COVER SHEET

1 0 1

S.E.C. Registration Number

LEPANTO CONSOLIDATED MINING CO

(Company's Full Name)

21ST FLOOR LEPANTO BUILDING

8747 PASEO DE ROXAS

MAKATI CITY

(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

17-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: **September 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"***
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	:	**MARIO L. LAVENTE**
Title	:	Vice President/Controller
Date	:	November 13, 2012
Signature	:	**ODETTE A. JAVIER**
Title	:	Vice President/Assistant Corporate Secretary
Date	:	November 13, 2012

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

	FOR THE THIRD QUARTER		FOR NINE MONTHS ENDED SEPTEMBER 30	
	2012	2011	2012	2011
REVENUES				
Sale of metals	P 587,220	P 240,997	P 1,633,454	P 900,412
Service fees and other operating income	47,063	34,852	113,488	149,906
	634,283	275,849	1,746,942	1,050,318
COSTS AND EXPENSES				
Mining, milling, roasting, smelting, refining and and other related charges; administrative expenses; depreciation, amortization and depletion; and other charges	(562,438)	(369,469)	(1,610,960)	(1,139,173)
INCOME (LOSS) FROM OPERATIONS	71,845	(93,620)	135,982	(88,855)
FINANCE COST, net	(7,712)	(11,778)	(25,498)	(46,149)
FOREIGN EXCHANGE GAINS (LOSS) - net	6,092	2,441	9,258	7,851
OTHER INCOME, net	589	(4,861)	1,042	47
SHARE IN NET EARNINGS (LOSSES) OF ASSOCIATES	(2,293)	2,358	1,173	193,765
INCOME (LOSS) BEFORE INCOME TAX	68,521	(105,460)	121,957	66,659
PROVISION FOR (BENEFIT FROM) INCOME TAX				
CURRENT	6,116	1,910	9,225	6,589
DEFERRED	(80)	(41)	(158)	0
	6,036	1,869	9,067	6,589
NET INCOME (LOSS)	P 62,485	P (107,329)	P 112,890	P 60,070
Attributable to:				
Stockholders of the parent company	62,485	(107,436)	P 112,890	P 60,083
Non-controlling interests	-	(107)	-	13
Net Income / (Loss)	P 62,485	P (107,329)	P 112,890	P 60,070
OTHER COMPREHENSIVE INCOME (LOSS)				
Changes in revaluation increment in land	P -	P -	P -	P -
Gain on Sale of Trading Securities	-	11,168		P 11,168
	P -	P 11,168	P -	P 11,168
TOTAL COMPREHENSIVE INCOME (LOSS) BEFORE INCOME TAX	P 62,485	P (96,161)	P 112,890	P 71,238
Attributable to:				
Stockholders of the parent company	62,485	(96,268)	112,890	71,251
Non-controlling interests	-	(107)	-	13
	62,485	(96,161)	112,890	71,238
EARNINGS (LOSS) PER SHARE attributable to stockholders of the parent company				
Basic & Diluted	P 0.00144	P (0.00222)	P 0.00260	P 0.00164
	(P62,483,415 / 43,463,513,198 shares)	((P96,267,519) / 43,344,161,743 shares)	(P112,889,758 / 43,463,513,198 shares)	(P71,251,136 / 43,344,161,743 shares)

LEPANTO CONSOLIDATED MINING COMPANY

ANNEX "B"

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in thousands)

	SEPTEMBER 30 2012	*DECEMBER 31 2011
ASSETS		
CURRENT ASSETS		
Cash	P 128,986	P 451,204
Receivables, net	176,753	218,577
Inventories, net	636,472	609,049
Other current assets	1,067,311	733,986
Total current assets	2,009,522	2,012,816
NON-CURRENT ASSETS		
Property, plant and equipment	7,304,253	7,215,039
Available-for-sale financial assets	149,437	145,687
Investments and advances in associates	541,390	541,066
Mine exploration cost	4,415,959	2,378,037
Deferred income tax assets	73,442	73,442
Other noncurrent assets	66,949	32,326
Total non-current assets	12,551,430	10,385,597
TOTAL ASSETS	P 14,560,952	P 12,398,413
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables	P 5,417,593	P 3,313,599
Current portion of long-term borrowings	-	47,007
Income tax payable	386	150
Total current liabilities	5,417,979	3,360,756
NON-CURRENT LIABILITIES		
Long-term borrowings - net of current portion	43,840	43,840
Retirement benefit obligations	423,192	459,463
Deferred income tax liabilities	113,083	113,284
Stock subscriptions payable	107,784	107,784
Total non-current liabilities	687,899	724,371
TOTAL LIABILITIES	6,105,878	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 investmer	(312,303)	(304,051)
Retained earnings (Deficit)	143,933	31,043
	8,218,055	8,076,585
Non-controlling interests	237,019	236,701
Total equity	8,455,074	8,313,286
TOTAL LIABILITIES AND EQUITY	P 14,560,952	P 12,398,413

*- AUDITED

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

	FOR THE THIRD QUARTER ENDED SEPTEMBER 30		FOR NINE MONTHS ENDED SEPTEMBER 30	
	2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Income/ (Loss) before tax	P 68,522	P (94,292)	P 121,957	P 77,827
Adjustments for:				
Depreciation and depletion	191,550	47,333	519,143	164,094
Equity in net losses (income) of affiliated companies	2,293	(2,358)	(1,173)	(193,765)
Foreign exchange losses (income), net	(6,092)	(2,441)	(9,258)	(7,851)
Provision for retirement benefit cost	1,135	15,172	3,030	45,559
Interest income	(184)	(7,856)	(3,103)	(18,926)
Interest expense	7,895	19,633	28,600	65,074
Operating income before changes in working capital	265,119	(24,809)	659,196	132,012
Changes:				
Receivables	(6,296)	6,663	41,824	56,523
Inventories	(24,596)	(90,701)	(27,423)	(173,109)
Prepayments and other current assets	9,275	21,699	(333,326)	(118,151)
Accounts payable and accrued expenses	1,216,295	551,559	2,109,421	178,519
Cash generated from operations	1,459,797	464,411	2,449,692	75,794
Retirement benefits paid	(17,641)	(18,167)	(39,301)	(126,986)
Interest received	184	7,856	3,103	18,926
Income tax recovered (paid)	-	(1,883)	-	(12,770)
Net cash provided by operating activities	1,442,340	452,217	2,413,494	(45,036)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments	(16,725)	10,123	(2,901)	13,198
Acquisition of property and equipment	(212,650)	(307,309)	(608,357)	(650,562)
Unrecovered exploration costs and other assets	(1,282,532)	(412,191)	(2,081,610)	(1,177,045)
Net cash used in investing activities	(1,511,907)	(709,377)	(2,692,868)	(1,814,409)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Borrowings, net	6,092	(9,663)	(37,749)	(41,989)
Interest	(15,426)	(18,191)	(33,992)	(451,213)
Capital and other reserves	(64)	3,703	28,897	3,050,682
Net cash used by financing activities	(9,398)	(24,151)	(42,844)	2,557,480
NET INCREASE (DECREASE) IN CASH	(78,966)	(281,311)	(322,218)	698,035
Beginning of period	207,952	1,006,368	451,204	27,022
CASH AT END OF THE PERIOD	P 128,986	P 725,057	P 128,986	P 725,057

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

(Amounts in thousands)

	SEPTEMBER 30 2012	SEPTEMBER 30 2011
Authorized - P 6.64 billion Share capital at par value	P 4,333,380	P 4,328,538
Subscribed capital (net of subscriptions receivable)	10,963	3,878
Share premium	3,552,937	3,526,167
Fair value and other reserves	(312,303)	(350,556)
Revaluation reserve	489,145	489,145
Retained earnings		
Beginning balance	31,043	(203,484)
Net income (loss) for the period	112,890	71,251
	143,933	(132,233)
EQUITY ATTRIBUTABLE TO THE STOCKHOLDERS OF THE PARENT COMPANY	8,218,055	7,864,939
NON-CONTROLLING INTERESTS	237,019	245,982
	P 8,455,074	**P 8,110,921**

ANNEX "E"

LEPANTO CONSOLIDATED MINING COMPANY

NOTES TO FINANCIAL STATEMENTS (Amended)
AS OF SEPTEMBER 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 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 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 P129.0 million due to higher disbursements this year. The account is composed of Cash in banks and on hand and interest bearing short- term investments. They are deposited with the country's reputable banks duly approved by the Board of Directors (BOD). The carrying amounts approximate their fair values.

Note 5 – Receivables

Receivables decreased by P41.8 million on account of collections during the period. This pertains mainly to the sale of gold to Hereaus Limited and is assessed to be collectible in full. This assessment is based on past collection experience of full settlement within three days from invoice date with no history of default. The carrying amount of receivables approximates their fair value.

Note 6 – Other Current Assets

The increase from P734.0 million to P1,067.3 million is due to increase in Advances to suppliers of P174.7 million and the P158.6 million from accounts such as the Creditable Input VAT, Prepaid expenses and Other assets.

Note 7 – Mine Exploration Cost

The P2,038.0 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 P34.6 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 P5,417.6 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. The carrying amounts of these payables are all subject to normal trade credit terms and are short term nature, approximate their fair values.

Nature, terms and conditions of the Group's financial liabilities:

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 and are normally settled on sixty (60) day's term.

Trust receipts refer to arrangements of the group with banks related to its importations on 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 thirty (30 and ninety (90) days.

Due to related parties pertain to advances from stockholders consisting of short term borrowings.

Employee related expenses include unclaimed wages, accrued vacation and sick leave, accrued payroll which are payable in thirty (30) day term.

Unclaimed dividends pertain to unpaid cash dividends declared by the parent company to its stockholders.

Advances from customers are generally payable on demand and are offset against collections.

Accruals of production taxes, expenses and other liabilities pertain to excise taxes on metal sales settled within fifteen (15) days after the end of each quarter and non-interest bearing liabilities and are normally settled on a thirty (30) to sixty (60) days' term which include other operating expenses that are payable to various suppliers and contractors.

Note 10 – Income Tax Payable

The increase of 157.3% is due to a subsidiary's income taxes for the third quarter.

Note 11 – Current and Long-Term Borrowings

The reduction of P47.0 million in the current portion of long-term borrowings is due to the repayment made during the year. Only the long-term portion of P43.8 million remains unpaid. The carrying amount approximates the fair value.

Note 12 – Retirement Benefit Obligations

The 8% drop from P459.5 million to P423.2 million is due to the pension payments made during the period.

Note 13 – Retained Earnings

The 363.7% increase is due to the net income of P112.9 million during the year.

Note 14 - 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 3rd quarter of the year 2012 and 2011 are as follows:

Mining activities

	2012 (in thousands)	2011 (in thousands)
CURRENT ASSET	1,967,485	1,864,462
NON-CURRENT ASSET	12,329,536	9,663,997
CURRENT LIABILITES	5,350,069	2,797,567
NON-CURRENT LIABILITIES	715,650	770,141
GROSS INCOME	1,647,327	948,575
NET INCOME / (LOSS)	99,427	(146,774)

Investment activities

	2012 (in thousands)	2011 (in thousands)
CURRENT ASSET	5,907	5,789
NON-CURRENT ASSET	107,910	106,258
CURRENT LIABILITES	52,933	51,484
NON-CURRENT LIABILITIES	-	-
GROSS INCOME	-	-
NET INCOME / (LOSS)	(208)	(223)

Hauling Activities

	2012 (in thousands)	2011 (in thousands)
CURRENT ASSET	59,069	77,585
NON-CURRENT ASSET	492,550	447,894
CURRENT LIABILITES	7,205	6,835
NON-CURRENT LIABILITIES	132,113	131,423
GROSS INCOME	38,643	19,890
NET INCOME / (LOSS)	1,201	11,800

Insurance Activities

	2012 (in thousands)	2011 (in thousands)
CURRENT ASSET	1,015,107	827,074
NON-CURRENT ASSET	71,885	52,243
CURRENT LIABILITES	699,603	640,874
GROSS UNDERWRITING INCOME	137,108	114,358
UNDERWRITING INCOME	59,015	31,051
NET INCOME / (LOSS)	15,781	4,517

Drilling Activities

	2012 (in thousands)	2011 (in thousands)
CURRENT ASSET	256,089	252,905
NON-CURRENT ASSET	30,545	19,559
CURRENT LIABILITES	214,672	222,863
NON-CURRENT LIABILITIES	14,265	15,097
GROSS INCOME	145,727	139,906
NET INCOME / (LOSS)	20,570	14,890

Note 15 – 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, 2012

CUSTOMERS	*CURRENT*	*OVER 30 DAYS*	*OVER 60 DAYS*	*TOTAL*
HERAEUS LTD.	82,046,715	-	-	82,046,715
	82,046,715	-	-	82,046,715

ANNEX "G"

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULT OF OPERATIONS

As of September 30, 2012

2012

Consolidated revenues for the third quarter of 2012 amounted to P634.3 million compared with P275.8 million in 2011. Net Income for the quarter amounted to P68.5 million versus a net loss of P107.3 million for the same period last year. The net loss last year was due to the temporary suspension of the Parent company's mining operations in order to concentrate on underground development.

Consolidated revenues for the first nine months totaled P1,746.9 million versus last year's P1,050.3 million. Net income amounted to P112.9 million compared with P60.1 million in 2011.

Mining Operations

July-September 2012

Despite the lower tonnage, 139,190 tonnes from 184,980 tonnes last year, gold production in the third quarter increased to 8,157 ounces from 3,166 ounces on account of the improvement in gold grade, to 2.07 g/t from 0.73 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. Mining and labor costs were lower last year due to the temporary suspension of mining operations as discussed above.

Net income for the quarter amounted to P62.0 million compared with last year's loss of P107.1 million. Gold prices averaged $1,669.74/oz. versus $1,748.22/oz. the preceding year.

Cost and Expenses increased by 56% from P339.4 million to P529.1 million due primarily to increases in costs of mining, smelting and refining, production tax, depreciation, depletion, and administration. Last year's cost included the retrenchment cost of P68.3 million. Mining costs went up by P94.0 million on account of increases in labor of P35.2 million, power by P14.9 million, consumables such as explosives, parts and supplies by P36.7 million and maintenance supplies and services by P7.2 million. Smelting and refining costs increased from P1.2 million to P2.1 million and production tax by P6.9 million, due to higher gold production. Depreciation increased from P11.2 million to P43.4 million due to the purchase of new mining equipment and rehabilitation of some old equipment; depletion rose by P144.9 million reflecting the cost of the mine development undertaken last year.

Administration cost increased to P44.0 million from P42.8 million. On the other hand milling costs went down from P91.7 million to P82.0 million due to lower power costs by P4.1 million and major consumables and services by P5.6 million. Overhead was also lower by P12.4 million compared to last year due largely to pension costs.

Finance cost this quarter went down by P4.1 million compared with last year due to reduced loans and interest bearing liabilities. A foreign exchange gain of P3.6 million was recorded arising from the settlement of export advances. A miscellaneous gain of P0.1 million) was made in relation to the retirement of assets compared with last year's loss of the same amount.

January- September 2012

For the first three quarters of 2012, gold production increased to 22,441 ounces from 13,343 ounces on account of the improvement in gold grade, to 2.10g/t from 1.19 g/t last year, despite the 10% drop in tonnage to 376,180.

Net income for the first three quarters amounted to P99.4 million compared with last year's loss of P145.8 million. Gold prices averaged $1,659.48/oz. versus $1,501.68/oz. the preceding year.

Cost and Expenses went up by 45% from P1,055.8 million to P1,531.7 million due to increases in costs of mining, milling, smelting and refining, production tax, depreciation, depletion, overhead and administration. Mining costs went up by P136.7 million on account of increases in labor cost of P43.7 million, power by P24.3 million, consumables such as explosives, tires and tubes, load/haul trucks, parts and supplies by P59.8 million and maintenance supplies and services by P8.9 million. Total milling costs rose to P249.0 million from P220.9 million due to the increase in power cost by P9.0 million and in the consumption of major milling consumables and supplies by P18.2 million. Smelting and refining costs increased from P6.0 million to P7.2 million and production tax by P14.6 million, due to higher gold production. Depreciation increased from P68.4 million to P134.7 million due to the purchase of mining equipment and rehabilitation of some old equipment; depletion rose by P323.4 million reflecting the cost of the mine development undertaken last year plus the additional developments this year. Overhead also went up by P5.2 million due largely to freight, delivery, licenses and consumables. Administration cost increased to P132.9 million from P119.2 million on account of increases in costs of labor of P10.7 million.

Finance cost this quarter went down by P20.6 million compared with last year due to reduced loans and interest bearing liabilities. A foreign exchange gain of P1.4 million was recorded arising from the settlement of export advances. A miscellaneous gain of P0.04 million (compared with P0.24 million last year) was made in relation to the retirement of assets.

BALANCE SHEET MOVEMENTS

Cash and cash equivalents decreased by P322.2 million due to higher disbursements. Receivables decreased by P41.8 million due to collections. Other Current Assets increased by P333.3 million due mainly to the increases in Advances to Suppliers/Miscellaneous Deposits and Creditable Input VAT. The increase in mine exploration cost of P2,038 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 by P34.6 million due mainly to Deferred charges.

On the Liabilities side, Trade and Other Payables went up by P2,104.0 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 P0.02 million reflecting the higher income of a subsidiary.

Retained Earnings went up by P112.9 million representing the reported net income for the period.

CAPITAL EXPENDITURES

Total capital expenditures for the third quarter totaled P1,459 million, P113 million of which went to mine development. P1,246 million was spent on Exploration drilling on the Far Southeast Project while another P10 million was incurred for the Tailings Dam maintenance. Machinery and equipment purchased for the period amounted to P90 million.

For the three quarters of the year, total capital expenditures reached P2,646 million. Mine development accounted for P307 million, Exploration drilling (P2,038 million) on the Far Southeast Project, Tailings Dam Maintenance (P30 million) and Machinery and equipment (P271 million).

OUTLOOK FOR THE YEAR

The Company expects to produce 31,000 ounces of gold and 45,000 ounces of silver this year. Net income for the year is expected to reach P160 million.

SUBSIDIARIES

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

Lepanto Investment and Development Corp reported a net loss of P208 thousand compared with last year's loss of P223 thousand. Shipside Incorporated's net income was P1.2 million against last year's net income of P11.8 million. Diamond Drilling Corporation of the Philippines reported net income of P20.6 million against a net income of P14.9 million in the previous year. Diamant Manufacturing and Trading Corporation's net loss was P1.4 million versus last year's net income of P1.9 million.

* - <u>KEY PERFORMANCE INDICATORS-LCMC</u>

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 and the Company's Financial Risk Management Objectives and Policies

For the Quarter ended: September 30, 2012

The Group's principal financial instruments comprise of cash and cash equivalents and interest-bearing borrowings. The main purpose of the Group's financial instruments is to fund the Group's operations. The Group's other financial instruments such as receivables, AFS investments and trade and other payables, which arise directly from operations. The main risk arising from the use of financial instruments are credit risk, foreign exchange risk, interest rate risk, equity price risk, commodity price risk and liquidity risk. The Group's BOD reviews and approves the policies for managing each of these risks and they are summarized below:

Credit Risk

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its customers and counterparties to fulfill their obligations on maturity dates of due to adverse market conditions.

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.

Since the parent company became a primary gold producer, it has entered into an exclusive marketing contract with Hereaus Limited (Hereaus).

The Group has a significant concentration of credit risk in relation to its trade receivables from Hereaus. Such risk is managed by securing the specific approval of the BOD before entering into contracts with refineries and by assessing the creditworthiness of such refineries.

The credit risk arising from these financial assets arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments. The Group's gross maximum exposure to credit risk is equivalent to the carrying values since there are no collateral agreements for these financial assets.

The Group has assessed that cash in banks and short term investments are high grade since the related amounts are deposited with the country's reputable banks duly approved by the BOD. Trade receivables which pertain mainly to sale of gold are assessed as high grade. This assessment is based on past collection experience of full settlement within a week after final assay with no history of default. Quoted equity instruments are assessed as substandard grade since Prime Orion Philippines, Inc. (POPI) is currently implementing its business plan to address its recovery issues. Unquoted equity instruments are assessed as high grade which pertain to the lone copper smelter in the country.

Market Risk

Market risk is the risk of loss to future earnings, to fair values or future cash flows that may result from changes in the price of a financial instrument. The value of financial instrument may change as a result of changes in interest rates, foreign currency exchanges, equity prices and other market changes. The value of gold exports varies as a result of changes in gold prices and foreign currency rates.

Foreign Exchange Risk

Foreign exchange rates are the risk to earnings arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates and manages its currency risk by closely monitoring cash flow position and by providing forecast on all other exposures in non-Philippine currencies.

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 Group also has purchase transactions denominated in currencies other than the US dollars due to imports.

The foreign currency- denominated liabilities, which as of the end of the quarter amounted to US$8.6 million (US$7.6 million Trust Receipts) , was revalued at the start of the year based on an exchange rate of P43.84/US$. 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 which totaled P9.3 million.

Interest Rate Risk

The Group's exposure to the risk to changes in interest rates relates primarily to long-term borrowings with floating interest rates. The Group regularly monitors its interest rate exposure and correspondingly plans ahead to meet its interest obligations. Management believes that cash generated from operations is sufficient to pay for its obligations under the loan agreements as they fall due.

Liquidity Risk

The Group maintains a balance between continuity of funding and flexibility through the use of bank drafts, bank loans and hire purchase contracts. It considers its available funds and liquidity in managing its long-term financial requirements. For its short-term funding it ensures that there are sufficient inflows to match repayments of its short-term debt.

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. It continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise.

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 at the financial reporting date. 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.

The Company's quoted AFS investments are classified as level 1 and there were no transfers in or out of the Level 1 fair value measurements.

Loans Payable and Borrowings

The outstanding short-term borrowings and long-term borrowings bear floating rates that are reprised monthly and quarterly, respectively.

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" WP

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

	AS OF 3RD QUARTER SEPTEMBER 2012	YEAR ENDED DECEMBER 2011
Profitability Ratios:		
Return on assets	0.78%	2.05%
Return on equity	1.34%	3.83%
Gross profit margin	7.78%	14.19%
Operating profit margin	8.44%	17.21%
Net profit margin	6.46%	14.36%
Liquidity and Solvency Ratios:		
Current ratio	0.37:1	0.60:1
Quick ratio	0.26:1	0.32:1
Solvency ratio	0.07:1	0.13:1
Financial Leverage Ratios:		
Asset to equity ratio	1.72:1	1.49:1
Debt ratio	0.42:1	0.39:1
Debt to equity ratio	0.72:1	0.49:1
Interest coverage ratio	5.78:1	7.30:1