

COVER SHEET

1 0 1

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

3rd Monday of April

1 2 3 1

Month Day

Fiscal Year

2 Q - 0 9

FORM TYPE

Month

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total no. of Stockholders

Total Amount of Borrowings

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

SEC No. 101

LEPANTO CONSOLIDATED MINING COMPANY

*21st Floor, Lepanto Building
8747 Paseo de Roxas
Makati City*

Tel. No. 815-9447
Fax No. 812-0451

Quarterly Report
(Form 17-Q)

For the Period ended June 30, 2009

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, 2009**
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"	19,742,130,056
Class "B"	13,161,402,173

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

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

Yes [] No []

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

Philippine Stock Exchange

Classes "A" and "B"

12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

PART I- FINANCIAL INFORMATION

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

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 : 

Title : MARIO L. LAVENTE
Controller

Date : August 14, 2009

Signature : 

Title : ODETTE A. JAVIER
Vice President/Assistant Corporate Secretary

Date : August 14, 2009

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2009
(With Comparative Figures for 2008)
(Amounts In Thousand , Except Loss Per Share)

	FOR THE SECOND QUARTER		FOR SIX MONTHS ENDED JUNE 30	
	2009	2008	2009	2008
INCOME				
Sale of gold, silver and copper	P 371,992	P 388,341	P 743,598	P 799,630
Service fees and other operating income	10,807	39,801	17,224	71,106
	<u>382,799</u>	<u>428,142</u>	<u>760,822</u>	<u>870,736</u>
COSTS AND EXPENSES				
Mining, milling, roasting, smelting, refining and other related charges; administrative expenses; depreciation, amortization and depletion; and other charges	(408,914)	(439,996)	(796,874)	(917,967)
INCOME (LOSS) FROM OPERATIONS	(26,115)	(11,854)	(36,052)	(47,231)
FINANCE COST, net	(41,193)	(30,690)	(75,656)	(67,844)
FOREIGN EXCHANGE GAINS (LOSS) - net	(1,414)	(15,229)	(3,557)	(20,445)
OTHER INCOME	35	74	53	107
SHARE IN OPERATING RESULTS OF ASSOCIATES	(1,003)	(268)	(1,398)	(962)
INCOME (LOSS) BEFORE INCOME TAX	(69,690)	(57,967)	(116,610)	(136,375)
PROVISION FOR (BENEFIT FROM) INCOME TAX				
CURRENT	375	(10,091)	375	(18,331)
DEFERRED	(92)	145	(129)	327
	<u>283</u>	<u>(9,946)</u>	<u>246</u>	<u>(18,004)</u>
NET INCOME (LOSS) FOR THE PERIOD	<u>P (69,973)</u>	<u>P (67,913)</u>	<u>P (116,856)</u>	<u>P (154,379)</u>
Attributable to:				
Stockholders of the parent company	P (69,819)	P (68,012)	P (116,446)	P (154,520)
Minority interest	154	99	410	141
	<u>P (69,973)</u>	<u>P (67,913)</u>	<u>P (116,856)</u>	<u>P (154,379)</u>
EARNINGS (LOSS) PER SHARE				
attributable to stockholders of the parent company				
Basic	P (0.00212)	P (0.00207)	P (0.00354)	P (0.00470)
	((P68,818,714)/ 32,903,532,229 shares))	((P68,012,488)/ 32,903,532,229 shares))	((P116,446,097)/ 32,903,532,229 shares))	((P154,520,397)/ 32,903,532,229 shares))
Diluted	P (0.00212)	P (0.00207)	P (0.00354)	P (0.00470)
	((P68,818,714)/ 32,903,532,229 shares))	((P68,012,488)/ 32,903,532,229 shares))	((P116,446,097)/ 32,903,532,229 shares))	((P154,520,397)/ 32,903,532,229 shares))

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)

	JUNE 30 2009	*December 31 2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	P 8,545	P 8,712
Receivables, net	146,682	145,157
Inventories, net	586,435	581,762
Prepayments and other current assets	348,871	421,098
	<u>348,580</u>	<u>421,098</u>
Total current assets	<u>1,090,533</u>	<u>1,156,729</u>
NON-CURRENT ASSETS		
Property, plant and equipment	6,435,434	6,408,409
Available-for-sale financial assets	85,202	85,202
Investments and advances in associates	374,916	378,322
Mine exploration cost	760,395	760,275
Deferred income tax assets	102,838	102,838
Other non-current assets	28,775	16,940
Total non-current assets	<u>7,787,560</u>	<u>7,751,986</u>
Total assets	<u>P 8,878,093</u>	<u>P 8,908,715</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade payables and accrued expenses	P 2,201,575	P 2,135,701
Loans payable	80,000	80,000
Current portion of long-term borrowings	65,381	92,314
Total current liabilities	<u>2,346,956</u>	<u>2,308,015</u>
NON-CURRENT LIABILITIES		
Long-term borrowings - net of current portion	638,183	623,737
Retirement benefit obligations	501,666	468,690
Deferred income tax liabilities	127,179	127,308
Stock subscriptions payable	111,309	111,309
Total non-current liabilities	<u>1,378,337</u>	<u>1,331,044</u>
Total liabilities	<u>3,725,293</u>	<u>3,639,059</u>
EQUITY		
Capital stock	3,286,606	3,286,606
Additional paid-in capital	1,446,062	1,446,062
Revaluation increment in land	564,022	564,022
Cumulative changes in fair values of AFS investments	(406,895)	(406,895)
Retained earnings	10,024	126,470
	<u>4,899,819</u>	<u>5,016,265</u>
Minority interest	252,981	253,391
Total equity	<u>5,152,800</u>	<u>5,269,656</u>
Total liabilities and equity	<u>P 8,878,093</u>	<u>P 8,908,715</u>

UNAUDITED

*Audited

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(With Comparative Figures for 2008)
(Amounts in thousands)

	FOR THE SECOND QUARTER ENDED JUNE 30		FOR SIX MONTHS ENDED JUNE 30	
	2009	2008	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax	P (69,690)	P (57,967)	P (116,610)	P (136,375)
Adjustments for:				
Depreciation and depletion	104,293	141,198	209,381	284,609
Equity in net losses (income) of affiliated companies	1,003	268	1,398	962
Foreign exchange losses (income), net	1,414	15,229	3,557	20,445
Provision for retirement benefit cost	24,932	25,161	52,612	54,508
Interest income	(53)	(73)	(53)	(106)
Interest expense	41,193	30,690	75,656	67,844
Operating income before changes in working capital	103,092	154,506	225,941	291,687
Changes:				
Receivables	3,820	147,927	(1,525)	(76,509)
Inventories	801	(186,627)	(4,673)	(259,353)
Other current assets	6,277	(5,063)	72,227	16,228
Accounts payable and accrued expenses	72,322	(524,472)	39,082	(69,790)
Cash generated from operations	186,312	(413,729)	331,052	(97,537)
Retirement benefits paid	(8,712)	(40,537)	(19,636)	(48,999)
Interest received	53	73	53	106
Income tax recovered (paid)	(23)	(538)	(31)	(1,610)
Net cash provided by operating activities	177,630	(454,731)	311,438	(148,040)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments	397	(3,052)	2,007	30,491
Acquisition of property and equipment	(136,368)	(187,730)	(236,406)	(390,023)
Unrecovered exploration costs and other assets	2,153	5,023	(11,954)	(659)
Additional Paid In Capital		615,771		615,771
Net cash used in investing activities	(133,818)	430,012	(246,353)	255,580
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Borrowings, net	(15,238)	(350,471)	(16,044)	(434,697)
Interest	(24,420)	(33,224)	(49,208)	(75,626)
Capital and other reserves	0	408,900		408,900
Net cash used by financing activities	(39,658)	25,205	(65,252)	(101,423)
NET INCREASE (DECREASE) IN CASH	4,154	486	(167)	6,117
Beginning of period	4,391	16,103	8,712	10,472
End of period	P 8,545	P 16,589	P 8,545	P 16,589

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(With comparative Figures for 2008)
(Amounts in Thousands)

	<u>JUNE 30</u> <u>2009</u>	<u>JUNE 30</u> <u>2008</u>
Authorized - P 3.35 billion		
Share capital at par value	P 3,287,244	P 3,287,222
Subscribed capital (net of subscriptions receivable)	(638)	(646)
Share premium	1,446,062	1,446,062
Fair value and other reserves	(406,895)	(340,884)
Revaluation reserve	564,022	523,735
Retained earnings		
Beginning balance	126,470	890,658
Net income (loss) for the period	(116,446)	(154,520)
	<u>10,024</u>	<u>736,138</u>
EQUITY ATTRIBUTABLE TO THE STOCKHOLDERS OF THE PARENT COMPANY	4,899,819	5,651,627
MINORITY INTEREST	252,981	252,870
	<u><u>P 5,152,800</u></u>	<u><u>P 5,904,497</u></u>

LEPANTO CONSOLIDATED MINING COMPANY

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 and DECEMBER 31, 2008

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 – Prepayment and Other Current Assets

Decreased by P72 million due to the reduction in Prepaid expenses of P111 million despite increases in advances to suppliers of P25 million and VAT receivable of P14 million.

Note 4– Other Noncurrent Assets

Deferred charges accounted for the rise of 83%. Other accounts group are Environmental, Monitoring and Rehabilitation Trust funds together with long term deposits.

Note 5- Current Portion of Long Term Borrowings

The reduction of 41% was due to P34.6 million payments made during the year even after a transfer from the long term portion of the loan of P7.6 million was factored in.

Note 6- Retirement Benefit Obligations

The P33.0 million increase was due to accruals of additional provisions for the year.

Note 7- 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 1st quarter of the year 2009 and 2008 are as follows:

Investment activities

	2009 (in thousands)	2008 (in thousands)
Current Assets	5,768	5,757
Non-current Assets	94,362	94,542
Current Liabilities	38,159	37,857
Non-Current Liabilities	3,525	3,525
Gross Income	35	104
Net Income (Loss)	56	(228)

Hauling Activities

	2009 (in thousands)	2008 (in thousands)
Current Assets	57,573	75,104
Non-Current Assets	433,747	446,957
Current Liabilities	19,619	26,183
Non-Current Liabilities	137,199	156,464
Gross Income	15,558	87,440
Net Income (Loss)	602	23,066

Insurance Activities

	2009 (in thousands)	2008 (in thousands)
Current Assets	378,093	348,175
Non-current Assets	34,318	36,307
Current Liabilities	272,571	222,135
Gross Underwriting Income	35,973	33,611
Underwriting Income	14,741	6,318
Net Income (Loss)	(3,169)	1,391

Note 8– 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, 2009

<i>CUSTOMERS</i>	<i>CURRENT</i>	<i>OVER 30 DAYS</i>	<i>OVER 60 DAYS</i>	<i>TOTAL</i>
HERAEUS LTD.	34,677,189.96	-	-	34,677,189.96
TRAFIGURA	-	-	18,246,278.16	18,246,278.16
	34,677,189.96	-	18,246,278.16	52,923,468.12

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

As June 30, 2009

MINING OPERATIONS

During the first half of the year, Lepanto continued to pursue its development and extraction program for the Victoria Gold areas, specifically the deeper areas at and below the 700 Level where additional higher-grade gold veins have been located. Copper operations remained suspended, resulting in lower mining tonnages, metals produced and costs.

January to June 2009

The concentration on gold production resulted in a higher gold grade of 3.05 g/t compared with last year's 1.75 g/t. Milled tonnes however decreased to 186,120 from last year's 410,450 tonnes. Gold production in bullion totaled 16,542 oz against last year's 9,827 oz. However, there was an additional 10,422 oz of gold last year from the copper concentrate.

Cost and expenses went down by 14% from P902.9 million to P777.0 million. Mining costs dropped by P53.4 million reflecting the lower consumption of power, major material consumables and services and lower labor costs. Milling costs went down by P83.6 million also on account of the lower labor costs and consumption of materials and power. Smelting, refining costs and other charges decreased by P27.1 million as a direct result of the suspension of copper operations. Production tax went down by P5.0 million; depletion by P100.9 million; and administration costs by P21.4 million. Overhead expenses decreased by P44.2 million on account of the lesser lime consumption (due to lower tonnage) and importations (thus, lesser taxes and duties). However, depreciation expense increased by P15.6 million due to the acquisition late last year of mining equipment and haulage trucks for underground operations. Copper concentrate inventory from last year's production was P194.2 million.

Operating Losses amounted to P31.6 million, compared with P98.8 million last year. Interest costs amounted to P75.7 million vs. P67.6 million last year, while foreign exchange losses resulting from the depreciation of the Peso against the US\$ (P47.86 /US\$ vs. P41.92/US\$ last year) fell by 83% to P3.5 million. Net Loss for the first half of 2009 totaled P110.8 million compared with P186.6 million for the same period last year.

April to June 2009

Ore processed for the period went down to 90,810 tonnes from last year's 214,020 tonnes, of which 74,125 tonnes were from the Enargite (copper) orebody. Gold grade averaged 3.09 g/t versus 1.74 g/t last year. Gold production totaled 8,222 oz. compared with last year's 10,564 oz of which 5,656 oz came from the copper concentrate.

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

	2009 Apr-Jun	2008 Apr-Jun	Difference %	2009 Jan-Jun	2008 Jan-Jun	Difference %
Tonnes Milled	90,810	214,020	-58	186,120	410,450	-55
Milled Head, g/t Au	3.09	1.74	78	3.05	1.75	74
Milled Head, % Cu	-	0.25	-100	-	0.23	-100
Au Recovery, %	91	88	4	91	87	4
Cu Recovery, %	-	84	-100	-	84	-100
Production, oz Au	8,222	10,564	-22	16,542	20,249	-18
Production, lbs Cu	-	993,771	-100	-	1,762,572	-100

Largely due to the lower tonnage, expenses in the second quarter were lower compared with last year's, specifically for labor (by P13.5 million), power (by P21.3 million), major consumables like diesoline, tires and tubes, track rails and accessories, grinding media, zinc sulfate, sodium metabisulfite and other material consumables (by an aggregate of P39.5 million), and services (by P14.0 million). Smelting and refining charges went down by P11.2 million, production tax by P3.0 million, depletion by P50.6 million and bank charges, taxes and licenses etc by P15.9 million. However, depreciation registered an increase of P8.6 million due to equipment purchases made late last year. There was Copper concentrate inventory from production of P130.5 million last year.

Finance cost was higher this quarter compared with last year due to the increase in the availments from the trust receipt lines. A substantially lower Forex loss of P1.4 million was recognized during the 2nd quarter compared with last year's P15.2 million

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

	2009 Apr-Jun (Pesos M)	2008 Apr-Jun (Pesos M)	Difference %	2009 Jan-Jun (Pesos M)	2008 Jan-Jun (Pesos M)	Difference %
Sale of Metals	372.9	390.0	-4	745.4	804.0	-7
Cost and Expenses	-397.5	-430.2	8	-777.0	-902.8	14
Income (Loss) from Operations	-24.6	-40.2	39	-31.6	-98.8	68
Finance Costs (net)	-41.2	-30.6	35	-75.7	-67.6	-12
Foreign Exchange Gain (Loss)	-1.4	-15.2	91	-3.5	-20.2	83
Net Income (Loss)	-67.2	-86.0	22	-110.8	-186.6	41

BALANCE SHEET

Prepayments and other current assets decreased by P72 million due mainly to the reduction in prepaid expenses despite increases in advances to suppliers and VAT receivable.

Other non-current assets increased by P11.8 million due to Deferred Charges.

Loan accounts (Current and Long-term borrowings) dropped by P12 million due to repayments made during the year. Current portion of long-term borrowings went down by P26.9 million as a repayment of P34.6 million was made and P7.6 million of long-term borrowings was classified into the current portion.

Retirement benefit obligations increased by P33.0 million after recording the additional accruals for the year.

Retained earnings amounted to P11.9 million from P126.4 million after recording a net loss of P116.4 million as of the end of the first half.

CAPITAL EXPENDITURES

Total capital expenditures for the first half reached P242 million, P181 million of which went to mine development and special projects. A total of P6 million was spent on exploration and underground drilling while P10 million was incurred for the Tailing Dam maintenance. Mine machinery and equipment purchased for the period amounted to P45 million.

It is projected that total capital expenditures for the year will reach P541 million, P280 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 P63 million; P28 million is earmarked for the exploration of new mining areas, P29 million for tailings dam maintenance, P141 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 Corp reported a net income of P56 thousand compared with last year's loss of P228 thousand. Shippside Incorporated's net income dropped by 97% from P23.1 million to P602 thousand on account of the suspension of the development work that it had been contracted to undertake for Lepanto's copper operations. Gross revenue of Diamond Drilling Corporation of the Philippines (DDCP) also fell from P83.9 million to P6.3 million, resulting in a Net Loss of P11.3 million versus last year's Income of P9.7 million due to the completion of drilling contracts late last year. New drilling contracts will commence in the second half of the year.

OUTLOOK FOR THE REST OF THE YEAR

It is expected that tonnage for the rest of the year will reach 445,000. Net metal production is expected to improve in the second half as a result of the fast-tracking of the development of the Victoria at the 700L and lower levels areas. Target 2009 production is 40,000 oz gold and 60,800 oz silver.

During the annual meeting of the stockholders on April 20, 2009, the shareholders approved the increase in the authorized capital stock from P3.35 Billion to P6.64 Billion. The stockholders also approved the one-time waiver of their preemptive right to subscribe to issues or dispositions of shares of the company in proportion to their respective shareholdings but only with respect to the issues or dispositions of shares in support of the increase in the authorized capital stock to P6.64 Billion, provided that the shares to be issued to support such increase in the Authorized Capital Stock shall not exceed twenty percent (20%) of the stock subscribed, issued and outstanding after such issuance.

*** - 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*.

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.

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\$13.96 million, was revalued at the start of the year based on an exchange rate of P47.52/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.

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.