108132013003293

SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills,Mandaluyong City, Metro Manila,Philippines
Tel:(632) 726-0931 to 39 Fax:(632) 725-5293 Email: mis@sec.gov.ph

Barcode Page

The following document has been received:

Receiving Officer/Encoder : Marites S. Guevarra
Receiving Branch : SEC Head Office
Receipt Date and Time : August 13, 2013 05:00:53 PM
Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No.	PW00000101
Company Name	LEPANTO CONSOLIDATED MINING CO.
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	108132013003293
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
Document Code	17-Q
Period Covered	June 30, 2013
No. of Days Late	0
Department	CFD
Remarks	

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	815-9447
Contact Person	Company Telephone Number

1 2 / 3 1	1 7 - Q	3rd Monday of April
Month Day	FORM TYPE	Month Day
Fiscal Year		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, 2013**

2. Commission identification number: **101** 3. BIR Tax Identification No.: **000-160-247**

4. Exact name of issuer as specified in its charter:

LEPANTO CONSOLIDATED MINING COMPANY

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

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office:

21st Floor, Lepanto Building
8747 Paseo de Roxas, Makati City, Philippines

8. Issuer's telephone number, including area code:

(632) – 815-9447

9. Former name, former address and former fiscal year, if changed since last report: **N/A**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding:
Class "A"	26,078,119,150
Class "B"	17,385,389,318

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

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

Yes [x] No [ ]

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

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

12. Indicate by check mark whether the registrant:

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

Yes **[x]** No [ ]

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

Yes [ ] No **[x]**

PART I- FINANCIAL INFORMATION

Item 1.	**Financial Statements:** *Income Statement*		***- Annex "A"***
	Balance Sheet		***- Annex "B"***
	Statement of Cash Flow		***- Annex "C"***
	Stockholders' Equity		***- Annex "D"***
	Notes to Financial Statements		***- Annex "E"***
	Aging of Accounts Receivable-Trade		***- Annex "F"***
Item 2.	**Management's Discussion and Analysis of Financial Condition and Results of Operations**		***- Annex "G"***
Item 3.	**Impact of Current Global Financial Condition**		***- Annex "H"***
Item 4.	**Financial Ratios**		***- Annex "I"***

PART II- OTHER INFORMATION (None)

SIGNATURES

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

Issuer : **LEPANTO CONSOLIDATED MINING COMPANY**

Signature :
MARIO L. LAVENTE

Title : Vice President/Controller

Date : August 13, 2013

Signature :
ODETTE A. JAVIER

Title : Vice President/Assistant Corporate Secretary

Date : August 13, 2013

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2013
(With Comparative Figures for 2012)
(Amounts In Thousand , Except Loss Per Share)

	FOR THE SECOND QUARTER		FOR SIX MONTHS ENDED JUNE 30	
	2013	2012	2013	2012
REVENUES				
Sale of metals	P 426,791	P 502,436	P 940,397	P 1,046,234
Service fees and other operating income	30,926	39,737	57,367	66,425
	457,717	542,173	997,764	1,112,659
COSTS AND EXPENSES				
Mining, milling, roasting, smelting, refining and and other related charges; administrative expenses; depreciation, amortization and depletion; and other charges	(555,895)	(523,531)	(1,087,701)	(1,048,522)
INCOME (LOSS) FROM OPERATIONS	(98,178)	18,642	(89,937)	64,137
FINANCE COST, net	(5,503)	(9,100)	(10,883)	(17,786)
FOREIGN EXCHANGE GAINS (LOSS) - net	260	4,116	113	3,166
OTHER INCOME, net	115	1,220	111	453
SHARE IN NET EARNINGS (LOSSES) OF ASSOCIATES	(1,016)	11,714	(154)	3,466
INCOME (LOSS) BEFORE INCOME TAX	(104,322)	26,592	(100,750)	53,436
PROVISION FOR (BENEFIT FROM) INCOME TAX				
CURRENT	435	2,692	571	3,108
DEFERRED	(13)	(80)	(21)	(78)
	422	2,612	550	3,030
NET INCOME / (LOSS)	P (104,744)	P 23,980	P (101,300)	P 50,406
Attributable to:				
Stockholders of the parent company	(104,719)	23,980	P (101,216)	P 50,406
Non-controlling interests	(25)	-	(84)	-
Net Income / (Loss)	P (104,744)	P 23,980	P (101,300)	P 50,406
OTHER COMPREHENSIVE INCOME (LOSS)	P -	P -	P -	P -
	P -	P -	P -	P -
TOTAL COMPREHENSIVE INCOME (LOSS)	P (104,744)	P 23,980	P (101,300)	P 50,406
Attributable to:				
Stockholders of the parent company	(104,719)	23,980	(101,216)	50,406
Non-controlling interests	(25)	-	(84)	-
	(104,744)	23,980	(101,300)	50,406
EARNINGS (LOSS) PER SHARE attributable to stockholders of the parent company				
Basic & Diluted	(0.00241)	0.00055	(0.00233)	0.00116
	(-P104,719,248 / 43,463,508,468 shares)	(P23,980,194 / 43,344,161,743 shares)	(-(P101,216,000) / 43,463,508,468 shares)	(P50,406,343 / 43,344,161,743 shares)

LEPANTO CONSOLIDATED MINING COMPANY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in thousands)

	JUNE 30 2013	*DECEMBER 31 2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalent	P 179,753	P 101,837
Receivables, net	108,157	95,227
Inventories, net	623,485	662,473
Advances to suppliers and contractors	444,251	512,670
Other current assets	545,726	579,688
Total current assets	1,901,372	1,951,895
NON-CURRENT ASSETS		
Property, plant and equipment	7,386,585	7,347,458
Available-for-sale financial assets	168,341	168,341
Investments and advances in associates	580,184	568,264
Mine exploration cost	5,741,853	5,004,255
Deferred income tax assets	25,461	25,461
Other noncurrent assets	47,312	30,662
Total non-current assets	13,949,736	13,144,441
TOTAL ASSETS	P 15,851,108	P 15,096,336
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables	P 1,130,286	P 1,180,250
Current portion of long-term borrowings	26,683	25,451
Export Advances	105,518	-
Income tax payable	571	6,588
Total current liabilities	1,263,058	1,212,289
NON-CURRENT LIABILITIES		
Advances from Far Southeast Services Limited	5,401,969	4,546,990
Long-term borrowings - net of current portion	75,943	89,489
Provision for mine rehabilitation and decommissioni	48,297	47,996
Retirement benefit obligations	267,894	305,158
Deferred income tax liabilities	178,694	178,714
Stock subscriptions payable	107,784	107,784
Deposit for future stock subscriptions	69,200	69,200
Total non-current liabilities	6,149,781	5,345,331
TOTAL LIABILITIES	7,412,839	6,557,620
EQUITY		
Capital stock	4,344,343	4,344,343
Additional paid-in capital	3,553,791	3,552,937
Cumulative changes in fair values of AFS investmei	(296,826)	(296,826)
Retained earnings (Deficit)	609,793	711,009
	8,211,101	8,311,463
Non-controlling interests	227,168	227,253
Total equity	8,438,269	8,538,716
TOTAL LIABILITIES AND EQUITY	P 15,851,108	P 15,096,336

*- AUDITED

ANNEX "C"

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30

(With Comparative Figures for 2012)

(Amounts in Thousand Pesos)

	JUNE 2013	JUNE 2012	FOR SIX MONTHS ENDED JUNE 30 2013	FOR SIX MONTHS ENDED JUNE 30 2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Income/ (Loss) before tax	P (104,322)	P 26,592	P (100,750)	P 53,436
Adjustments for:				
Depreciation and depletion	170,506	164,224	335,940	327,593
Equity in net losses (income) of affiliated companies	1,015	(11,714)	154	(3,466)
Foreign exchange losses (income), net	(4,492)	(4,116)	(4,346)	(3,166)
Provision for retirement benefit cost	912	308	1,856	1,895
Interest income	(75)	(605)	(75)	(2,919)
Interest expense	5,503	9,705	10,883	20,705
Loss on sale of asset	-	-	95	-
Provision for income tax	301	-	301	-
Provision for income tax	(422)	-	(550)	-
Operating income before changes in working capital	68,926	184,394	243,508	394,078
Changes:				
Receivables and advances to suppliers	115,178	(50,611)	57,163	48,120
Inventories and PPE	40,740	83,049	52,686	(2,827)
Prepayments and other assets	15,327	(142,078)	17,312	(342,601)
Accounts payable and accrued expenses	315,680	241,292	804,714	893,126
Deferred income tax liability, net	(12)	-	(20)	-
Cash generated from operations	555,839	316,046	1,175,364	989,896
Retirement benefits paid	(20,009)	1,931	(39,120)	(21,660)
Interest received	75	605	75	2,919
Net cash provided by operating activities	535,905	318,582	1,136,319	971,155
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments, net	(8,209)	18,453	(11,250)	13,824
Acquisition of property and equipment	(209,638)	(226,336)	(389,976)	(395,707)
Unrecovered exploration costs and other assets	(376,253)	(235,292)	(737,598)	(799,078)
Net cash used in investing activities	(594,100)	(443,175)	(1,138,824)	(1,180,961)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Borrowings	105,882	-	146,568	-
Disposal of Assets	-	-	1,116	-
Payments of:				
Borrowings	(6,374)	4,116	(53,364)	(43,841)
Interest	(9,452)	(8,692)	(14,753)	(18,566)
Capital and other reserves	-	1,647	854	28,961
Net cash used by financing activities	90,056	(2,929)	80,421	(33,446)
NET INCREASE (DECREASE) IN CASH	31,860	(100,209)	77,916	(243,252)
Beginning of period	147,893	308,161	101,837	451,204
CASH AT END OF THE PERIOD	P 179,753	P 207,952	P 179,753	P 207,952

LEPANTO CONSOLIDATED MINING COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED JUNE 30, 2013 & 2012

(Amounts in thousands)

	JUNE 30 2013	JUNE 30 2012
Authorized - P 6.64 billion		
Share capital at par value	P 4,344,022	P 4,333,380
Subscribed capital (net of subscriptions receivable)	321	10,963
Share premium	3,553,791	3,552,937
Fair value and other reserves	(296,826)	(312,296)
Revaluation reserve	-	489,145
Retained earnings		
Beginning balance	711,009	31,043
Net income (loss) for the period	(101,216)	50,406
	609,793	81,449
EQUITY ATTRIBUTABLE TO THE STOCKHOLDERS OF THE PARENT COMPANY	8,211,101	8,155,578
NON-CONTROLLING INTERESTS	227,168	237,075
	P 8,438,269	**P 8,392,653**

ANNEX "E"

LEPANTO CONSOLIDATED MINING COMPANY

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2013 and DECEMBER 31, 2012

Note 1 - General information

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

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

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

On April 1, 1997, the parent company started the commercial operations of its Victoria Project gold mine. Consequently, in October 1997, the parent company temporarily ceased operating its copper concentrate roasting plant facilities in Isabel, Leyte for an indefinite period. The Roasting plant facility was also registered with the Philippine Economic Zone Authority (PEZA) on December 17, 1985 pursuant to the provisions of Presidential Decree No. 66, as amended, and Executive Order No. 567 as a zone export enterprise to operate a roasting plant for the manufacture of copper calcine at the Isabel Special Export Economic Processing Zone.

On March 30, 2000, the parent company registered its copper flotation with the BOI as a new producer of copper concentrates on a preferred non-pioneer status. This registration entitles the parent company to a four (4) year ITH, subject to compliance with certain conditions, simplified customs procedures, additional deduction for labor expense, and unrestricted use of consigned equipment for a period of ten (10) years. It is required to maintain a base equity of at least 25% as one of the conditions of the registration. The Copper Flotation project has been suspended at the end of 2001; BOI registration was cancelled on July 11, 2006.

On April 10, 2001, the BOI approved the parent company's request for ITH bonus year for a period of one year from April 2001 to March 2002 for its gold bullion project. On June

21 and September 21, 2005, the parent company obtained necessary approval for the ITH bonus years of April 2002 to March 2003 and April 2003 to March 2004, respectively.

On January 5, 2004, the parent company was registered with the BOI under Executive Order No. 226 as new export producer of gold bullion on a non-pioneer status, for its Victoria II (renamed Teresa) Project, located also in Mankayan, Benguet, Philippines. This registration entitles the parent company to ITH with the same incentives that were granted on their registration with the BOI on January 14, 1997. The Teresa Project commenced its commercial operations in April 2004

On November 21, 2006, the parent company was registered with the BOI under Executive Order No. 226 as new export producer of copper-gold concentrate on a non-pioneer status for its copper-gold flotation project located also in Mankayan, Benguet, Philippines. This registration entitles the Company to ITH for four (4) years, which can be further extended for another three (3) years subject to compliance with certain conditions, and duty-free importation of equipment, spare parts and accessories for five years.

The registrations mentioned above enable the parent company and its subsidiaries to avail of the rights, privileges, and incentives granted to all registered enterprises.

The parent company has its principal office at the 21st Floor, 8747 Lepanto Building, Paseo de Roxas, Makati City.

Note 2 – Compliance with Generally Accepted Accounting Principles

The consolidated financial statements of the Group have been prepared in accordance with the accounting principles generally accepted in the Philippines. The Group prepared its consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRS) except for the exemption from fair value requirement of the Philippine Accounting Standards (PAS) 39 of long term commodity hedging contracts entered into by the Company and outstanding as of January 1, 2005, which was permitted by the SEC.

The accounting policies adopted in the preparation of the financial statements are consistent with the most recent annual financial statements.

Note 3 – Adoption of PFRS 9

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

Note 4 – Standards under SEC Memorandum Circular No. 6 (SEC MC- 6)

The company adopts the following standards and interpretations that took effect on January 1, 2013 and are covered under the SEC Memorandum Circular No.6:

Title	Subject	Applicable
PAS 27 (Amended)	Separate Financial Statements	Yes
PAS 28 (Amended)	Investments in Associates and Joint Ventures	Yes
Amendment of PFRS 1	Government Loans	N/A*
Amendment of PFRS 7	Disclosures-Offsetting Financial Assets and Financial Liabilities	N/A*
PFRS 10	Consolidated Financial Statements	Yes
PFRS 11	Joint Arrangement	N/A*
PFRS 12	Disclosures of Interests in Other Entities	Yes
PFRS 13	Fair Value Measurement	Yes

N/A*-not applicable

The company does not expect the adoption of these new and amended PFRS and PAS to have a significant impact on its financial statements and on the audited figures as of December 31, 2012.

Note 5 – Cash and Cash Equivalents

Cash and Cash Equivalents increased from P101.8 million to P179.8 million as a result of advances from Far Southeast Services Limited to finance exploration. The account is composed of Cash-in-banks and on-hand.

Note 6– Receivables

Receivables increased by P12.9 million on account of sales during the period.

Note 7 – Inventories

The P39.0 million decrease for the period was due to the consumption and utilization of parts and supplies for operations, repairs and rehabilitation of mine machinery and equipment.

Note 8 – Advances to Suppliers and Contractors

The P68.4 million decrease was due mainly to the application by Far Southeast Gold Resources, Inc.(FSGRI), a subsidiary, of advances against the billings of its drilling contractor.

Note 9 – Other Current Assets

The account is composed of creditable input value added tax, deferred costs, prepaid expenses and others. The decrease of P33.0 million was due largely to the reduction of deferred costs and others.

Note 10 – Mine Exploration Cost

The P737.6 million increase for the period was due to the ongoing drilling by FSGRI.

Note 11 – Other Noncurrent Assets

The increase of P16.6 million for the period was due mainly to the increase in deferred charges. In addition to deferred charges, this account consists of Long-term deposits, Environmental and MonitoringTrust Funds, Mine Rehabilitation Fund and Miscellaneous Assets.

Note 12 – Export Advances

This represents availments against an export advance line.

Note 13 – Income Tax Payable

The reduction of P6.0 million was due to the payment of taxes during the period.

Note 14 – Advances from Far Southeast Services Limited

The increase of 18.8% or P855.0 million was due to advances made to FSGRI for its ongoing mine exploration.

Note 15 –Long-term Borrowings – net of Current Portion

The decrease in Long-term borrowings of P13.5 million resulted from settlements made during the period.

Note 16 – Retirement Benefit Obligations

The reduction of P37.3 million was due to contributions made period during the period.

Note 17 – Retained Earnings (Deficit)

The reduction of P101.2 million was the offshoot of the net loss for the period.

Note 18 - Business Segments

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

Mining activities --This segment engages in exploration and mining of gold, silver, copper, lead, zinc and all kinds of ores, metals, minerals, oil, gas, and coal and related by-products.

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

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

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

Drilling activities – This segment derives its income from drilling services to its related and outside parties.

Manufacturing activities – This segment derives its income from the manufacturing and sales of products allied to the diamond core drilling industry.

The assets, liabilities and results of the business segments of the LCMC Group for the 2nd quarter of the year 2013 and 2012 are as follows:

Mining activities

	2013 (in thousands)	2012 (in thousands)
CURRENT ASSETS	1,871,368	2,001,243
NON-CURRENT ASSETS	13,668,903	11,029,227
CURRENT LIABILITIES	1,355,572	4,128,615
NON-CURRENT LIABILITIES	6.098,634	732.550
GROSS INCOME	946,456	1,054,755
NET INCOME / (LOSS)	(102,834)	37,430

Investment activities

	2013 (in thousands)	2012 (in thousands)
CURRENT ASSETS	5,850	5,929
NON-CURRENT ASSETS	117,370	107,910
CURRENT LIABILITIES	63,075	52,891
NON-CURRENT LIABILITIES	0	0
GROSS INCOME	0	0
NET INCOME / (LOSS)	(149)	(142)

Hauling Activities

	2013 (in thousands)	2012 (in thousands)
CURRENT ASSETS	75,431	59,715
NON-CURRENT ASSETS	480,730	492,566
CURRENT LIABILITIES	6,966	7,186
NON-CURRENT LIABILITIES	132,095	131,982
GROSS INCOME	26,048	27,982
NET INCOME / (LOSS)	1,191	2,150

Insurance Activities

	2013 (in thousands)	2012 (in thousands)
CURRENT ASSETS	493,792	708,873
NON-CURRENT ASSETS	405,611	357,346
CURRENT LIABILITIES	496,210	684,710
GROSS UNDERWRITING INCOME	95,679	95,078
UNDERWRITING INCOME	35,377	35,676
NET INCOME / (LOSS)	9,505	13,341

Drilling Activities

	2013 (in thousands)	2012 (in thousands)
CURRENT ASSETS	249,567	280,282
NON-CURRENT ASSETS	47,574	9,508
CURRENT LIABILITIES	218,128	232,483
NON-CURRENT LIABILITIES	13,778	14,224
GROSS INCOME	82,738	80,993
NET INCOME / (LOSS)	14,027	5,885

Manufacturing Activities

	2013 (in thousands)	2012 (in thousands)
CURRENT ASSETS	21,734	28,697
NON-CURRENT ASSETS	6,599	3,141
CURRENT LIABILITES	14,421	12,831
NON-CURRENT LIABILITIES	8,377	7,549
GROSS INCOME	7,304	10,476
NET INCOME / (LOSS)	(2,016)	(545)

Note 19 – Seasonality

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

ANNEX "F"

LEPANTO CONSOLIDATED MINING CO.

AGING OF ACCOUNTS RECEIVABLE - TRADE

AS OF JUNE 30, 2013

CUSTOMERS	*CURRENT*	*OVER 30 DAYS*	*OVER 60 DAYS*	*TOTAL*
HERAEUS LTD.	54,097,752	-	-	54,097,752
	54,097,752	-	-	54,097,752

ANNEX "G"

MANAGEMENT's DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULT OF OPERATIONS

As of June 30, 2013

2013

Consolidated revenues for the second quarter of 2013 amounted to P457.7 million compared with P542.2 million in 2012. Net loss amounted to P104.7 million versus a net income of P24.0 million the previous year. The loss was attributable mainly to the lower gold price, US$1,383.52/oz versus US$1,605.50/oz. in 2012, compounded by the appreciation of the Peso against the US$, P41.74/US$1.00 compared with last year's P42.76/ US$1.00. Gold production decreased slightly this quarter, 7,156 oz. compared with 7,174 oz. last year. An additional loss of P1.0 million was recorded representing the parent company's share in the losses of associates, compared with a positive share of P11.7 million last year. Net loss from mining operations totaled P102.9 million as explained below.

Consolidated revenues for the first half totaled P997.8 million versus last year's P1.11 billion. Net loss amounted to P101.3 million compared with a net income of P50.4 million last year.

Mining Operations

April- June 2013

Milled tonnes rose from 113,870 tonnes to 142,750 tonnes this year but gold grade was lower, 1.79 g/t vs. 2.22 g/t last year, resulting in a slightly lower gold production.

Net loss for the quarter amounted to P102.9 million compared with a net income of P4.8 million last year. Gold prices averaged $1,383.52/oz. versus $1,1605.50/oz. last year.

Largely on account of the higher tonnage, Cost and Expenses increased by 6% from P499.8 million to P527.7: mining cost went up by P10.8 million; milling costs by P6.9 million; smelting and refining costs by P0.6 million; and depletion by P8.2 million. Depreciation increased from P46.1 million to P51.2 million due to the purchase of additional mining equipment and rehabilitation of old equipment. Production tax decreased by P1.5 million due to the lower metal revenue. Overhead expenses also went down by P1.6 million due to the lower consumption of supplies; administration cost decreased by P0.5 million.

Finance cost this quarter went down by P3.6 million compared with last year due to the reduction in interest-bearing liabilities. A foreign exchange gain of P0.3 million was recorded arising from the settlement of export advances. Other income amounted to P3.2 million consisting of dividend income, rental income, discounts from suppliers, sale of scrap and gain or loss from retirement of assets. Last year's other income amounted to P7.1 million.

January- June 2013

Gold production increased to 14,752 oz. from 14,283 oz. last year on account of the increased tonnage, 274,050 tonnes versus last year's 236,990 tonnes, despite the decrease in average gold grade from 2.12 g/t to 1.91g/t.

Net loss for the first half amounted to P102.6 million compared with last year's net income of P37.4 million. Gold prices averaged $1,499.89/oz. versus $1,653.63/oz. the preceding year.

Due to the higher tonnage, Cost and Expenses went up by 4% from P1,002.6 million to P1,038.3 million. Mining costs went up by P31.4 million on account of increases in consumables such as explosives, drill steels, diesoline, tires and tubes, lubricants, parts and maintenance supplies. Some mining cost components however decreased, namely: labor cost, by P1.5 million; power by P0.7 million; and contracted services by P4.5 million. Depletion rose by P0.9 million. Depreciation increased from P93.1 million to P99.8 million due to the purchase of mining equipment and rehabilitation of some old equipment; Overhead also went up by P4.3 million on account of import duties and local taxes. Total milling cost was almost unchanged at P166.8 million. Smelting and refining costs decreased from P5.1 million to P4.9 million due to fewer shipments made to the refinery. Production tax went down to P18.8 million from P20.8 million due to the lower metal revenue/ decline in gold price. Administration cost decreased to P81.8 million from P88.9 million on account of reductions in costs of supplies (P3.1 million), bank charges (P2.0 million) and services (P4.2 million).

Finance cost this quarter went down by P9.8 million compared with last year due to reduced loans and interest bearing liabilities. A foreign exchange gain of P0.1 million was recorded arising from the settlement of export advances as against last year's P3.1 million due to peso depreciation. Other income decreased to P6.0 million from P8.4 million due to reductions in dividend income, discounts from suppliers and sale of scrap.

BALANCE SHEET MOVEMENTS

Cash and cash equivalents increased by P78.0 million due to advances made by Far Southeast Services Limited to finance the exploration of the Far Southeast Project. Receivables increased by P12.9 million due to metal sales. Inventories decreased by P39.0 million due to consumption and utilization of parts and supplies for operations and rehabilitation of mine machinery and equipment. Advances to Suppliers and Contractors went down by P68.4 million due to the application of the advances against billings. Other Current Assets decreased by P33.0 million due mainly to the decreases in Miscellaneous

Deposits and Prepaid Expenses. The increase in mine exploration cost of P737.6 million was mainly due to the ongoing exploration/drilling on the Far Southeast ore body by FSGRI, which is sole-funded by Gold Fields. Other Noncurrent assets increased from P30.7 million to P47.3 million due mainly to Deferred charges.

On the Liabilities side, Export Advances increased by P105.5 million due to new availments while Income tax payable decreased by P6.0 million due to tax payments during the period. Advances from Far Southeast Services Limited increased by P855.0 million due to FSGRI's ongoing exploration. Long-term borrowings decreased by P13.5 million due to the amortizations made during the period. Retirement benefit obligations decreased by P37.3 million due to payments.

Retained Earnings went down by P101.2 million reflecting the reported net loss of the period.

CAPITAL EXPENDITURES

Total capital expenditures for the second quarter totaled P585.9 million, 136.0 million of which went to mine development. P389.8 million was spent on Exploration drilling while another P11.5 million was incurred for the Tailings Dam maintenance. Machinery and equipment purchased for the period amounted to P48.6 million.

For the first half of the year, total capital expenditures reached P1,127.6 million. Mine development accounted for P234.3 million; Exploration drilling, P770.8 million; Tailings Dam Maintenance,P22.0 million; and Machinery and equipment,P100.3 million.

OUTLOOK FOR THE YEAR

The Company expects to produce 36,000 ounces of gold and 64,000 ounces of silver this year.

SUBSIDIARIES

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

Lepanto Investment and Development Corp reported a net loss of P149 thousand compared with last year's loss of P142 thousand. Shipside Incorporated's net income was P1.2 million against last year's net income of P2.1 million. Diamond Drilling Corporation of the Philippines reported net income of P14.0 million against a net income of P5.9 million in the previous year. Diamant Manufacturing and Trading Corporation's net loss was P2.8 million versus last year's net loss of P0.5 million.

*- **KEY PERFORMANCE INDICATORS-LCMC**

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

Lepanto Consolidated Mining Company
Impact of Current Global Financial Condition

Credit Risk

There is no significant exposure to credit risk. Gold exports are settled on cash basis. 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.

Foreign currency-denominated liabilities totaled US$5.0 million at the end of the quarter. US$2.5 million was revalued at the start of the year based on an exchange rate of P41.05/US$ and US$2.5 million of the total was valued during the quarter at P42.21/US$. The general depreciation of the Peso against the US$ results in a net forex loss with respect to such liabilities, which losses are booked at year-end during restatement. However, it should be noted that being a 100% dollar-earner, the company did benefit from such Peso depreciation in terms of higher peso revenues. The peso depreciation against the dollar and settlement of liabilities is reflected as forex loss.

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 5.0% to 5.5%.

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

ANNEX "I"

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
FINANCIAL RATIOS
PURSUANT TO SRC RULE 68, AS AMENDED
JUNE 30, 2013
(With Comparative Annual Figures for 2012)

	AS OF 2ND QUARTER JUNE 2013	YEAR ENDED DECEMBER 2012
Profitability Ratios:		
Return on assets	-0.64%	2.05%
Return on equity	-1.20%	3.83%
Gross profit margin	-9.01%	14.19%
Operating profit margin	-9.01%	17.21%
Net profit margin	-10.14%	14.36%
Liquidity and Solvency Ratios:		
Current ratio	1.51:1	0.60:1
Quick ratio	1.01:1	0.32:1
Solvency ratio	0.06:1	0.13:1
Financial Leverage Ratios:		
Asset to equity ratio	1.88:1	1.49:1
Debt ratio	0.47:1	0.39:1
Debt to equity ratio	0.88:1	0.49:1
Interest coverage ratio	-8.30:1	7.30:1