

COVER SHEET

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S.E.C. Registration Number

L	E	P	A	N	T	O	C	O	N	S	O	L	I	D	A	T	E	D	M	I	N	I	N	G	C	O

(Company's Full Name)

2	1	S	T	F	L	O	O	R	L	E	P	A	N	T	O	B	U	I	L	D	I	N	G			
8	7	4	7	P	A	S	E	O	D	E	R	O	X	A	S											
M	A	K	A	T	I	C	I	T	Y																	

(Business Address: No. Street City / Town / Province)

ODETTE A. JAVIER

Contact Person

815-9447

Company Telephone Number

3rd Monday of April

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Month Day

Fiscal Year

1	7	-	Q	
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FORM TYPE

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Month

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Day

Annual Meeting

Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total no. of Stockholders

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Domestic

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Foreign

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

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File Number

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Document I.D.

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **September 30, 2015**
2. Commission identification number: **101** 3. BIR Tax Identification No.: **000-160-247**
4. Exact name of issuer as specified in its charter:

LEPANTO CONSOLIDATED MINING COMPANY

5. Province, country or other jurisdiction of incorporation or organization:
Makati City, Philippines

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office:

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

8. Issuer's telephone number, including area code:

(632) – 815-9447

9. Former name, former address and former fiscal year, if changed since last report: **N/A**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding:
Class "A"	30,819,595,359
Class "B"	20,546,369,194

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

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

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

PART II- OTHER INFORMATION (None)

SIGNATURES

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

Issuer : LEPANTO CONSOLIDATED MINING COMPANY

Signature :


RAMON T. DIOKNO
Chief Finance Officer

Title :

Date :

November 13, 2015

Signature :


ODETTE A. JAVIER

Title :

Vice President/Assistant Corporate Secretary

Date :

November 13, 2015

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
STATEMENT OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015
 (With Comparative Figures for 2014)
 (Amounts In Thousand , Except Loss Per Share)

	<u>FOR THE THIRD QUARTER</u>		<u>FOR NINE MONTHS ENDED SEPTEMBER 30</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
REVENUES				
Sale of metals	P 374,607	P 346,425	P 818,657	P 1,151,291
Service fees and other operating income	6,148	6,572	89,342	30,689
	<u>380,755</u>	<u>352,997</u>	<u>907,999</u>	<u>1,181,980</u>
COSTS AND EXPENSES				
Mining, milling, roasting, smelting, refining and other related charges; administrative expenses; depreciation, amortization and depletion; and other charges	(503,512)	(495,501)	(1,391,951)	(1,570,126)
INCOME (LOSS) FROM OPERATIONS	(122,757)	(142,504)	(483,952)	(388,146)
FINANCE COST, net	(6,137)	(7,827)	(18,327)	(22,984)
FOREIGN EXCHANGE GAINS (LOSS) - net	(8,990)	6,790	(7,973)	5,667
OTHER INCOME, net	1,195	334	10,812	630
SHARE IN NET EARNINGS (LOSSES) OF ASSOCIATES	(718)	(4,458)	(11,160)	(14,538)
INCOME (LOSS) BEFORE INCOME TAX	(137,406)	(147,665)	(510,600)	(419,371)
PROVISION FOR (BENEFIT FROM) INCOME TAX				
CURRENT	(4,478)	2,754	130	5,293
DEFERRED	70	(111)	198	(271)
	<u>1,127</u>	<u>2,038</u>	<u>328</u>	<u>5,022</u>
NET INCOME / (LOSS)	<u>P (132,998)</u>	<u>P (150,308)</u>	<u>P (510,928)</u>	<u>P (424,393)</u>
Attributable to:				
Stockholders of the parent company	(132,917)	(150,243)	P (510,724)	P (424,129)
Non-controlling interests	(81)	(65)	(204)	(264)
Net Income / (Loss)	<u>P (132,998)</u>	<u>P (150,308)</u>	<u>P (510,928)</u>	<u>P (424,393)</u>
EARNINGS (LOSS) PER SHARE				
attributable to stockholders of the parent company				
Basic & Diluted	<u>(0.00259)</u>	<u>(0.00346)</u>	<u>(0.01137)</u>	<u>(0.00976)</u>
	(-P132,918,722 / 51,365,964,553 shares)	(-P150,243,288 / 43,463,508,468 shares)	(-P510,725,479 / 44,900,607,349 shares)	(-P424,129,200 / 43,463,508,468 shares)

LEPANTO CONSOLIDATED MINING COMPANY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in thousands)

	SEPTEMBER 30 2015	*DECEMBER 31 2014
ASSETS		
CURRENT ASSETS		
Cash	P 133,247	P 385,282
Receivables, net	82,691	264,622
Inventories, net	538,692	556,789
Advances to suppliers and contractors	463,491	426,630
Other current assets	626,324	587,172
Total current assets	1,844,445	2,220,495
NON-CURRENT ASSETS		
Property, plant and equipment	7,045,912	7,138,938
Available-for-sale financial assets	188,158	188,158
Investments in and advances to associates	665,228	683,665
Mine exploration costs	6,405,219	6,120,743
Deferred tax assets	474,679	474,679
Other noncurrent assets	99,846	82,420
Total non-current assets	14,879,042	14,688,603
TOTAL ASSETS	P 16,723,487	P 16,909,098
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables	P 1,063,897	P 1,248,351
Current portion of long term debt and other interest bearing liabilities	24,500	111,610
Income tax payable	130	1,341
Total current liabilities	1,088,527	1,361,302
NON-CURRENT LIABILITIES		
Advances from Far Southeast Services Limited	5,814,014	5,712,516
Long-term borrowings - net of current portion	44,720	44,720
Liability for mine rehabilitation cost	55,595	53,830
Retirement benefits liability	1,821,464	1,941,275
Deferred tax liabilities	228,238	228,040
Stock subscriptions payable	107,784	107,784
Deposit for future stock subscriptions	69,200	69,200
Total non-current liabilities	8,141,015	8,157,365
TOTAL LIABILITIES	9,229,542	9,518,667
EQUITY		
Capital stock	5,134,706	4,520,255
Additional paid-in capital	4,336,231	4,336,237
Remeasurement loss on retirement benefits liability	(595,768)	(595,768)
Unrealized loss on AFS financial assets	(251,516)	(251,516)
Deficit	(1,380,223)	(869,496)
	7,243,430	7,139,712
Non-controlling interests	250,515	250,719
Total equity	7,493,945	7,390,431
TOTAL LIABILITIES AND EQUITY	P 16,723,487	P 16,909,098

* - AUDITED

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30
(With Comparative Figures for 2014)
(Amounts in Thousand Pesos)

	SEPTEMBER		SEPTEMBER		FOR NINE MONTHS ENDED SEPTEMBER 30	
	2015	2014	2015	2014	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES						
Income/ (Loss) before tax	P	(137,407)	P	(147,665)	P	(510,600)
Adjustments for:					P	(419,371)
Depreciation and depletion		192,752		188,127		508,828
Equity in net losses (income) of affiliated companies		718		4,458		11,160
Foreign exchange losses (income), net		8,990		(6,790)		7,973
Provision for retirement benefit cost		1,037		1,193		3,143
Gain on sale of asset		-		30		-
Gain on sale of investment		-		-		(5,115)
Interest income		(59)		(30)		(398)
Interest expense		6,137		7,827		18,327
Provision for income tax		4,408		(2,643)		(328)
Operating income before changes in working capital		76,576		44,507		32,991
Changes:						193,562
Receivables and advances to suppliers		(21,075)		28,528		145,178
Inventories and PPE		44,069		(529)		212,516
Prepayments and other assets		(18,648)		(28,940)		(56,578)
Accounts payable and accrued expenses		95,847		152,455		(192,619)
Liability for mine rehabilitation cost		588		551		1,765
Deferred income tax liability, net		71		(111)		198
Cash generated from operations		177,427		196,461		143,451
Retirement benefits paid		(23,255)		(19,809)		(122,954)
Interest received		59		30		398
Income tax recovered (paid)		-		-		-
Net cash provided by operating activities		154,231		176,682		20,895
CASH FLOWS FROM INVESTING ACTIVITIES						
Investments, net		-		8,594		12,285
Acquisition of property and equipment		(219,474)		(99,179)		(610,226)
Unrecovered exploration costs and other assets		(62,881)		(106,133)		(284,476)
Net cash used in investing activities		(282,355)		(196,718)		(882,417)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from:						
Borrowings		23,581		42,368		101,498
Disposal of Assets		-		0		4,086
Payments of:						
Borrowings		(24,261)		(7,546)		(87,110)
Interest		(5,827)		(7,863)		(19,346)
Capital and other reserves		(70)		-		614,445
Net cash used by financing activities		(6,577)		26,959		609,487
NET INCREASE (DECREASE) IN CASH		(134,701)		6,924		(252,035)
Beginning of period		267,947		40,624		385,282
CASH AT END OF THE PERIOD	P	133,247	P	47,548	P	133,247
					P	47,548

LEPANTO CONSOLIDATED MINING COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2015 & 2014

(Amounts in thousands)

	<u>SEPTEMBER 30</u> <u>2015</u>	<u>SEPTEMBER 30</u> <u>2014</u>
Authorized - P 6.64 billion		
Share capital at par value	P 5,135,525	P 4,344,022
Subscribed capital (net of subscriptions receivable)	(819)	321
Share premium	4,336,231	3,552,937
Fair value and other reserves	(251,517)	(302,861)
Revaluation reserve	(595,768)	(337,097)
Retained earnings		
Beginning balance	(869,498)	(151,130)
Net income (loss) for the period	(510,724)	(424,129)
	<u>(1,380,222)</u>	<u>(575,259)</u>
EQUITY ATTRIBUTABLE TO THE STOCKHOLDERS OF THE PARENT COMPANY	7,243,430	6,682,063
NON-CONTROLLING INTERESTS	250,515	245,374
	<u>P 7,493,945</u>	<u>P 6,927,437</u>

LEPANTO CONSOLIDATED MINING COMPANY

NOTES TO FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2015 and DECEMBER 31, 2014

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

Note 3 – Cash and Cash Equivalents

Cash and cash equivalents decreased by P252.0 million as the bulk of the balance of the SRO proceeds were utilized to support operations. The account is composed of Cash in banks and on hand.

Note 4 – Receivables

Receivables represent account due from the metals buyer.

Note 5 – Advances to Suppliers and Contractors

This account reflects pre-payments made to suppliers and contractors in connection with the ongoing mine development.

Note 6 – Other Current Assets

The P39.1 million increases for the period were due to the increase in input VAT from importations, prepaid insurance, and deferred charges. The account is also composed of VAT receivable, supplies in transit, prepaid expenses and rent.

Note 7 – Mine Exploration Costs

The increase of P284.5 million for the period was due to the exploration work being undertaken by Lepanto and the pre-development expenses of Far South East Gold Resources, Inc.

Note 8 – Other Noncurrent Assets

The increase of P17.4 million for the period was due mainly to the increase in deferred charges, mine rehabilitation fund and long term deposits. This account also consists of Environmental and Monitoring Trust Funds.

Note 9 – Trade and Other Payables

The decrease in payables from P1,248.3 million to P1,063.9 million was due to recent trade settlement transactions. The nature, terms and conditions of the Group's financial liabilities are as follows:

- Trade payables include import and local purchases of equipment, inventories and various parts and supplies used in the operations of the Group. These are non-interest bearing and are normally settled on sixty (60) days' terms.
- Trust receipts refer to arrangements of the Group with banks related to its importations of inventories and various equipment which are interest bearing and have an average term of ninety (90) to one hundred twenty (120) days.
- Accrued utilities pertain to unpaid billings for power, communication, light and water charges which are normally settled within 30 to 90 days.
- Employee related expenses include unclaimed wages, accrued vacation and sick leave and accrued payroll which are payable in thirty (30) days' term.
- Payable to regulatory agencies include withholding taxes and other government contributions related to employees of the Group. These are normally remitted within ten (10) days from the close of each month.
- Unclaimed dividends pertain to unpaid cash dividends declared by the parent company to its stockholders.
- Advances from customers and contractor are generally payable on demand and are offset against collections.
- Accrued production taxes pertain to excise taxes on metal sales that are settled within fifteen (15) days after the end of each quarter.

- Accrued expenses and other liabilities are noninterest-bearing and are normally settled on a 30 to 60 days' term. These include other operating expenses that are payable to various suppliers and contractors.

Note 10 – Current Portion of Long-term Debt and Other Interest Bearing Liabilities

Current and Long-term Borrowings decreased from P111.6 million to P24.5 million due to the settlement of a loan with a local bank.

Note 11– Income Tax Payable

This consists of taxes payable by subsidiaries.

Note 12– Retirement Benefits Liability

Retirement benefits liability contracted by P119.8 million on account of the provision of additional funding and the early retirement of some employees.

Note 13 – Capital Stock

The increase in Capital Stock of P614.5 million is due to the collection in January this year of the subscriptions receivable in connection with the 1:5.5 stock rights offering in December 2014.

Note 14 (Deficit)

The increase in Deficit from P869.5 million to P1,380.2 million is due to the P510.7 million losses during the period

Note 15 - Business Segments

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

Mining activities --This segment engages in exploration and mining of gold, silver, copper, lead, zinc and all kinds of ores, metals, minerals, oil, gas, and coal and related by-products.

Investment activities – This segment derives its income as a general agent, broker or factor of any insurance company or as a commercial broker, agent or factor of any person, partnership, corporation or association engaged in any lawful business, industry or enterprise. Income is derived from commissions, which represent income on non-life insurance policies underwritten by a subsidiary for certain principals.

Hauling activities – This segment engages in handling all kinds of material, products and supplies in bulk and maintaining and operating terminal facilities such pier and warehouses. Income is derived mainly from hauling fees, sale of lumber, sawmill services and warehouse rentals.

Insurance activities – This segment derives its revenues from premiums from short duration insurance contracts, which are recognized over a period of the contracts using the 24th month method.

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

Manufacturing activities – This segment derives its income from the manufacturing and sales of products allied to the diamond core drilling industry.

The assets, liabilities and results of the business segments of the LCMC Group for the 3rd quarter of the year 2015 and 2014 are as follows:

Mining activities

	2015 (in thousands)	2014 (in thousands)
CURRENT ASSETS	1,870,126	1,637,227
NON-CURRENT ASSETS	14,615,144	14,240,334
CURRENT LIABILITIES	1,184,830	1,698,232
NON-CURRENT LIABILITIES	7,918,637	7,404,904
GROSS INCOME	818,657	1,154,168
NET INCOME / (LOSS)	(503,165)	389,356)

Investment activities

	2015 (in thousands)	2014 (in thousands)
CURRENT ASSETS	5,302	5,259
NON-CURRENT ASSETS	141,487	141,501
CURRENT LIABILITIES	88,795	88,215
NON-CURRENT LIABILITIES	0	0
GROSS INCOME	0	0
NET INCOME / (LOSS)	(165)	(509)

Hauling Activities

	2015 (in thousands)	2014 (in thousands)
CURRENT ASSETS	60,585	67,609
NON-CURRENT ASSETS	456,195	454,302
CURRENT LIABILITIES	6,632	5,585
NON-CURRENT LIABILITIES	140,216	138,065
GROSS INCOME	24,532	23,900
NET INCOME / (LOSS)	(6,652)	(3,199)

Insurance Activities

	2015 (in thousands)	2014 (in thousands)
CURRENT ASSETS	471,029	546,258
NON-CURRENT ASSETS	185,400	222,412
CURRENT LIABILITIES	465,617	521,515
GROSS UNDERWRITING INCOME	92,348	104,702
UNDERWRITING INCOME	4,721	(2,036)
NET INCOME / (LOSS)	(31,746)	(61,029)

Drilling Activities

	2015 (in thousands)	2014 (in thousands)
CURRENT ASSETS	295,294	502,536
NON-CURRENT ASSETS	101,571	39,182
CURRENT LIABILITIES	254,115	451,781
NON-CURRENT LIABILITIES	35,288	22,662
GROSS INCOME	158,335	103,104
NET INCOME / (LOSS)	14,185	11,985

Manufacturing Activities

	2015 (in thousands)	2014 (in thousands)
CURRENT ASSETS	33,567	20,261
NON-CURRENT ASSETS	5,379	5,208
CURRENT LIABILITIES	25,411	12,771
NON-CURRENT LIABILITIES	5,800	8,083
GROSS INCOME	24,676	11,994
NET INCOME / (LOSS)	3,213	(1,549)

Note 16 – 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.

AGING OF ACCOUNTS RECEIVABLE - TRADE

AS OF SEPTEMBER 30, 2015

<i>CUSTOMERS</i>	<i>CURRENT</i>	<i>OVER 30 DAYS</i>	<i>OVER 60 DAYS</i>	<i>TOTAL</i>
HERAEUS LTD.	57,255,852	-	-	57,255,852
	57,255,852	-	-	57,255,852

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULT OF OPERATIONS**

As of September 30, 2015

2015

Gold production increased to 7,032 oz. this quarter from 6,000 oz. in the same period last year. Consolidated revenues improved to P380.8 million from P353.0 million in 2014 largely on account of higher gold production despite the 12% drop in the average gold price, US\$1,117.01/oz versus US\$1,269.92/oz. in 2014. Gold grade improved to 2.97g/t from 2.42g/t last year as mining concentrated on the better-grade areas. The operations resulted in a loss of P122.8 million versus a loss of P142.5 million the previous year. Net Finance cost amounted to P6.1 million versus P7.8 million last year. The Peso depreciated against the US\$, P46.15/US\$1.00 compared with last year's P43.80/ US\$1.00, resulting in a foreign exchange loss of P9.0 million against a gain of P6.8 million last year. An additional loss of P718 thousand was recorded representing the parent company's share in the losses of associates, compared with a loss of P4.4 million last year. Net Loss after provision for income tax amounted to P133.0 million compared with last year's loss of P150.3 million.

Consolidated revenues for the nine months ended September 30, 2015 totaled P908.0 million versus last year's P1,182.0 million. Net loss amounted to P510.9 million compared with a net loss of P424.4 million last year.

Mining Operations

July-September 2015

Tonnes drawn went up from 78,828 tonnes to 92,742 tonnes whole milled tonnes dropped to 81,800 tonnes from 85,980 tonnes. Gold grade was higher at 2.97 g/t vs. 2.42 g/t last year, resulting in a total gold production of 7,032 oz for the quarter. Silver production totaled 16,232 oz.

Gross revenues amounted to 374.6 million vs. 346.4 million last year. Net loss amounted to P121.1 million compared with last year's loss of P133.8 million.

Despite the 18% increase in drawn tonnage, Cost and Expenses remained basically unchanged, P481.7 million from P480.4 million last year due to the streamlining of

operations. Mining cost rose by only 2.3% to P102.5 million. The following milling cost components dropped as a result of the lower tonnes milled: labor, by P2.7 million; power, by P1.4 million; supplies, by P3.0 million. Other cost items also fell: Smelting and refining by P0.9 million, depreciation by P7.2 million and overhead by P7.9 million due to lower customs duties, freight and delivery costs. Production tax increased by P0.6 million; depletion by P5.4 million due to higher tonnes drawn; and administration by P13.7 million largely on account of higher taxes and licenses and litigation expenses.

Finance cost went down by P1.7 million due to the reduction of interest bearing liabilities. The depreciation of the peso against the US dollar resulted in a foreign exchange loss of P9.0 million. Other Income totaled P1.0 million, compared with the P1.2 million gain last year related to the redemption of PLDT preferred shares.

January- September 2015

Tonnes drawn decreased from 331,691 tonnes to 186,015 tonnes while milled tonnage decreased from 347,050 tonnes to 182,010 tonnes last year. Thus, gold production totaled 15,007 oz. compared with 19,539 oz. last year despite the marked improvement in the average gold grade, from 2.0 g/t to 2.87 g/t.

Net loss for the three quarters amounted to P502.7 million compared with last year's loss of P388.7 million. Gold prices averaged \$1,164.10/oz. versus \$1,288.55/oz. the preceding year.

Due to the lower tonnage, Cost and Expenses went down by 15% from P1,525.8 million to P1,300.4 million. Mining costs went down by P43.6 million on account of decreases in the usage of consumables and lower labor cost. Total milling cost decreased by P83.7 million due to the lower costs of consumables and supplies, power and labor. Smelting and refining costs also dropped by P5.2 million; production tax by P6.6 million due to the decline in metal revenues; Depreciation by P13.2 million as some equipment became fully depreciated; Depletion by P57.3 million due to lower tonnage; and Overhead by P33.5 million on account of reduced materials consumption. Administration cost increased by P15.6 million on account of general office expenses, taxes and licenses, litigation and other miscellaneous expenses.

Finance cost went down by P4.9 million compared with last year due to the reduction in interest bearing liabilities and export advances. The depreciation of the peso against the US dollar resulted in a foreign exchange loss of P8.0 million, compared with P5.7 million last year, arising from the settlement of export advances and trust receipts. Rental Income resulted in an increase in Other Income to P5.0 million from P3.0 million last year.

BALANCE SHEET MOVEMENTS

Cash and cash equivalents decreased by P252.0 million as the bulk of the balance of the SRO proceeds were utilized to support operations. Receivables decreased by P181.9 million due to receipt of payments from the metals buyer. Advances to Suppliers and Contractors increased by P36.9 million in connection with the ongoing mine development. The increase of P39.1 million in Other Current Assets was due to increases in input VAT from importations, prepaid insurance and deferred charges. Mine Exploration Costs increased by P284.5 million on account of the drilling work of Lepanto and pre-development expenses of Far Southeast Gold Resources, Inc., a subsidiary. Other Current Assets went up by P17.4 million due to increases in deferred charges, mine rehabilitation and long term deposits.

On the Liabilities side, Trade and Other Payables decreased by P184.4 million due to recent trade transaction settlements. Current portion of long term debt and other Interest Bearing Liabilities went down by P87.1 million due to loan retirements. Income tax payable decreased by P1.2 million as taxes were settled by a subsidiary. Retirement benefits liability contracted by P119.8 million on account of the provision of additional funding and the early retirement of some employees.

Retained Earnings went down by P510.7 million reflecting the reported net loss for the period.

CAPITAL EXPENDITURES

Capital expenditures for the third quarter totaled P248.5 million, P99.8 million of which went to mine development. P63.0 million was spent on Exploration drilling while P4.2 million was incurred for the Tailings Dam maintenance. Machinery and equipment purchased for the period amounted to P81.4 million.

For the first three quarters of the year, total capital expenditures reached P718.0 million. Mine development accounted for P191.9 million; Exploration drilling, P283.1 million; Tailings Dam Maintenance, P19.3 million; and Machinery and equipment, P223.6 million.

OUTLOOK FOR THE YEAR

The Company expects to produce 22,000 ounces of gold and 35,000 ounces of silver this year.

SUBSIDIARIES

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

Lepanto Investment and Development Corporation reported a net loss of P165 thousand compared with last year's loss of P509 thousand. Shipland Incorporated's net loss was P6.6 million against last year's loss of P3.2 million. Diamond Drilling Corporation of the Philippines reported net income of P14.2 million against a net income of P12.0 million in the previous year. Diamant Manufacturing and Trading Corporation registered a P3.2 million income versus last year's loss of P1.5 million.

* - KEY PERFORMANCE INDICATORS-LCMC

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

Lepanto Consolidated Mining Company Impact of Current Global Financial Condition

Credit Risk

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.

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

Foreign currency-denominated liabilities of parent company totaled US\$8.17 million at the end of the quarter. US\$1 million was revalued at the start of the year based on an exchange rate of P44.72/US\$ and US\$7.17 million of the total was valued during the quarter at P46.23/US\$. Foreign exchange gains or losses due to the movement of the peso vis a vis the US\$ are recognized at year-end on outstanding US\$ denominated assets and liabilities. The gain/(loss) on Peso appreciation/(depreciation) against the dollar as a result of settlement of liabilities is reflected as foreign exchange gain/(loss) in the Financial Statements.

As of the end of the quarter, Far Southeast Gold Resources, Inc., a 60%-owned subsidiary, had total foreign currency-denominated liabilities of US\$142.95 million. Said foreign currency liabilities are converted on peso terms at the time of their incurrence. No revaluation of said liabilities is done due to the appreciation/depreciation of the peso; hence no foreign exchange gain/loss is recognized. Settlement of these obligations will be at their recorded value based on the agreement with the creditor/investor.

Interest Rate Risk

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

Liquidity Risk

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

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

Fair Values

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

Cash, Receivables, Trade Payables and Accrued Expenses

Cash, receivables, trade payables and accrued expenses are all subject to normal trade credit terms and are short term in nature. Their carrying amounts approximate their fair values.

AFS Investments

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

Loans Payable and Borrowings

Carrying values of the loans payable and borrowings as at the end of the quarter approximate their fair values. Borrowings from local banks are all clean loans with interest rates ranging from 5.0% to 7.0%

ANNEX "I"

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
FINANCIAL RATIOS
PURSUANT TO SRC RULE 68, AS AMENDED
SEPTEMBER 30, 2015
(With Comparative Annual Figures for 2014)

	AS OF 3RD QUARTER SEPTEMBER 2015	YEAR ENDED DECEMBER 2014
Profitability Ratios:		
Return on assets	-3.06%	-4.22%
Return on equity	-6.82%	-9.65%
Gross profit margin	-35.29%	-28.49%
Net profit margin	-56.27%	-48.12%
Liquidity and Solvency Ratios:		
Current ratio	1.69:1	1.63:1
Quick ratio	0.20:1	0.48:1
Solvency ratio	0.00:1	0.00:1
Financial Leverage Ratios:		
Asset to equity ratio	2.23:1	2.29:1
Debt to equity ratio	1.23:1	1.29:1
Interest coverage ratio	-26.86:1	-7.02:1