COVER SHEET

101

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

3rd Monday of April

12	31
Month	Day

Fiscal Year

17-Q

FORM TYPE

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: **June 30, 2010**

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"	**19,742,130,050**
Class "B"	**13,161,402,180**

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	:	Controller
Date	:	August 16, 2010
Signature	:	**ODETTE A. JAVIER**
Title	:	Vice President/Assistant Corporate Secretary
Date	:	August 16, 2010

ANNEX "A"

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2010
(With Comparative Figures for 2009)
(Amounts In Thousand , Except Loss Per Share)

	FOR THE SECOND QUARTER		FOR SIX MONTHS ENDED JUNE 30	
	2010	2009	2010	2009
INCOME				
Sale of gold, silver and copper	P 298,267	P 371,992	P 622,389	P 743,598
Service fees and other operating income	13,416	10,842	23,456	17,277
	311,683	382,834	645,845	760,875
COSTS AND EXPENSES				
Mining, milling, roasting, smelting, refining and and other related charges; administrative expenses; depreciation, amortization and depletion; and other charges	(419,984)	(408,914)	(818,626)	(796,874)
INCOME (LOSS) FROM OPERATIONS	(108,301)	(26,080)	(172,781)	(36,052)
FINANCE COST, net	(44,549)	(41,193)	(89,481)	(75,656)
FOREIGN EXCHANGE GAINS (LOSS) - net	1,262	(1,414)	1,700	(3,557)
SHARE IN OPERATING RESULTS OF ASSOCIATES	13,266	(1,003)	11,546	(1,398)
INCOME (LOSS) BEFORE INCOME TAX	(138,322)	(69,690)	(249,016)	(116,663)
PROVISION FOR (BENEFIT FROM) INCOME TAX				
CURRENT	218	375	251	375
DEFERRED	(120)	(92)	(171)	(129)
	98	283	80	246
NET INCOME (LOSS) FOR THE PERIOD	P (138,420)	P (69,973)	P (249,096)	P (116,856)
Attributable to:				
Stockholders of the parent company	P (138,223)	P (69,819)	P (248,829)	P (116,446)
Minority interest	197	154	267	410
	P (138,420)	P (69,973)	P (249,096)	P (116,856)
OTHER COMPREHENSIVE INCOME (LOSS)				
Changes in revaluation increment in land	P 9,780	P -	P 9,780	P -
	P 9,780	P -	P 9,780	P -
TOTAL COMPREHENSIVE INCOME (LOSS) BEFORE INCOME TAX	P (128,640)	P (69,973)	P (239,316)	P (116,856)
Attributable to:				
Stockholders of the parent company	(128,443)	(69,819)	(239,049)	(116,446)
Minority interest	197	154	267	410
	(128,640)	(69,973)	(239,316)	(116,856)
EARNINGS (LOSS) PER SHARE attributable to stockholders of the parent company Basic & Diluted	P (0.00420)	P (0.00212)	P (0.00756)	P (0.00354)
	((P138,223,471)/ 32,903,532,229 shares))	((P68,818,714)/ 32,903,532,229 shares))	((P248,829,278.56) / 32,903,532,229 shares)	((P116,446,097)/ 32,903,532,229 shares))

ANNEX "B"

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

	JUNE 30 2010	*December 31 2009
ASSETS		
CURRENT ASSETS		
Cash	P 18,169	P 15,946
Receivables, net	123,712	152,755
Inventories, net	482,971	489,998
Other current assets	320,252	309,671
Total current assets	945,104	968,370
NON-CURRENT ASSETS		
Property, plant and equipment	6,467,400	6,441,333
Available-for-sale financial assets	131,508	130,396
Investments and advances in associates	302,368	363,411
Mine exploration cost	740,416	740,208
Deferred income tax assets	94,155	89,912
Other noncurrent assets	24,662	7,010
Total non-current assets	7,760,509	7,772,270
Total assets	P 8,705,613	P 8,740,640
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables	P 2,605,055	P 2,354,878
Current portion of long-term borrowings	45,990	82,549
Loans payable	80,000	80,000
Income tax payable	2	-
Total current liabilities	2,731,047	2,517,427
NON-CURRENT LIABILITIES		
Long-term borrowings - net of current portion	578,891	578,891
Retirement benefit obligations	533,664	515,744
Deferred income tax liabilities	113,645	113,816
Stock subscriptions payable	107,784	107,784
Total non-current liabilities	1,333,984	1,316,235
Total liabilities	4,065,031	3,833,662
EQUITY		
Capital stock	3,287,515	3,286,980
Additional paid-in capital	1,446,062	1,446,062
Revaluation increment in land	501,723	511,504
Cumulative changes in fair values of AFS investments	(357,944)	(359,056)
Retained earnings (Deficit)	(483,696)	(225,688)
	4,393,660	4,659,802
Minority interest	246,922	247,176
Total equity	4,640,582	4,906,978
Total liabilites and equity	P 8,705,613	P 8,740,640

UNAUDITED

*- AUDITED

ANNEX "C"

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(With Comparative Figures for 2009)
(Amounts in thousands)

	FOR THE SECOND QUARTER ENDED JUNE 30		FOR SIX MONTHS ENDED JUNE 30	
	2010	2009	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax	P (138,402)	P (69,690)	P (249,096)	P (116,610)
Adjustments for:				
Depreciation and depletion	78,842	104,293	172,697	209,381
Equity in net losses (income) of affiliated companies	(2,832)	1,003	(1,112)	1,398
Foreign exchange losses (income), net	1,262	1,414	1,700	3,557
Provision for retirement benefit cost	15,387	24,932	30,761	52,612
Interest income	0	(53)	(40.00)	(53)
Interest expense	44,549	41,193	89,480	75,656
Operating income before changes in working capital	(1,194)	103,092	44,390	225,941
Changes:				
Receivables	31,840	3,820	29,043	(1,525)
Inventories	18,454	801	7,027	(4,673)
Other current assets	25,774	6,277	(10,581)	72,227
Accounts payable and accrued expenses	73,619	72,322	206,306	39,082
Cash generated from operations	148,493	186,312	276,185	331,052
Retirement benefits paid	(3,860)	(8,712)	(12,841)	(19,636)
Interest received	0	53	40	53
Income tax recovered (paid)	0	(23)	(31)	(31)
Net cash provided by operating activities	144,633	177,630	263,353	311,438
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments	28,733	397	52,131	2,007
Acquisition of property and equipment	(115,801)	(136,368)	(208,545)	(236,406)
Unrecovered exploration costs and other assets	(11,830)	2,153	(22,103)	(11,954)
Additional Paid In Capital	0			
Net cash used in investing activities	(98,898)	(133,818)	(178,517)	(246,353)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Borrowings, net	(19,411)	(15,238)	(38,259)	(16,044)
Interest	(26,762)	(24,420)	(46,001)	(49,208)
Capital and other reserves	1,647	0	1,647	
Net cash used by financing activities	(44,526)	(39,658)	(82,613)	(65,252)
NET INCREASE (DECREASE) IN CASH	1,209	4,154	2,223	(167)
Beginning of period	16,960	4,391	15,946	8,712
End of period	P 18,169	P 8,545	P 18,169	P 8,545

LEPANTO CONSOLIDATED MINING COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED JUNE 30, 2010 & 2009

(Amounts in thousands)

	JUNE 30 2010	JUNE 30 2009
Authorized - P 3.35 billion		
Share capital at par value	P 3,287,685	P 3,287,244
Subscribed capital (net of subscriptions receivable)	(170)	(638)
Share premium	1,446,062	1,446,062
Fair value and other reserves	(357,944)	(406,895)
Revaluation reserve	501,723	564,022
Retained earnings		
Beginning balance	(234,866)	126,470
Net income (loss) for the period	(248,829)	(116,446)
	(483,695)	10,024
EQUITY ATTRIBUTABLE TO THE STOCKHOLDERS OF THE PARENT COMPANY	4,393,660	4,899,819
MINORITY INTEREST	246,922	252,981
	P 4,640,582	P 5,152,800

ANNEX "E"

LEPANTO CONSOLIDATED MINING COMPANY

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 and DECEMBER 31, 2009

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 gold mine (Victoria Project) where its products do not require roasting and suspended its copper mining operations. Consequently, in October 1997, the parent company temporarily ceased operating its 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.

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 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.

Note 3 – Cash

Increased by P2 million due late receipt of collections from month-end metal sales.

Note 4 – Receivables

Decreased by P29 million as a result of major collections from Trade customer.

Note 5– Investments and Advances in Associates

Reduction of P61 million was due to payments received from an associate.

Note 6– Other Non Current Assets

Deferred charges accounted for the rise of P17 million. Other account groups are Environmental, Monitoring and Rehabilitation Trust funds together with long term deposits.

Note 7– Trade and Other Payables

The rise of 11% was due to additional accrual of suppliers billings, salaries , interest and taxes.

Note 8– Current Portion of Long Term Borrowings

The reduction of 44% was due to P37 million payments made during the year for the settlement of FCDU, Peso and Suppliers Credits during the year.

Note 9- 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 24^{th} month method.

The assets, liabilities and results of the business segments of the LCMC Group for the 2^{nd} half of the year 2010 and 2009 are as follows:

Investment activities

	2010 (in thousands)	2009 (in thousands)
Current Assets	5,795	5,768
Non-current Assets	106,098	94,362
Current Liabilities	50,694	38,159
Non-Current Liabilities	-	3,525
Gross Income	35	35
Net Income (Loss)	(86)	(56)

Hauling Activities

	2010 (in thousands)	2009 (in thousands)
Current Assets	63,707	57,573
Non-Current Assets	423,730	433,747
Current Liabilities	9,719	19,619
Non-Current Liabilities	131,414	137,199
Gross Income	13,154	15,558
Net Income (Loss)	177	602

Insurance Activities

	2010 (in thousands)	2009 (in thousands)
Current Assets	390,216	378,093
Non-current Assets	166,587	34,318
Current Liabilities	338,272	272,571
Gross Underwriting Income	39,438	35,973
Underwriting Income	6,344	14,741
Net Income (Loss)	(1,605)	(3,169)

Note 10– Seasonality

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

LEPANTO CONSOLIDATED MINING CO.

AGING OF ACCOUNTS RECEIVABLE - TRADE

AS OF JUNE 30, 2010

CUSTOMERS	*CURRENT*	*OVER 30 DAYS*	*OVER 60 DAYS*	*TOTAL*
HERAEUS LTD.	39,729,702	-	-	39,729,702
TRAFIGURA	-	-	-	-
	39,729,702	-	-	39,729,702

ANNEX "G"

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As June 30, 2010

MINING OPERATIONS

January to June 2010

Gold production decreased from 16,543 oz to 11,512 oz as a result of lower tonnage, 177,888 tonnes compared with 186,120 for the same period last year, and lower grades, 2.25 g/t from 3.05 g/t last year. Lepanto's operations were hampered by operational difficulties due to delays in development and equipment availability.

Revenue was P624.9 million from P745.4 million due mainly to lower metal sales and the strengthening of the Peso vis-à-vis the US $, of P45.78/US$1 against last year's P47.86/ US$1.

Cost and expenses went up by 2% to P793.2 million from P777.0 million. Mining costs rose by P27.5 million reflecting higher power cost, material consumables and services, and maintenance cost for underground mining equipment. Milling costs also rose by P7.0 million due largely to power costs. Smelting, refining costs and other charges were P0.2 million lower than last year. With the lower tonnage, production tax went down by P2.1 million and depletion by P13.4 million. Depreciation expense decreased by P17.5 million as some mining equipment had been fully depreciated. No impairment loss was recorded this year compared with P5.6 million in the past year.

Operating Losses amounted to P168.3 million, compared with P31.6 million last year. Interest costs amounted to P89.5 million versus P75.6 million last year. A foreign exchange gain of P1.7 million was recorded resulting from the appreciation of the Peso against the US. Net Loss for the first half of 2010 totaled P255.8 million compared with P110.8 million for the same period last year.

April to June 2010

Ore processed for the period went down to 81,580 tonnes from last year's 90,810 tonnes. Gold grade averaged 2.27 g/t versus 3.09 g/t last year. Gold production totaled 5,336 oz. compared with last year's 8,222 oz.

*Following are the production statistics for the second quarter and first half of the year:

	2010 Apr-Jun	2009 Apr-Jun	Difference %	2010 Jan-Jun	2009 Jan-Jun	Difference %
Tonnes Milled	81,580	90,810	-10	177,880	186,120	-4
Milled Head, g/t Au	2.27	3.09	-27	2.25	3.05	-26
Au Recovery, %	90	91	2	89	91	2
Production, oz Au	5,336	8,222	-35	11,512	16,542	-30

Mining cost increased by P22.2 million, principally because the ore sources for the period were farther from the shafts, requiring additional hauling costs. Labor cost increased by P7.2 million because last year's figures reflected the rotation scheme for workers necessitated by the suspension of copper operations. Other cost items that increased were power (P3.3 million), major consumables (P5.3 million), and services (by P6.4 million). Milling cost went down by P3.0 million due to lesser usage of consumables; production tax by P1.5 million and depletion by P12.4 million due to lower tonnage. Depreciation expense fell by P10.1 million as some mining equipment had been fully depreciated. Bank charges, taxes and licenses etc went up by P13.4 million. No impairment loss provision was made for the roaster plant this year, compared with a provision of P2.8 million last year.

Finance cost was higher this quarter by P3.3 million compared with last year due to the increase in trust receipts. The continued appreciation of the Peso against the US dollar resulted in a forex gain.

Following is an extract of the income statement showing the quarterly and year-to-date results:

	2010 Apr-Jun (Pesos M)	2009 Apr-Jun (Pesos M)	Difference %	2010 Jan-Jun (Pesos M)	2009 Jan-Jun (Pesos M)	Difference %
Sale of Metals	298.6	372.9	-20	624.9	745.4	-16
Cost and Expenses	-403.3	-397.5	-1	-793.2	-777.0	-2
Income (Loss) from Operations	-104.7	-24.6	-325	-168.3	-31.6	-432
Finance Costs (net)	-44.5	-41.2	-8	-89.5	-75.7	-18
Foreign Exchange Gain (Loss)	1.3	-1.4	189	2.0	-3.5	157
Net Income (Loss)	-147.9	-67.2	-120	-255.8	-110.8	-131

BALANCE SHEET

Cash went up by P2 million due to late receipts. Receivables decreased by P29 million on account of payments received from an associate.

Investments and advances in associates were reduced by P61 million due to payments received. Other non-current assets increased by P17 million due to Deferred Charges.

Trade payables registered an 11% increment due mainly to deferment of payment to suppliers and accruals of salaries. Current portion of Long- term borrowings dropped by P36 million due to loan repayments.

Retained earnings deficit increased to P484 million due to the net loss of P249 million as of the end of the first half.

CAPITAL EXPENDITURES

Total capital expenditures for the first half reached P215 million, P118 million of which went to mine development and special projects. A total of P24 million was spent on exploration and underground drilling while P12 million was incurred for the Tailing Dam maintenance. Mine machinery and equipment purchased for the period amounted to P61 million.

It is projected that total capital expenditures for the year will reach P502 million, P271 million of which will go to the development of the Victoria reserves. Underground construction and special projects in support of mining operations will account for another P46 million; P23 million is earmarked for tailings dam maintenance and P162 million for the acquisition of additional mine machinery and equipment.

SUBSIDIARIES

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

Lepanto Investment and Development Corporation reported a loss of P86 thousand compared with last year's loss of P56 thousand. Shipside, Incorporated's net income dropped from P602 thousand to P177 thousand on account of lower hauling income. Gross revenue of Diamond Drilling Corporation of the Philippines went up from P6.3 million to P28.6 million due to new drilling contracts resulting in a net loss of P6.1 million versus last year's loss of P11.3 million.

OUTLOOK FOR THE REST OF THE YEAR

It is expected that tonnage for the rest of the year will reach 348,000. This year's targeted production is 24,000 oz gold and 40,000 oz silver. The Company will continue to sell idle properties to augment cashflow.

*** - KEY PERFORMANCE INDICATORS-LCMC**

Tonnes Milled*-indicates the amount of ore taken for processing;* ***Milled Head****- amount of gold in grams per ton milled;* ***Metal sales****- sales of gold, copper and silver;* ***Cost and Expenses; Net Income.***

ANNEX "H"

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$12.7 million, was revalued at the start of the year based on an exchange rate of P46.20/US$. 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.