

# COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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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)

<b>ODETTE A. JAVIER</b> Contact Person
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815-9447 Company Telephone Number 3rd Monday of April <table style="width: 100%; border: none;"> <tr> <td style="border: 1px solid black; width: 20px; height: 20px; text-align: center;"> </td> <td style="border: none; width: 10px; text-align: center;">/</td> <td style="border: 1px solid black; width: 20px; height: 20px; text-align: center;"> </td> </tr> <tr> <td style="text-align: center; font-size: 8px;">Month</td> <td></td> <td style="text-align: center; font-size: 8px;">Day</td> </tr> </table> Annual Meeting		/		Month		Day
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Month		Day				

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FORM TYPE			

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total no. of Stockholders

Total Amount of Borrowings	
Domestic	Foreign

To be accomplished by SEC Personnel concerned

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File Number

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**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q**

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

1. For the quarterly period ended: **September 30, 2010**
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:

**21<sup>st</sup> 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:
<b>Class "A"</b>	<b>19,903,530,742</b>
<b>Class "B"</b>	<b>12,269,002,630</b>

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

Title : Controller

Date : November 15, 2010

Signature : 

Title : ODETTE A. JAVIER

Title : Vice President/Assistant Corporate Secretary

Date : November 14, 2010

**LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010**  
(With Comparative Figures for 2009)  
(Amounts In Thousand , Except Loss Per Share)

	<b>FOR THE THIRD QUARTER</b>		<b>FOR NINE MONTHS ENDED SEPTEMBER 30</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>INCOME</b>				
Sale of gold, silver and copper	P 272,688	P 348,758	P 895,077	P 1,092,356
Service fees and other operating income	<u>56,089</u>	<u>11,791</u>	<u>79,545</u>	<u>29,015</u>
	328,777	360,549	974,622	1,121,371
<b>COSTS AND EXPENSES</b>				
Mining, milling, roasting, smelting, refining and other related charges; administrative expenses; depreciation, amortization and depletion; and other charges	<u>(440,818)</u>	<u>(421,736)</u>	<u>(1,259,444)</u>	<u>(1,218,610)</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	(112,041)	(61,187)	(284,822)	(97,239)
FINANCE COST, net	(42,493)	(47,989)	(131,974)	(123,645)
FOREIGN EXCHANGE GAINS (LOSS) - net	(581)	(1,534)	1,119	(5,091)
OTHER INCOME		26		79
SHARE IN OPERATING RESULTS OF ASSOCIATES	<u>(15,965)</u>	<u>(1,776)</u>	<u>(4,419)</u>	<u>(3,174)</u>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<u>(171,080)</u>	<u>(112,460)</u>	<u>(420,096)</u>	<u>(229,070)</u>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>				
CURRENT	282	(12)	533	363
DEFERRED	<u>(26)</u>	<u>(181)</u>	<u>(197)</u>	<u>(310)</u>
	256	(193)	336	53
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<u>P (171,336)</u>	<u>P (112,267)</u>	<u>P (420,432)</u>	<u>P (229,123)</u>
<b>Attributable to:</b>				
Stockholders of the parent company	P (172,907)	P (112,078)	P (421,736)	P (228,524)
Minority interest	<u>(1,571)</u>	<u>189</u>	<u>(1,304)</u>	<u>599</u>
	<u>P (171,336)</u>	<u>P (112,267)</u>	<u>P (420,432)</u>	<u>P (229,123)</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Changes in revaluation increment in land	P 12,578	P -	P 22,358	P -
	<u>P 12,578</u>	<u>P -</u>	<u>P 22,358</u>	<u>P -</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) BEFORE INCOME TAX</b>	<u>P (158,758)</u>	<u>P (112,267)</u>	<u>P (398,074)</u>	<u>P (229,123)</u>
<b>Attributable to:</b>				
Stockholders of the parent company	(158,758)	(112,113)	(396,770)	(228,524)
Minority interest	1,037	154	1,304	599
	<u>(158,758)</u>	<u>(112,267)</u>	<u>(398,074)</u>	<u>(229,123)</u>
<b>EARNINGS (LOSS) PER SHARE</b>				
attributable to stockholders of the parent company				
Basic & Diluted	<u>P (0.00525)</u>	<u>P (0.00341)</u>	<u>P (0.01280)</u>	<u>P (0.00695)</u>
	((P172,907,072.88) / 32,941,079.783 shares)	((P112,077,986) / 32,903,532.229 shares)	((P421,736,349) / 32,941,079.783 shares)	((P228,524,083) / 32,903,532.229 shares)

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

	<u>SEPTEMBER 30</u> <u>2010</u>	<u>*December 31</u> <u>2009</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	P 120,030	P 15,946
Receivables, net	118,887	152,755
Inventories, net	450,698	489,998
Other current assets	314,825	309,671
Total current assets	<u>1,004,440</u>	<u>968,370</u>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	6,505,094	6,441,333
Available-for-sale financial assets	131,855	130,396
Investments and advances in associates	267,892	363,411
Mine exploration cost	740,476	740,208
Deferred income tax assets	99,494	89,912
Other noncurrent assets	27,052	7,010
Total non-current assets	<u>7,771,863</u>	<u>7,772,270</u>
Total assets	<u>P 8,776,303</u>	<u>P 8,740,640</u>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	P 2,850,631	P 2,354,878
Current portion of long-term borrowings	18,277	82,549
Loans payable	-	80,000
Income tax payable	2	-
Total current liabilities	<u>2,868,909</u>	<u>2,517,427</u>
<b>NON-CURRENT LIABILITIES</b>		
Long-term borrowings - net of current portion	578,891	578,891
Retirement benefit obligations	552,350	515,744
Deferred income tax liabilities	113,619	113,816
Stock subscriptions payable	107,784	107,784
Total non-current liabilities	<u>1,352,644</u>	<u>1,316,235</u>
Total liabilities	<u>4,221,553</u>	<u>3,833,662</u>
<b>EQUITY</b>		
Capital stock	3,315,415	3,286,980
Additional paid-in capital	1,502,875	1,446,062
Revaluation increment in land	489,145	511,504
Cumulative changes in fair values of AFS investments	(360,704)	(359,056)
Retained earnings (Deficit)	(638,634)	(225,688)
	<u>4,308,097</u>	<u>4,659,802</u>
Minority interest	246,653	247,176
Total equity	<u>4,554,750</u>	<u>4,906,978</u>
Total liabilities and equity	<u>P 8,776,303</u>	<u>P 8,740,640</u>

**UNAUDITED**

\* - AUDITED

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(With Comparative Figures for 2009)  
(Amounts in thousands)

	FOR THE THIRD QUARTER ENDED SEPTEMBER 30		FOR NINE MONTHS ENDED SEPTEMBER 30	
	2010	2009	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before income tax	P (171,336)	P (112,460)	P (420,432)	P (229,070)
Adjustments for:				
Depreciation and depletion	79,599	99,974	252,296	309,355
Equity in net losses (income) of affiliated companies	(347)	1,776	(1,459)	3,174
Foreign exchange losses (income), net	(581)	1,534	1,119	5,091
Provision for retirement benefit cost	15,384	26,512	46,145	79,124
Interest income	0	(17)	(74.00)	(70)
Interest expense	42,494	47,989	131,974	123,645
Operating income before changes in working capital	(34,821)	65,308	9,569	291,249
Changes:				
Receivables	4,825	(2,702)	33,868	(4,227)
Inventories	32,273	17,776	39,300	13,103
Other current assets	5,427	(36,031)	(5,154)	36,196
Accounts payable and accrued expenses	232,096	135,950	438,402	175,032
Cash generated from operations	239,800	180,301	515,985	511,353
Retirement benefits paid	3,302	(1,007)	(9,539)	(20,643)
Interest received	0	17	74	70
Income tax recovered (paid)	0	(31)	(31)	(62)
Net cash provided by operating activities	243,136	179,280	506,489	490,718
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investments	50,874	419	103,005	2,426
Acquisition of property and equipment	(129,871)	(104,125)	(338,416)	(340,531)
Unrecovered exploration costs and other assets	(7,789)	3,953	(29,892)	(8,001)
Additional Paid In Capital	0			
Net cash used in investing activities	(86,786)	(99,753)	(265,303)	(346,106)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments of:				
Borrowings, net	(107,132)	(26,506)	(145,391)	(42,550)
Interest	(29,310)	(36,140)	(75,311)	(85,348)
Capital and other reserves	1,647	911	83,600	911
Net cash used by financing activities	(54,489)	(61,735)	(137,102)	(126,987)
NET INCREASE (DECREASE) IN CASH	101,861	17,792	104,084	17,625
Beginning of period	18,169	8,545	15,946	8,712
End of period	P 120,030	P 26,337	P 120,030	P 26,337

**LEPANTO CONSOLIDATED MINING COMPANY**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2010 & 2009**  
(Amounts in thousands)

	<u>SEPTEMBER 30</u> <u>2010</u>	<u>SEPTEMBER 30</u> <u>2009</u>
Authorized - P 3.35 billion		
Share capital at par value	P 3,302,704	P 3,287,687
Subscribed capital (net of subscriptions receivable)	12,711	(170)
Share premium	1,502,875	1,446,062
Fair value and other reserves	(360,704)	(406,895)
Revaluation reserve	489,145	564,022
Retained earnings		
Beginning balance	(216,898)	126,470
Net income (loss) for the period	(421,736)	(228,524)
	<u>(638,634)</u>	<u>(102,054)</u>
<b>EQUITY ATTRIBUTABLE TO THE</b> <b>STOCKHOLDERS OF THE PARENT COMPANY</b>	4,308,096	4,788,652
<b>MINORITY INTEREST</b>	246,653	252,793
	<u>P 4,554,749</u>	<u>P 5,041,445</u>

**LEPANTO CONSOLIDATED MINING COMPANY****NOTES TO FINANCIAL STATEMENTS**

AS OF SEPTEMBER 30, 2010 and DECEMBER 31, 2009

**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.

On May 20, 2009, the BOI approved the parent company's request for ITH bonus year for the period April 2008 to March 2009 for its Teresa Project.

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**

Increased by P104 million due late receipt of collections from month-end metal sales and option fee from a would be investor to a subsidiary.

### **Note 4 – Receivables**

Decreased by P34 million as a result of major collections from Trade customer.

### **Note 5 – Inventories**

Sale of copper concentrate and consumption of parts and supplies accounted for the decrease of P39 million.

**Note 6– Investments and Advances in Associates**

Reduction of P96 million was due to payments received from an associate.

**Note 7– Deferred Income Tax Assets**

The sale of revalued land accounted for the rise in P10 million of this account.

**Note 8– Other Non Current Assets**

Deferred charges accounted for the rise of P20 million. Other account groups are Environmental, Monitoring and Rehabilitation Trust funds together with long term deposits.

**Note 9– Trade and Other Payables**

The rise of 21% was due to additional accrual of suppliers billings, salaries , interest, taxes, trust receipts and import bills.

**Note 9– Current Portion of Long Term Borrowings**

The reduction of 78% was due to P64 million payments made during the year for the settlement of FCDU, Peso and Suppliers Credits during the year.

**Note 10- Loans Payable**

Full settlement of P80 million loans for the this quarter.

**Note 11- Income Tax Payable**

This is a minimum income tax liability of a subsidiary.

**Note 12- Retirement Benefit Obligations**

The P37 million increase is due to the additional accruals for the year.

**Note 13- Retained Earnings**

Loss accounted for the P413 increment for the year.

**Note 14- 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 24<sup>th</sup> month method.

The assets, liabilities and results of the business segments of the LCMC Group for the 3<sup>rd</sup> quarter of the year 2010 and 2009 are as follows:

**Investment activities**

	2010 (in thousands)	2009 (in thousands)
Current Assets	5,791	5,786
Non-current Assets	106,098	94,362
Current Liabilities	50,741	38,189
Non-Current Liabilities	-	3,525
Gross Income	-	53
Net Income (Loss)	(136)	(68)

**Hauling Activities**

	2010 (in thousands)	2009 (in thousands)
Current Assets	58,555	75,883
Non-Current Assets	429,463	410,895
Current Liabilities	9,644	15,106
Non-Current Liabilities	131,474	137,621
Gross Income	18,261	21,766
Net Income (Loss)	771	(151)

**Insurance Activities**

	2010 (in thousands)	2009 (in thousands)
Current Assets	482,632	384,354
Non-current Assets	48,277	36,382
Current Liabilities	361,331	290,085
Gross Underwriting Income	72,383	53,815
Underwriting Income	14,026	12,010
Net Income (Loss)	744	(12,358)

**Note 15– Seasonality**

There is no seasonality or cyclical factors in the company's operations. The company has momentarily put copper concentrate production on hold.

**Note 16 - Outlook for the Rest of the Year**

It is projected that the company will have milled 351,000 tonnes of ore by the end of the year. Net metal production is targeted to reach 22,000 oz gold and 39,000 oz silver. The \$10 million non refundable option fee received from Gold Fields will be used to update payroll and pay off creditors.

LEPANTO CONSOLIDATED MINING CO.

**AGING OF ACCOUNTS RECEIVABLE - TRADE**

AS OF SEPTEMBER 30, 2010

<i>CUSTOMERS</i>	<i>CURRENT</i>	<i>OVER 30 DAYS</i>	<i>OVER 60 DAYS</i>	<i>TOTAL</i>
HERAEUS LTD.	29,340,837.38	-	-	29,340,837.38
TRAFIGURA	1,858,699.12	-	1,858,699.12	1,858,699.12
	31,199,536.50	-	1,858,699.12	31,199,536.50

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As September 30, 2010

### MINING OPERATIONS

#### **January to September 2010**

Tonnage decreased to 251,190 compared with last year's 272,760 tonnes as mine development lagged behind production. Gold grade averaged 2.200 g/t versus 3.0 g/t last year resulting in gold production of 15,821 oz against 23,884 oz. last year. Total Metal Sales amounted to P899 million compared with P1.09 billion last year.

Usage/costs of materials, labor, supplies, power and refining/smelting charges slightly increased by 2% at P1,210.7 million compared with last year's P1,187.2 million. Mining, labor, power and maintenance costs were the main components of the P23 million increase in costs.

Given the above, Loss from Operations was P311.4 million, up from P92.5 million last year. Net Loss for the first three quarters of 2010 amounted to P419.7 million compared with the loss of P221.2 million for the same period last year. Owing to the relatively stronger Peso, a foreign exchange gain of P1.1 million was recorded compared with a loss of P5.1 million last year. The sale of a Cebu property generated other income of P22.6 million. Finance cost went up to P132 million from P123.6 million.

#### **July to September 2010**

Ore processed for the period amounted to 73,310 tonnes, vs. last year's 86,640 tonnes. Gold grade averaged 2.06 g/t vs. 2.9g/t last year. Gold production totaled 4,309 oz. while last year's was 7,341 oz. Gold sales for the quarter amounted to P274.4 million vs. last year's sales of P349.3 million.

Cost and Expenses rose by 2% to P417.5 million due to higher mining costs, in particular: labor, power, lumber and mine mechanical maintenance.

Loss from Operations amounted to P143.1 million compared with P60.9 million last year. Finance cost dropped to P42.5 million from P48.0 as a result of the restructuring of some loans. A Forex loss of P0.6 million was recognized during the 3rd quarter due to the appreciation of the Peso against the US\$, compared with last year's Forex loss of P1.5 million. Net loss for the period was P163.8 million vs. P110.4 million last year.

Following is an extract of the income statement showing the quarterly and year-to-date results:

	2010 Jul-Sep (Pesos M)	2009 Jul-Sep (Pesos M)	Difference %	2010 Jan-Sep (Pesos M)	2009 Jan-Sep (Pesos M)	Difference %
Sale of Metals	274.4	349.3	-21	899.3	1094.7	-18
Cost and Expenses	-417.5	-410.2	-2	-1210.7	-1187.2	-2
Income (Loss) from Operations	-143.1	-60.9	-135	-311.4	-92.5	-236
Finance Costs (net)	-42.5	-48.0	11	-132.0	-123.6	-7
Foreign Exchange Gain (Loss)	-0.6	-1.5	62	1.1	-5.1	122
Other Income	22.4	0.0	100	22.6	0	100
Net Income (Loss)	-163.8	-110.4	-48	-419.7	-221.2	-90

\*The production statistics for the 3rd quarter and first three quarters of the year are presented as follows:

	2010 Jul-Sep	2009 Jul-Sep	Difference %	2010 Jan-Sep	2009 Jan-Sep	Difference %
Tonnes Milled	73,310	86,640	-15	251,190	272,760	-8
Milled Head, g/t Au	2.06	2.9	-29	2.2	3	-27
Au Recovery, %	91	91	0	89	91	-2
Production, oz Au	4,309	7,341	-41	15,821	23,883	-34

### **BALANCE SHEET MOVEMENTS**

Cash and cash equivalents increased from P15.9 million at year-end to P120.0 million due to the month end receipts of the option payment from Gold Fields and collection of metal sales. Receivables went down from P152.6.0 million to P118.9million as a result of lower trade receivables coupled with collections of other accounts. Inventories were lower by 8% at P450.7 million due to heavy usage particularly of parts and supplies and the copper concentrate sale of P15.4 million in July 2010.

Investments and advances in associates decreased to P267.9 million from P363.4 million due to payments made by an affiliate. Deferred income tax assets increased by P9.5 million from P89.9 million last year due to the reduction of deferred tax arising from the sale of the revalued land. Other non-current assets increased by P20.0 million on account of Deferred Charges.

Trade payables and accrued expenses amounted to P2,850.6 million due largely to increases in trade accounts, production taxes, accrual of utilities, other liabilities, trust receipts and import bills.

Loan accounts dropped due to repayments made: Loan payable by P80 million and Current portion of Long-term borrowings by P64.2 million. Retirement benefit obligations increased by P36.6 million due to additional accruals.

Retained earnings showed a deficit of P638.2 million as of the end of the quarter, from a deficit of 225.7 million as of the beginning of the year.

## **CAPITAL EXPENDITURES**

Total capital expenditures for the three quarters reached P350 million, P182 million of which went to mine development and special projects. A total of P0.39 million was spent on exploration while P17 million was incurred for the Tailing Dam maintenance. Mine machinery and equipment purchased for the period amounted to P112 million.

It is projected that total capital expenditures for the year will reach P442 million. Of the P92 million earmarked for the last quarter, P45 million will be for the development of Victoria in the area above the 850L together with the underground construction and special projects in support of mining operations; P7 million for tailings dam maintenance, P40 million for the acquisition of additional mine machinery and equipment specifically load, haul and dump (LHD) heavy duty truck and the refurbishing of the old ones with new engines.

## **SUBSIDIARIES**

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

Lepanto Investment and Development Corp reported a net loss of P136 thousand compared with last year's loss of P68 thousand due to zero commission income this year compared to P53 thousand the previous year. Shipside Incorporated generated a net income of P771 thousand on a gross income of P18.3 million compared to the net loss of P151 thousand last year on a gross of P21.8 million due mainly to the reduction of its operating expenses from P21.6 million to P19.4 million brought about by savings on fuels and lubricants. Diamond Drilling Corporation of the Philippines (DDCP) registered a smaller net loss of P5.1 million against last year's reported loss of P11.5 million on account of higher drilling revenues.

## **OUTLOOK FOR THE REST OF THE YEAR**

The Company will retrench about 140 mine-based employees in November at a cost of approximately P44 million.

It is expected that tonnage for the year will reach 351,000 producing 22,000 oz gold and 39,000 oz silver. The \$10 million non refundable option fee received from Gold Fields will be used to update payroll and settle various obligations.

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### **\* - KEY PERFORMANCE INDICATORS-LCMC**

*Tonnes Milled*-indicates the amount of ore taken for processing; *Milled Head*- amount of gold in grams per ton milled; *Metal sales*- sales of gold, copper and silver; *Cost and Expenses*; *Net Income*.



## **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\$12.1 million, was revalued at the start of the year based on an exchange rate of P46.2/US\$. The recent appreciation of the Peso against the US\$ resulted in a lower forex loss on those accounts paid during the year. Revaluation however with respect to such liabilities, is booked at year-end. It should be noted that the company is a 100% dollar-earner.

### **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.