108142019002799

SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.	PW00000101
Company Name	LEPANTO CONSOLIDATED MINING CO.
Industry Classification	
Company Type	Stock Corporation

Document Information

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COVER SHEET

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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

12 31
Month Day
Fiscal Year

17-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

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Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended**: June 30, 2019**

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	:	August 13, 2019
Signature	:	**ODETTE A. JAVIER**
Title	:	Vice President/Assistant Corporate Secretary
Date	:	August 13, 2019

ANNEX "A"

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(With Comparative Figures for 2018)
(Amounts In Thousand , Except Loss Per Share)

	FOR THE SECOND QUARTER		FOR SIX MONTHS ENDED JUNE 30	
	2019	2018	2019	2018
REVENUES				
Sale of metals	P 520,960	P 523,761	P 1,116,086	P 948,539
Service fees and other operating income	320	205	518	874
	521,280	523,966	1,116,604	949,413
COSTS AND EXPENSES				
Mining, milling, smelting, refining and and other related charges; administrative expenses; depreciation, amortization and depletion; and other charges	(781,224)	(671,570)	(1,532,149)	(1,307,225)
LOSS FROM OPERATIONS	(259,944)	(147,604)	(415,545)	(357,812)
FINANCE COST, net	(3,490)	(5,779)	(7,316)	(9,082)
FOREIGN EXCHANGE GAINS (LOSS) - net	1,108	(402)	983	1,869
OTHER INCOME, net	43,261	4,677	48,960	10,204
SHARE IN NET LOSSES OF ASSOCIATES	(230)	(291)	(2,750)	(5,994)
LOSS BEFORE INCOME TAX	(219,295)	(149,399)	(375,668)	(360,815)
PROVISION FOR (BENEFIT FROM) INCOME TAX				
CURRENT	1,211	488	2,771	720
DEFERRED	(181)	15,741	(187)	15,739
	1,030	16,229	2,584	16,459
NET LOSS	P (220,325)	P (165,628)	P (378,252)	P (377,274)
Attributable to:				
Stockholders of the parent company	(220,285)	(165,564)	P (378,146)	P (377,175)
Non-controlling interests	(40)	(64)	(106)	(99)
Net Loss	P (220,325)	P (165,628)	P (378,252)	P (377,274)
LOSS PER SHARE attributable to stockholders of the parent company Basic & Diluted	(0.00332)	(0.00249)	(0.00570)	(0.00568)
	(-P220,285,627 / 66,375,758,097 shares)	(-P165,564,093 / 66,375,758,097 shares)	(-(P378,146,143) / 66,375,758,097 shares)	(-(P377,174,974) / 66,375,758,097 shares)

ANNEX "B"

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

	JUNE 30 2019	*DECEMBER 31 2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalent	P 111,915	P 123,597
Receivables, net	67,286	42,288
Contract asset	18,732	18,732
Inventories, net	556,510	585,871
Advances to suppliers and contractors	233,263	206,033
Other current assets	737,522	780,313
Total current assets	1,725,228	1,756,834
NON-CURRENT ASSETS		
Property, plant and equipment, net	7,073,834	7,495,316
Available-for-sale financial assets	165,899	211,951
Investments and advances in associates	570,605	565,214
Mine exploration cost	6,701,774	6,683,763
Deferred income tax assets	246,832	246,829
Other noncurrent assets	231,778	86,077
Total non-current assets	14,990,722	15,289,150
Total assets	P 16,715,950	P 17,045,984
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables	P 1,459,661	P 1,355,382
Short-term borrowings	221,561	242,541
Unclaimed dividends	26,693	26,693
Income tax payable	3,111	354
Total current liabilities	1,711,026	1,624,969
NON-CURRENT LIABILITIES		
Advances from Far Southeast Services Limited	6,045,768	6,020,552
Long-term borrowings	-	14,167
Liability for mine rehabilitation cost	104,539	101,383
Retirement benefit obligations	1,064,546	1,104,764
Deferred income tax liabilities	217,499	217,880
Stock subscriptions payable	-	11,443
Deposit for future stock subscriptions	69,200	69,200
Total non-current liabilities	7,501,552	7,539,390
Total liabilities	9,212,578	9,164,359
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	40,987	40,987
Cumulative changes in fair values of AFS investments	61,288	61,288
Deficit	(4,553,407)	(4,175,261)
	7,261,586	7,639,733
Non-controlling interests	241,786	241,892
Total equity	7,503,372	7,881,625
Total liabilites and equity	P 16,715,950	P 17,045,984

*- **AUDITED**

ANNEX "C"

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2019

(With comparative figures for 2018)
(Amounts in thousand pesos)

	FOR THE QUARTER ENDED ENDED JUNE 30		FOR SIX MONTHS ENDED JUNE 30	
	2019	2018	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	P (219,295)	F (149,399)	P (375,668)	F (360,815)
Adjustments for:				
Depreciation and depletion	237,878	215,668	453,836	403,819
Equity in net losses of affiliated companies	230	291	647	688
Foreign exchange losses (income), net	(1,108)	699	(983)	551
Provision for retirement benefit cost	1,362	1,111	2,335	2,112
Loss on sale of asset	-	-	3	-
Interest income	(26)	(88)	(46)	(201)
Interest expense	3,490	5,779	7,316	9,082
Provision for income tax	(1,030)	(16,229)	(2,584)	(16,459)
Operating income (loss) before changes in working ca|	21,502	57,831	84,857	38,778
Decrease (Increase) in:				
Receivables and advances to suppliers	18,353	(121,089)	(58,267)	(224,598)
Inventories and PPE	104,413	93,007	156,576	159,674
Prepayments and other assets	(67,625)	(54,242)	(102,910)	(131,248)
Increase (Decrease) in:				
Accounts payable and accrued expenses	84,942	105,164	108,727	(36,652)
Liability for mine rehabilitation cost	1,992	749	3,156	1,498
Deferred income tax liability, net	(187)	15,742	(381)	15,739
Cash generated from (used in) operations	163,390	97,161	191,758	(176,809)
Retirement benefits paid	(18,485)	(21,679)	(42,554)	(49,642)
Interest received	26	88	46	201
Net cash provided by (used in) operating activities	144,931	75,570	149,250	(226,250)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments, net	34,609	-	34,609	0
Acquisition of property and equipment	(101,981)	(265,745)	(159,572)	(513,422)
Unrecovered exploration costs and other assets	(16,521)	(117,011)	(18,011)	(233,658)
Net cash used in investing activities	(83,893)	(382,756)	(142,974)	(747,079)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Borrowings	11,859	6,737	25,216	21,030
Payments of:				
Borrowings	(14,344)	(27,870)	(35,147)	(48,488)
Interest	(4,319)	(4,747)	(8,026)	(9,595)
Capital and other reserves	-	-	(1)	802,299
Net cash provided by (used in) financing activities	(6,804)	(25,880)	(17,958)	765,246
NET INCREASE (DECREASE) IN CASH	54,234	(333,064)	(11,682)	(208,083)
Beginning of period	57,681	393,556	123,597	268,575
CASH AT END OF THE PERIOD	P 111,915	F 60,491	P 111,915	F 60,491

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED JUNE 30, 2019 & 2018
(Amounts in thousands)

	JUNE 30 2019	JUNE 30 2018
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	61,288	47,856
Re-measurement loss on retirement plan	40,987	(297,053)
Retained earnings		
Beginning balance	(4,175,262)	(3,398,532)
Net loss for the period	(378,146)	(377,175)
	(4,553,408)	(3,775,707)
EQUITY ATTRIBUTABLE TO THE STOCKHOLDERS OF THE PARENT COMPANY	7,261,586	7,687,815
NON-CONTROLLING INTERESTS	241,786	239,463
	P 7,503,372	P 7,927,277

ANNEX "E"

LEPANTO CONSOLIDATED MINING COMPANY

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2019 and DECEMBER 31, 2018

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, 2018.

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

	06/30/2019	12/31/2018
Cash on hand	**4,836**	2,781
Cash in banks	**107,079**	120,816
	111,915	123,597

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

Note 4 – Receivables

	06/30/2019	12/31/2018
Trade	**51,698**	45,937
Nontrade	**28,360**	9,528
Advances to officers and employees	**2,038**	1,632
	82,095	57,097
Less: Allowance for impairment losses	**14,809**	14,809
	67,286	42,288

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 receivables 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 collected through salary deductions.

Note 5 – Inventories

	06/30/2019	12/31/2018
Parts and supplies	**513,502**	514,466
Mine Products	**43,007**	71,405
	556,510	585,871

Parts and supplies include materials and supplies stored in Metro Manila, Bulacan, Mankayan, and Leyte.

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

	06/30/2019	12/31/2018
Input VAT	**712,962**	745,182
Deferred costs	**2,009**	618
Prepayments	**18,082**	33,591
Others	**4,468**	921
	737,522	780,313

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.

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

The assets, liabilities and results of the business segments of the LCMC Group for the 2nd quarter of the year 2019 and 2018 are as follow:

Mining activities

	2019 (in thousands)	2018 (in thousands)
CURRENT ASSET	1,704,352	1,683,670
NON-CURRENT ASSET	14,744,998	15,234,206
CURRENT LIABILITES	1,829,509	1,449,757
NON-CURRENT LIABILITIES	7,449,464	7,900,072
GROSS INCOME	1,116,086	948,539
NET INCOME / (LOSS)	(352,024)	(408,301)

Investment activities

	2019 (in thousands)	2018 (in thousands)
CURRENT ASSET	233	326
NON-CURRENT ASSET	205,827	205,716
CURRENT LIABILITES	89,777	89,655
NON-CURRENT LIABILITIES	18,763	18,763
GROSS INCOME	-	-
NET INCOME / (LOSS)	(86)	(179)

Hauling and Leasing Activities

	2019 (in thousands)	2018 (in thousands)
CURRENT ASSET	177,557	162,120
NON-CURRENT ASSET	413,036	412,502
CURRENT LIABILITES	10,494	7,647
NON-CURRENT LIABILITIES	128,821	128,157
GROSS INCOME	24,009	18,543
NET INCOME / (LOSS)	6,763	1,672

Drilling Activities

	2019 (in thousands)	2018 (in thousands)
CURRENT ASSET	249,089	233,843
NON-CURRENT ASSET	123,933	135,627
CURRENT LIABILITES	251,636	201,782
NON-CURRENT LIABILITIES	27,068	33,668
GROSS INCOME	-	117,471
NET INCOME / (LOSS)	(30,155)	35,529

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 JUNE 30, 2019

CUSTOMERS	*CURRENT*	*OVER 30 DAYS*	*OVER 60 DAYS*	*TOTAL*
HERAEUS LTD.	14,720,916	-	-	14,720,916
LOUIS DREYFUS COMPANY	3,827,861			3,827,861
CLIVEDEN TRADING	(17,501,812)			(17,501,812)
	1,046,965	-	-	1,046,965

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

As of June 30, 2019

Consolidated revenues for the second quarter of 2019 amounted to P521.3 million compared with P524.0 million in 2018. Net loss increased to P220.3 million versus P165.6 million the previous year.

For the first half of the year, consolidated revenues improved to P1,116.6 million versus P949.4 million in the same period last year. Net loss totaled P378.3 million compared with P377.3 million in 2018.

Mining Operations

April – June 2019 versus April – June 2018

Copper-gold concentrate produced from the rehabilitated copper flotation plant totaled 2,405 dry metric tons (DMT) containing 5,152 oz. of gold; 22,563 oz. of silver; and 693,704 lbs. of copper compared with last year's 2,166 dry metric tons (DMT) containing 5,336 oz. of gold; 19,708 oz. of silver; and 716,892 lbs. of copper. Of the copper-gold concentrate produced, 289 DMT remained in inventory with an estimated value of around P94.2 million.

Combined with the dore production of 1,884 oz. of gold and 351 oz. of silver, total gold production amounted to 7,036 oz. versus 7,529 oz. last year; and total silver production was 22,914 oz versus 23,092 oz. last year. Metal sales went down by P2.8 million to P521.0 million due to higher treatment charges on concentrate production. Net loss increased to P210.0 million from last year's P183.4 million due to lower metal prices and higher costs.

Gold price averaged US$1,316.69/oz. versus US$1,332.45/oz. while silver price averaged US$15.83/oz. versus US$16.77/oz. the preceding year. Copper price averaged $2.78/lb compared with $3.20/lb last year. The P/US$ exchange rate averaged P52.37/US$1 compared with P51.44/US$1 last year.

Cost and expenses increased by 7% to P753.2 million from P704.3 million last year as the tonnage mined increased by 34,363 tonnes and tonnage milled, by 26,731 tonnes. Milling cost went up from P102.6 million to P115.9 million; depletion and depreciation increased by P21.4 million to P217.5 million. Overhead cost went up to P121.7 million from P101.5 million attributable to the higher cost of lime consumption, and consultancy fees.

Production tax decreased to P20.7 million due to lower production. Finance cost dropped from P5.8 million to P3.5 million due to partial settlement of loans. Dollar-denominated transactions resulted in a foreign exchange gain of P1.1 million this year compared with a loss of P0.4 million the previous year. Other income increased by P21.3 million mainly arising from sale of available for sale investment.

January – June 2019 versus January – June 2018

A total of 5,330 DMT copper-gold concentrate containing 1,538,243 lbs. of copper, 11,845 ounces of gold, and 49,764 ounces of silver was produced in 2019 compared with last year's 4,711 DMT copper-gold concentrate containing 1,364,024 lbs. of copper, 9,194 ounces of gold, and 37,494 ounces of silver.

The dore production contained 2,920 oz. of gold and 481 oz. of silver, for a total gold production of 14,765 oz. versus 12,566 oz. last year; and total silver production of 50,245 oz. versus 41,369 oz. last year.

Metal sales went up by P167.5 million to P1,116.1 million due to higher copper-gold concentrate production. Net loss decreased by P53.1 million to P351.8 million compared with last year's P408.1 million.

Gold price averaged US$1,310.50/oz. versus US$1,307.58/oz. while silver price averaged US$15.41/oz. versus US$16.60/oz. the previous year. Copper price averaged $2.79/lb compared with $3.16/lb last year. The P/US$ exchange rate averaged P52.21/US$1 compared with P52.07/US$1 last year.

Cost and expenses increased by 10% to P1,488.0 million from P1,354.7 million last year due to the higher tonnage mined and milled. Milling cost went up from P189.1 million to P243.2 million; depletion and depreciation increased by P48.9 million to P413.4 million. Overhead cost went up by 20% to P236.1 million from P196.7 million on account of higher lime consumption and consultancy fees and costs of freight and handling materials and supplies.

Production tax increased by 13% to P44.8 million due to higher metal production. Finance cost dropped from P9.1 million to P7.3 million as short-term loans were partly settled in the current year. Payment of dollar-denominated loans resulted in a foreign exchange gain of P0.1 million this year compared with P1.9 million foreign exchange gain the previous period. Other income increased to P26.5 million from P5.1 million arising from sale of available for sale investment.

BALANCE SHEET MOVEMENTS

June 30, 2019 versus December 31, 2018

Cash and cash equivalents decreased by P11.7 million on account of disbursements for operations. Receivables increased by P25.0 million representing collectible from sale of equipment by a subsidiary. Inventories went down by P29.4 million on account of the sale of copper gold concentrate. Advances to suppliers went up by 13% due to the additional requirements for operations. Other current assets decreased by 5% or P42.8 million due to a reclassification by a subsidiary.

The decrease in available for sale financial assets of P46.1 million was due to disposal of investment shares. Other noncurrent assets increased by P145.7 million due mainly to deferred charges awaiting final recording.

On liabilities, trade and other payables increased by 8% representing purchases of materials and services. Short-term and long-term borrowings decreased by P21.0 million and P14.2 million, respectively, due to settlement. Income tax payable increased to P3.1 million due to income earned by a subsidiary. Stock subscriptions payable decreased from P11.4 million to nil due to payment.

Deficit increased by P378.1 million representing the net loss from January to June 2019.

CAPITAL EXPENDITURES

Capital expenditures for the quarter totaled P118.5 million, of which P19.6 million went to exploration; P94.4.5 million to machinery and equipment; P1.9 million to mine development; and P2.6 million to maintenance of tailings storage facility 5A.

For the first semester, total capital expenditures amounted to P177.4 million; of which P23.4 million went to exploration; P146.6 million to machinery and equipment; P3.1 million to mine development; and P4.4 million to maintenance of tailings storage facility 5A.

OUTLOOK FOR THE YEAR

The projected metal output for the year is 29,000 oz. of gold,100,000 oz. of silver and 2.9 million pounds of copper.

Various improvements have been and are continually being introduced in the copper flotation plant. Two new crushers are expected to be installed by the fourth quarter. These are additional equipment uprades that will improve metal recoveries. A new leach system consisting of new Falcon concentrates and an Intensive Leach Reactor (ILR) is expected to raise the overall gold recovery and reduce operating costs.

SUBSIDIARIES

The key performance indicator used for the subsidiaries is net income for the first half of the year versus the same period the previous year.

Diamond Drilling Corporation of the Philippines reported a net loss of P30.2 million compared with P35.5 million net income last year. Lepanto Investment and Development Corporation reported a net loss of P86.4 thousand compared with last year's net loss of P179.2 thousand. Shipside, Incorporated registered a net income of P6.8 million against last year's net income of P1.7 million.

* - KEY PERFORMANCE INDICATORS-LCMC

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

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 advance payment of 95% of payable metals paid within two (2) to five (5) working days from holding certificate. 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 IXM SA for copper concentrates.

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

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

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 prices of metals sold or loss of markets.

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$1.1 million at the end of second quarter this year. Same amount was revalued at the start of the year based on an exchange rate of P52.58/US$. 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 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, Receivables, Trade Payables and Accrued Expenses
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 Investments
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 carry 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
JUNE 30, 2019
(With Comparative Annual Figures for 2018)

	2ND QUARTER JUNE 2019	YEAR ENDED DECEMBER 2018
Profitability Ratios:		
Return on assets	-2.26%	-4.55%
Return on equity	-5.04%	-9.83%
Gross profit margin	-25.83%	-21.42%
Net profit margin	-33.88%	-36.54%
Liquidity and Solvency Ratios:		
Current ratio	1.01:1	1.08:1
Quick ratio	0.25:1	0.24:1
Solvency ratio	-0.04:1	-0.08:1
Financial Leverage Ratios:		
Asset to equity ratio	2.23:1	2.16:1
Debt to equity ratio	1.23:1	1.16:1
Interest coverage ratio	51.35:1	7.30:1