827	2,467,504
NON-CURRENT LIABILITIES	8,060,740	7,677,913
GROSS INCOME	788,216	422,086
NET INCOME / (LOSS)	(158,968)	(219,013)

**Investment activities**

	2021 (in thousands)	2020 (in thousands)
CURRENT ASSET	20,464	236
NON-CURRENT ASSET	90,800	206,112
CURRENT LIABILITES	90,301	89,910
NON-CURRENT LIABILITIES	18,763	18,763
GROSS INCOME	-	-
NET INCOME / (LOSS)	6,213	(54)

**Hauling and Leasing Activities**

	2021 (in thousands)	2020 (in thousands)
CURRENT ASSET	218,769	192,643
NON-CURRENT ASSET	390,339	405,727
CURRENT LIABILITES	34,621	16,967
NON-CURRENT LIABILITIES	138,207	134,113
GROSS INCOME	10,559	8,142
NET INCOME / (LOSS)	(572)	256

**Drilling Activities**

	2021 (in thousands)	2020 (in thousands)
CURRENT ASSET	222,988	266,003
NON-CURRENT ASSET	29,936	70,042
CURRENT LIABILITES	193,370	231,318
NON-CURRENT LIABILITIES	17,146	20,154
GROSS INCOME	10,581	28,944
NET INCOME / (LOSS)	(7,904)	6,571

**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 JUNE 30, 2021

<i>CUSTOMERS</i>	<i>CURRENT</i>	<i>OVER 30 DAYS</i>	<i>OVER 60 DAYS</i>	<i>TOTAL</i>
<b>HERAEUS LTD.</b>	47,161,214	-	-	47,161,214
<b>LOUIS DREYFUS COMPANY</b>	-	-	-	-
<b>OPEN MINERAL AG</b>	1,397,506	-	-	1,397,506
	-	-	-	-
	48,558,719	-	-	48,558,719

**MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULT OF OPERATIONS**

As of June 30, 2021

Consolidated revenues for the second quarter of 2021 amounted to P389.5 million compared with P273.9 million in 2020. Consolidated net loss decreased to P100.1 million versus P242.6 million the previous year.

For the first half of 2021, combined revenues reached P797.1 million compared with P725.6 million for the same period in 2020. Consolidated net loss significantly decreased to P163.3 million, better than last year’s loss of P457.0 million.

**Mining Operations**

April – June 2021 versus April – June 2020

Dore production contained 4,146 ounces of gold and 11,016 ounces of silver versus last year’s 3,228 ounces and 9,375 ounces, respectively.

Metal sales went up by P121.5 million to P382.3 million because of the higher production and better metal prices. Net loss totaled P104.2 million compared with last year’s P210.0 million.

Gold price averaged US\$1,815.5 versus US\$1,737.3/oz while silver price averaged US\$26.54/oz. versus US\$17.37/oz. the preceding year. The P/US\$ exchange rate averaged P48.17/US\$1 compared with P50.40/US\$1 last year.

Tonnage milled increased by 15,810 tonnes to 113,572 tonnes as last year’s production was affected by the prolonged lockdown. Milling cost went down from P83.3 million to P81.9 million; depletion and depreciation increased by a total of P 5.0 million to P102.8 million on account of the higher production and the acquisition of additional equipment, respectively.

January – June 2021 versus January – June 2020

Metal production in the form of dore consisted of 8,649 oz of gold and 34,100 oz of silver. Last year’s metal production included gold copper concentrates (suspended in March 2020) and totaled 7,861 oz. of gold; 20,733 oz. of silver; and 618,442 lbs. of copper.

The higher production and metal prices caused metal revenue to increase from P682.99 million to P788.22 million; and combined with the lower costs, contributed to the 65% decrease in net loss from P454.6 million to P158.7 million.

Gold price averaged US\$1,796.56/oz. versus US\$1,630.64/oz. last year, while silver price averaged US\$26.30/oz. versus US\$17.41/oz. Copper price averaged US\$2.71/lb last year. The P/US\$ exchange rate averaged P48.23/US\$1 compared with P50.66/US\$1 last year.

Largely due to the suspension of copper operations, total cost and expenses decreased by 14% to P951.5 million from P1,105.4 million on account of: 56,375 tonne-drop in the tonnes broken causing an 11% reduction in mining cost; decrease of milling tonnage to 195,884 tonnes from 222,496 tonnes and of milling cost from P181.21 million to P165.16 million; reduction in depletion and depreciation from P219.2 million to P206.2 million; and overhead and administrative costs from P257.7 million to P213.9 million.

## **BALANCE SHEET MOVEMENTS**

### **June 30, 2021 versus December 31, 2020**

Cash and cash equivalents increased by P89.4 million due mainly to timing of disbursements for operational and capital spending. Receivables increased by P13.2 million representing the unpaid portion of a dore shipment. The increase in advances to suppliers and contractors of P98.2 million represent outstanding deliverables from various suppliers. Other current assets increased by P47.4 million resulting from unamortized operating development expenses.

Trade and other payables increased by P371.6 million due to mine development, mill upgrade and exploration expenditures.

Deficit increased by P163.2 million representing the net loss from operations during the period.

## **CAPITAL EXPENDITURES**

Capital expenditures for the quarter totaled P96.7 million, of which P35.6 million went to exploration; P53.1 million to machinery and equipment; P3.8 million to mine development; and P4.1 million to maintenance of tailings storage facility 5A.

For the first semester, total capital expenditures amounted to P164.8 million; of which P59.3 million went to exploration; P85.0 million to machinery and equipment; P14.0 million to mine development; and P6.4 million to maintenance of tailings storage facility 5A.

## **OUTLOOK FOR THE YEAR**

Lepanto is presently focusing on gold dore production from its Victoria and Teresa deposits. Exploration drilling is concentrated on targeting extensions of the said deposits. Meantime, the mill plant and CIP are undergoing rehabilitation to improve gold and silver



recoveries and increase throughput. There are no plans for any significant changes in the number of employees or purchase of significant equipment. Raising of capital may be resorted to support operations, further exploration (including of copper areas), and development.

## **SUBSIDIARIES**

The key performance indicator used for the subsidiaries is net income for the six months ended June 2021 versus the same period the previous year.

Diamond Drilling Corporation of the Philippines reported a net loss of P7.9 million this year versus P6.6 million net income last year. Lepanto Investment and Development Corporation reported a net income of P6.2 million compared with last year's net loss of P53.7 thousand. Shipside, Incorporated registered a net loss of P572 thousand against last year's net income of P0.26 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\$1.02 million at the end of second quarter this year. This amount was revalued at the start of the year based on an exchange rate of P48.023/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 ranging from 5.0% to 7.0%.

**ANNEX "I" WP**

**LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES**  
**FINANCIAL RATIOS**  
**PURSUANT TO SRC RULE 68, AS AMENDED**  
**JUNE 30, 2021**  
**(With Comparative Annual Figures for 2020)**

	AS OF 2ND QUARTER JUNE 2021	YEAR ENDED DECEMBER 2020
Profitability Ratios:		
Return on assets	-0.98%	-4.58%
Return on equity	-2.90%	-12.98%
Gross profit margin	-10.84%	-31.74%
Net profit margin	-20.49%	-50.98%
Liquidity and Solvency Ratios:		
Current ratio	0.73:1	0.74:1
Quick ratio	0.21:1	0.16:1
Solvency ratio	-0.01:1	-0.07:1
Financial Leverage Ratios:		
Asset to equity ratio	2.95:1	2.84:1
Debt to equity ratio	1.95:1	1.84:1
Interest coverage ratio	29.77:1	11.18:1