COVER SHEET

1	0	1							

S.E.C. Registration Number

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

(Company's Full Name)

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

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

ODETTE A. JAVIER

Contact Person

815-9447

Company Telephone Number

3rd Monday of April

1	2		3	1

Month Day

Fiscal Year

1	7	-	Q	

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total no. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = please use **black ink** for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **June 30, 2012**

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"	**26,078,121,774**
Class "B"	**17,385,391,424**

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

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

Yes [x] No [ ]

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

Philippine Stock Exchange **Classes "A' and "B"**

12. Indicate by check mark whether the registrant:

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

Yes **[x]** No [ ]

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

Yes [ ] No **[x]**

PART I- FINANCIAL INFORMATION

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

PART II- OTHER INFORMATION (None)

SIGNATURES

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

Issuer	:	**LEPANTO CONSOLIDATED MINING COMPANY**
Signature	:	**MARIO L. LAVENTE**
Title	:	Vice President/Controller
Date	:	August 14, 2012
Signature	:	**ODETTE A. JAVIER**
Title	:	Vice President/Assistant Corporate Secretary
Date	:	August 14, 2012

ANNEX "A"

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2012
(With Comparative Figures for 2011)
(Amounts In Thousand , Except Loss Per Share)

	FOR THE SECOND QUARTER				FOR SIX MONTHS ENDED JUNE 30			
	2012		2011		2012		2011	
REVENUES								
Sale of metals	P	502,436	P	217,452	P	1,046,234	P	659,415
Service fees and other operating income		39,737		81,984		66,425		115,054
		542,173		299,436		1,112,659		774,469
COSTS AND EXPENSES								
Mining, milling, roasting, smelting, refining and and other related charges; administrative expenses; depreciation, amortization and depletion; and other charges		(523,531)		(348,258)		(1,048,522)		(769,704)
INCOME (LOSS) FROM OPERATIONS		18,642		(48,822)		64,137		4,765
FINANCE COST, net		(9,100)		(14,166)		(17,786)		(34,371)
FOREIGN EXCHANGE GAINS (LOSS) - net		4,116		3,844		3,166		5,410
OTHER INCOME, net		1,220		5,680		453		4,908
SHARE IN NET EARNINGS (LOSSES) OF ASSOCIATES		11,714		192,972		3,466		191,407
INCOME (LOSS) BEFORE INCOME TAX		26,592		139,508		53,436		172,119
PROVISION FOR (BENEFIT FROM) INCOME TAX								
CURRENT		2,692		2,852		3,108		4,679
DEFERRED		(80)		(38)		(78)		41
		2,612		2,814		3,030		4,720
NET INCOME (LOSS)	P	23,980	P	136,694	P	50,406	P	167,399
Attributable to:								
Stockholders of the parent company	P	23,980	P	136,926	P	50,406	P	167,519
Non-controlling interests		-		232		-		120
Net Income / (Loss)	P	23,980	P	136,694	P	50,406	P	167,399
OTHER COMPREHENSIVE INCOME (LOSS)								
Changes in revaluation increment in land	P	-	P	-	P	-	P	-
	P	-	P	-	P	-	P	-
TOTAL COMPREHENSIVE INCOME (LOSS) BEFORE INCOME TAX	P	23,980	P	136,694	P	50,406	P	167,399
Attributable to:								
Stockholders of the parent company		23,980		136,926		50,406		167,519
Non-controlling interests		-		232		-		120
		23,980		136,694		50,406		167,399
EARNINGS (LOSS) PER SHARE attributable to stockholders of the parent company Basic & Diluted	P	0.00055	P	0.00316	P	0.00116	P	0.00386
		(P23,980,194 / 43,463,513,198 shares)		(P136,926,320 / 43,344,161,743 shares)		(P50,406,343 / 43,463,513,198 shares)		(P167,518,654 / 43,344,161,743 shares)

LEPANTO CONSOLIDATED MINING COMPANY

ANNEX "B"

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in thousands)

	JUNE 30 2012	*DECEMBER 31 2011
ASSETS		
CURRENT ASSETS		
Cash	P 207,952	P 451,204
Receivables, net	170,458	218,577
Inventories, net	611,876	609,049
Other current assets	1,076,587	733,986
Total current assets	2,066,873	2,012,816
NON-CURRENT ASSETS		
Property, plant and equipment	7,283,153	7,215,039
Available-for-sale financial assets	149,437	145,687
Investments and advances in associates	526,958	541,066
Mine exploration cost	3,169,371	2,378,037
Deferred income tax assets	73,442	73,442
Other noncurrent assets	37,040	32,326
Total non-current assets	11,239,401	10,385,597
TOTAL ASSETS	P 13,306,274	P 12,398,413
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables	P 4,208,573	P 3,313,599
Current portion of long-term borrowings	-	47,007
Income tax payable	563	150
Total current liabilities	4,209,136	3,360,756
NON-CURRENT LIABILITIES		
Long-term borrowings - net of current portion	43,840	43,840
Retirement benefit obligations	439,698	459,463
Deferred income tax liabilities	113,163	113,284
Stock subscriptions payable	107,784	107,784
Total non-current liabilities	704,485	724,371
TOTAL LIABILITIES	4,913,621	4,085,127
EQUITY		
Capital stock	4,344,343	4,332,408
Additional paid-in capital	3,552,937	3,528,040
Revaluation increment in land	489,145	489,145
Cumulative changes in fair values of AFS investments	(312,296)	(304,051)
Retained earnings (Deficit)	81,449	31,043
	8,155,578	8,076,585
Non-controlling interests	237,075	236,701
Total equity	8,392,653	8,313,286
TOTAL LIABILITIES AND EQUITY	P 13,306,274	P 12,398,413

*- AUDITED

ANNEX "C"

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30
(With Comparative Figures for 2011)
(Amounts in Thousand Pesos)

	FOR THE SECOND QUARTER ENDED JUNE 30		FOR SIX MONTHS ENDED JUNE 30	
	2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Income/ (Loss) before tax	P 26,592	P 139,508	P 53,436	P 172,119
Adjustments for:				
Depreciation and depletion	164,224	88,829	327,593	116,761
Equity in net losses (income) of affiliated companies	(11,714)	(192,972)	(3,466)	(191,407)
Foreign exchange losses (income), net	(4,116)	(3,844)	(3,166)	(5,410)
Provision for retirement benefit cost	308	15,173	1,895	30,387
Interest income	(605)	(6,863)	(2,919)	(11,070)
Interest expense	9,705	21,029	20,705	45,441
Operating income before changes in working capital	184,394	60,860	394,078	156,821
Changes:				
Receivables	(50,611)	6,740	48,120	49,860
Inventories	83,049	(35,098)	(2,827)	(82,408)
Prepayments and other current assets	(142,078)	(122,492)	(342,601)	(139,850)
Accounts payable and accrued expenses	241,292	438,252	893,126	(373,040)
Cash generated from operations	316,046	348,262	989,896	(388,617)
Retirement benefits paid	1,931	(31,673)	(21,660)	(108,819)
Interest received	605	6,863	2,919	11,070
Income tax recovered (paid)	-	(11,031)	-	(10,887)
Net cash provided by operating activities	318,582	312,421	971,155	(497,253)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments	18,453	35,508	13,824	3,075
Acquisition of property and equipment	(226,336)	(275,449)	(395,707)	(343,253)
Unrecovered exploration costs and other assets	(235,292)	(488,892)	(799,078)	(764,854)
Net cash used in investing activities	(443,175)	(728,833)	(1,180,961)	(1,105,032)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Borrowings, net	4,116	333,665	(43,841)	(32,326)
Interest	(8,692)	(459,537)	(18,566)	(433,022)
Capital and other reserves	1,647	37,163	28,961	3,046,979
Net cash used by financing activities	(2,929)	(88,709)	(33,446)	2,581,631
NET INCREASE (DECREASE) IN CASH	(100,209)	(505,121)	(243,252)	979,346
Beginning of period	308,161	1,511,489	451,204	27,022
CASH AT END OF THE PERIOD	P 207,952	P 1,006,368	P 207,952	P 1,006,368

LEPANTO CONSOLIDATED MINING COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED JUNE 30, 2012 & 2011

(Amounts in thousands)

	JUNE 30 2012	JUNE 30 2011
Authorized - P 6.64 billion		
Share capital at par value	P 4,333,380	P 4,324,782
Subscribed capital (net of subscriptions receivable)	10,963	7,463
Share premium	3,552,937	3,526,167
Fair value and other reserves	(312,296)	(354,090)
Revaluation reserve	489,145	489,145
Retained earnings		
Beginning balance	31,043	(230,089)
Net income (loss) for the period	50,406	167,519
	81,449	(62,570)
EQUITY ATTRIBUTABLE TO THE STOCKHOLDERS OF THE PARENT COMPANY	8,155,578	7,930,897
NON-CONTROLLING INTERESTS	237,075	245,875
	P 8,392,653	**P 8,176,772**

ANNEX "E"

LEPANTO CONSOLIDATED MINING COMPANY

NOTES TO FINANCIAL STATEMENTS (Amended)
AS OF JUNE 30, 2012 and DECEMBER 31, 2011

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 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 PFRS 9

After consideration of the result of its impact evaluation and the postponement of the effectivity of PFRS 9 to annual periods beginning on or after January 2015, the Company has decided not to early adopt PFRS 9 for its 2012 annual financial statement.

Note 4 – Cash and Cash Equivalents

Cash and Cash Equivalents decreased from P451.2 million to P207.9 million due higher disbursements this year. The account is composed of Cash in banks and on hand and interest bearing short term investments.

Note 5 – Receivables

Receivables decreased by P48.1 million on account of collections during the period.

Note 6 – Other Current Assets

The increase from P734.0 million to P1,076.6 million is due to increase in Advances to suppliers of P238.6 million and the P104.0 million from accounts such as the Creditable input Vat, Deferred Cost, Prepaid expenses and other assets.

Note 7 – Mine Exploration Cost

The P791.3 million increase for the period is due to the ongoing drilling by Far Southeast Gold Resources, Inc. (FSGRI), a subsidiary, of its mineral deposits essential to its preparation of a bankable feasibility study.

Note 8 – Other Non-current Assets

The increase of P4.7 million is due largely to Deferred charges. Other accounts under this grouping are Environmental Trust Fund, Monitoring Trust Fund, Mine Rehabilitation Fund and Long term deposits.

Note 9 – Trade and Other Payables

The rise from P3,313.6 million to P4,208.3 million is due primarily to the increased supplies and services requirement of FSGRI. This account is composed of Trade Payables, Trust Receipts, Accrued Utilities, Due to Related Parties, Employee Related Expenses, Unclaimed Dividends, Advances from Customers and Accruals of production taxes, expenses and other liabilities.

Note 10 – Income Tax Payable

The increase of 275% is due to the subsidiary's income taxes for the second quarter.

Note 11– Current Portion of Long Term Borrowings

The reduction of P47.0 million is due to the payment of Short Term Borrowings.

Note 12 – Retained Earnings

The 162.4% increase is due to the net income of P50.4 million during the year.

Note 13 - 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.

The assets, liabilities and results of the business segments of the LCMC Group for the 2nd quarter of the year 2012 and 2011 are as follows:

Mining activities

	2012 (in thousands)	2011 (in thousands)
Current Assets	2,001,243	2,116,144
Non-current Assets	11,029,227	8,996,361
Current Liabilities	4,128,615	2,261,021
Non-Current Liabilities	732,550	783,818
Gross Income	1,054,755	706,808
Net Income (Loss)	37,430	(38,690)

Investment activities

	2012 (in thousands)	2011 (in thousands)
Current Assets	5,929	5,797
Non-current Assets	107,910	106,258
Current Liabilities	52,891	51,437
Non-Current Liabilities	-	-
Gross Income	-	-
Net Income (Loss)	(142)	(168)

Hauling Activities

	2012 (in thousands)	2011 (in thousands)
Current Assets	59,715	56,191
Non-Current Assets	492,566	433,361
Current Liabilities	7,186	7,589
Non-Current Liabilities	131,982	131,327
Gross Income	27,982	13,629
Net Income (Loss)	2,150	5,354

Insurance Activities

	2012 (in thousands)	2011 (in thousands)
Current Assets	708,873	717,512
Non-current Assets	357,346	137,861
Current Liabilities	684,710	625,695
Gross Underwriting Income	95,078	74,519
Underwriting Income	35,676	13.643
Net Income (Loss)	13,341	(5,268)

Drilling Activities

	2012 (in thousands)	2011 (in thousands)
Current Assets	280,282	239,244
Non-current Assets	9,508	23,054
Current Liabilities	232,483	216,826
Non-Current Liabilities	14,224	15,455
Gross Income	80,993	85,595
Net Income (Loss)	5,885	10,403

Note 14 – 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.

ANNEX "F"

LEPANTO CONSOLIDATED MINING CO.

AGING OF ACCOUNTS RECEIVABLE - TRADE

AS OF JUNE 30, 2012

CUSTOMERS	*CURRENT*	*OVER 30 DAYS*	*OVER 60 DAYS*	*TOTAL*
HERAEUS LTD.	65,621,387.50	-	-	65,621,387.50
	65,621,387.50	-	-	65,621,387.50

ANNEX "G"

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULT OF OPERATIONS

As of June 30, 2012

2012

Consolidated revenues for the second quarter of 2012 amounted to P542.2 million compared with P299.4 million in 2011. Net Income amounted to P24.0 million versus P136.7million the previous year. The higher net income last year due to income from the sale by Manila Mining Corporation (MMC), an associate, of its 5% holdings in Kalayaan Copper-Gold Resources, Inc. to Philex Mining Corporation. This year, the share in net earnings of associates amounted to P11.7 million compared with P192.9 million the previous year. Net income from mining operations totaled P4.8 million as explained below.

Consolidated revenues for the first half totaled P1,112.6 million versus last year's P774.5 million. Net income amounted to P50.4 million compared with P167.4 million in 2011, the variance on account of MMC's income as stated above.

Mining Operations

April- June 2012

Despite the lower tonnage, 113,870 tonnes from 140,740 tonnes last year, gold production in the second quarter increased to 7,174 ounces from 3,192 ounces on account of the improvement in gold grade, to 2.21 g/t from 0.88 g/t last year. Gold grade was lower last year because only previously stock-piled low grade ore was processed from May to October 2011. For this reason, mining and labor costs were lower last year, as discussed below.

Net income for the quarter amounted to P4.8 million compared with last year's loss of P67.5 million. Gold prices averaged $1,605.50/oz. versus $1,508.13/oz. the preceding year.

Cost and Expenses increased by 55% from P322.3 million to P499.8 million due primarily to increases in costs of mining, milling, smelting and refining, production tax, depreciation, depletion, overhead and administration. Last year's cost included the retrenchment cost of P45.2 million. . Mining costs went up by P50.2 million on account of increases in labor of P14.3 million, power by P9.7 million, consumables such as explosives, parts and supplies by P17.1 million and maintenance supplies by P9.3 million. Total milling costs rose to P79.4 million from P73.3 million due to the increase in power cost by P1.7 million and the consumption of major milling consumables and supplies by P4.4 million.

Smelting and refining costs increased from P1.6 million to P2.6 million and production tax by P5.6 million, due to higher gold production. Depreciation increased from P21.9 million to P46.1 million due to the purchase of new mining equipment and rehabilitation of some old equipment; depletion rose by P105.5 million reflecting the cost of the mine development undertaken last year. Overhead also went up by P13.9 million due largely to freight and consumables. Administration cost increased to P43.1 million from P27.1 million on account of increases in costs of: labor, P3.7 million; materials, P2.4 million; office expenses, P3.7 million; and roaster maintenance cost, P4.9 million.

Finance cost this quarter went down by P5.1 million compared with last year due to reduced loans and interest bearing liabilities. A foreign exchange gain of P0.3 million was recorded arising from the settlement of export advances. A miscellaneous gain of P0.9 million (compared with P0.7 million last year) was incurred in relation to the retirement of assets.

January- June 2012

For the first half of 2012, gold production increased to 14,283 ounces from 10,177 ounces on account of the improvement in gold grade, to 2.12 g/t from 1.56 g/t last year with tonnage slightly higher at 236,900 tonnes from 232,560 tonnes last year.

Net income for the first half amounted to P37.4 million compared with last year's loss of P38.7 million. Gold prices averaged $1,653.63/oz. versus $1,424.89/oz. the preceding year.

Cost and Expenses went up by 40% from P716.4 million to P1,002.6 million due to increases in costs of mining, milling, smelting and refining, production tax, depreciation, depletion, overhead and administration. Mining costs went up by P42.7 million on account of increases in labor cost of P4.8 million, power by P9.4 million, consumables such as explosives, parts and supplies by P23.1 million and maintenance supplies by P5.4 million. Total milling costs rose to P166.9 million from P129.3 million due to the increase in power cost by P13.1 million and in the consumption of major milling consumables and supplies by P22.2 million. Smelting and refining costs increased from P4.7 million to P5.1 million and production tax by P7.7 million, due to higher gold production. Depreciation increased from P57.1 million to P91.3 million due to the purchase of mining equipment and rehabilitation of some old equipment; depletion rose by P178.4 million reflecting the cost of the mine development undertaken last year plus the additional developments this year. Overhead also went up by P17.7 million due largely to freight, delivery, licenses and consumables. Administration cost increased to P88.9 million from P76.4 million on account of increases in costs of labor of P9.6 million.

Finance cost this quarter went down by P16.6 million compared with last year due to reduced loans and interest bearing liabilities. A foreign exchange gain of P2.2 million was recorded arising from the settlement of export advances. A miscellaneous loss of P0.09 million (compared with P0.12 million last year) was incurred in relation to the retirement of assets.

BALANCE SHEET MOVEMENTS

Cash and cash equivalents decreased by P243.3 million due to higher disbursements. Receivables decreased by P48.1 million due to collections. Other Current Assets increased by P342.6 million due mainly to the increases in Advances to Suppliers/Miscellaneous Deposits, Creditable Input VAT and Prepaid Expenses. The increase in mine exploration cost of P791.3 million was mainly due to the ongoing exploration/drilling on the Far Southeast ore body by a subsidiary, Far Southeast Gold Resources, Inc. (FSGRI), which is sole-funded by Gold Fields. Other Noncurrent assets increased from P32.3 million to P37.0 million due mainly to Deferred charges.

On the Liabilities side, Trade and Other Payables went up by P894.9 million due largely to the exploration activities of FSGRI. Current Portion of Long-Term Borrowings decreased by P47.0 million due to repayment. Income tax payable increased by P0.04 reflecting the higher income of a subsidiary.

Retained Earnings went up by P50.4 million reflecting the reported net income of the period.

CAPITAL EXPENDITURES

Total capital expenditures for the second quarter totaled P181 million, P82 million of which went to mine development. P18 million was spent on Exploration drilling while another P11 million was incurred for the Tailings Dam maintenance. Machinery and equipment purchased for the period amounted to P70 million.

For the first half of the year, total capital expenditures reached P341.1 million. Mine development accounted for P155.6 million, Exploration drilling (P25.5 million), Tailings Dam Maintenance (P19.6 million) and Machinery and equipment (140.4 million).

OUTLOOK FOR THE YEAR

The Company still expects to produce 37,000 ounces of gold and 64,000 ounces of silver this year. Net income for the year is expected to reach P300 million.

SUBSIDIARIES

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

Lepanto Investment and Development Corp reported a net loss of P142 thousand compared with last year's loss of P168 thousand. Shipside Incorporated's net income was P2.1 million against last year's net income of P5.3 million. Diamond Drilling Corporation of the Philippines reported net income of P5.8 million against a net income of P10.4 million in the previous year. Diamant Manufacturing and Trading Corporation's net loss was P545 thousand versus last year's net income 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. Ninety-eight percent (98%) of value of gold exports settled within two days from shipment date. Full settlement is normally received within a week after final assay.

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. The value of gold exports varies as a result of changes in gold prices.

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$8.8 million (US$7.8 million Trust Receipts) , was revalued at the start of the year based on an exchange rate of P43.84/US$. The depreciation of the Peso against the US$ results in a forex loss with respect to such liabilities, which losses are booked at year-end. However, it should be noted that being a 100% dollar-earner, the company actually benefits from such Peso depreciation in terms of higher peso revenues. Presently however, the peso is appreciating against the dollar and settlement of liabilities is reflected as forex gain.

Interest Rate Risk

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

Liquidity Risk

The company maintains a balance between continuity of funding and flexibility through the use of bank drafts, bank loans and hire purchase contracts. While the Company is unable to secure additional credit lines for now, it can fully draw against existing trade facilities.

It is part of our liquidity risk management to regularly evaluate projected and actual cash flows. Loan maturity profile is reviewed to ensure availability of funding through an adequate amount of credit facilities with financial institutions.

Fair Values

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

Cash, Receivables, Trade Payables and Accrued Expenses
The carrying amounts of cash, receivables, trade payables and accrued expenses are all subject to normal trade credit terms and are short term in nature , approximate their fair values.

AFS Investments
Fair values of investments are estimated by reference to their quoted market values made during the balance sheet date as of the end of last year. Unquoted equity securities are carried at cost net of impairment in value, since fair value of these AFS securities cannot be reliably determined as these securities are not listed and have no available bid price. The Company has no investments in foreign securities.

Loans Payable and Borrowings
The fair value of the interest bearing long-term debt is based on the discounted value of future cash flows using the applicable rate for a similar type of loans. The discounted rate used in the quarter ranges from 7% to 13%.

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

ANNEX "I"

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
FINANCIAL RATIOS
PURSUANT TO SRC RULE 68, AS AMENDED
JUNE 30, 2012
(With Comparative Annual Figures for 2011)

	2ND QUARTER JUNE 2012	YEAR ENDED DECEMBER 2011
Profitability Ratios:		
Return on assets	0.38%	2.05%
Return on equity	0.60%	3.83%
Gross profit margin	5.76%	14.19%
Operating profit margin	6.40%	17.21%
Net profit margin	4.53%	14.36%
Liquidity and Solvency Ratios:		
Current ratio	0.50:1	0.60:1
Quick ratio	0.35:1	0.32:1
Solvency ratio	0.06:1	0.13:1
Financial Leverage Ratios:		
Asset to equity ratio	1.59:1	1.49:1
Debt ratio	0.37:1	0.39:1
Debt to equity ratio	0.59:1	0.49:1
Interest coverage ratio	4.00:1	7.30:1