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, 2014**

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 : November 13, 2014

Signature :

ODETTE A. JAVIER

Title : Vice President/Assistant Corporate Secretary

Date : November 13, 2014

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
STATEMENT OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014
(With Comparative Figures for 2013)
(Amounts In Thousand , Except Loss Per Share)

	FOR THE THIRD QUARTER				FOR NINE MONTHS ENDED SEPTEMBER 30			
		2014		2013		2014		2013
REVENUES								
Sale of metals	P	346,425		538,033	P	1,151,291	P	1,478,430
Service fees and other operating income		6,572		12,015		30,689		69,378
		352,997		550,048		1,181,980		1,547,808
COSTS AND EXPENSES								
Mining, milling, roasting, smelting, refining and and other related charges; administrative expenses; depreciation, amortization and depletion; and other charges		(495,501)		(591,951)		(1,570,126)		(1,679,652)
INCOME (LOSS) FROM OPERATIONS		(142,504)		(41,903)		(388,146)		(131,844)
FINANCE COST, net		(7,827)		(5,593)		(22,984)		(16,476)
FOREIGN EXCHANGE GAINS (LOSS) - net		6,790		(9,068)		5,667		(8,955)
OTHER INCOME, net		334		314		630		425
SHARE IN NET EARNINGS (LOSSES) OF ASSOCIATES		(4,458)		(2,102)		(14,538)		(2,256)
INCOME (LOSS) BEFORE INCOME TAX		(147,665)		(58,352)		(419,371)		(159,106)
PROVISION FOR (BENEFIT FROM) INCOME TAX								
CURRENT		2,754		(404)		5,293		167
DEFERRED		(111)		(5)		(271)		(26)
		2,643		(409)		5,022		141
NET INCOME (LOSS)	P	(150,308)	P	(57,943)	P	(424,393)	P	(159,247)
Attributable to:								
Stockholders of the parent company		(150,243)		(57,908)	P	(424,129)	P	(159,124)
Non-controlling interests		(65)		(39)		(264)		(123)
Net Income / (Loss)	P	(150,308)	P	(57,947)	P	(424,393)	P	(159,247)
EARNINGS (LOSS) PER SHARE attributable to stockholders of the parent company								
Basic & Diluted		(0.007965)		(0.001332)		(0.009758)		(0.003661)
		(-P346,205,554 / 43,463,508,468 shares)		(-P57,908,000 / 43,463,508,468 shares)		(-(P424,129,200) / 43,463,508,468 shares)		(-P159,124,000 / 43,463,508,468 shares)

ANNEX "B"

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

	SEPTEMBER 30 2014	*DECEMBER 31 2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalent	P 47,548	P 88,054
Receivables, net	75,369	109,736
Inventories, net	529,647	510,317
Advances to suppliers and contractors	447,131	453,957
Other current assets	581,802	551,437
Total current assets	1,681,497	1,713,501
NON-CURRENT ASSETS		
Property, plant and equipment	7,145,450	7,362,170
Available-for-sale financial assets	137,589	142,374
Investments and advances in associates	681,145	559,282
Mine exploration cost	6,063,675	5,890,750
Deferred income tax assets	406,115	406,115
Other noncurrent assets	64,734	38,604
Total non-current assets	14,498,708	14,399,295
TOTAL ASSETS	P 16,180,205	P 16,112,796
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables	P 1,432,771	P 1,042,241
Current portion of long-term borrowings	173,584	99,584
Income tax payable	3,687	613
Total current liabilities	1,610,042	1,142,438
NON-CURRENT LIABILITIES		
Advances from Far Southeast Services Limited	5,683,615	5,587,315
Long-term borrowings - net of current portion	-	22,198
Provision for mine rehabilitation and decommissioni	51,761	50,107
Retirement benefit obligations	1,507,246	1,562,341
Deferred income tax liabilities	223,120	223,391
Stock subscriptions payable	107,784	107,784
Deposit for future stock subscriptions	69,200	69,200
Total non-current liabilities	7,642,726	7,622,336
TOTAL LIABILITIES	9,252,768	8,764,774
EQUITY		
Capital stock	4,344,343	4,344,343
Additional paid-in capital	3,552,937	3,552,937
Re-measurement gain(loss) on retirement plan	(337,097)	(337,097)
Cumulative changes in fair values of AFS investme	(302,861)	(306,670)
Retained earnings (Deficit)	(575,259)	(151,130)
	6,682,063	7,102,383
Non-controlling interests	245,374	245,639
Total equity	6,927,437	7,348,022
TOTAL LIABILITIES AND EQUITY	P 16,180,205	P 16,112,796

* - **A U D I T E D**

ANNEX "C"

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30

(With Comparative Figures for 2013)

(Amounts in Thousand Pesos)

	SEPTEMBER 2014	SEPTEMBER 2013	FOR NINE MONTHS ENDED SEPTEMBER 30 2014	FOR NINE MONTHS ENDED SEPTEMBER 30 2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Income/ (Loss) before tax	P (147,665)	P (58,356)	P (419,371)	P (159,106)
Adjustments for:				
Depreciation and depletion	188,127	224,487	582,957	560,427
Equity in net losses (income) of affiliated companies	4,458	2,103	14,538	2,256
Foreign exchange losses (income), net	(6,790)	(13,236)	(5,667)	(17,581)
Provision for retirement benefit cost	1,193	912	3,231	2,768
Loss on sale of asset	30	(0)	-	95
Interest income	(30)	(42)	(88)	(117)
Interest expense	7,827	5,593	22,984	16,476
Provision for income tax	(2,643)	410	(5,022)	(141)
Operating income before changes in working capital	44,507	161,871	193,562	405,077
Changes:				
Receivables and advances to suppliers	28,528	(14,676)	41,397	42,487
Inventories and PPE	(529)	62,751	(8,721)	115,437
Prepayments and other assets	(28,940)	(28,246)	(56,495)	(10,933)
Accounts payable and accrued expenses	152,455	751	400,158	805,466
Liability for mine rehabilitation cost	551	905	1,654	1,206
Deferred income tax liability, net	(111)	(5)	(271)	(25)
Cash generated from operations	196,461	183,350	571,284	1,358,715
Retirement benefits paid	(19,809)	(19,207)	(58,327)	(58,327)
Interest received	30	42	88	117
Income tax recovered (paid)	-	-	(613)	
Net cash provided by operating activities	176,682	164,185	512,432	1,300,505
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments, net	8,594	-	(128,011)	(11,250)
Acquisition of property and equipment	(99,179)	(253,503)	(380,932)	(643,479)
Unrecovered exploration costs and other assets	(106,133)	(94,650)	(172,925)	(832,248)
Net cash used in investing activities	(196,718)	(348,153)	(681,868)	(1,486,977)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Borrowings	42,368	168,550	170,300	315,118
Disposal of Assets	-	-	4,086	1,116
Payments of:				
Borrowings	(7,546)	(87,669)	(22,495)	(100,347)
Interest	(7,863)	(5,556)	(22,961)	(20,309)
Capital and other reserves	-	-	-	854
Net cash used by financing activities	26,959	75,325	128,930	196,432
NET INCREASE (DECREASE) IN CASH	6,923	(108,642)	(40,506)	9,960
Beginning of period	40,625	220,439	88,054	101,837
CASH AT END OF THE PERIOD	P 47,548	P 111,797	P 47,548	P 111,797

ANNEX "D"

LEPANTO CONSOLIDATED MINING COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2014 & 2013

(Amounts in thousands)

	SEPTEMBER 30 2014	SEPTEMBER 30 2013
Authorized - P 6.64 billion		
Share capital at par value	P 4,344,022	P 4,344,022
Subscribed capital (net of subscriptions receivable)	321	321
Share premium	3,552,937	3,553,791
Fair value and other reserves	(302,861)	(296,826)
Revaluation reserve	(337,097)	-
Retained earnings		
Beginning balance	(151,130)	711,009
Net income (loss) for the period	(424,129)	(159,124)
	(575,259)	551,885
EQUITY ATTRIBUTABLE TO THE STOCKHOLDERS OF THE PARENT COMPANY	6,682,063	8,153,193
NON-CONTROLLING INTERESTS	245,374	227,129
	P 6,927,437	**P 8,380,322**

ANNEX “E”

LEPANTO CONSOLIDATED MINING COMPANY

NOTES TO FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2014 and DECEMBER 31, 2013

<u>Note 1 - General information</u>

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 PAS 19, Employee Benefits (Revised)

On January 1, 2013, the Group adopted the revised standards retrospectively, with permitted exception on sensitivity disclosures for the defined benefit obligation for the comparative period which have not been provided. For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in OCI and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

The Revised PAS 19 has been applied retrospectively from January 1, 2011, in accordance with its transitional provisions. The adoption did not have a material effect on the consolidated statement of cash flows. The effect on the earnings per share and disclosures on segment information for the years ended December 31, 2013, 2012 and 2011 is significant to the Group

Note 4 – Cash and Cash Equivalents

Cash and Cash Equivalents decreased from P88.0 million to P47.5 million as a result of lower metal sales and settlement of payables by a subsidiary. The account is composed of Cash in banks and on hand.

Note 5 – Receivables

Receivables decreased by P34.4 million on account of lower sales during the period.

Note 6 – Other Current Assets

The P30.4 million increase for the period was due to the increase in VAT receivable. The account is also composed of input VAT from importations, supplies in transit, prepaid expenses, insurance and rent.

Note 7 – Investments and Advances to Associates

The increase of P121.8 million for the period is due mainly to increased investments in an associate due to a recent stock rights offering.

Note 8 – Other Noncurrent Assets

The increase of P26.1 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 9 – Trade and Other Payables

The increase in payables from P1,042.2 million to P1,432.7 millions was due to recent trade transactions. The nature, terms and conditions of the Group's financial liabilities:

- Trade payables include import and local purchases of equipment, inventories and various parts and supplies used in the operations of the Group. These are non-interest bearing and are normally settled on sixty (60) days' terms.
- Trust receipts refer to arrangements of the Group with banks related to its importations of inventories and various equipment which are interest bearing and have an average term of ninety (90) to one hundred twenty (120) days.
- Accrued utilities pertain to unpaid billings for power, communication, light and water charges which are normally settled within 30 to 90 days.
- Employee related expenses include unclaimed wages, accrued vacation and sick leave and accrued payroll which are payable in thirty (30) days' term.
- Payable to regulatory agencies include withholding taxes and other government contributions related to employees of the Group. These are normally remitted within ten (10) days from the close of each month.
- Unclaimed dividends pertain to unpaid cash dividends declared by the parent company to its stockholders.

- Advances from customers and contractor are generally payable on demand and are offset against collections.
- Accrued production taxes pertain to excise taxes on metal sales that are settled within fifteen (15) days after the end of each quarter.
- Accrued expenses and other liabilities are noninterest-bearing and are normally settled on a 30 to 60 days' term. These include other operating expenses that are payable to various suppliers and contractors.

Note 10 – Current Portion of Long-term Borrowings

Current and Long-term Borrowings increased from P99.6 million to P173.6 million due additional loans from a local bank.

Note 9 – Income Tax Payable

The increase of P3.1 million is due to income generated by a subsidiary.

Note 10 – Long-term Borrwings – Net of Current Portion

The reduction of P22.2 million is due to reclassification to short-term and settlements during the period.

Note 11- Retained Earnings (Deficit)

The increase in Deficit from P151.1 million to P575.2 million is due to the P424.1 million loss during the period

Note 12 - 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 3rd quarter of the year 2014 and 2013 are as follows:

Mining activities

	2014 (in thousands)	2013 (in thousands)
CURRENT ASSETS	1,637,227	1,782,448
NON-CURRENT ASSETS	14,240,334	13,787,152
CURRENT LIABILITIES	1,698,232	1,360,629
NON-CURRENT LIABILITIES	7,404,904	6,175,397
GROSS INCOME	1,154,168	1,484,565
NET INCOME / (LOSS)	(389,356)	(155,326)

Investment activities

	2014 (in thousands)	2013 (in thousands)
CURRENT ASSETS	5,259	5,831
NON-CURRENT ASSETS	141,501	117,370
CURRENT LIABILITIES	88,215	63,118
NON-CURRENT LIABILITIES	0	0
GROSS INCOME	0	0
NET INCOME / (LOSS)	(509)	(211)

Hauling Activities

	2014 (in thousands)	2013 (in thousands)
CURRENT ASSETS	67,609	74,378
NON-CURRENT ASSETS	454,302	480,495
CURRENT LIABILITIES	5,585	6,430
NON-CURRENT LIABILITIES	138,065	132,108
GROSS INCOME	23,900	34,091
NET INCOME / (LOSS)	(3,199)	426

Insurance Activities

	2014 (in thousands)	2013 (in thousands)
CURRENT ASSETS	546,258	501,795
NON-CURRENT ASSETS	222,412	285,670
CURRENT LIABILITIES	521,515	513,444
GROSS UNDERWRITING INCOME	104,702	138,167
UNDERWRITING INCOME	(2,036)	36,401
NET INCOME / (LOSS)	(61,029)	(2,110)

Drilling Activities

	2014 (in thousands)	20123 (in thousands)
CURRENT ASSETS	502,536	263,667
NON-CURRENT ASSETS	39,182	45,158
CURRENT LIABILITIES	451,781	229,408
NON-CURRENT LIABILITIES	22,662	13,495
GROSS INCOME	103,104	113,469
NET INCOME / (LOSS)	11,985	14,712

Manufacturing Activities

	2014 (in thousands)	2013 (in thousands)
CURRENT ASSETS	20,261	21,880
NON-CURRENT ASSETS	5,208	6,489
CURRENT LIABILITIES	12,771	14,777
NON-CURRENT LIABILITIES	8,083	8,406
GROSS INCOME	11,994	11,682
NET INCOME / (LOSS)	(1,549)	(2,386)

Note 13 – 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.

ANNEX "F"

LEPANTO CONSOLIDATED MINING CO.

AGING OF ACCOUNTS RECEIVABLE - TRADE

AS OF SEPTEMBER 30, 2014

CUSTOMERS	*CURRENT*	*OVER 30 DAYS*	*OVER 60 DAYS*	*TOTAL*
HERAEUS LTD.	55,639,706	-	-	55,639,706
	55,639,706	-	-	55,639,706

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

As of September 30, 2014

2014

Gold production decreased to 6,000 oz. this quarter from 8,915 oz. in the same period last year. Consolidated revenues likewise decreased to P353.0 million from P550.0 million in 2013 largely on account of lower gold production and the 5% drop in the average gold price, US$1,269.92/oz versus US$1,331.5/oz. in 2013. Gold grade improved to 2.42g/t from 1.68g/t last year as mining concentrated on the better-grade areas. The operations resulted in a loss of P142.5 million versus a loss of P41.9 million the previous year. Net Finance cost amounted to P7.8 million versus P5.6 million last year. The Peso depreciated against the US$, P43.80/US$1.00 compared with last year’s P43.72/ US$1.00, resulting in a foreign exchange gain of P6.8 million against a loss of P9.1 million last year. An additional loss of P4.4 million was recorded representing the parent company’s share in the losses of associates, compared with a loss of P2.1 million last year. Net Loss after provision of income tax amounted to P150.3 million compared with last year’s loss of P57.9 million.

Consolidated revenues for the nine months ended September 30, 2014 totaled P1,182.0. million versus last year’s P1,547.8 million. Net loss amounted to P424.4 million compared with a net loss of P159.2 million last year.

Mining Operations

July-September 2014

Milled tonnes dropped to 85,980 from 191,230 due to selective mining. Gold grade was thus higher at 2.42 g/t vs. 1.68 g/t last year, resulting in a total gold production of 6,000 oz for the quarter.

Net loss for the quarter amounted to P133.8 million compared with last year’s loss of P52.4 million.

Largely on account of the lower tonnage, Cost and Expenses decreased by 17% from P575.9 million to P480.6 million. Mining cost went down by P29.1 million mainly due to the drop in the costs of: consumables, by P20.5 million; other supplies, by P6.5 million; and services, by P4.5 million. Power however increased by P2.4 million. Milling costs dropped by P35.0 million due to the decreases in the following cost components: power, P9.7 million; consumables, P23.0 million; supplies, P2.0 million; and services, P0.3 million. All other cost items fell: Smelting and refining by P0.9 million, production tax by P3.8 million, the latter due to the lower revenue; depletion by P21.0 million; overhead, by P4.8 million; and administration by P1.1 million; except depreciation which rose by P2.1 million due to the acquisition of new equipment.

Finance cost went up by P2.2 million due to availments of export advances facilities. A foreign exchange gain of P6.8 million versus a loss of P9.1 million last year was recorded due to settlement of trust receipts. Other Income of P1.2 million (vs. P80 thousand last year) was recorded, representing dividend income, rental income, discounts from suppliers and sale of scrap offset by losses from the retirement of assets.

January- September 2014

Gold production decreased to 19,539 oz. from 23,667 oz. last year on account of the decreased tonnage, 347,050 tonnes versus last year's 465,100 tonnes, despite the improvement in the n average gold grade to 2.00 g/t from 1.83g/t.

Net loss for the three quarters amounted to P388.7 million compared with last year's loss of P155.0 million. Gold prices averaged $1,288.55/oz. versus $1,436.45/oz. the preceding year.

Due to the lower tonnage, Cost and Expenses went down by 5% from P1,614.2 million to P1,525.8 million. Mining costs went down by P50.9 million on account of decreases in the usage of consumables such as explosives, drill steels, tires and tubes, diesoline, lubricants, LHD parts and maintenance supplies amounting corresponding to P72.2million. Other mining cost components however increased, namely: labor cost, by P17.8 million; and power, by P3.5 million. Total milling cost decreased by 34.1 million due to the lower costs of: consumables and supplies, P30.2 million; power, P6.6 million; while labor increased by P2.7 million. Production tax went down to P6.5 million due to the decline in gold price and production. Overhead also went down by P11.2 million on account reduced materials consumption. Depletion decreased by P4.2 million due to lower tonnage. Smelting and refining costs increased by P4.1 million due to increase in transport costs. Depreciation increased from P153.2 million to P166.6 million due to the purchase of mining equipment and rehabilitation of underground equipment. Administration cost increased by P1.1 million on account of office expenses, taxes and licenses, bank charges, postage, property insurance, consultancy fees and other miscellaneous expenses.

Finance cost this year went up by P6.5 million compared with last year due to the increase in interest bearing liabilities and export advances. A foreign exchange gain of P5.7 million was recorded arising from the settlement of export advances and trust receipts as against last year's loss of P9.0 million. Other income decreased to P3.0 million from P6.0 million due to reductions in dividend income, discounts from suppliers and sale of scrap.

BALANCE SHEET MOVEMENTS

Cash and cash equivalents decreased by P40.05 million due largely to low metal sales. Receivables decreased by P34.3 million for the same reason. The increase of P30.4 million in Other Current Assets is due to increase in VAT receivable. Investments and advances to Associates went up by P121.8 million reflecting the Company's subscriptions to the stock rights offer of associate Manila Mining Corporation. The increase in Other Noncurrent assets of P26.1 is due mainly to Deferred Charges.

On the Liabilities side, Trade and Other Payables increased by P390.5 million due to recent trade transactions. Current portion of long term borrowings went up by P74 million due to the transfer of borrowings to current status and the availment of short term loans. Long-term borrowings decreased by P22.2 million due to reclassification to current status. Income tax payable increased by P3.1 million reflecting the tax due on a subsidiary's income.

Retained Earnings went down by P424.1 million reflecting the reported net loss of the period.

CAPITAL EXPENDITURES

Capital expenditures for the third quarter totaled P205.3 million, P72.3 million of which went to mine development. P99.6 million was spent on Exploration drilling while P6.0 million was incurred for the Tailings Dam maintenance. Machinery and equipment purchased for the period amounted to P27.4 million.

For three quarters of the year, total capital expenditures reached P553.9 million. Mine development accounted for P213.6 million; Exploration drilling, P240.5 million; Tailings Dam Maintenance, P27.9 million; and Machinery and equipment, P71.9 million.

OUTLOOK FOR THE YEAR

The Company expects to produce 26,800 ounces of gold and 46,800 ounces of silver this year.

The Company is embarking on a 1:5.5 stock rights offering (SRO) that will raise P1.58 billion which is earmarked for the Company's exploration program, additional working capital, and the settlement of debts. The SRO has a record date of November 12, 2014 (ex-date of November 7) and 50% of the proceeds are expected within the Offer Period, i.e., December 10-16, 2014 and the balance; January 2015.

SUBSIDIARIES

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

Lepanto Investment and Development Corp reported a net loss of P509 thousand compared with last year's loss of P211 thousand. Shipside Incorporated's net loss was P3.2 million against last year's net income of P426 thousand. Diamond Drilling Corporation of the Philippines reported net income of P12.0 million against a net income of P14.7 million in the previous year. Diamant Manufacturing and Trading Corporation's net loss was P1.5 million versus last year's net loss of P2.4 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.

ANNEX “H”

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 of parent company totaled US$9.33 million at the end of the quarter. US$8.28 million was revalued at the start of the year based on an exchange rate of P44.395/US$ and US$4.95 million of the total was valued during the quarter at P44.143/US$. The general depreciation of the Peso against the US$ results in a net forex loss with respect to such liabilities, which loss are booked at year-end. However, it should be noted that being a 100% dollar-earner, the loss on liabilities from such Peso depreciation is offset in terms of higher peso revenues. This quarter, the peso appreciated against the dollar and the settlement of liabilities is reflected as forex loss.

As of the end of the quarter, Far Southeast Gold Resources, Inc., a 60%-owned subsidiary, had total foreign currency-denominated liabilities of US$137.78 million. Said foreign currency liabilities are converted on peso terms at the time of their incurrence. No revaluation of said liabilities is done due to the appreciation/depreciation of the peso. Hence no foreign exchange gain/loss is recognized. Settlement of these obligations will be at their recorded value based on the agreement with the creditor/investor.

Interest Rate Risk

The company's exposure to the risk of changes in interest rates relates primarily to 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 7.0%.

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
SEPTEMBER 30, 2014
(With Comparative Annual Figures for 2013)

	AS OF 3RD QUARTER SEPTEMBER 2014	YEAR ENDED DECEMBER 2013
Profitability Ratios:		
Return on assets	-2.62%	-2.03%
Return on equity	-6.13%	-4.45%
Gross profit margin	-19.67%	-12.96%
Net profit margin	-35.82%	-27.78%
Liquidity and Solvency Ratios:		
Current ratio	1.04:1	1.49:1
Quick ratio	0.08:1	0.17:1
Solvency ratio	0.09:1	0.20:1
Financial Leverage Ratios:		
Asset to equity ratio	2.34:1	2.19:1
Debt to equity ratio	0.03:1	0.01:1
Interest coverage ratio	-17.25:1	0.02:1