

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 March 31, 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: **March 31, 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 : May 13, 2009

Signature : 

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

Date : May 13, 2009

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2009

(With Comparative Figures for 2008)
(In Thousand Pesos, Except Earnings Per Share)

| | CONSOLIDATED | |
|--|---|---|
| | <u>2009</u> | <u>2008</u> |
| INCOME | | |
| Sale of metals | P 371,606 | P 411,289 |
| Service fees and other operating income | 6,417 | 31,305 |
| | <u>378,023</u> | <u>442,594</u> |
| COSTS AND EXPENSES | | |
| Mining, milling, roasting, smelting, refining and and other related charges; administrative expenses; depreciation, amortization and depletion; and other charges | <u>(387,960)</u> | <u>(477,971)</u> |
| INCOME (LOSS) FROM OPERATIONS | (9,937) | (35,377) |
| FINANCE COST, net | (34,463) | (37,154) |
| FOREIGN EXCHANGE GAINS (LOSS) - net | (2,143) | (5,216) |
| OTHER INCOME | 18 | 33 |
| SHARE IN NET EARNINGS OF (LOSSES) OF ASSOCIATES | <u>(395)</u> | <u>(694)</u> |
| LOSS BEFORE INCOME TAX | <u>(46,920)</u> | <u>(78,408)</u> |
| PROVISION FOR (BENEFIT FROM) INCOME TAX | | |
| CURRENT | - | 8,240 |
| DEFERRED | (37) | (182) |
| | <u>(37)</u> | <u>8,058</u> |
| NET LOSS | <u>P (46,883)</u> | <u>P (86,466)</u> |
| Attributable to: | | |
| Stockholders of the parent company | P (46,627) | P (86,508) |
| Minority interest | 256 | 42 |
| | <u>P (46,883)</u> | <u>P (86,466)</u> |
| EARNINGS (LOSS) PER SHARE attributable to stockholders of the parent company | | |
| Basic and Diluted | <u>P (0.00142)</u> | <u>P (0.00301)</u> |
| | ((P46,627,383)/ 32,903,532,229 shares)) | ((P86,507,909)/ 28,786,550,700 shares)) |

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

| | MARCH 31 | *December 31 |
|--|-----------------|---------------------|
| | 2009 | 2008 |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | P 4,391 | P 8,712 |
| Receivables, net | 150,502 | 145,157 |
| Inventories, net | 587,236 | 581,762 |
| Other current assets | 355,148 | 421,098 |
| Total current assets | 1,097,277 | 1,156,729 |
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 6,403,359 | 6,408,409 |
| Available-for-sale financial assets | 85,202 | 85,202 |
| Investments and advances in associates | 378,248 | 378,322 |
| Mine exploration cost | 760,335 | 760,275 |
| Deferred income tax assets | 102,838 | 102,838 |
| Other noncurrent assets | 30,986 | 16,940 |
| Total non-current assets | 7,760,968 | 7,751,986 |
| Total assets | P 8,858,245 | P 8,908,715 |
| LIABILITIES AND EQUITY | | |
| CURRENT LIABILITIES | | |
| Trade and other payables | P 2,112,128 | P 2,135,701 |
| Current portion of long-term borrowings | 75,417 | 92,314 |
| Loans payable | 80,000 | 80,000 |
| Income tax payable | - | - |
| Total current liabilities | 2,267,545 | 2,308,015 |
| NON-CURRENT LIABILITIES | | |
| Long-term borrowings - net of current portion | 641,971 | 623,737 |
| Retirement benefit obligations | 485,446 | 468,690 |
| Deferred income tax liabilities | 127,271 | 127,308 |
| Stock subscriptions payable | 111,309 | 111,309 |
| Total non-current liabilities | 1,365,997 | 1,331,044 |
| Total liabilities | 3,633,542 | 3,639,059 |
| EQUITY | | |
| Capital stock | 3,286,606 | 3,286,606 |
| Additional paid-in capital | 1,446,062 | 1,446,062 |
| Cumulative changes in fair values of AFS investments | (406,895) | (406,895) |
| Revaluation increment in land | 564,022 | 564,022 |
| Retained earnings | 81,773 | 126,470 |
| | 4,971,568 | 5,016,265 |
| Minority interest | 253,135 | 253,391 |
| Total equity | 5,224,703 | 5,269,656 |
| Total liabilities and equity | P 8,858,245 | P 8,908,715 |

UNAUDITED

* - AUDITED

LEPANTO CONSOLIDATED MINING COMPANY
STATEMENT OF CASH FLOW
FOR THE THREE MONTHS ENDING MARCH 2009
(AMOUNTS IN THOUSAND PESOS)

| | MARCH 2009 | MARCH 2008 |
|---|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before income tax | (46,920) | (78,408) |
| Adjustments for: | | |
| Depreciation and depletion | 105,088 | 143,411 |
| Equity in net losses (income) of affiliated companies | 395 | 694 |
| Foreign exchange losses (income), net | 2,143 | 5,216 |
| Provision for retirement benefit cost | 27,680 | 29,347 |
| Interest income | - | (33) |
| Interest expense | 34,463 | 37,154 |
| Operating income before changes in working capital | 122,849 | 137,381 |
| Changes: | | |
| Receivables | (5,345) | (224,436) |
| Inventories | (5,474) | (72,726) |
| Prepayments and other current assets | 65,950 | 21,291 |
| Accounts payable and accrued expenses | (33,240) | 454,682 |
| Cash generated from operations | 144,740 | 316,192 |
| Retirement benefits paid | (10,924) | (8,462) |
| Interest received | - | 33 |
| Income tax recovered (paid) | (8) | (1,072) |
| Net cash provided by operating activities | 133,808 | 306,691 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investments | 1,610 | 33,543 |
| Acquisition of property and equipment | (100,038) | (202,293) |
| Unrecovered exploration costs and other assets | (14,107) | (5,682) |
| Net cash used in investing activities | (112,535) | (174,432) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments of: | | |
| Borrowings, net | (806) | (84,226) |
| Interest | (24,788) | (42,402) |
| Capital and other reserves | - | - |
| Net cash used by financing activities | (25,594) | (126,628) |
| NET INCREASE (DECREASE) IN CASH | (4,321) | 5,631 |
| Beginning of period | 8,712 | 10,472 |
| End of period | <u>4,391</u> | <u>16,103</u> |

LEPANTO CONSOLIDATED MINING COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED MARCH 31, 2009 & 2008

(Amounts in thousands)

| | <u>MARCH 31</u> <u>2009</u> | <u>MARCH 31</u> <u>2008</u> |
|--|--------------------------------|--------------------------------|
| Authorized - P 3.35 billion | | |
| Share capital at par value | P 3,287,244 | P 2,876,644 |
| Subscribed capital (net of subscriptions receivable) | (638) | 1,032 |
| Share premium | 1,446,062 | 830,291 |
| Fair value and other reserves | (406,895) | (340,884) |
| Revaluation reserve | 564,022 | 523,735 |
| Retained earnings | | |
| Beginning balance | 128,400 | 890,658 |
| Net income (loss) for the period | (46,627) | (86,508) |
| | <u>81,773</u> | <u>804,150</u> |
| EQUITY ATTRIBUTABLE TO THE STOCKHOLDERS OF THE PARENT COMPANY | 4,971,568 | 4,694,968 |
| MINORITY INTEREST | 253,135 | 252,772 |
| | <u><u>P 5,224,703</u></u> | <u><u>P 4,947,740</u></u> |

LEPANTO CONSOLIDATED MINING COMPANY

NOTES TO FINANCIAL STATEMENTS
AS OF MARCH 31, 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.

The registrations mentioned above enable the parent company and its subsidiaries to avail of the rights, privileges, and incentives granted to all registered enterprises.

The parent company has its principal office at the 21st Floor, 8747 Lepanto Building, Paseo de Roxas, Makati City.

Note 2 – Compliance with Generally Accepted Accounting Principles

The consolidated financial statements of the Group have been prepared in accordance with the accounting principles generally accepted in the Philippines. The Group prepared its consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRS) except for the exemption from fair value requirement of the Philippine Accounting Standards (PAS) 39 of long term commodity hedging contracts entered into by the Company and outstanding as of January 1, 2005, which was permitted by the SEC.

Note 3 – Cash

Cash decreased from P8.7 million to P4.3 million. The account is composed of Cash in banks and on hand.

Note 4 – Other Current Assets

The 16% decrease is mainly composed of P57 million from Advances to Suppliers, P5 million from Prepaid Insurance and P4 million from all other items.

Note 5– 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 6– Current Portion of Long Term Borrowings

The reduction of 19% was due to payments made during the quarter.

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 | 5,759 | 5,693 |
| Non-current Assets | 94,361 | 94,525 |
| Current Liabilities | 38,119 | 37,540 |
| Non-Current Liabilities | 3,525 | 3,525 |
| Gross Income | 29 | 70 |
| Net Income (Loss) | (25) | 8 |

Hauling Activities

| | 2009 (in thousands) | 2008 (in thousands) |
|-------------------------|------------------------|------------------------|
| Current Assets | 54,438 | 55,508 |
| Non-Current Assets | 434,028 | 449,042 |
| Current Liabilities | 17,647 | 19,242 |
| Non-Current Liabilities | 136,984 | 156,196 |
| Gross Income | 7,128 | 43,913 |
| Net Income (Loss) | (64) | 12,764 |

Insurance Activities

| | 2009 (in thousands) | 2008 (in thousands) |
|---------------------------|------------------------|------------------------|
| Current Assets | 350,080 | 346,274 |
| Non-current Assets | 29,667 | 33,777 |
| Current Liabilities | 237,010 | 216,252 |
| Gross Underwriting Income | 18,405 | 16,191 |
| Underwriting Income | 9,167 | 3,371 |
| Net Income (Loss) | (272) | 2,306 |

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 MARCH 31, 2009

| <i>CUSTOMERS</i> | <i>CURRENT</i> | <i>OVER 30 DAYS</i> | <i>OVER 60 DAYS</i> | <i>TOTAL</i> |
|------------------|----------------------|-------------------------|-------------------------|----------------------|
| HERAEUS LTD. | 36,596,117.84 | - | - | 36,596,117.84 |
| TRAFIGURA | - | - | 18,246,278.16 | 18,246,278.16 |
| | <u>36,596,117.84</u> | <u>-</u> | <u>18,246,278.16</u> | <u>54,842,396.00</u> |

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULT OF OPERATIONS

As of March 31, 2009

Mining Operations

The performance for the first quarter of the year reflects efforts begun in the last quarter of 2008 to increase production from the Victoria/ Teresa orebodies and implement an aggressive Cost Reduction Program in view of the complete suspension of copper operations.

Since then gold production has increased from only 2,000 oz. in November last year to over 3,500 oz. by March this year. Total costs have also been reduced by 30% over the past few months.

Comparing the first quarter of 2009 with the same period last year, milling tonnage decreased from 196,430 tonnes to 95,310 tonnes as a result of the suspension of copper operations. Mill head however increased from 1.74 g/t to 3 g/t gold. Gold production dropped to 8,320 oz. from last year's 9,685 oz.

Following are the production statistics for the first quarter of the year:

| | January-March 2009 | January-March 2008 | Difference % |
|---------------------|--------------------|--------------------|-----------------|
| Tonnes Milled | 95,310 | 196,430 | (51) |
| Milled Head, g/t Au | 3 | 1.74 | 72 |
| Mill Recovery, Au% | 90.54 | 87.89 | 3 |
| Production, oz Au | 8,320 | 9,685 | (14) |

Net loss for the quarter amounted to P43.6 million compared with last year's loss of P100.6 million. Gold price averaged \$911.33/oz versus \$928.80/oz the preceding year. Gold sold totaled 8,337 oz. vs. 8,212 oz. last year. The financial statistics for the period is as follows:

| | January-March 2009 (million pesos) | January-March 2008 (million pesos) | Difference % |
|------------------------------------|--|--|-----------------|
| Sale of Metals | 372.0 | 414.0 | (10) |
| Cost and Expenses | 379.4 | 472.6 | (20) |
| Income (Loss) from Operations | (7.4) | (58.6) | 87 |
| Finance Costs (net) | (34.4) | (37.0) | 7 |
| Foreign Exchange Gain (Losses)-Net | (2.1) | (5.2) | 60 |
| Other Income | - | 0.2 | - |
| Net Income (Loss) | (43.6) | (100.6) | 57 |

In line with the Company's Cost Reduction Program, Cost and Expenses dropped from P472.6 million to P379.4 million. Mining charges decreased to P97 million from P119 million last quarter as (1) Labor decreased by P3.2 million due to attrition and the implementation of a rotation scheme for workers; (2) Power consumption decreased by P3.8 million due to lower tonnage; (3) Tires and Tubes, LHD parts and other major mine consumables decreased by P3.2 million, P3 million and P7.6 million, respectively, due to lower tonnage and compressed work areas. Milling charges decreased to P51 million from P93 million principally due to the suspension of copper operations. Smelting, refining and other charges went down by P15.9 million on account of non-production and sale of copper concentrates. Mine overhead decreased by P25.7 million due to the reduction in labor cost and Freight and Delivery and other services. Production Tax decreased by about P2 million and Depletion by P50 million due to the lower tonnage. Depreciation increased by P6.9 million due to the purchase of new equipment. There is no copper concentrate inventory from production this year compared to P63.6 million last year.

Finance cost was again lower this quarter compared with last year due to repayments made to several banks. A Foreign Exchange Loss of P2.1 million was incurred due to the depreciation of the Peso vis-à-vis the US\$, P47.86/ \$ vs P41/\$ last year.

BALANCE SHEET MOVEMENTS

Cash balances decreased by P4.3 million. Other Current Assets decreased from P421 million to P355 million due mainly to the decreases in Advances to Suppliers (P57 million), Prepaid Insurance (P5 million) and other items (P4 million). Other Noncurrent Assets rose from P16 million to P30 million due to the increase in deferred charges for the quarter.

On the Liabilities side, Current Portion of Long-Term Borrowings went down from P92 million to P75 million on account of repayments made. Long-Term Borrowings increased by P18 million as loan terms were extended.

Retained Earnings amounted to P81 million, from P126 million as of end of 2008.

The Company cannot as yet declare dividends.

CAPITAL EXPENDITURES

Total capital expenditures for the first quarter reached P108 million, P75 million of which went to mine and capital development. Exploration added P2 million into costs while another P4 million was incurred for the Tailings Dam maintenance. Machinery and equipment purchased for the period amounted to P27 million.

Capital expenditures for the year are projected to reach P490 million, with capital development of mining projects getting the bulk at P296 million. Other major capital expenditures are: mine machinery and equipment (P136 million); tailings dam (P31 million); and exploration for new mining areas (P27 million).

SUBSIDIARIES

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

Lepanto Investment and Development Corp reported a net loss of P25 thousand compared with last year's net income of P8 thousand. Shippside Incorporated's net loss is P65 thousand against last year's net income of P12.7 million. Diamond Drilling Corporation of the Philippines recorded a net loss of P6 million against a net income of P1.9 million in the previous year.

OUTLOOK FOR THE REST OF THE YEAR

For the rest of the year, tonnage production is expected to improve from the present 1200 tonnes per day to 1,500 tonnes per day. This will be achieved by the opening up of new stopes in the 700 level and below of the Victoria. With these new areas, an improvement in gold grades is also expected. The cost reduction program will continue.

Projected production for this year, in payable metals, is 45,000 oz of gold and 69,000 oz of silver.

* - 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.

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\$14.25 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 12%.

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