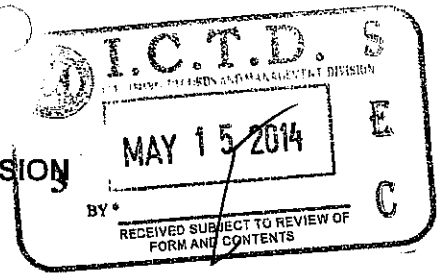


SECURITIES AND EXCHANGE COMMISSION

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: **March 31, 2014**
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"	26,078,119,150
Class "B"	17,385,389,318

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 ☒ 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"
- 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 : 

Title : RAMON T. DIOKNO
Chief Finance Officer

Date : May 15, 2014

Signature : 

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

Date : May 15, 2014

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2014
(With Comparative Figures for 2013)
(In Thousand Pesos, Except Earnings Per Share)

	CONSOLIDATED	
	2014	2013
INCOME		
Sale of metals	P 494,083	P 513,606
Service fees and other operating income	14,090	26,437
	<u>508,173</u>	<u>540,043</u>
COSTS AND EXPENSES		
Mining, milling, roasting, smelting, refining and and other related charges; administrative expenses; depreciation, amortization and depletion; and other charges	(568,653)	(531,806)
INCOME (LOSS) FROM OPERATIONS	<u>(60,480)</u>	<u>8,237</u>
FINANCE COST, net	(7,317)	(5,380)
FOREIGN EXCHANGE GAINS (LOSS) - net	(2,768)	(147)
OTHER INCOME, net	189	-
SHARE IN NET EARNINGS (LOSSES) OF ASSOCIATES	<u>(7,224)</u>	<u>862</u>
INCOME (LOSS) BEFORE INCOME TAX	<u>(77,600)</u>	<u>3,572</u>
PROVISION FOR (BENEFIT FROM) INCOME TAX		
CURRENT	429	136
DEFERRED	(88)	(8)
	<u>341</u>	<u>128</u>
Net Income / (Loss)	<u>P (77,941)</u>	<u>P 3,444</u>
Attributable to:		
Stockholders of the parent company	P (77,923)	P 3,503
Non-controlling interest	(18)	(59)
TOTAL COMPREHENSIVE INCOME (LOSS) BEFORE INCOME TAX	<u>P (77,941)</u>	<u>P 3,444</u>
EARNINGS (LOSS) PER SHARE		
attributable to stockholders of the parent company		
Basic and Diluted	P (0.001793)	P 0.000081
	(-P77,923,646 / 43,463,508,468 shares)	(P3,503,248 / 43,463,508,468 shares)

ANNEX "B"

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

	<u>MARCH 31</u> <u>2014</u>	<u>*DECEMBER 31</u> <u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalent	P 97,996	P 88,054
Receivables, net	113,411	109,736
Inventories, net	534,309	510,317
Advances to suppliers and contractors	457,513	453,957
Other current assets	563,268	551,437
Total current assets	<u>1,766,497</u>	<u>1,713,501</u>
NON-CURRENT ASSETS		
Property, plant and equipment	7,289,212	7,362,170
Available-for-sale financial assets	142,374	142,374
Investments and advances in associates	552,060	559,282
Mine exploration cost	5,917,801	5,890,750
Deferred income tax assets	406,115	406,115
Other noncurrent assets	42,654	38,604
Total non-current assets	<u>14,350,216</u>	<u>14,399,295</u>
Total assets	<u>P 16,116,713</u>	<u>P 16,112,796</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables	P 1,070,215	P 1,042,241
Current portion of long-term borrowings	137,258	99,584
Income tax payable	613	613
Total current liabilities	<u>1,208,086</u>	<u>1,142,438</u>
NON-CURRENT LIABILITIES		
Advances from Far Southeast Services Limited	5,622,241	5,587,315
Long-term borrowings - net of current portion	22,198	22,198
Liability for mine rehabilitation cost	50,659	50,107
Retirement benefit obligations	1,543,161	1,562,341
Deferred income tax liabilities	223,303	223,391
Stock subscriptions payable	107,784	107,784
Deposit for future stock subscriptions	69,200	69,200
Total non-current liabilities	<u>7,638,546</u>	<u>7,622,336</u>
Total liabilities	<u>8,846,632</u>	<u>8,764,774</u>
EQUITY		
Capital stock	4,344,343	4,344,343
Additional paid-in capital	3,552,937	3,552,937
Re-measurement gain(loss) on retirement plan	(337,097)	(337,097)
Cumulative changes in fair values of AFS investments	(306,670)	(306,670)
Retained earnings (Deficit)	(229,053)	(151,130)
	<u>7,024,460</u>	<u>7,102,383</u>
Non-controlling interests	245,621	245,639
Total equity	<u>7,270,081</u>	<u>7,348,022</u>
Total liabilities and equity	<u>P 16,116,713</u>	<u>P 16,112,796</u>

* - AUDITED

LEPANTO CONSOLIDATED MINING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE THREE MONTHS ENDING MARCH 31
(Amounts in Thousand Pesos)

	MARCH 2014	MARCH 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income/ (Loss) before tax	(77,602)	3,572
Adjustments for:		
Depreciation and depletion	199,989	165,434
Equity in net losses (income) of affiliated companies	7,224	(862)
Foreign exchange losses (income), net	2,768	147
Provision for retirement benefit cost	825	944
Interest expense	7,317	95
Loss on sale of asset	-	5,380
Provision for income tax	(341)	(129)
Operating income before changes in working capital	140,180	174,582
Changes:		
Receivables and advances to suppliers	(7,556)	(58,015)
Inventories and PPE	(25,857)	11,946
Prepayments and other assets	(15,881)	1,986
Accounts payable and accrued expenses	27,514	489,035
Liability for mine rehabilitation cost	552	-
Deferred income tax liability, net	(88)	(8)
Cash generated from operations	118,865	619,525
Retirement benefits paid	(20,005)	(19,111)
Income tax recovered (paid)	-	-
Net cash provided by operating activities	98,860	600,414
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments, net	323	(3,041)
Acquisition of property and equipment	(125,887)	(180,338)
Unrecovered exploration costs and other assets	(27,051)	(361,345)
Net cash used in investing activities	(152,615)	(544,724)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Borrowings	79,926	40,686
Disposal of Assets	721	1,116
Payments of:		
Borrowings	(9,700)	(6,304)
Interest	(7,251)	(5,301)
Capital and other reserves	-	854
Net cash provided by financing activities	63,697	31,051
NET INCREASE (DECREASE) IN CASH	9,942	86,742
Beginning of period	88,054	101,837
CASH AT END OF THE PERIOD	97,996	188,579

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED MARCH 31, 2014 & 2013

(Amounts in thousands)

	<u>MARCH 31</u> <u>2014</u>	<u>MARCH 31</u> <u>2013</u>
Authorized - P 6.64 billion		
Share capital at par value	P 4,344,022	P 4,344,022
Subscribed capital (net of subscriptions receivable)	321	321
Share premium	3,552,937	3,553,791
Cumulative changes in fair values of AFS investments	(306,670)	(296,826)
Re-measurement gain(loss) on retirement plan	(337,097)	-
Retained earnings		
Beginning balance	(151,130)	711,009
Net income (loss) for the period	(77,923)	3,503
	<u>(229,053)</u>	<u>714,512</u>
EQUITY ATTRIBUTABLE TO THE STOCKHOLDERS OF THE PARENT COMPANY	7,024,460	8,315,821
NON-CONTROLLING INTERESTS	245,621	227,194
	<u><u>P 7,270,081</u></u>	<u><u>P 8,543,015</u></u>

LEPANTO CONSOLIDATED MINING COMPANY

**NOTES TO FINANCIAL STATEMENTS
AS OF MARCH 31, 2014 and DECEMBER 31, 2013**

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 – Adoption of PAS 19, Employee Benefits (Revised)

On January 1, 2013, the Group adopted the revised standards retrospectively, with permitted exception on sensitivity disclosures for the defined benefit obligation for the comparative period which have not been provided. For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in OCI and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

The Revised PAS 19 has been applied retrospectively from January 1, 2011, in accordance with its transitional provisions. The adoption did not have a material effect on the consolidated statement of cash flows. The effect on the earnings per share and disclosures on segment information for the years ended December 31, 2013, 2012 and 2011 is significant to the Group.

Note 4 – Cash and Cash Equivalents

Cash and Cash Equivalents increased from P88.0 million to P98.0 million as a result proceeds from loans. The account is composed of Cash in banks and on hand.

Note 5– Inventories

Inventories increased by P24.0 million on account of purchases awaiting withdrawals. This composed of materials and supplies for operations.

Note 6 – Other Noncurrent Assets

The increase of P4.0 million for the period is due mainly to the increase in Deferred Charges of the parent company. Other noncurrent assets include Deferred Charges, Long-term Deposits, Mine Rehabilitation Fund, Environmental Trust Fund and Mine Monitoring Trust Fund.

Note 7 – Current portion of Long-term Borrowings & Loans Payable

The net increase in borrowings of P37.7 million is the result of bank loans availed by the parent company totaling P45.0 million and payment of the current portion of long-term borrowings in the amount of P7.3 million for the period. This includes borrowings from local banks with interest ranging from 5.00% to 7.00% which are due within one year.

Note 8 – Retained Earnings (Deficit)

The increase in Deficit of P77.9 million was from the net loss for the period.

Note 9 - 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 and Trading – This segment derives its revenue from manufacturing, distributing, selling and buying machinery and equipment, general merchandise and articles related to diamond core drilling industry.

The assets, liabilities and results of the business segments of the LCMC Group for the 1st quarter of the year 2014 and 2013 are as follows:

Mining activities

	2014 (in thousands)	2013 (in thousands)
CURRENT ASSET	1,737,453	2,023,539
NON-CURRENT ASSET	14,079,441	13,288,167
CURRENT LIABILITES	1,320,657	1,368,677
NON-CURRENT LIABILITIES	7,401,098	5,754,026
GROSS INCOME	495,002	516,424
NET INCOME / (LOSS)	(68,641)	104

Investment activities

	2014 (in thousands)	2013 (in thousands)
CURRENT ASSET	5,266	5,836
NON-CURRENT ASSET	116,797	117,370
CURRENT LIABILITES	63,075	62,993
NON-CURRENT LIABILITIES	0	0
GROSS INCOME	0	0
NET INCOME / (LOSS)	(64)	(82)

Hauling Activities

	2014 (in thousands)	2013 (in thousands)
CURRENT ASSET	65,518	74,595
NON-CURRENT ASSET	455,460	480,967
CURRENT LIABILITES	6,066	7,298
NON-CURRENT LIABILITIES	137,638	132,065
GROSS INCOME	7,883	11,527
NET INCOME / (LOSS)	(379)	290

Insurance Activities

	2014 (in thousands)	2013 (in thousands)
CURRENT ASSET	551,492	689,200
NON-CURRENT ASSET	192,433	302,958
CURRENT LIABILITES	508,185	586,212
GROSS UNDERWRITING INCOME	37,567	50,523
UNDERWRITING INCOME / (LOSS)	(16,994)	25,200
NET INCOME / (LOSS)	(49,724)	12,259

Drilling Activities

	2014 (in thousands)	2013 (in thousands)
CURRENT ASSET	254,466	254,000
NON-CURRENT ASSET	42,882	27,252
CURRENT LIABILITES	218,169	203,242
NON-CURRENT LIABILITIES	22,889	13,943
GROSS INCOME	29,717	44,686
NET INCOME / (LOSS)	1,000	12,859

Manufacturing and Trading Activities

	2014 (in thousands)	2013 (in thousands)
CURRENT ASSET	21,956	21,563
NON-CURRENT ASSET	5,608	6,924
CURRENT LIABILITES	13,754	14,096
NON-CURRENT LIABILITIES	7,910	8,290
GROSS INCOME	3,325	3,264
NET INCOME / (LOSS)	(263)	(1,449)

Note 10 – 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 MARCH 31, 2014

<i>CUSTOMERS</i>	<i>CURRENT</i>	<i>OVER 30 DAYS</i>	<i>OVER 60 DAYS</i>	<i>TOTAL</i>
HERAEUS LTD.	54,039,794	-	-	54,039,794
	54,039,794	-	-	54,039,794

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

As of March 31, 2014

2014

Consolidated revenues for the first quarter of 2014 amounted to P508.2 million compared with P540.0 million in 2013. Net Income (Loss) amounted to (P77.9) million versus P3.4 million the previous year.

Mining Operations

Gold production increased to 8,241 ounces from 7,596 ounces last year due to the improvement in tonnage while silver production was almost unchanged at 13,636 ounces. Average gold grade however dipped to 1.83 g/t compared with 2.04 g/t while silver grade declined to 10.58g/t from 11.16g/t last year.

Metal sales dropped to P494.1 million from P513.6 million on account of the 19.4% decline in gold price. For the same reason, and despite the weaker peso vis-à-vis the US\$, a net loss of P68.6 million was incurred compared with a net income of P253 thousand last year. Gold price averaged \$1,298.03/oz. versus \$1,609.65/oz. while silver price averaged \$20.45/oz versus \$29.48/oz. the preceding year. The ₱/\$ exchange rate averaged P44.88/\$1 from P40.70/\$1 last year.

While some cost items, namely: mining, production tax and overhead declined by a total of P10.8 million, Total Cost and Expenses increased by 8% to P553.6 million due primarily to increases in milling, smelting, refining and other charges, depreciation, depletion and administration costs. Total milling costs rose to P95.8 million from P80.4 million due to the higher tonnage milled, 160,960 tonnes compared with 131,300 tonnes last year. Smelting, refining and other charges went up from P1.7 million to P5.5 million due to the higher gold production and the more frequent gold shipments. Depreciation increased from P48.6 million to P55.7 million due to the purchase of new mining equipment and rehabilitation of old equipment particularly Load-Haul-and-Dump trucks. Depletion also rose by P23.0 million due to higher tonnes drawn and the depletion of recent development costs. Administration costs increased from P39.2 million to P43.8 million due largely to aviation supplies. The reduction in mining costs of P8.5 million was due to the lower usage of major consumables/supplies despite the higher tonnage. Production tax went down from P10.2 million to P9.9 million due to the lower revenue while overhead dropped by P2.0 million mainly due to the reduction in lime usage.

Finance cost increased by P1.9 million due to an increase in export advances. The depreciation of the peso led to a foreign exchange loss of P2.8 million incurred in relation to the settlement of various liabilities, compared with last year's loss of P147 thousand. Other Income decreased by P1.8 million due to a P1.0 million reduction of rental income and the absence of sales of flue dust for the period.

BALANCE SHEET MOVEMENTS

Cash and cash equivalents increased by 11.29% or P9.9 million representing loan proceeds of the parent company. Various materials and supplies purchased during the quarter and awaiting withdrawal for mine operations increased Inventories by 4.70% or P24.0 million. Other noncurrent assets increased by 10.49% or P4.0 million on account of deferred charges.

On the Liabilities, Short-Term and Current Portion of Long-Term Borrowings increased by P37.7 million mainly due to additional bank loans of the parent company.

CAPITAL EXPENDITURES

Capital expenditures for the first quarter totaled P152.9 million, P67.6 million of which went to mine development. P52.2 million was spent on exploration drilling while another P11.6 million was incurred for the Tailings Dam maintenance. Machinery and equipment purchased for the period amounted to P21.5 million.

OUTLOOK FOR THE YEAR

The Company expects to mill 500,000 metric tonnes of ore, producing 30,000 ounces of gold and 61,500 ounces of silver.

SUBSIDIARIES

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

Lepanto Investment and Development Corp. reported a net loss of P64 thousand compared with last year's loss of P82 thousand. Shipside Incorporated incurred a net loss of P379 thousand against last year's net income of P290 thousand. Diamond Drilling Corporation of the Philippines reported a net income of P1.0 million against a net income of P12.9 million in the previous year on account of the lower drilling and development meterage. Diamant Manufacturing and Trading Corporation recorded a loss of P263 thousand versus last year's loss of P1.4 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.

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.

Foreign currency-denominated liabilities of parent company totaled US\$9.07 million at the end of the quarter. US\$8.28 million was revalued at the start of the year based on an exchange rate of P44.395/US\$ and US\$5.15 million of the total was valued during the quarter at P44.86/US\$. The general depreciation of the Peso against the US\$ results in a net forex loss with respect to such liabilities, which loss are booked at year-end. However, it should be noted that being a 100% dollar-earner, the loss on liabilities from such Peso depreciation is offset in terms of higher peso revenues. Presently, the peso is depreciating against the dollar and settlement of liabilities is reflected as forex loss.

As of the end of the quarter, Far Southeast Gold Resources, Inc., a 60%-owned subsidiary, had total foreign currency-denominated liabilities of US\$136.38 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 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 5.0% to 7.0%.

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

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
FINANCIAL RATIOS
PURSUANT TO SRC RULE 68, AS AMENDED
MARCH 31, 2014
(With Comparative Annual Figures for 2013)

	1ST QUARTER MARCH 2014	YEAR ENDED DECEMBER 2013
Profitability Ratios:		
Return on assets	-0.48%	-2.03%
Return on equity	-1.07%	-4.45%
Gross profit margin	2.36%	-12.96%
Net profit margin	-15.34%	-27.78%
Liquidity and Solvency Ratios:		
Current ratio	1.46:1	1.49:1
Quick ratio	0.17:1	0.17:1
Solvency ratio	0.21:1	0.20:1
Financial Leverage Ratios:		
Asset to equity ratio	2.22:1	2.19:1
Debt to equity ratio	0.02:1	0.01:1
Interest coverage ratio	-9.61:1	0.02:1