111142016001648

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

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

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

STAMPS

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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: **September 30, 2016**

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"	**30,819,595,359**
Class "B"	**20,546,369,194**

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

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

Yes [**x**] No [ ]

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

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

12. Indicate by check mark whether the registrant:

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

Yes [**x**]   No [ ]

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

Yes [ ]   No [**x**]

PART I- FINANCIAL INFORMATION

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

PART II- OTHER INFORMATION (None)

SIGNATURES

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

Issuer : **LEPANTO CONSOLIDATED MINING COMPANY**

Signature : **RAMON T. DIOKNO**

Title : Chief Finance Officer

Date : November 14, 2016

Signature : **ODETTE A. JAVIER**

Title : Vice President/Assistant Corporate Secretary

Date : November 14, 2016

ANNEX "A"

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
STATEMENT OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
(With Comparative Figures for 2015)
(Amounts In Thousand , Except Loss Per Share)

	FOR THE THIRD QUARTER		FOR NINE MONTHS ENDED SEPTEMBER 30	
	2016	**2015**	**2016**	**2015**
REVENUES				
Sale of metals	P 388,411	P 374,607	P 1,046,847	P 818,657
Service fees and other operating income	38,653	6,148	74,348	89,342
	427,064	380,755	1,121,195	907,999
COSTS AND EXPENSES				
Mining, milling, roasting, smelting, refining and and other related charges; administrative expenses; depreciation, amortization and depletion; and other charges	(592,882)	(503,512)	(1,658,721)	(1,391,951)
INCOME (LOSS) FROM OPERATIONS	(165,818)	(122,757)	(537,526)	(483,952)
FINANCE COST, net	(4,961)	(6,137)	(16,010)	(18,327)
FOREIGN EXCHANGE GAINS (LOSS) - net	938	(8,990)	802	(7,973)
OTHER INCOME, net	1,856	1,195	79,961	10,812
SHARE IN NET EARNINGS (LOSSES) OF ASSOCIATES	(247)	(718)	(21,468)	(11,160)
INCOME (LOSS) BEFORE INCOME TAX	(185,381)	(197,553)	(326,009)	(373,193)
PROVISION FOR (BENEFIT FROM) INCOME TAX				
CURRENT	349	(4,478)	6,309	130
DEFERRED	(38)	70	0	198
	311	(4,408)	6,309	328
NET INCOME / (LOSS)	P (168,543)	P (132,998)	P (500,550)	P (510,928)
Attributable to:				
Stockholders of the parent company	(168,495)	(132,917)	P (500,387)	P (510,724)
Non-controlling interests	(48)	(82)	(163)	(204)
Net Income / (Loss)	P (168,543)	P (132,999)	P (500,550)	P (510,928)
EARNINGS (LOSS) PER SHARE attributable to stockholders of the parent company				
Basic & Diluted	(0.00328)	(0.00387)	(0.00974)	(0.00994)
	(-P168,495,091 / 51,365,964,553 shares)	(-P132,918,722 / 51,365,964,553 shares)	(-(P500,387,010) / 51,365,964,553 shares)	(-P510,725,479 / 51,365,964,553 shares)

ANNEX "B"

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

	SEPTEMBER 30 2016	*DECEMBER 31 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalent	P 44,897	P 66,387
Receivables, net	310,802	306,755
Inventories, net	532,295	520,387
Advances to suppliers and contractors	449,468	442,810
Other current assets	642,312	614,741
Total current assets	1,979,774	1,951,080
NON-CURRENT ASSETS		
Property, plant and equipment	6,378,310	6,974,495
Available-for-sale financial assets	477,155	477,155
Investments and advances in associates	567,233	566,831
Mine exploration cost	6,963,546	6,521,173
Deferred income tax assets	431,716	431,716
Other noncurrent assets	65,164	71,441
Total non-current assets	14,883,124	15,042,811
Total assets	P 16,862,898	P 16,993,891
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables	P 1,736,063	P 1,395,855
Short-term borrowings	19,924	-
Unclaimed dividends	26,695	26,699
Income tax payable	297	891
Total current liabilities	1,782,979	1,423,445
NON-CURRENT LIABILITIES		
Advances from Far Southeast Services Limited	5,915,232	5,843,343
Long-term borrowings	47,060	47,060
Liability for mine rehabilitation cost	67,256	65,095
Retirement benefit obligations	1,718,111	1,782,137
Deferred income tax liabilities	229,036	229,036
Stock subscriptions payable	107,784	107,784
Deposit for future stock subscriptions	69,200	69,200
Total non-current liabilities	8,153,679	8,143,655
Total liabilities	9,936,658	9,567,100
EQUITY		
Capital stock	5,134,706	5,134,706
Additional paid-in capital	4,336,231	4,336,231
Re-measurement gain(loss) on retirement plan	(521,258)	(521,258)
Cumulative changes in fair values of AFS investments	(44,735)	(44,735)
Retained earnings (Deficit)	(2,228,865)	(1,728,477)
	6,676,079	7,176,467
Non-controlling interests	250,160	250,324
Total equity	6,926,239	7,426,791
Total liabilites and equity	P 16,862,898	P 16,993,891

* - **AUDITED**

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

(With Comparative Figures for 2015)
(Amounts in Thousand Pesos)

	SEPTEMBER 2016	SEPTEMBER 2015	FOR NINE MONTHS ENDED SEPTEMBER 30 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Income/ (Loss) before tax	P (168,232)	F (137,407)	P (494,241)	F (510,600)
Adjustments for:				
Depreciation and depletion	184,871	192,752	567,057	508,828
Equity in net losses (income) of affiliated comp	247	718	889	11,160
Foreign exchange losses (income), net	(1,552)	8,990	(1,416)	7,973
Provision for retirement benefit cost	1,231	1,037	3,481	3,143
Gain on sale of asset	(0)	-	(4)	-
Gain on sale of investment	-	-		(5,115)
Interest income	(18)	(59)	(54)	(398)
Interest expense	4,961	6,137	16,010	18,327
Provision for income tax	(311)	4,408	(6,309)	(328)
Operating income before changes in working capital	21,197	76,576	85,414	32,991
Changes:				
Receivables and advances to suppliers	(4,183)	(21,075)	(11,996)	145,178
Inventories and PPE	146,285	44,069	442,965	212,516
Prepayments and other assets	(20,790)	(18,648)	(21,294)	(56,578)
Accounts payable and accrued expenses	70,892	95,846	341,185	(192,619)
Liability for mine rehabilitation cost	720	588	2,161	1,765
Deferred income tax liability, net	(38)	71	0	198
Cash generated from operations	214,083	177,426	838,434	143,451
Retirement benefits paid	(21,591)	(23,255)	(67,505)	(122,954)
Interest received	18	59	54	398
Net cash provided by operating activities	192,511	154,230	770,984	20,895
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments, net	-	0	0	12,285
Acquisition of property and equipment	(117,318)	(219,474)	(425,744)	(610,226)
Unrecovered exploration costs and other assets	(109,755)	(62,881)	(442,373)	(284,476)
Net cash used in investing activities	(227,073)	(282,355)	(868,117)	(882,417)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Borrowings	13,020	23,581	71,889	101,498
Payments of:				
Borrowings	19,924	(24,261)	19,924	(87,110)
Interest	(5,136)	(5,827)	(16,169)	(19,346)
Capital and other reserves	-	(70)	-	614,445
Net cash used by financing activities	27,808	(6,577)	75,644	609,487
NET INCREASE (DECREASE) IN CASH	(6,755)	(134,702)	(21,490)	(252,035)
Beginning of period	51,649	267,948	66,387	385,282
CASH AT END OF THE PERIOD	P 44,897	F 133,247	P 44,897	F 133,247

ANNEX "D"

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2016 & 2015

(Amounts in thousands)

	SEPTEMBER 30 2016	SEPTEMBER 30 2015
Authorized - P 6.64 billion		
Share capital at par value	P 5,135,525	P 5,135,525
Subscribed capital (net of subscriptions receivable)	(819)	(819)
Share premium	4,336,231	4,336,231
Cumulative changes in fair values of AFS investments	(44,735)	(251,517)
Re-measurement gain(loss) on retirement plan	(521,258)	(595,768)
Retained earnings		
Beginning balance	(1,728,478)	(869,498)
Net income (loss) for the period	(500,387)	(510,724)
	(2,228,865)	(1,380,222)
EQUITY ATTRIBUTABLE TO THE STOCKHOLDERS OF THE PARENT COMPANY	6,676,079	7,243,430
NON-CONTROLLING INTERESTS	250,160	250,515
	P 6,926,239	P 7,493,945

LEPANTO CONSOLIDATED MINING COMPANY

NOTES TO FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2016 and DECEMBER 31, 2015

Note 1 - General information

Lepanto Consolidated Mining Company (the 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. In January 1999, the Parent Company and the Bank of New York, as depository, formed a depository receipt facility to facilitate secondary market trading in the international capital markets of the Parent Company's class "B" common shares. On January 28, 2005, the Company formally closed the depository receipt facility.

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 entitles 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. The Parent Company 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 entitles 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 has been suspended at the end of 2001; BOI registration was cancelled on July 11, 2006.

On April 10, 2001, the BOI approved the Parent Company's request for ITH bonus year for a period of one year from April 2001 to March 2002 for its gold bullion project. On June 21 and September 21, 2005, the Parent Company obtained necessary approval for the ITH bonus years of April 2002 to March 2003 and April 2003 to March 2004, respectively.

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.

On May 20, 2009, the BOI approved the Parent Company's request for ITH bonus year for the period April 2008 to March 2009 for its Teresa Project.

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 gold mine in Mankayan, Benguet, Philippines.

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

	09/30/2016	12/31/2015
Cash on hand	**1,540**	1,241
Cash in banks	**43,358**	65,146
	44,897	66,387

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

Note 4 – Receivables

	09/30/2016	12/31/2015
Trade	**71,309**	74,894
Nontrade	**246,723**	235,016
Advances to officers and employees	**3,730**	7,625
	321,762	317,535
Less: Allowance for impairment losses	**10,960**	10,780
	310,802	306,755

The Parent Company's trade receivables arise from its shipments of gold and silver to refinery and smelter customers based on contracts/agreements.

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.

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

	09/30/2016	12/31/2015
Parts and supplies (at NRV)	**532,189**	520,280
In-transit	**107**	107
	532,295	520,387

Parts and supplies on hand include materials and supplies stored in Metro Manila, Bulacan, Benguet, Surigao del Norte and Leyte. The increase in the amount of P11.9 million represents restocking of imported materials for use in operations.

Note 6 – Advances to suppliers and contractors

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

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

Note 7 – Other current assets

	09/30/2016	12/31/2015
Input VAT	**599,695**	570,734
Deferred costs	**24,731**	20,873
Prepayments	**14,772**	18,821
Others	**3,113**	4,313
	642,311	614,741

By virtue of Revenue Memorandum Order 9-2000 dated March 29, 2000, all sales of goods, property and services made by a 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 represent VAT paid on purchases of applicable goods and services, net of output tax, which can be claimed for refund or recovered as tax credit against certain future tax liability of the Company upon approval by the 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.
- Payables 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 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, sale of lumber, sawmill services 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 Group as of and for the third quarter of the year 2016 and 2015 are as follow:

Mining activities

	2016 (in thousands)	2015 (in thousands)
CURRENT ASSET	1,655,806	1,870,126
NON-CURRENT ASSET	14,727,606	14,615,144
CURRENT LIABILITES	1,666,665	1,184,830
NON-CURRENT LIABILITIES	7,897,374	7,918,637
GROSS INCOME	1,046,847	818,657
NET INCOME / (LOSS)	(508,896)	(503,165)

Investment activities

	2016 (in thousands)	2015 (in thousands)
CURRENT ASSET	5,283	5,302
NON-CURRENT ASSET	204,144	141,487
CURRENT LIABILITES	88,989	88,795
NON-CURRENT LIABILITIES	18,763	-
GROSS INCOME	-	-
NET INCOME / (LOSS)	(157)	(165)

Hauling Activities

	2016 (in thousands)	2015 (in thousands)
CURRENT ASSET	164,679	60,585
NON-CURRENT ASSET	406,823	456,195
CURRENT LIABILITES	5,183	6,632
NON-CURRENT LIABILITIES	139,291	140,216
GROSS INCOME	23,331	24,532
NET INCOME / (LOSS)	60,838	(6,652)

Drilling Activities

	2016 (in thousands)	2015 (in thousands)
CURRENT ASSET	579,178	295,294
NON-CURRENT ASSET	124,467	101,571
CURRENT LIABILITES	517,101	254,115
NON-CURRENT LIABILITIES	40,983	35,288
GROSS INCOME	350,657	158,335
NET INCOME / (LOSS)	46,670	14,185

Manufacturing and Trading Activities

	2016 (in thousands)	2015 (in thousands)
CURRENT ASSET	41,604	33,567
NON-CURRENT ASSET	4,376	5,379
CURRENT LIABILITES	26,706	25,411
NON-CURRENT LIABILITIES	6,830	5,800
GROSS INCOME	37,607	24,676
NET INCOME / (LOSS)	4,714	3,213

Note 10 – Seasonality

There is no seasonality or cyclical factors in the company's operations. The Parent Company has put its copper concentrate production on hold for the time being.

ANNEX "F"

LEPANTO CONSOLIDATED MINING CO.

AGING OF ACCOUNTS RECEIVABLE - TRADE

AS OF SEPTEMBER 30, 2016

CUSTOMERS	*CURRENT*	*OVER 30 DAYS*	*OVER 60 DAYS*	*TOTAL*
HERAEUS LTD.	23,086,342	-	-	23,086,342
	23,086,342	-	-	23,086,342

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

As of September 30, 2016

2016

Consolidated revenues for the third quarter of 2016 improved by 12% to P427.1 million from last year's P380.8 million. Net loss amounted to P168.5 million versus P133.0 million in 2015.

For the nine months ended September 30, 2016, consolidated revenues totaled P1,121.2 million versus P908.0 million last year. Net loss was P500.5 million against last year's P510.9 million.

Mining Operations

July – September 2016 versus July – September 2015

Gold production totaled 5,989 oz., lower than the 7,032 oz. produced last year due to selective mining. Total milled ore for the quarter decreased to 68,230 tonnes from 81,800 tonnes last year. Gold grade and recovery improved slightly to 2.99 grams per tonne and 91%, respectively, from previous year's levels. Silver production totaled 11,334 oz. compared with 16,232 oz. last year due to the decrease in silver grade from 14.37 g/t to 14.08 g/t, and in silver recovery from 43% to 37%.

Despite the lower production, metal sales increased by P14.7 million to P388.4 million mainly due to the higher gold price, US$1,338/oz vs. US$1,117/oz., and the weaker Peso vs. the US$, P47/US$1 compared with P46/US$1 last year. Net loss increased by P24.5 million to P145.6 million.

Cost and expenses increased by 10% to P531.1 million due largely to the development cost of the Victoria orebody which was charged to operations.

Mining cost increased from P102.5 million to P174.6 million on account of the increases in development cost (by P49.7 million); labor (by P11.2 million); and repairs, maintenance and services (by P11.2 million). Milling cost decreased by P9.4 million to P51.5 million due to the lesser milled ore.

Finance cost decreased to P4.9 million versus P6.1 million last year on account of loan payments.

Dollar-denominated transactions yielded a foreign exchange gain of P0.9 million compared with last year's foreign exchange loss of P9.0 million.

January – September 2016 versus January – September 2015

Gold production improved from 15,007 oz. to 17,213 oz. this year due to the increase in milled ore and better gold grade and gold recovery. Metal sales improved by 28% to P1,046.8 million due to the higher gold production and price (US$1,265/oz. versus US$1,164/oz.) as well as the depreciation of the Peso vis-a-vis the US$, P47/US$1 compared with P45/US$1 last year. Net loss was slightly higher at P502.7 million.

Milled ore increased from 182,010 tonnes to 201,290 tonnes. Gold grade improved to 2.94 g/t this year from 2.87 g/t, while gold recovery rose from 89% to 90%. Silver production declined to 29,034 oz. from 35,304 oz. last year due to lower grade, 12.52 g/t vs. 16.26 g/t last year, and recovery, 36% vs. 37% last year.

Cost and expenses went up by 19% to P1,543.4 million from P1,298.0 million last year due largely to the development cost of the Victoria orebody which was charged to operations.

Mining cost increased from P275.7 million to P493.1 million on account of the increases in development cost (by P113.8 million); labor (by P38.1 million); major consumables i.e., explosives and accessories, lubricants and rock bolts and accessories (by P26.1 million); and repairs and maintenance and services (by P39.4 million). Milling cost decreased by P3.2 million to P146.3 million due to the lower prices and lesser usage of some milling materials. Depletion cost went up by P75.3 million to P387.4 million on account of the higher tonnage and additional capital development.

Finance cost decreased to P16.0 million from P17.9 million last year on account of loan payments.

Dollar-denominated transactions yielded a foreign exchange gain of P0.8 million compared with a foreign exchange loss of P7.9 million last year.

BALANCE SHEET MOVEMENTS

Cash and cash equivalents decreased by P21.5 million on account of disbursements in excess of revenue collections and other cash receipts. Property, plant and equipment, net of depreciation and depletion, decreased by 8.5% representing phased-out mine machinery and equipment. Mine exploration cost increased by 6.8% due to the ongoing exploration program. Other noncurrent assets decreased by 8.8% due to the conversion to expense of various items.

On liabilities, trade and other payables increased by P340.2 million representing accumulation of payables on purchases of materials and services. Income tax payable decreased by 66.7% due to settlement.

Deficit increased by 28.9% or P500.4 million to P2,228.8 million on account of the loss from operations.

CAPITAL EXPENDITURES

Total capital expenditures for the first three quarters amounted to P524.5 million, broken down as follows: exploration, P440.3 million; machinery and equipment, P70.4 million; mine development, P2.0 million; and Tailings Storage Facility maintenance, P11.8 million.

OUTLOOK FOR THE YEAR

The projected gold production for the year is 24,100 oz. from 298,000 metric tonnes ore.

Exploration of the Enargite and adjacent areas will continue until the end of the year. Meanwhile, discussions with potential buyers of copper and pyrite concentrates continue.

SUBSIDIARIES

The key performance indicator used for the subsidiaries is net income. The following performance are for the three-month period ended September 2016.

Diamant Manufacturing and Trading Corporation recorded an income of P4.7 million compared with last year's income of P3.2 million. Diamond Drilling Corporation of the Philippines reported a net income of P46.7 million compared with P14.2 million last year as exploration drilling requirements of the parent company and other clients increased. Lepanto Investment and Development Corporation reported a net loss of P157 thousand compared with P165 thousand the previous year. Shipside, Incorporated registered a net income of P60.8 million, as a result of disposal of land, against last year's net loss of P6.7 million.

* - KEY PERFORMANCE INDICATORS-LCMC

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

LEPANTO CONSOLIDATED MINING COMPANY
Impact of Current Global Financial Condition

Credit Risk

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

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

The Company enters into marketing contracts only with refineries and smelters of established international repute. Since the Company became a primary gold producer, it has entered into exclusive marketing contracts with Heraeus for gold and silver.

The credit risk from trade receivables arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments. The Company'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 Company takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its Parent Company financial statements and Parent Company statements of cash flows. The Company 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 Company sells its product to the international market. All gold and silver sales are denominated in US$. Dollar conversion of metal sales to Philippine peso is based on the prevailing exchange rate at the time of sale. Non-derivative financial instruments (cash and cash equivalents, trade receivable, trade and other payables, and borrowings) are directly denominated in US$.

All gold and silver bullion sales are denominated in US dollars. The sales proceeds are used to settle dollar-denominated obligations; the rest are converted to Philippine peso based at prevailing exchange rates to settle Philippine peso-denominated obligations.

Foreign currency-denominated liabilities of Parent Company totaled US$8.2 million at the end of third quarter this year. Same amount was revalued at the start of the year based on an exchange rate of P47.06/US$. 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$145.1 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. Settlement of these obligations will be at their recorded value based on the agreement with the creditor/investor.

Interest Rate Risk

The company's exposure to the risk of changes in interest rates relates primarily to its borrowings with floating interest rates. The Company regularly monitors its interest rate exposure and correspondingly plans ahead to meet its interest obligations.

Liquidity Risk

The company maintains a balance between continuity of funding and flexibility through the use of bank drafts, bank loans and suppliers credits.

As part of liquidity risk management, the company regularly projects its cash requirement and ensures availability of funding through an adequate amount of credit facilities with financial institutions.

Fair Values

The methods and assumptions used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash, Receivables, Trade Payables and Accrued Expenses
Cash, receivables, trade payables and accrued expenses are all subject to normal trade credit terms and are short-term in nature. The carrying amounts of approximate their fair values.

AFS Investments
Fair values of investments are estimated by reference to their quoted market values made during the balance sheet date as of the end of the previous year. Unquoted equity securities are carried at cost net of impairment in value. The Group has no investment in foreign securities.

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, 2016
(With Comparative Annual Figures for 2015)

	3RD QUARTER SEPTEMBER 2016	YEAR ENDED DECEMBER 2015
Profitability Ratios:		
Return on assets	-2.97%	-5.06%
Return on equity	-7.23%	-11.57%
Gross profit margin	-32.52%	-42.17%
Net profit margin	-44.64%	-70.67%
Liquidity and Solvency Ratios:		
Current ratio	1.11:1	1.37:1
Quick ratio	0.20:1	0.57:1
Solvency ratio	-0.05:1	-0.09:1
Financial Leverage Ratios:		
Asset to equity ratio	2.44:1	2.29:1
Debt to equity ratio	1.44:1	1.29:1
Interest coverage ratio	29.87:1	6.59:1