COVER SHEET

1	0	1							

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

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **September 30, 2011**

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"	25,967,575,956
Class "B"	17,317,805,326

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"***

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	:	**MARIO L. LAVENTE**
Title	:	Vice President/Controller
Date	:	November 14, 2011
Signature	:	**ODETTE A. JAVIER**
Title	:	Vice President/Assistant Corporate Secretary
Date	:	November 14, 2011

ANNEX "A"

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

ANNEX "A"

(With Comparative Figures for 2010)
(Amounts In Thousand , Except Loss Per Share)

	FOR THE THIRD QUARTER		FOR NINE MONTHS ENDED SEPTEMBER 30	
	2011	2010	2011	2010
REVENUES				(a)
Sale of gold, silver and copper	P 204,997	P 272,688	P 900,412	P 895,077
Service fees and other operating income	34,852	56,089	149,906	79,545
	239,849	328,777	1,050,318	974,622
COSTS AND EXPENSES				
Mining, milling, roasting, smelting, refining and and other related charges; administrative expenses; depreciation, amortization and depletion; and other charges	(369,469)	(440,818)	(1,139,173)	(1,259,444)
INCOME (LOSS) FROM OPERATIONS	(93,620)	(112,041)	(88,855)	(284,822)
FINANCE COST, net	(19,633)	(42,493)	(65,074)	(131,974)
FOREIGN EXCHANGE GAINS (LOSS) - net	2,441	(581)	7,851	1,119
OTHER INCOME	2,994		18,972	
SHARE IN OPERATING RESULTS OF ASSOCIATES	2,358	(15,965)	193,765	(4,419)
INCOME (LOSS) BEFORE INCOME TAX	(105,460)	(171,080)	66,659	(420,096)
PROVISION FOR (BENEFIT FROM) INCOME TAX				
CURRENT	1,910	282	6,589	533
DEFERRED	(41)	(26)	0	(197)
	1,869	256	6,589	336
NET INCOME (LOSS) FOR THE PERIOD	P (107,329)	P (171,336)	P 60,070	P (420,432)
Attributable to:				
Stockholders of the parent company	P (107,436)	P (172,907)	P 60,083	P (421,736)
Non-controlling interests	(107)	(1,571)	13	(1,304)
	P (107,329)	P (171,336)	P 60,070	P (420,432)
OTHER COMPREHENSIVE INCOME (LOSS)				
Changes in revaluation increment in land	P -	P 12,578	P -	P 22,358
Gain from Sale of Trading Securities	P 11,168		P 11,168	
	P 11,168	P 12,578	P 11,168	P 22,358
TOTAL COMPREHENSIVE INCOME (LOSS) BEFORE INCOME TAX	P (96,161)	P (158,758)	P 71,238	P (398,074)
Attributable to:				
Stockholders of the parent company	(96,268)	(160,329)	71,251	(399,378)
Non-controlling interests	(107)	(1,571)	13	(1,304)
	(96,161)	(158,758)	71,238	(398,074)
EARNINGS (LOSS) PER SHARE attributable to stockholders of the parent company				
Basic & Diluted	P (0.00222)	P (0.00525)	P 0.00164	P (0.01280)
	((P96,267,516.85/ 43,344,161,743 shares)	((P172,907,072.88)/ 32,941079,783 shares))	(P71,251,135.51 / 43,344,161,743 shares)	((P421,736,349) / 32,941,079,783 shares))

LEPANTO CONSOLIDATED MINING COMPANY
CONSOLIDATED BALANCE SHEET
(Amounts in thousands)

ANNEX "B"

	SEPTEMBER 30 2011	*DECEMBER 31 2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	P 725,057	P 27,022
Receivables, net	146,817	203,340
Inventories, net	641,735	468,626
Other current assets	439,346	321,194
Total current assets	1,952,955	1,020,182
NON-CURRENT ASSETS		
Property, plant and equipment	7,071,605	6,585,137
Available-for-sale financial assets	143,083	134,541
Investments and advances in associates	485,847	293,793
Mine exploration cost	1,901,224	824,742
Deferred income tax assets	78,683	78,683
Other noncurrent assets	119,199	18,648
Total non-current assets	9,799,641	7,935,544
TOTAL ASSETS	P 11,752,596	P 8,955,726
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables	P 2,858,925	P 2,671,764
Current portion of long-term borrowings	10,892	60,065
Income tax payable	207	6,388
Total current liabilities	2,870,024	2,738,217
NON-CURRENT LIABILITIES		
Long-term borrowings - net of current portion	91,030	493,069
Retirement benefit obligations	459,465	540,891
Deferred income tax liabilities	113,372	113,372
Stock subscriptions payable	107,784	107,784
Total non-current liabilities	771,651	1,255,116
TOTAL LIABILITIES	3,641,675	3,993,333
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY		
Capital stock	4,332,416	3,315,504
Additional paid-in capital	3,526,167	1,495,928
Revaluation increment in land	489,145	489,145
Cumulative changes in fair values of AFS investme	(350,556)	(354,090)
Retained earnings (Deficit)	(132,233)	(230,089)
	7,864,939	4,716,398
Non-controlling interests	245,982	245,995
Total equity	8,110,921	4,962,393
TOTAL LIABILITIES AND EQUITY	P 11,752,596	P 8,955,726

* - AUDITED

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(With Comparative Figures for 2010)
(Amounts in thousands)

ANNEX "C"

	FOR THE THIRD QUARTER ENDED SEPTEMBER 30		FOR NINE MONTHS ENDED SEPTEMBER 30	
	2011	2010	2011	2010
	(A-B)	(X - Y)	(A)	(X)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax	P (94,292)	P (153,761)	P 77,827	P (420,432)
Adjustments for:				
Depreciation and depletion	47,333	79,599	164,094	252,296
Equity in net losses (income) of affiliated companies	(2,358)	(347)	(193,765)	(1,459)
Foreign exchange losses (income), net	(2,441)	(581)	(7,851)	1,119
Provision for retirement benefit cost	15,172	15,384	45,559	46,145
Interest income	(7,856)	(34)	(18,926.00)	(74)
Interest expense	19,633	42,494	65,074	131,974
Operating income before changes in working capital	(24,809)	(17,246)	132,012	9,569
Changes:				
Receivables	6,663	4,825	56,523	33,868
Inventories	(90,701)	32,273	(173,109)	39,300
Other current assets	21,699	5,427	(118,151)	(5,154)
Accounts payable and accrued expenses	551,559	232,096	178,519	438,402
Cash generated from operations	464,411	257,375	75,794	515,985
Retirement benefits paid	(18,167)	3,302	(126,986)	(9,539)
Interest received	0	34	18,926	74
Income tax recovered (paid)	(1,883)	0	(12,770)	(31)
Net cash provided by operating activities	452,217	260,711	(45,036)	506,489
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments	10,123	33,299	13,198	103,005
Acquisition of property and equipment	(307,309)	(129,871)	(650,562)	(338,416)
Unrecovered exploration costs and other assets	(412,191)	(7,789)	(1,177,045)	(29,892)
Net cash used in investing activities	(709,377)	(104,361)	(1,814,409)	(265,303)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Borrowings, net	(9,663)	(107,132)	(41,989)	(145,391)
Interest	(18,191)	(29,310)	(451,213)	(75,311)
Capital and other reserves	1,647	81,953	3,050,682	83,600
Net cash used by financing activities	(24,151)	(54,489)	2,557,480	(137,102)
NET INCREASE (DECREASE) IN CASH	(281,311)	101,861	698,035	104,084
Beginning of period	1,006,368	18,169	27,022	15,946
CASH AT END OF THE PERIOD	P 725,057	P 120,030	P 725,057	P 120,030

LEPANTO CONSOLIDATED MINING COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER30, 2011 & 2010

(Amounts in thousands)

ANNEX "D"

	SEPTEMBER 30 2011	SEPTEMBER 30 2010
Authorized - P 6.64 billion		
Share capital at par value	P 4,328,538	P 3,302,704
Subscribed capital (net of subscriptions receivable)	3,878	12,711
Share premium	3,526,167	1,502,875
Fair value and other reserves	(350,556)	(360,704)
Revaluation reserve	489,145	489,145
Retained earnings		
Beginning balance	(203,484)	(216,898)
Net income (loss) for the period	71,251	(421,736)
	(132,233)	(638,634)
EQUITY ATTRIBUTABLE TO THE STOCKHOLDERS OF THE PARENT COMPANY	7,864,939	4,308,097
NON-CONTROLLING INTERESTS	245,982	246,653
	P 8,110,921	**P 4,554,750**

ANNEX "E"

LEPANTO CONSOLIDATED MINING COMPANY

NOTES TO FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2011 and DECEMBER 31, 2010

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. 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 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 years.

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 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 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 fair value requirement of the Philippine Accounting Standards (PAS) 39 of long term commodity hedging contracts entered into by the Company and outstanding as of January 1, 2005, which was permitted by the SEC.

The financial statements of the subsidiaries are prepared for the same financial reporting year as the parent company using uniform accounting policies and other events in similar circumstances. All significant intercompany balances and transactions, including intercompany income and losses, are eliminated.

Subsidiaries are included in consolidation from the date on which control, directly or indirectly, is transferred and cease to be consolidated from the date on which control is transferred out from the parent company.

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

Note 3 – Adoption of PFRS 9

After consideration of the result of its impact evaluation, the Company has decided not to early adopt either PFRS 9 (2009) or PFRS 9 (2010) for its 2011 annual financial statement.

It shall conduct in early 2012 another impact evaluation using the outstanding balances of financial statement as of December 31, 2011

Note 4 – Cash and Cash Equivalents

Cash and Cash Equivalents increased from P27.0 million to P725.1 million as a result of the company's stock rights offering. The account is composed of Cash in banks and on hand and interest bearing short term investments.

Note 5 – Receivables

Receivables decreased by P56.5 million on account of collections and lower sales during the period.

Note 6 – Inventories

The account went up from P468.6 million to P641.7 million with parts and supplies for mine machineries contributing 68% on the increment while supplies for drill rigs such as tubings and diamond bits accounted for the 26% due to increased development and drilling activities during the period.

Note 7– Other Current Assets

The 37% increase is composed mainly of P47.9 million from Advances to Suppliers/Miscellaneous Deposits, P25.4 million Creditable input VAT and Prepaid Expenses among others.

Note 8 – Property, Plant and Equipment

The P486.5 million increase is due to acquisition of mine machinery equipment and mine development costs.

Note 9– Available for Sale Financial Assets

The 6% increase is due to an investment made by a subsidiary in a publicly listed company.

Note 10– Investments and Advances in Associates

Share in income of an Associate accounted for the 65% increase.

Note 11 – Mine Exploration Cost

The P1,076.5 million increase for the period is due to the ongoing drilling by Far Southeast Gold Resources, Inc., a subsidiary, of its mineral deposits essential to the preparation of a bankable feasibility study.

Note 12 – Other Noncurrent Assets

Deferred charges accounted for the major increase in this account, P68.7 million of which is the deferment of Retrenchment cost of 451 employees over the six month period. This account group is also composed of Environmental, Monitoring and Rehabilitation Trust funds together with long term deposits.

Note 13 – Trade and Other Payables

The increase from P2,671.7 million to P2,858.9 million was due principally to trade accounts in relation to the ongoing drilling at the Far Southeast project.

Note 14– Current and Long Term Portion Borrowings

The Current Portion of Long Term Borrowings went down from P60.1 million to P10.9 million while the Long Term Portion decreased from P493.1 million to P91.0 million due to payments made during the period from the proceeds of the stock rights offering (SRO).

Note 15– Income Tax Payable

The P0.2 million reduction in taxes is due to lower taxable profit of subsidiaries during the period.

Note 16 – Retirement Benefit Obligations

The 15% drop from P540.9 million to P459.5 million is due to the pension contributions made during the period coming from the proceeds of the SRO.

Note 17 – Capital Stock and Additional Paid-In Capital

The increase of P1,016.7 million in Capital Stock and Additional Paid-in Capital of P2,030.2 million are due to the stock rights during the period.

Note 18 – Retained Earnings (Deficit)

The Deficit decreased from P230.1 million to P132.2 million on account of share in the operating results of associates for the period.

Note 19 - Business Segments

Lepanto Consolidated Mining Company Group (LCMC Group) derives revenue from the following main operating business segments:

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.

The assets, liabilities and results of the business segments of the LCMC Group for the 3rd quarter of the year 2011 and 2010 are as follows:

Investment activities

	2011 (in thousands)	2010 (in thousands)
Current Assets	5,789	5,791
Non-current Assets	106,258	106,098
Current Liabilities	51,483	50,741
Non-Current Liabilities	0	0
Gross Income	0	0
Net Income (Loss)	(223)	(136)

Hauling Activities

	2011 (in thousands)	2010 (in thousands)
Current Assets	77,585	58,585
Non-Current Assets	447,894	429,463
Current Liabilities	6,835	9,644
Non-Current Liabilities	131,423	131,474
Gross Income	19,890	18,261
Net Income (Loss)	11,800	771

Insurance Activities

	2011 (in thousands)	2010 (in thousands)
Current Assets	827,074	482,632
Non-current Assets	52,243	48,277
Current Liabilities	640,874	361,331
Gross Underwriting Income	114,358	72,383
Underwriting Income	31,051	14,026
Net Income (Loss)	4,517	744

Note 20 – Seasonality

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

LEPANTO CONSOLIDATED MINING CO.

ANNEX "F"

AGING OF ACCOUNTS RECEIVABLE - TRADE

AS OF SEPTEMBER 30, 2011

CUSTOMERS	*CURRENT*	*OVER 30 DAYS*	*OVER 60 DAYS*	*TOTAL*
HERAEUS LTD.	39,025,939.29	-	-	39,025,939.29
	39,025,939.29	-	-	39,025,939.29

ANNEX "G"

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
As of September 30, 2011

2011

Consolidated revenue for the period January to September 2011 amounted to P1,050.3 million versus P974.6 million in 2010. Inclusive of the share in operating results of associates, Net Income reached P60.1 million compared with a net loss of P420.4 million the previous year.

For the 3rd quarter, Total Revenue amounted to P239.8 million compared with P328.8 million for the same period in 2010. Net Loss reached P107.3 million versus a net loss of P171.3 million the previous year. Loss from mining operations reached P107.1 million, including the retrenchment cost discussed below, compared with P163.8 million in 2010.

MINING OPERATIONS

Mining operations were suspended in May to give way to a 5-month intensive development program which was completed in mid-October. During the development period, previously stock-piled low-grade ore was processed to recover payable metals (gold/silver).

Gold prices remained high, averaging $1,501.68 per oz. in the in first nine months of 2011 compared with $1,176.30 per oz. last year.

January to September 2011

Gold production dipped from 15,821 oz. to 13,344 oz. as a result of the suspension of mining operations in May and the feeding of low-grade stockpile from May to September. Average gold grade decreased to 1.23 g/t compared with 2.20 g/t gold last year. Tonnage milled however rose to 417,540 tonnes, 281,060 tonnes of which were from the low-grade- stockpile, from 251,190 tonnes in 2010.

Metal revenue went up to P900.4 million from P895.1 million due mainly to higher metal prices which offset the effect of the strengthening of the peso vis-à-vis the US dollar, P43.37/US$ against last year's P45.60/US$. Other income amounted to P48.2 million from P4.3 million last year arising from discounts granted in relation to the settlement of some loan accounts.

Cost and expenses decreased by 13% to P1,055.8 million from P1,210.7 million on account of the suspension of mining operations. Mining costs dropped by P162.0 million reflecting lower (i) power cost, (ii) usage of supplies and services, (iii) labor costs and (iv) maintenance cost of underground mining equipment. Other cost components that went down were: smelting and refining costs, P8.7 million; depreciation and depletion, P48.5 million and P68.5 million, respectively; and administration, P22.5 million. Milling cost however increased by P52.2 million due mainly to the increased tonnage milled, reflected in the increases in power costs and supplies, overhead and production tax. The cost of the retrenchment effected in May 2011 of P173.1 million is being amortized over 8 months, and a total of P113.4 million had been booked as of the end of September.

Operating Losses decreased to P107.2 million compared with P311.4 million last year. Net Finance costs dropped to P46.1 million versus P131.9 million last year due to the settlement of various obligations. Foreign exchange gain resulting from the appreciation of the Peso against the US$ (P43.36

/US$ vs. P45.56/US$ last year) amounted to P7.6 million. In 2010, foreign exchange gain and gain from asset retirement amounted to P23.7 million. Net Loss for the nine months totaled P145.7 million compared with P419.6 million for the same period last year.

July to September 2011

Ore milled for the quarter totaled 184,980 tonnes, consisting entirely of low-grade stock-piled material, compared with 73,310 tonnes last year. Gold grade averaged 0.73 g/t versus 2.06 g/t gold last year. Gold production totaled 3,167 oz. compared with last year's 4,309 oz.

Due to the suspension of mainstream operations as discussed above, operating costs decreased by P78.2 million vs. last year. Mining cost dropped by P100.1 million due to the lower costs of labor (P47.5 million) and power (P14.1 million), and lower usage of consumables such as explosives, LHD parts, etc. (P30.0 million) and other supplies and services (P8.5 million). Other cost components that were reduced were: Depletion (P35.5 million) due to non-extraction for three months, Administration (P14.4 million), Depreciation (P28.0 million), Smelting and Refining etc. (P6.7 million) and Production tax (P0.3 million). However, milling costs went up by P39.7 million on account of the processing of low-grade material and Overhead (P16.2 million) . The company recorded a retrenchment cost of P68.3 million for the period.

Net Finance cost decreased this quarter to P11.8 million from last year's P42.6 million due to the retirement of some loan accounts early this year. A foreign exchange gain of P2.3 million was recognized in the 3rd quarter due to the continued appreciation of the Peso against the US dollar, P42.70/US$ vs. P45.15/US$ last year.

BALANCE SHEET

Cash and Cash equivalents went up by P725.1 million reflecting the balance of the proceeds of the 1:3.3 stock rights offering (SRO) early this year. Receivables decreased by P56.5 million on account of collections during the period. Inventories went up by 37% consisting of additional parts and supplies for mine machineries, supplies for the mill and for drill rigs. Other current assets increased by P118.1 million due to Advances to Suppliers, Miscellaneous Deposits, Creditable Input VAT and Prepaid Expenses.

Property, plant and equipment rose by P486.4 million due to acquisition of mine machinery and equipment and mine development at the 900L. Available for sale financial assets went up by P8.5 million due to an investment made by a subsidiary. Investments in and advances to associates went up by P192.0 million representing the Company's share in the income of an Associate. Mine exploration cost increased by 130% due to the ongoing drilling at the Far Southeast Project. Other non-current assets went up by P100.5 million, P68.7 million of which represents the deferred retrenchment cost, as discussed above. Other components of this account are Environmental, Monitoring and Rehabilitation Trust Funds and Long-Term Deposits

Liabilities were substantially reduced due to settlements made out of the SRO proceeds: Current and Long-term portions of Borrowings by 82%; Retirement benefit obligations by 15%. The reduction in Income Tax Payable is due to the lower taxable profit of subsidiaries. Trade and other payables however reported an increase despite payments out of the SRO proceeds due to the ongoing development on the Far Southeast project.

Capital stock and Additional Paid-in capital increased by P1,016.9 million and P2,030.2 million, respectively, due primarily to the SRO. Retained earnings show a deficit of P132.2 million from the deficit of P230.1 million due mainly to the income of P71.2 million.

CAPITAL EXPENDITURES

Total capital expenditures for the three quarters of the year reached P643.0 million, P327.9 million of which went to mine and capital development. Diamond drilling added P49.5 million while P12.6 million was incurred for the Tailings Dam maintenance. Purchase of machinery and equipment amounted to P253.0 million.

OUTLOOK FOR THE REST OF THE YEAR

The development program of the upper levels of the Victoria orebody that started in May this year has been successfully completed.

The balance of the retrenchment cost that will be amortized monthly until year-end amounts to P68.7 million.

SUBSIDIARIES

The key performance indicator used for the subsidiaries is Net Income.

Lepanto Investment and Development Corp reported a net loss of P223 thousand compared with last year's loss of P136 thousand. Shipside Incorporated registered a net income of P11.8 million against last year's net income of P771 thousand. Diamond Drilling Corporation of the Philippines reported a net income of P14.9 million against a net loss of P5.1 million the previous year due to higher meterage drilled.

* - 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

There is no significant exposure to credit risk. Gold exports are settled on cash basis. Existing contracts allow for the payment of 98% of the value of payable metals (determined on the day of shipment) within two banking days from shipment. Full settlement is normally received within three (3) working days.

Copper concentrate exports are 90% paid within five (5) working days upon submission of invoices and shipping documents. The remaining 10% is payable within 90 days from shipping date. There is no copper concentrate production however at this time.

Market Risk

The value of financial instruments may change as a result of changes in interest rates, foreign currency exchanges, equity prices and other market changes as discussed below.

Foreign Exchange Risk

All gold and copper concentrate sales are denominated in US dollars. The sales proceeds are used to settle dollar-denominated obligations; the rest are converted to Philippine Peso based on prevailing exchange rates to settle Peso-denominated obligations.

The foreign currency- denominated liabilities, which as of the end of the quarter amounted to US$1.7 million, was revalued at the start of the year based on an exchange rate of P43.84/US$. The depreciation of the Peso against the US$ results in a forex loss with respect to such liabilities, which losses are booked at year-end. However, it should be noted that being a 100% dollar-earner, the company actually benefits from such Peso depreciation in terms of higher peso revenues. Presently however, the peso is appreciating against the dollar and settlement of liabilities is reflected as forex gain.

Interest Rate Risk

The company's exposure to the risk to changes in interest rates relates primarily to long-term 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 hire purchase contracts. While the Company is unable to secure additional credit lines for now, it can fully draw against existing trade facilities.

It is part of our liquidity risk management to regularly evaluate projected and actual cash flows. Loan maturity profile is reviewed to ensure 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
The carrying amounts of cash, receivables, trade payables and accrued expenses 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 values made during the balance sheet date as of the end of last year. 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. The Company has no investments in foreign securities.

Loans Payable and Borrowings
The fair value of the interest bearing long-term debt is based on the discounted value of future cash flows using the applicable rate for a similar type of loans. The discounted rate used in the quarter ranges from 7% to 13%.

Fair values of the loans payable and borrowings as of end of the quarter approximate their carrying value.