COVER SHEET

1 0 1

S.E.C. Registration Number

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

(Company's Full Name)

2 1 S T   F L O O R   L E P A N T O   B U I L D I N G

8 7 4 7   P A S E O   D E   R O X A S

M A K A T I   C I T Y

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

ODETTE A. JAVIER

Contact Person

815-9447

Company Telephone Number

1 2 | 3 1

Month Day

Fiscal Year

1 7 - Q

FORM TYPE

3rd Monday of April

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total no. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **June 30, 2011**

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"	**26,006,511,018**
Class "B"	**17,331,650,725**

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

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

Yes [x] No [ ]

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

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

12. Indicate by check mark whether the registrant:

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

Yes [x] No [ ]

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

Yes [ ] No [x]

PART I- FINANCIAL INFORMATION

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

PART II- OTHER INFORMATION (None)

SIGNATURES

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

Issuer	:	**LEPANTO CONSOLIDATED MINING COMPANY**
Signature	:	**MARIO L. LAVENTE**
Title	:	Vice President/Controller
Date	:	August 15, 2011
Signature	:	**ODETTE A. JAVIER**
Title	:	Vice President/Assistant Corporate Secretary
Date	:	August 15, 2011

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2011
(With Comparative Figures for 2010)
(Amounts In Thousand , Except Loss Per Share)

	FOR THE SECOND QUARTER		FOR SIX MONTHS ENDED JUNE 30	
	2011	2010	2011	2010
REVENUES				
Sale of gold, silver and copper	P 217,452	P 298,267	P 659,415	P 622,389
Service fees and other operating income	78,549	13,416	115,054	23,456
	296,001	311,683	774,469	645,845
COSTS AND EXPENSES				
Mining, milling, roasting, smelting, refining and and other related charges; administrative expenses; depreciation, amortization and depletion; and other charges	(348,258)	(419,984)	(769,704)	(818,626)
INCOME (LOSS) FROM OPERATIONS	(52,257)	(108,301)	4,765	(172,781)
FINANCE COST, net	(21,029)	(44,549)	(45,441)	(89,481)
FOREIGN EXCHANGE GAINS (LOSS) - net	3,844	1,262	5,410	1,700
OTHER INCOME	15,978		15,978	
SHARE IN OPERATING RESULTS OF ASSOCIATES	192,972	(4,309)	191,407	(6,029)
INCOME (LOSS) BEFORE INCOME TAX	139,508	(155,897)	172,119	(266,591)
PROVISION FOR (BENEFIT FROM) INCOME TAX				
CURRENT	2,852	218	4,679	251
DEFERRED	(38)	(120)	41	(171)
	2,814	98	4,720	80
NET INCOME (LOSS) FOR THE PERIOD	P 136,694	P (155,995)	P 167,399	P (266,671)
Attributable to:				
Stockholders of the parent company	P 136,926	P (155,798)	P 167,519	P (266,404)
Non-controlling interests	232	197	120	267
	P 136,694	P (155,995)	P 167,399	P (266,671)
OTHER COMPREHENSIVE INCOME (LOSS)				
Changes in revaluation increment in land	P -	P -	P -	P 9,780
	P -	P -	P -	P 9,780
TOTAL COMPREHENSIVE INCOME (LOSS) BEFORE INCOME TAX	P 136,694	P (155,995)	P 167,399	P (256,891)
Attributable to:				
Stockholders of the parent company	136,926	(155,798)	167,519	(256,624)
Non-controlling interests	232	197	120	267
	136,694	(155,995)	167,399	(256,891)
EARNINGS (LOSS) PER SHARE attributable to stockholders of the parent company				
Basic & Diluted	P 0.00316	P (0.00474)	P 0.00386	P (0.00810)
	(P136,926,320/ 43,344,161,743 shares)	((P155, 798, 443.50)/ 32,903,532,229 shares))	(P167,518,654.36 / 43,344,161,743 shares)	((P266,404,250.06) / 32,903,532,229 shares))

ANNEX "B"

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

		JUNE 30 2011		*DECEMBER 31 2010
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	P	1,006,368	P	27,022
Receivables, net		153,479		203,340
Inventories, net		551,034		468,626
Other current assets		461,045		321,194
Total current assets		2,171,926		1,020,182
NON-CURRENT ASSETS				
Property, plant and equipment		6,811,630		6,585,137
Available-for-sale financial assets		138,853		134,541
Investments and advances in associates		473,213		293,793
Mine exploration cost		1,445,965		824,742
Deferred income tax assets		78,683		78,683
Other noncurrent assets		162,199		18,648
Total non-current assets		9,110,543		7,935,544
TOTAL ASSETS	P	11,282,469	P	8,955,726
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade and other payables	P	2,301,707	P	2,671,764
Current portion of long-term borrowings		29,082		60,065
Income tax payable		221		6,388
Total current liabilities		2,331,010		2,738,217
NON-CURRENT LIABILITIES				
Long-term borrowings - net of current portion		91,030		493,069
Retirement benefit obligations		462,460		540,891
Deferred income tax liabilities		113,413		113,372
Stock subscriptions payable		107,784		107,784
Total non-current liabilities		774,687		1,255,116
TOTAL LIABILITIES		3,105,697		3,993,333
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY				
Capital stock		4,332,245		3,315,504
Additional paid-in capital		3,526,167		1,495,928
Revaluation increment in land		489,145		489,145
Cumulative changes in fair values of AFS investments		(354,090)		(354,090)
Retained earnings (Deficit)		(62,570)		(230,089)
		7,930,897		4,716,398
Non-controlling interests		245,875		245,995
Total equity		8,176,772		4,962,393
TOTAL LIABILITIES AND EQUITY	P	11,282,469	P	8,955,726

*** - AUDITED**

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(With Comparative Figures for 2010)
(Amounts in thousands)

	FOR THE SECOND QUARTER ENDED JUNE 30		FOR SIX MONTHS ENDED JUNE 30	
	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax	P 139,508	P (155,977)	P 172,119	P (266,671)
Adjustments for:				
Depreciation and depletion	88,829	78,842	116,761	172,697
Equity in net losses (income) of affiliated companies	(189,842)	(2,832)	(191,407)	(1,112)
Foreign exchange losses (income), net	(3,844)	1,262	(5,410)	1,700
Provision for retirement benefit cost	15,173	15,387	30,387	30,761
Interest income	(11,070)	(40)	(11,070.00)	(40)
Interest expense	21,029	44,549	45,441	89,480
Operating income before changes in working capital	59,783	(18,809)	156,821	26,815
Changes:				
Receivables	6,740	31,840	49,860	29,043
Inventories	(35,098)	18,454	(82,408)	7,027
Other current assets	(122,492)	25,774	(139,850)	(10,581)
Accounts payable and accrued expenses	438,252	73,619	(373,040)	206,306
Cash generated from operations	347,185	130,878	(388,617)	258,610
Retirement benefits paid	(31,673)	(3,860)	(108,819)	(12,841)
Interest received	0	40	11,070	40
Income tax recovered (paid)	(11,031)	0	(10,887)	(31)
Net cash provided by operating activities	315,551	127,058	(497,253)	245,778
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments	32,378	46,308	3,075	69,706
Acquisition of property and equipment	(275,449)	(115,801)	(343,253)	(208,545)
Unrecovered exploration costs and other assets	(488,892)	(11,830)	(764,854)	(22,103)
Additional Paid In Capital	0	0		
Net cash used in investing activities	(731,963)	(81,323)	(1,105,032)	(160,942)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Borrowings, net	333,665	(19,411)	(32,326)	(38,259)
Interest	(459,537)	(26,762)	(433,022)	(46,001)
Capital and other reserves	1,647	1,647	3,046,979	1,647
Net cash used by financing activities	(88,709)	(44,526)	2,581,631	(82,613)
NET INCREASE (DECREASE) IN CASH	(505,121)	1,209	979,346	2,223
Beginning of period	1,511,489	16,960	27,022	15,946
CASH AT END OF THE PERIOD	P 1,006,368	P 18,169	P 1,006,368	P 18,169

ANNEX "D"

LEPANTO CONSOLIDATED MINING COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED JUNE 30, 2011 & 2010

(Amounts in thousands)

	JUNE 30 2011	JUNE 30 2010
Authorized - P 6.64 billion Share capital at par value	P 4,324,782	P 3,287,685
Subscribed capital (net of subscriptions receivable)	7,463	(170)
Share premium	3,526,167	1,446,062
Fair value and other reserves	(354,090)	(357,944)
Revaluation reserve	489,145	501,723
Retained earnings		
Beginning balance	(230,089)	(234,866)
Net income (loss) for the period	167,519	(266,404)
	(62,570)	(501,270)
EQUITY ATTRIBUTABLE TO THE STOCKHOLDERS OF THE PARENT COMPANY	7,930,897	4,376,086
NON-CONTROLLING INTERESTS	245,875	246,922
	P 8,176,772	**P 4,623,008**

ANNEX "E"

LEPANTO CONSOLIDATED MINING COMPANY

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2011 and DECEMBER 31, 2010

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 financial statements of the subsidiaries are prepared for the same financial reporting year as the parent company using uniform accounting policies and other events in similar circumstances. All significant intercompany balances and transactions, including intercompany income and losses, are eliminated.

Subsidiaries are included in consolidation from the date on which control, directly or indirectly, is transferred and cease to be consolidated from the date on which control is transferred out from the parent company.

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

The Company has not yet decided whether or not to early adopt PFRS 9 (2009) or PFRS 9 (2010) for its 2011 financial reporting and therefore, the interim financial statements do not reflect the impact of said standard.

It is currently evaluating the impact of the possible early adoption of either PFRS 9 (2009) or PFRS 9 (2010) in its financial statements.

The accounts that are to be affected are Available-for-sale financial assets (AFS) and Cumulative changes in fair values of AFS investments.

Note 4 – Cash and Cash Equivalents

Cash and Cash Equivalents increased from P27.0 million to P1,006.4 million as a result of the company's stock rights offering. The account is composed of Cash in banks and on hand and interest bearing short term investments.

Note 5 – Receivables

Receivables decreased by P49.9 million on account of collections during the period.

Note 6 – Inventories

The account went up from P468.6 million to 551.0 million with parts and supplies for mine machineries contributing 85% on the increment while supplies for drill rigs such as tubings and diamond bits accounted for the 15% in anticipation of increased development and drilling activities during the period.

Note 7– Other Current Assets

The 44% increase is composed mainly of P75.9 million from Advances to Suppliers/Miscellaneous Deposits, P24.2 million Creditable input VAT and Prepaid Expenses among others.

Note 8 – Investments and Advances in Associates

Share in income of an Associate accounted for the 61% increase.

Note 9 – Mine Exploration Cost

The P621.2 million increase for the period is due to the ongoing drilling by a subsidiary of its mineral deposits essential to its preparation of a bankable feasibility study.

Note 10 – Other Noncurrent Assets

Deferred charges accounted for the major increase in this account, P129.8 million of which is the deferment of Retrenchment cost of 451 employees over the six month period. This account group is also composed of Environmental, Monitoring and Rehabilitation Trust funds together with long term deposits.

Note 11 – Trade and Other Payables

The reduction from P2,671.7 million to P2,301.7 million was due to the settlements of various obligations to suppliers and creditors from the proceeds of the stock rights.

Note 12– Current and Long Term Portion Borrowings

The Current Portion of Long Term Borrowings went down from P60.1 million to P29.1 million while the Long Term Portion decreased from P493.1 million to P91.0 million due to payments made during the period from the proceeds of the stock rights.

Note 13– Income Tax Payable

The P6.2 million reduction in tax is due to lower taxable profit of subsidiaries during the period.

Note 14 – Retirement Benefit Obligations

The 15% drop from P540.9 million to P462.5 million is due to the pension contributions made during the period coming from the proceeds of the stock rights.

Note 15 – Capital Stock and Additional Paid-In Capital

The increase of P1,016.7 million in Capital Stock and Additional Paid-in Capital of P2,030.2 million are due to the stock rights during the period.

Note 16 – Retained Earnings (Deficit)

The Deficit decreased from P230.1 million to P62.6 million on account of share in the operating results of associates for the period.

Note 17 - Business Segments

Lepanto Consolidated Mining Company Group (LCMC Group) derives revenue from the following main operating business segments:

Investment activities – This segment derives its income as a general agent, broker or factor of any insurance company or as a commercial broker, agent or factor of any person, partnership, corporation or association engaged in any lawful business, industry or enterprise. Income is derived from commissions, which represent income on non-life insurance policies underwritten by a subsidiary for certain principals.

Hauling activities – This segment engages in handling all kinds of material, products and supplies in bulk and maintaining and operating terminal facilities such pier and warehouses. Income is derived mainly from hauling fees, sale of lumber, sawmill services and warehouse rentals.

Insurance activities – This segment derives its revenues from premiums from short duration insurance contracts, which are recognized over a period of the contracts using the 24th month method.

The assets, liabilities and results of the business segments of the LCMC Group for the 2st quarter of the year 2011 and 2010 are as follows:

Investment activities

	2011 (in thousands)	2010 (in thousands)
Current Assets	5,797	5,795
Non-current Assets	106,258	106,098
Current Liabilities	51,437	50,694
Non-Current Liabilities	0	0
Gross Income	0	35
Net Income (Loss)	(168)	(86)

Hauling Activities

	2011 (in thousands)	2010 (in thousands)
Current Assets	56,191	63,707
Non-Current Assets	433,361	423,730
Current Liabilities	7,589	9,719
Non-Current Liabilities	131,327	131,414
Gross Income	13,629	13,154
Net Income (Loss)	5,354	177

Insurance Activities

	2011 (in thousands)	2010 (in thousands)
Current Assets	717,512	390,216
Non-current Assets	137,861	166,587
Current Liabilities	625,695	338,598
Gross Underwriting Income	74,519	39,438
Underwriting Income	13,643	6,344
Net Income (Loss)	(5,268)	(1,605)

Note 18 – 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 JUNE 30, 2011

CUSTOMERS	*CURRENT*	*OVER 30 DAYS*	*OVER 60 DAYS*	*TOTAL*
HERAEUS LTD.	37,292,722.14	-	-	37,292,722.14
	37,292,722.14	-	-	37,292,722.14

ANNEX "G"

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
As June 30, 2011

2011

To address previous years' problem of insufficient development that caused low productivity, the Company started to implement a 5-month P700 million development program of the upper levels of Victoria starting May. The program consists of over 16 kilometers of internal ramps, level drives and stope development. Underground personnel and equipment were concentrated towards achieving these development targets. During the development period, the mill will be processing only previously stock-piled low-grade ore.

In May, the Company's manpower was reduced by about 451 employees through a retrenchment program amounting to P173.1 million. The retrenchment cost is being amortized from May to December.

Total revenue for the first half amounted to P774.5 million against P645.8 million in 2010. After the Share in Net Income of Manila Mining Corporation (MMC), an Associate, of P191.4 million (versus a loss of P6.0 million last year), Net Income reached P167.4 million compared with a Net Loss of P266.7 million the previous year. Net Loss from mining operations was P38.7 million (including a non-recurring retrenchment cost of P43.3 million) compared with a loss of P255.8 million last year.

Consolidated revenues for the second quarter of 2011 amounted to P296.0 million compared with P311.7 million in 2010. After the Share in Net Income of MMC of P193.0 million, Net Income amounted to P136.7 million versus a Net Loss of P138.4 million the previous year. Loss from mining operations totaled P67.5 million (including a non-recurring retrenchment cost of P43.3 million).

MINING OPERATIONS

January to June 2011

Gold production was 10,177 oz. compared with 11,512 oz. last year as a result of the curtailment in May of mining operations to give way to the development program. Average gold grade decreased to 1.60 g/t compared with 2.25 g/t gold last year because, as programmed, only low-grade stockpiled materials were processed from May to June. Tonnage however rose from 177,888 tonnes to 232,560 tonnes, 96,080 tonnes of which were from the low-grade- stockpile.

Metal revenue went up to P 659.4 million from P622.4 million due mainly to higher metal prices ($1,424.89 per oz. compared with $1,152.60 per oz. last year) which offset the effect of the strengthening of the peso vis-à-vis the US dollar, P43.62/US$ against last year's P45.78/US$. Other income amounted to P47.4 from P2.5 million last year mainly on account of discounts granted in relation to the settlement of various liabilities.

Cost and expenses decreased by 10% to P716.4 million from P793.20 million on account of the suspension of mining operations. Mining costs dipped by P61.8 million reflecting lower (i) power cost, (ii) usage of supplies and services, (iii) labor costs and (iv) maintenance cost of underground mining equipment. Other cost components that went down were: smelting and refining costs, P2.1 million; depreciation and depletion, P20.5 million and P33.0 million, respectively; overhead, P9.6 million; administration, P8.1 million. Milling cost however increased by P12.5 million due largely to power costs, supplies and production tax. The cost of the retrenchment effected in May 2011 of P173.1 million is being amortized over 8 months, and a total of P43.3 million was booked as of end of June.

Operating Losses decreased to P9.6 million, compared with P168.3 million last year. Interest costs amounted to P34.4 million versus P89.4 million last year, while the foreign exchange gain resulting from the appreciation of the Peso against the US$ (P43.62 /US$ vs. P45.78/US$ last year) increased 179% to P5.3 million. Net Loss for the first half totaled P38.7 million (including a non-recurring retrenchment cost of P43.3 million) compared with P255.8 million for the same period last year.

April to June 2011

Ore processed for the period reached 140,740 tonnes, 2/3 of which was low-grade stock-piled material, compared with 81,580 tonnes last year. Gold grade averaged 0.88 g/t versus 2.27 g/t gold last year. Gold production totaled 3,192 oz. compared with last year's 5,336 oz.

*Following are the production statistics for the second quarter and first half of the year:

	2011 Apr-Jun	2010 Apr-Jun	Difference %	2011 Jan-Jun	2010 Jan-Jun	Difference %
Tonnes Milled	140,740	81,580	73	232,560	177,880	31
Milled Head, g/t Au	0.88	2.27	-61	1.60	2.25	-29
Au Recovery, %	80	90	-11	85	89	-5
Production, oz Au	3,192	5,336	-40	10,177	11,512	-12

Due to the curtailment of mining operations as discussed above, operating costs decreased by P81.0 million vs. last year. Mining cost dropped by P70.5 million due to the lower costs of labor (P31.2 million) and power (P7.9 million), and lower usage of consumables such as explosives, LHD parts etc. (P20.6 million) and other supplies and services (P7.3 million). Other cost components that were reduced were: Depletion (P25.3 million) due to non-extraction for two months, Administration costs (P16.1 million), Depreciation (P15.3 million), Overhead (P13.8 million), Smelting and Refining etc. (P1.9 million) and Production tax (P1.6 million). However, milling costs went up by P18.3 million on account of the processing of low-grade material. The company recorded a retrenchment cost of P43.3 million for the period.

Net Finance cost decreased this quarter by P14.2 million from last year's P44.5 million due to the retirement of some loan accounts early this year and to the higher interest income.

A foreign exchange gain of P4.5 million was recognized in the 2nd quarter due to the continued appreciation of the Peso against the US dollar. The following is an extract of the income statement showing the quarterly and year-to-date results:

	2011 Apr-Jun (Pesos M)	2010 Apr-Jun (Pesos M)	Difference %	2011 Jan-Jun (Pesos M)	2010 Jan-Jun (Pesos M)	Difference %
Sale of Metals	217.5	298.3	-27	659.4	622.4	6
Other Income	47.0	0.3	15567	47.4	2.5	1796
Total Revenue	264.5	298.6	-11	706.8	624.9	13
Cost and Expenses	-322.3	-403.3	20	-716.4	-793.2	10
Income (Loss) from Operations	-57.8	-104.7	45	-9.6	-168.3	94
Finance Costs (net)	-14.2	-44.5	68	-34.4	-89.4	62
Foreign Exchange Gain (Loss)	4.5	1.3	246	5.3	1.9	179
Net Income (Loss)	-67.5	-147.9	54	-38.7	-255.8	85

BALANCE SHEET

Cash and Cash equivalents went up by P979.3 million due to the proceeds of the 1:3.3 Stock Rights Offering ("SRO"). Receivables decreased by P49.9 million on account of collections during the period. Inventories went up by 17.6% consisting of additional parts and supplies for mine machineries and for drill rigs. Other current assets increased by P139.8 million due to Advances to Suppliers, Miscellaneous Deposits, Creditable Input VAT and Prepaid Expenses.

Investments in and advances to associates went up by P179.4 million representing the Company's net share in the income of Associates.

Mine exploration cost increased by 75.3% due to the ongoing drilling at the Far Southeast Project.

Other non-current assets went up by P143.6 million, P129.8 million of which represents the deferred retrenchment cost, as discussed above. Other components of this account are Environmental, Monitoring and Rehabilitation Trust Funds and Long-Term Deposits.

Liabilities were substantially reduced due to settlements made out of the SRO proceeds: Trade payables by 13.8%; Current and Long-term portions of Borrowings by 51% and 81% respectively; and Retirement benefit obligations by 14.5%.

The reduction in Income Tax Payable is due to the lower taxable profit of subsidiaries.

Capital stock and Additional Paid-in capital increased by P1,016.7 million and P2,030.2 million, respectively, due primarily to the SRO.

Retained earnings show a deficit of P62.6 million from the deficit of P230.1 million due to the income of P167.5 million.

CAPITAL EXPENDITURES

Total capital expenditures for the first half of the year reached P358.8 million, P170.0 million of which went to mine and capital development. Diamond drilling added P26.3 million while P11 million was incurred for the Tailings Dam maintenance. Purchase of machinery and equipment amounted to P151.5 million.

OUTLOOK FOR THE REST OF THE YEAR

Mining operations will resume in the last quarter of the year with a daily tonnage of 2,000 tonnes per day and an estimated production of 5,000 gold ounces. Until September, the mill will process about 300,000 tonnes more of low grade material.

The balance of the retrenchment cost that will be amortized monthly until year-end amounts to P129.8 million.

SUBSIDIARIES

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

Lepanto Investment and Development Corp reported a net loss of P168 thousand compared with last year's loss of P86 thousand. Shipside Incorporated registered a net income of P5.4 million against last year's net income of P177 thousand. Diamond Drilling Corporation of the Philippines reported a net income of P10.4 million against a net loss of P6.2 million the previous year due to higher meterage drilled.

* - KEY PERFORMANCE INDICATORS-LCMC

Tonnes Milled which indicate the amount of ore taken for processing, **Milled Head** is the amount of gold per ton milled and **Gold production** which is the final product of the operations. **Metal sales, Cost and Expenses** and **Net Income** round up the review process on how the company is performing vis-à-vis the performance of the same period last year. **Average Gold price** for the period adds another parameter that needs watching notwithstanding that the company has no direct influence on its movement.

Lepanto Consolidated Mining Company
Impact of Current Global Financial Condition

Credit Risk

There is no significant exposure to credit risk. Gold exports are settled on cash basis. Existing contracts allow for the payment of 98% of the value of payable metals (determined on the day of shipment) within two banking days from shipment. Full settlement is normally received within three (3) working days.

Copper concentrate exports are 90% paid within five (5) working days upon submission of invoices and shipping documents. The remaining 10% is payable within 90 days from shipping date. There is no copper concentrate production however at this time.

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$2.0 million, was revalued at the start of the year based on an exchange rate of P43.84/US$. The depreciation of the Peso against the US$ results in a forex loss with respect to such liabilities, which losses are booked at year-end. However, it should be noted that being a 100% dollar-earner, the company actually benefits from such Peso depreciation in terms of higher peso revenues. Presently however, the peso is appreciating against the dollar and settlement of liabilities is reflected as forex gain.

Interest Rate Risk

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

Liquidity Risk

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

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

Fair Values

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

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

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

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

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