

# COVER SHEET

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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
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Contact Person

815-9447
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Company Telephone Number

1	2		3	1
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Month    Day  
Fiscal Year

3	Q	-	0	9
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FORM TYPE

3rd Monday of April

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Month    Day  
Annual Meeting

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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

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Domestic

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Foreign

Total Amount of Borrowings

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To be accomplished by SEC Personnel concerned

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File Number

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Document I.D.

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STAMPS

Remarks = please use black ink for scanning purposes

SEC No. 101

LEPANTO CONSOLIDATED MINING COMPANY

*21<sup>st</sup> Floor, Lepanto Building  
8747 Paseo de Roxas  
Makati City*

Tel. No. 815-9447  
Fax No. 812-0451

**Quarterly Report**  
(Form 17-Q)

**For the Period ended September 30, 2009**

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **September 30, 2009**
2. Commission identification number: **101**      3. BIR Tax Identification No.: **000-160-247**
4. Exact name of issuer as specified in its charter:

**LEPANTO CONSOLIDATED MINING COMPANY**

5. Province, country or other jurisdiction of incorporation or organization:  
**Makati City, Philippines**

6. Industry Classification Code:  (SEC Use Only)

7. Address of issuer's principal office:

**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>19,742,130,056</b>
<b>Class "B"</b>	<b>13,161,402,173</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 [x]      No []

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

**Philippine Stock Exchange**

**Classes "A" and "B"**

12. Indicate by check mark whether the registrant:

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

Yes  No

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

Yes  No

### PART I- FINANCIAL INFORMATION


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

Date : November 13, 2009

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

Date : November 13, 2009

**LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009**  
(With Comparative Figures for 2008)  
(Amounts in Thousands, Except Loss Per Share)

	<u>FOR THE THIRD QUARTER</u>		<u>FOR NINE MONTHS ENDED SEPTEMBER 30</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>INCOME</b>				
Sale of gold, silver and copper	P 348,758	P 655,839	P 1,092,356	P 1,455,469
Service fees and other operating income	11,791	22,577	29,015	93,683
	<u>360,549</u>	<u>678,416</u>	<u>1,121,371</u>	<u>1,549,152</u>
<b>COSTS AND EXPENSES</b>				
Mining, milling, roasting, smelting, refining and other related charges; administrative expenses; depreciation, amortization and depletion; and other charges	(421,736)	(738,591)	(1,218,610)	(1,656,558)
<b>INCOME (LOSS) FROM OPERATIONS</b>	(61,187)	(60,175)	(97,239)	(107,406)
FINANCE COST, net	(47,989)	(33,983)	(123,645)	(101,827)
FOREIGN EXCHANGE GAINS (LOSS) - net	(1,534)	(12,532)	(5,091)	(32,977)
OTHER INCOME	26	64	79	171
<b>SHARE IN OPERATING RESULTS OF ASSOCIATES</b>	(1,776)	(513)	(3,174)	(1,475)
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	(112,460)	(107,139)	(229,070)	(243,514)
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>				
CURRENT	(12)	(4,566)	363	22,897
DEFERRED	(181)	147	(310)	(474)
	<u>(193)</u>	<u>(4,419)</u>	<u>53</u>	<u>22,423</u>
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<u>P (112,267)</u>	<u>P (111,558)</u>	<u>P (229,123)</u>	<u>P (265,937)</u>
<b>Attributable to:</b>				
Stockholders of the parent company	P (112,078)	P (111,649)	P (228,524)	P (266,169)
Minority interest	189	91	599	232
	<u>P (112,267)</u>	<u>P (111,558)</u>	<u>P (229,123)</u>	<u>P (265,937)</u>
<b>EARNINGS (LOSS) PER SHARE</b>				
attributable to stockholders of the parent company				
Basic	P (0.00341)	P (0.00388)	P (0.00695)	P (0.00925)
	((P112,077,986) / 32,903,532,229 shares))	((P111,648,721) / 28,786,535,660 shares))	((P228,524,083) / 32,903,532,229 shares))	((P266,169,118) / 28,786,535,660 shares))
Diluted	P (0.00341)	P (0.00388)	P (0.00695)	P (0.00925)
	((P112,077,986) / 32,903,532,229 shares))	((P111,648,721) / 28,786,535,660 shares))	((P228,524,083) / 32,903,532,229 shares))	((P266,169,118) / 28,786,535,660 shares))

**LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Amounts in Thousands)

	<u>SEPTEMBER 30</u> <u>2009</u>	<u>*December 31</u> <u>2008</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	P 26,337	P 8,712
Receivables, net	149,384	145,157
Inventories, net	568,659	581,762
Prepayments and other current assets	<u>384,902</u>	<u>421,098</u>
Total current assets	<u>1,129,282</u>	<u>1,156,729</u>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	6,439,585	6,408,409
Available-for-sale financial assets	85,202	85,202
Investments and advances in associates	372,722	378,322
Mine exploration cost	760,455	760,275
Deferred income tax assets	102,838	102,838
Other noncurrent assets	<u>24,761</u>	<u>16,940</u>
Total non-current assets	<u>7,785,563</u>	<u>7,751,986</u>
Total assets	<u>P 8,914,845</u>	<u>P 8,908,715</u>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Trade payables and accrued expenses	P 2,349,330	P 2,135,701
Loans payable	80,000	80,000
Current portion of long-term borrowings	<u>82,987</u>	<u>92,314</u>
Total current liabilities	<u>2,512,317</u>	<u>2,308,015</u>
<b>NON-CURRENT LIABILITIES</b>		
Long-term borrowings - net of current portion	595,605	623,737
Retirement benefit obligations	527,171	468,690
Deferred income tax liabilities	126,998	127,308
Stock subscriptions payable	<u>111,309</u>	<u>111,309</u>
Total non-current liabilities	<u>1,361,083</u>	<u>1,331,044</u>
Total liabilities	<u>3,873,400</u>	<u>3,639,059</u>
<b>EQUITY</b>		
Capital stock	3,287,517	3,286,606
Additional paid-in capital	1,446,062	1,446,062
Revaluation increment in land	564,022	564,022
Cumulative changes in fair values of AFS investments	(406,895)	(406,895)
Retained earnings	<u>(102,054)</u>	<u>126,470</u>
	4,788,652	5,016,265
Minority interest	<u>252,793</u>	<u>253,391</u>
Total equity	<u>5,041,445</u>	<u>5,269,656</u>
Total liabilities and equity	<u>P 8,914,845</u>	<u>P 8,908,715</u>

**UNAUDITED**

\*Audited

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (With Comparative Figures for 2008)  
 (Amounts in thousands)

	FOR THE THIRD QUARTER ENDED SEPTEMBER 30		FOR NINE MONTHS ENDED SEPTEMBER 30	
	2009	2008	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before income tax	P (112,460)	P (107,139)	P (229,070)	P (243,514)
Adjustments for:				
Depreciation and depletion	99,974	(726,680)	309,355	(442,071)
Equity in net losses (Income) of affiliated companies	1,776	513	3,174	1,475
Foreign exchange losses (income), net	1,534	12,532	5,091	32,977
Provision for retirement benefit cost	26,512	26,400	79,124	80,908
Interest income	(17)	(65)	(70)	(171)
Interest expense	47,989	33,983	123,645	101,827
Operating income before changes in working capital	65,308	(760,456)	291,249	(468,569)
Changes:				
Receivables	(2,702)	(73,280)	(4,227)	(149,789)
Inventories	17,776	(12,570)	13,103	(271,923)
Other current assets	(36,031)	(18,664)	36,196	(2,436)
Accounts payable and accrued expenses	135,950	367,354	175,032	297,564
Cash generated from operations	180,301	(497,616)	511,353	(595,153)
Retirement benefits paid	(1,007)	(8,027)	(20,643)	(57,026)
Interest received	17	65	70	171
Income tax recovered (paid)	(31)	(44)	(62)	(1,654)
Net cash provided by operating activities	179,280	(505,622)	490,718	(653,662)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investments	419	(1,035)	2,426	29,473
Other investments	0	0		(17)
Acquisition of property and equipment	(104,125)	621,197	(340,531)	231,174
Unrecovered exploration costs and other assets	3,953	(5,473)	(8,001)	(6,132)
Additional Paid In Capital				615,771
Net cash used in investing activities	(99,753)	614,689	(346,106)	670,269
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments of:				
Borrowings, net	(26,506)	8,276	(42,550)	(426,421)
Interest	(36,140)	(121,666)	(85,348)	(197,292)
Capital and other reserves	911	30	911	408,930
Net cash used by financing activities	(61,735)	(113,360)	(126,987)	(214,783)
NET INCREASE (DECREASE) IN CASH	17,792	(4,293)	17,625	1,824
Beginning of period	8,545	16,589	8,712	10,472
End of period	P 26,337	P 12,296	P 26,337	P 12,296

**LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
 (With comparative Figures for 2008)  
 (Amounts in Thousands)

	<u>SEPTEMBER 30</u> <u>2009</u>	<u>SEPTEMBER 30</u> <u>2008</u>
Authorized - P 3.35 billion		
Share capital at par value	P 3,287,687	P 3,287,244
Subscribed capital (net of subscriptions receivable)	(170)	(638)
Share premium	1,446,062	1,446,062
Fair value and other reserves	(406,895)	(340,884)
Revaluation reserve	564,022	523,735
Retained earnings		
Beginning balance	126,470	890,658
Net income (loss) for the period	(228,524)	(266,169)
	(102,054)	624,489
<b>EQUITY ATTRIBUTABLE TO THE</b>		
<b>  STOCKHOLDERS OF THE PARENT COMPANY</b>	4,788,652	5,540,008
<b>MINORITY INTEREST</b>	252,793	252,962
	<u>P 5,041,445</u>	<u>P 5,792,970</u>



**LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES****NOTES TO FINANCIAL STATEMENTS  
AS OF SEPTEMBER 30, 2009 and DECEMBER 31, 2008****Note 1 - General information**

Lepanto Consolidated Mining Company (parent company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on September 8, 1936 primarily to engage in the exploration and mining of gold, silver, copper, lead, zinc and all kinds of ores, metals, minerals, oil, gas and coal and their related by-products. On January 29, 1985, the SEC approved the extension of the parent company's corporate term for another fifty (50) years after the expiration of its original term on September 8, 1986.

The parent company's shares are listed and traded in the Philippine Stock Exchange. In January 1999, the parent company and the Bank of New York, as depository, formed a depository receipt facility to facilitate secondary market trading in the international capital markets of the parent company's class "B" common shares.

On January 14, 1997, the parent company was registered with the Board of Investments (BOI) under Executive Order No. 226 as a new export producer of gold bullion on a preferred non-pioneer status. This registration entitles the parent company to a four (4) year income tax holiday (ITH), which can be further extended for another three (3) years subject to compliance with certain conditions, and lower tariff rates on acquisition of capital equipment. The parent company is required to maintain a base equity of at least 25% as one of the conditions of the registration.

On April 1, 1997, the parent company started the commercial operations of its gold mine (Victoria Project) where its products do not require roasting and suspended its copper mining operations. Consequently, in October 1997, the parent company temporarily ceased operating its roasting plant facilities in Isabel, Leyte for an indefinite period. All costs incurred during the period of temporary cessation of operations from October 1997 to present were charged to operations.

On March 30, 2000, the parent company registered its copper flotation with the BOI under Executive Order No. 226 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. The parent company is required to maintain a base equity of at least 25% as one of the conditions of the registration. The copper flotation project was suspended at the end of 2001; the BOI registration was cancelled on July 11, 2006.

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. This registration entitles the parent company to ITH for four (4) years, 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. The parent company started commercial operation of its Teresa Project in April 2004.

The parent company was also registered with the PEZA on December 17, 1985 pursuant to the provisions of P.D. 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 Processing Zone.

Two of the parent company's subsidiaries are also registered with the BOI as an existing producer of electroplated tools on a non-pioneer status and as a new domestic producer of copper concentrate on a preferred non-pioneer status under Executive Order No. 226.

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 financial statements are prepared in accordance with generally accepted accounting principles in the Philippines applied on a basis consistent with prior years. The same accounting policies and methods of computations are followed in the interim financial statements with most recent annual financial statements.

## **Note 3 - Cash**

The account is composed of cash in banks and on hand. The increase in the quarter was due to the timing in of unreleased checks at the end of quarter.

## **Note 4 – Prepayments and Other Current Assets**

Consist of advances to suppliers, creditable input VAT and prepaid expenses.

## **Note 5 - Other Non-current Assets**

Comprise of mine rehabilitation fund, deferred charges and long-term deposits

## **Note 6 - Trade Payables and Accrued Expenses**

Consists of payables to suppliers-trade, trust receipts, accrued utilities, payables to regulatory authorities, employee related expenses, unclaimed dividends, accrued production taxes and accrued expenses and other liabilities.

## **Note 7 - Loans Payable and Current portion of Long-term Borrowings**

Loans payable consist of trade credits, unsecured short-term loan from financial institutions to finance operating requirements.

## **Note 8 - Long-Term Borrowings Net of Current Portion**

Long term borrowings went down from P624 million to P596 million due to settlements made during the year.

## **Note 9 - Retirement Benefit Obligations**

Consist of retirements set up due to employees.

## **Note 10 - 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 3rd quarter of the year 2009 and 2008 are as follows:

### **Investment activities**

	2009 (in thousands)	2008 (in thousands)
Current Assets	5,786	6,129
Non-current Assets	94,362	94,542
Current Liabilities	38,189	38,229
Non-Current Liabilities	3,524	3,525
Gross Income	53	131
Net Income (Loss)	(68)	(227)

### **Hauling Activities**

	2009 (in thousands)	2008 (in thousands)
Current Assets	75,883	100,264
Non-Current Assets	410,895	444,786
Current Liabilities	15,106	38,398
Non-Current Liabilities	137,621	156,739
Gross Income	21,766	134,832
Net Income	(151)	33,565

**Insurance Activities**

	2009 (in thousands)	2008 (in thousands)
Current Assets	384,354	309,855
Non-current Assets	36,382	38,752
Current Liabilities	290,085	201,331
Gross Underwriting Income	53,815	51,596
Underwriting Income	12,010	11,276
Net Income (Loss)	(12,358)	1,412

**Note 13 - Seasonality**

There are no seasonality or cyclical factors in the company's operations. Mining and milling operations operate the whole year except during holidays.

**Note 14 - Outlook for the Rest of the Year**

It is projected that the company will have milled 371,000 tonnes of ore by the end of the year. Net metal production is targeted to reach 32,000 Au oz and 48,600 Ag oz.

LEPANTO CONSOLIDATED MINING CO.

**AGING OF ACCOUNTS RECEIVABLE - TRADE**

AS OF SEPTEMBER 30, 2009

<i>CUSTOMERS</i>	<i>CURRENT</i>	<i>OVER 30 DAYS</i>	<i>OVER 60 DAYS</i>	<i>TOTAL</i>
HERAEUS LTD.	25,375,004.81	-	-	25,375,004.81
TRAFIGURA	-	-	18,246,278.16	18,246,278.16
	25,375,004.81	-	18,246,278.16	43,621,282.97

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

As September 30, 2009

**MINING OPERATIONS****January to September 2009**

Unlike last year where Enargite copper sources provided the bulk of tonnage deliveries, ore extraction during the year came solely from the Victoria orebody. In view of this, milled tonnes decreased to 272,760 compared with last year's 632,060 tonnes. Gold grade was 72% higher at 3.00 g/t versus 1.74g/t last year. Gold production was lower at 23,883 oz against 30,800 oz. The latter figure includes the gold content of last year's copper concentrate production. Total Metal Sales amounted to P1.09 billion compared with P1.46 billion last year.

The lower tonnage resulted in a reduction in the usage/costs of materials, labor, supplies, power and refining/smelting charges by P297.0 million. Copper smelting charges alone amounted to P134.0 million last year. Depletion and depreciation also fell by P146.7 million.

Given the above, Losses from Operations dropped to P92.6 million from P170.2 million. Net Loss for the first three quarters of 2009 amounted to P221.2 million compared with the loss of P305.8 million for the same period last year. Owing to the relatively stronger Peso, foreign exchange losses went down to P5.1 million from P32.9 million last year. However, finance cost went up to P123.6 million from P101.5 million.

**July to September 2009**

Ore processed for the period amounted to 86,640 tonnes, vs. last year's 221,610 tonnes, of which 118,319 tonnes came from the Enargite. Gold grade averaged 2.90 g/t vs. 1.71 g/t last year. Gold production totaled 7,341 oz. purely from the Victoria deposits while last year's 10,551 oz. include 6,205 oz. from copper concentrates. Gold sales for the quarter was P348.8 million vs. last year's sales of P655.8 million.

The lower tonnage reduced the cost of materials, labor, power, supplies, maintenance and service contracts, refining/smelting charges by P317.9 million. Copper smelting charges alone accounted for the P106.9 million last year. Depreciation and depletion costs fell by P61.4 million from P154.7 million last year.

Loss from Operations amounted to P60.9 million compared with P71.3 million last year. Finance cost was higher this quarter, P48.0 million compared with P33.9 million last year due to the loans restructuring and extensions of payable accounts. A Forex loss of P1.5 million was recognized during the 3rd quarter compared with last year's P14.0 million, lower due to the relatively stronger Peso. Net Loss was P110.4 million vs. P119.2 million last year.

\*Following are the production statistics for the 3rd quarter and first three quarters of the year:

	2009 Jul-Sep	2008 Jul-Sep	Difference %	2009 Jan-Sep	2008 Jan-Sep	Difference %
Tonnes Milled	86,640	221,610	-61	272,760	632,060	-57
Milled Head, g/t Au	2.90	1.71	69	3.00	1.74	72
Milled Head, % Cu	-	0.32	-100	-	0.26	-100
Au Recovery, %	91	86	5	91	87	4
Cu Recovery, %	-	88	-100	-	86	-100
Production, oz Au	7,341	10,551	-30	23,883	30,800	-22
Production, lbs Cu	-	1,385,681	-100	-	3,148,253	-100

### **BALANCE SHEET MOVEMENTS**

Cash and cash equivalents increased from P8.7 million at year-end to P26.3 million due to accumulation of funds for the settlement of some accounts. Prepayments and Other Current Assets went down by 9% to P384.9 million on account of reduction of Advances to Suppliers (P33.8 million) and Prepaid Expenses (P4.9 million).

Other non-current assets increased by P7.8 million due to Deferred Charges.

Trade payables and accrued expenses amounted to P2,349 million due largely to increases in trade accounts, production taxes, accrual of utilities and other liabilities.

Loan accounts dropped due to repayments made: Current portion of Long-term borrowings by P9.3 million and long-term borrowings by P28.1 million. Retirement benefit obligations increased by P58.5 million due to additional accruals.

Retained earnings showed a deficit of P0.1 billion as of end of the quarter, from a positive P0.1 billion as of the beginning of the year.

### **CAPITAL EXPENDITURES**

Total capital expenditures for the three quarters reached P367.2 million, P258.3 million of which went to mine development and special projects. A total of P16.9 million was spent on exploration while P18.1 million was incurred for the Tailing Dam maintenance. Mine machinery and equipment purchased for the period amounted to P73.9 million.



It is projected that total capital expenditures for the year will reach P512.3 million. Of the remaining P145.1 million earmarked for last quarter, P88.7 million will be devoted to the development of the Victoria reserves together with the underground construction and special projects in support of mining operations; P9.5 million is set aside for the exploration of new mining areas particularly at the 700L, P9.0 million for tailings dam maintenance, P37.9 million for the acquisition of additional mine machinery and equipment specifically load, haul and dump heavy duty trucks.

### **SUBSIDIARIES**

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

Lepanto Investment and Development Corp reported a net loss of P68 thousand compared with last year's loss of P227 thousand. Shipside Incorporated reported a net loss of P151 thousand compared with an income of P33.6 million last year. The income last year came from mining services and copper concentrate haulage which have been suspended. Diamond Drilling Corporation of the Philippines (DDCP) which registered a Net Income of P6.9 million last year reported a loss of P11.5 million this year due to fewer drilling contracts.

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

It is expected that tonnage for the year will reach 371,000. Net metal production is targeted at 32,000 oz gold and 48,600 oz silver. As stated above, development works at the lower levels of the Victoria will continue. To augment cashflow, the Company is selling idle real properties.

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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\$13.4 million, was revalued at the start of the year based on an exchange rate of P47.52/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.