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

S T A M P S

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: **March 31, 2016**

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"	**30,819,595,359**
Class "B"	**20,546,369,194**

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	:	**RAMON T. DIOKNO**
Title	:	Chief Finance Officer
Date	:	May 13, 2016
Signature	:	**ODETTE A. JAVIER**
Title	:	Vice President/Assistant Corporate Secretary
Date	:	May 13, 2016

ANNEX "A"

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2016

(With Comparative Figures for 2015)
(In Thousand Pesos, Except Earnings Per Share)

	CONSOLIDATED			
		2016		2015
INCOME				
Sale of metals	P	333,951	P	229,264
Service fees and other operating income		16,895		59,874
		350,846		289,138
COSTS AND EXPENSES				
Mining, milling, roasting, smelting, refining and and other related charges; administrative expenses; depreciation, amortization and depletion; and other charges		(538,114)		(454,819)
INCOME (LOSS) FROM OPERATIONS		(187,268)		(165,681)
FINANCE COST, net		(5,739)		(6,366)
FOREIGN EXCHANGE GAINS (LOSS) - net		(341)		3,079
OTHER INCOME, net		73,647		2,975
SHARE IN NET EARNINGS (LOSSES) OF ASSOCIATES		(20,927)		(9,646)
INCOME (LOSS) BEFORE INCOME TAX		(140,628)		(175,639)
PROVISION FOR (BENEFIT FROM) INCOME TAX				
CURRENT		20,403		3,663
DEFERRED		48		(54)
		20,451		3,609
NET INCOME (LOSS)	P	(161,079)	P	(179,248)
Attributable to:				
Stockholders of the parent company	P	(161,023)	P	(179,185)
Non-controlling interest		(56)		(63)
	P	(161,079)	P	(179,248)
EARNINGS (LOSS) PER SHARE attributable to stockholders of the parent company				
Basic and Diluted	P	(0.003589)	P	(0.003488)
		(-P179,187,537 / 51,365,964,553 shares)		(-P179,187,537 / 51,365,964,553 shares)

ANNEX "B"

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

	MARCH 31 2016	*DECEMBER 31 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalent	P 48,504	P 66,387
Receivables, net	289,207	306,755
Inventories, net	486,798	520,387
Advances to suppliers and contractors	457,806	442,810
Other current assets	641,039	614,741
Total current assets	1,923,354	1,951,080
NON-CURRENT ASSETS		
Property, plant and equipment	6,736,747	6,974,495
Available-for-sale financial assets	477,155	477,155
Investments and advances in associates	566,652	566,831
Mine exploration cost	6,674,079	6,521,173
Deferred income tax assets	431,716	431,716
Other noncurrent assets	71,929	71,441
Total non-current assets	14,958,278	15,042,811
Total assets	P 16,881,632	P 16,993,891
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables	P 1,400,006	P 1,395,855
Unclaimed dividends	26,696	26,699
Income tax payable	21,308	891
Total current liabilities	1,448,010	1,423,445
NON-CURRENT LIABILITIES		
Advances from Far Southeast Services Limited	5,889,633	5,843,343
Long-term borrowings	47,060	47,060
Liability for mine rehabilitation cost	65,780	65,095
Retirement benefit obligations	1,759,485	1,782,137
Deferred income tax liabilities	229,083	229,036
Stock subscriptions payable	107,784	107,784
Deposit for future stock subscriptions	69,200	69,200
Total non-current liabilities	8,168,025	8,143,655
Total liabilities	9,616,035	9,567,100
EQUITY		
Capital stock	5,134,706	5,134,706
Additional paid-in capital	4,336,231	4,336,231
Re-measurement gain(loss) on retirement plan	(521,258)	(521,258)
Cumulative changes in fair values of AFS investments	(44,735)	(44,735)
Retained earnings (Deficit)	(1,889,615)	(1,728,477)
	7,015,329	7,176,467
Non-controlling interests	250,268	250,324
Total equity	7,265,597	7,426,791
Total liabilites and equity	P 16,881,632	P 16,993,891

* - **audited**

ANNEX "C"

LEPANTO CONSOLIDATED MINING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE THREE MONTHS ENDED MARCH 31
(Amounts in Thousand Pesos)

	MARCH 2016	MARCH 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income/ (Loss) before tax	(140,628)	(175,640)
Adjustments for:		
Depreciation and depletion	201,431	161,589
Equity in net losses (income) of affiliated compani(	348	9,646
Foreign exchange losses (income), net	341	(3,079)
Provision for retirement benefit cost	803	1,068
Loss on sale of asset	(4)	-
Interest income	(17)	(194)
Interest expense	5,739	6,366
Provision for income tax	(20,451)	(3,609)
Operating income before changes in working capital	47,563	(3,852)
Changes:		
Receivables and advances to suppliers	2,383	204,385
Inventories and PPE	192,642	85,561
Prepayments and other assets	(26,786)	(81,441)
Accounts payable and accrued expenses	24,135	(287,469)
Liability for mine rehabilitation cost	685	576
Deferred income tax liability, net	48	(54)
Cash generated from operations	240,669	(82,295)
Retirement benefits paid	(23,455)	(76,329)
Interest received	17	194
Net cash provided by operating activities	217,231	(158,432)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(122,736)	(144,194)
Unrecovered exploration costs and other assets	(152,906)	(104,647)
Net cash used in investing activities	(275,642)	(248,841)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Borrowings	46,290	45,656
Payments of:		
Borrowings	-	(47,300)
Interest	(5,762)	(7,251)
Capital and other reserves	-	614,515
Net cash provided by financing activities	40,528	605,620
NET INCREASE (DECREASE) IN CASH	(17,883)	198,348
Beginning of period	66,387	385,282
CASH AT END OF THE PERIOD	48,504	583,633

ANNEX "D"

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED MARCH 31, 2016 & 2015

(Amounts in thousands)

	MARCH 31 2016	MARCH 31 2015
Authorized - P 6.64 billion		
Share capital at par value	P 5,135,525	P 5,135,525
Subscribed capital (net of subscriptions receivable)	(819)	(750)
Share premium	4,336,231	4,336,231
Cumulative changes in fair values of AFS investments	(44,735)	(251,516)
Re-measurement gain(loss) on retirement plan	(521,260)	(595,769)
Retained earnings		
Beginning balance	(1,728,478)	(869,498)
Net income (loss) for the period	(161,135)	(179,186)
	(1,889,613)	(1,048,684)
Equity attributable to the		
Stockholders of the Parent Company	7,015,329	7,575,037
Non-controlling interest	250,268	250,657
	P 7,265,597	P 7,825,694

ANNEX “E”

LEPANTO CONSOLIDATED MINING COMPANY

NOTES TO FINANCIAL STATEMENTS
AS OF MARCH 31, 2016 and DECEMBER 31, 2015

Note 1 - General information

Lepanto Consolidated Mining Company (the 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 28, 2005, the Company formally closed the depository receipt facility.

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 (5) years.

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

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

The Parent Company currently operates the Victoria Project gold mine in Mankayan, Benguet, Philippines.

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 Lepanto Consolidated Mining Company Group (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 the fair value requirement of the Philippine Accounting Standards (PAS) 39, Financial Instruments: Recognition and Measurement, on long term commodity hedging contracts entered into by the Parent 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 – Cash and cash equivalents

	03/31/2016	12/31/2015
Cash on hand	**1,803**	1,241
Cash in banks	**46,701**	65,146
	48,504	66,387

Cash in banks earn interest at the respective bank deposit rates.

Note 4 – Receivables

	03/31/2016	12/31/2015
Trade	**58,180**	74,894
Nontrade	**235,771**	235,016
Advances to officers and employees	**6,097**	7,625
	300,048	317,535
Less: Allowance for impairment losses	**10,840**	10,780
	289,207	306,755

The Parent Company's trade receivables arise from its shipments of gold and silver to refinery and smelter customers based on contracts/agreements.

Trade and nontrade are non-interest bearing and are generally collectible on demand. Nontrade receivables comprise mainly of receivables from subcontractors and other third parties, while receivables from officers and employees pertain to cash advances made by employees for the operations.

Receivables from officers and employees are non-interest bearing and are generally subject to liquidation. Unliquidated receivables from officers and employees are collectible on demand or considered as salary deduction.

Note 5 – Inventories

	03/31/2016	12/31/2015
Parts and supplies	**486,691**	74,894
In-transit	**107**	107
	486,798	520,387

Parts and supplies on hand include materials and supplies stored in Metro Manila, Bulacan, Mankayan, Surigao del Norte and Leyte. The decrease in the amount of P33.6 million represents withdrawals of stocks used in operations.

Note 6 – Advances to suppliers and contractors

Advances to suppliers and contractors are non-financial assets arising from advanced payments made to suppliers and contractors before goods and services have been received or rendered. These are classified as current since these are expected to be offset against future short-term billings and are recognized in the books at the amounts initially paid.

Advances to suppliers and contractors are attributable to contracts generally requiring advance payments. Amounts deposited will be applied as part of the full payment of the contract price upon completion of the contract or consummation of transactions and receipt of all related documents.

Note 7 – Other current assets

	03/31/2016	12/31/2015
Input VAT	**574,944**	570,734
Deferred costs	**9,499**	20,873
Prepayments	**52,322**	18,821
Others	**4,274**	4,313
	641,039	614,741

By virtue of Revenue Memorandum Order 9-2000 dated March 29, 2000, all sales of goods, property and services made by a VAT-registered person to the Parent Company, being a one hundred percent (100%) exporter, are automatically zero-rated for VAT purposes effective August 8, 2001.

Input VAT represent VAT paid on purchases of applicable goods and services, net of output tax, which can be claimed for refund or recovered as tax credit against certain future tax liability of the Company upon approval by the Bureau of Internal Revenue (BIR) and/or the Philippine Bureau of Customs.

Deferred costs represent cost of withdrawn tubings to be used in drilling operations. Aforesaid costs are amortized based on meters drilled.

Prepaid expenses include advance payments for taxes, insurance, rent and other services.

Note 8 – Trade and other payables

Composed of trade, due to related parties, accrued expenses and other liabilities, trust receipts, employee related expenses, unclaimed dividends, payables to regulatory authorities, accrued utilities and accrued production tax.

Nature, terms and conditions of the Group's liabilities:

- Trade payables include import and local purchases of equipment and inventories such as 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.
- Accrued expenses and other liabilities are noninterest-bearing and are normally settled on a 30 to sixty (60) days' term. These include other operating expenses that are payable to various suppliers and contractors.
- 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.
- Employee related expenses include unclaimed wages, accrued vacation and sick leave and accrued payroll. These are non-interest bearing and are payable in thirty (30) days' term.
- Unclaimed dividends pertain to unpaid cash dividends declared by the Parent Company to its stockholders. These are non-interest bearing and are payable upon demand of the payee.
- Payables to regulatory agencies include withholding taxes and other government contributions related to employees of the Group. These are non-interest bearing and are normally remitted within ten (10) days from the close of each month.
- Accrued utilities pertain to unpaid billings for power, communication, light and water charges. These are non-interest bearing and are normally settled within thirty (30) to ninety (90) days.
- Accrued production taxes pertain to excise taxes on metal sales. These are non-interest bearing and are settled within fifteen (15) days after the end of each quarter.

Note 9 - Business Segments

The 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 and Trading – This segment derives its revenue from manufacturing, distributing, selling and buying machinery and equipment, general merchandise and articles related to diamond core drilling industry.

The assets, liabilities and results of the business segments of the Group for the 1st quarter of the year 2016 and 2015 are as follow:

Mining activities

	2016 (in thousands)	2015 (in thousands)
CURRENT ASSET	1,662,886	2,239,444
NON-CURRENT ASSET	14,750,429	14,448,304
CURRENT LIABILITES	1,357,055	1,103,639
NON-CURRENT LIABILITIES	7,913,439	7,876,443
GROSS INCOME	333,951	229,264
NET INCOME / (LOSS)	(185,446)	(177,372)

Investment activities

	2016 (in thousands)	2015 (in thousands)
CURRENT ASSET	5,290	5,287
NON-CURRENT ASSET	204,144	141,487
CURRENT LIABILITES	88,895	88,680
NON-CURRENT LIABILITIES	18,763	-
GROSS INCOME	-	-
NET INCOME / (LOSS)	(55)	(65)

Hauling Activities

	2016 (in thousands)	2015 (in thousands)
CURRENT ASSET	171,016	67,380
NON-CURRENT ASSET	410,196	455,617
CURRENT LIABILITES	28,122	5,647
NON-CURRENT LIABILITIES	139,180	140,543
GROSS INCOME	7,824	7,765
NET INCOME / (LOSS)	47,720	222

Insurance Activities

	2016 (in thousands)	2015 (in thousands)
CURRENT ASSET	409,996	546,258
NON-CURRENT ASSET	155,203	222,412
CURRENT LIABILITES	469,071	521,515
GROSS UNDERWRITING INCOME	33,905	104,702
UNDERWRITING INCOME / (LOSS)	15,845	(2,036)
NET INCOME / (LOSS)	6,680	(61,029)

Drilling Activities

	2016 (in thousands)	2015 (in thousands)
CURRENT ASSET	591,005	327,497
NON-CURRENT ASSET	117,811	48,933
CURRENT LIABILITES	546,875	277,258
NON-CURRENT LIABILITIES	40,141	35,197
GROSS INCOME	112,719	55,002
NET INCOME / (LOSS)	22,908	8,198

Manufacturing and Trading Activities

	2016 (in thousands)	2015 (in thousands)
CURRENT ASSET	30,103	31,350
NON-CURRENT ASSET	4,407	4,752
CURRENT LIABILITES	18,785	24,317
NON-CURRENT LIABILITIES	6,065	6,900
GROSS INCOME	13,490	7,463
NET INCOME / (LOSS)	1,930	363

Note 10 – Seasonality

There is no seasonality or cyclical factors in the company's operations. The Parent 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 MARCH 31, 2016

C U S T O M E R S	CURRENT	OVER 30 DAYS	OVER 60 DAYS	TOTAL
HERAEUS LTD.	14,957,252	-	-	14,957,252
	14,957,252	-	-	14,957,252

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

As of March 31, 2016

2016

Consolidated revenues for the first quarter of 2016 amounted to P350.8 million compared with P289.1 million in 2015. Net loss amounted to P161.1 million versus P179.2 million in the previous year.

Mining Operations

Gold production rose to 5,796 ounces from 4,081 ounces last year due to the increase in tonnage, notwithstanding the lower gold grade, 2.67 g/t compared with 2.86 g/t last year. Silver production declined slightly to 9,644 oz. from 9,954 oz. last year due to the substantial decrease in silver grade to 10.91 g/t from 18.45 g/t last year.

Metal sales went up by P105.4 million to P333.95 million due largely to the higher gold production and the weakening of the Peso vis-a-vis the US$. Net loss increased to P185.3 million compared with last year's net loss of P177.2 million due to higher costs and the foreign exchange loss on the settlement of foreign currency denominated trade liabilities.

Gold price averaged US$1,192.37/oz. versus US$1,219.61/oz. while silver price averaged US$14.90/oz. versus US$16.83/oz. the preceding year. The P/US$ exchange rate averaged P47.29/US$1 compared with P44.43/US$1 last year.

Cost and expenses went up by 27% to P514.2 million from P405.3 million last year due mainly to the increase in tonnage. Mining cost grew from P84.6 million to P158.9 million. Development costs related to the Victoria orebody were reclassified from capital to operating costs, and accounted for P31.7 million of the increase in mining cost. Other cost components that increased were labor, services and consumption of direct materials, by P38.8 million; and repairs and maintenance of machineries and equipment, by P3.9 million.

Milling cost increased by P4.3 million from P44.6 million to P48.9 million on account of the higher tonnes milled. Bullion handling and assaying cost rose to P2.9 million while production tax went up to P6.7 million owing to the higher gold production. Depletion cost increased by P47.6 million.

Finance cost went down by P0.5 million as short-term loans were settled in 2015. Dollar-denominated transactions, i.e., export advances and final settlements, resulted in a foreign exchange loss of P0.3 million compared with a gain of P3.1 million last year. Other income decreased principally on account of reduced rental income.

BALANCE SHEET MOVEMENTS

Cash and cash equivalents decreased by P17.9 million representing settlement of trade payables. Receivables dropped by 5.7% mainly due to collections on trade receivables. The 6.4% drop in materials and supplies inventory was due to utilization.

On liabilities, income tax payable increased by P20.4 million, from P1.0 million to P21.3 million, as a result of the sale of land by a subsidiary.

Deficit increased on account of the net loss from operations for the period.

CAPITAL EXPENDITURES

Capital expenditures for the quarter totaled P178.4 million, P150.9 million of which was spent for exploration; P22.8 million for machinery and equipment, P0.3 million for mine development; and P4.4 million for the Tailings Storage Facility maintenance.

OUTLOOK FOR THE YEAR

The projected milling tonnage for the Victoria Project is 298,000 metric tonnes, producing 24,100 ounces of gold and 43,100 ounces of silver.

Exploration of the copper areas is expected to be completed by July 2016. Meanwhile, discussions with several interested buyers of copper concentrate are ongoing.

SUBSIDIARIES

The key performance indicator used for the subsidiaries is net income.

Diamant Manufacturing and Trading Corporation recorded an income of P1.9 million compared with last year’s income of P363 thousand. Diamond Drilling Corporation of the Philippines reported a net income of P22.9 million compared with P8.2 million last year as drilling requirements of the parent company and other clients increased. Lepanto Investment and Development Corporation reported a net loss of P55 thousand compared with last year’s net loss of P65 thousand. Shipside, Incorporated registered a net income of P47.7 million against last year’s net income of P222 thousand as a result of the sale of land.

* - 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

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its customers and counterparties to fulfill their obligations on maturity dates or due to adverse market conditions.

All gold exports when priced are practically settled on cash basis. Company’s existing contracts with gold refineries allow for advances of ninety-eight percent (98%) of payable metals paid in two (2) working days from pricing. Full settlement is normally received within three (3) working days.

The Company enters into marketing contracts only with refineries and smelters of established international repute. Since the Company became a primary gold producer, it has entered into exclusive marketing contracts with Heraeus for gold and silver.

The credit risk from trade receivables arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments. The Company’s gross maximum exposure to credit risk is equivalent to the carrying values since there are no collateral agreements for these financial assets.

There is no significant exposure to credit risk.

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchanges rates, interest rates, equity prices and other market changes.

Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Company takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its Parent Company financial statements and Parent Company statements of cash flows. The Company follows a policy to manage its currency risk by closely monitoring its cash flow position and by providing forecast on all other exposures in non-Philippine peso currencies.
The Company sells its product to the international market. All gold and silver sales are denominated in US$. Dollar conversion of metal sales to Philippine peso is based on the prevailing exchange rate at the time of sale. Non-derivative financial instruments (cash and cash equivalents, trade receivable, trade and other payables, and borrowings) are directly denominated in US$.

All gold and silver bullion sales are denominated in US dollars. The sales proceeds are used to settle dollar-denominated obligations; the rest are converted to Philippine peso based at prevailing exchange rates to settle Philippine peso-denominated obligations.

Foreign currency-denominated liabilities of Parent Company totaled US$7.8 million at the end of first quarter this year. Same amount was revalued at the start of the year based on an exchange rate of P47.06/US$. No revaluation of said liabilities during the current year. Foreign exchange gain or losses due to the movement of the Philippine peso vis a vis the US$ are recognized at year-end on outstanding US$ denominated assets and liabilities. The gain/(loss) on Philippine peso appreciation/(depreciation) against the dollar as a result of settlement of liabilities is reflected as foreign exchange gain/(loss) in the financial statements.

As of the end of the quarter, Far Southeast Gold Resources, Inc., a 60%-owned subsidiary, had total foreign currency-denominated liabilities of US$144.5 million. Said foreign currency liabilities are converted to Philippine peso at the time of their incurrence. No revaluation of said liabilities is done on account of the appreciation/depreciation of the Philippine 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 its 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 suppliers credits.

As part of liquidity risk management, the company regularly projects its cash requirement and ensures 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
Cash, receivables, trade payables and accrued expenses are all subject to normal trade credit terms and are short-term in nature. The carrying amounts of 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 the previous year. Unquoted equity securities are carried at cost net of impairment in value. The Group has no investment in foreign securities.

Loans Payable and Borrowings
Carrying value of the loans payable and borrowings as at end of the quarter approximate their fair values. Borrowings from local banks are all clean loans with interest rates ranging from 5.0% to 7.0%.

ANNEX "I"

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
FINANCIAL RATIOS
PURSUANT TO SRC RULE 68, AS AMENDED
MARCH 31, 2016
(With Comparative Annual Figures for 2015)

	1ST QUARTER ENDED MARCH 2016	YEAR ENDED DECEMBER 2015
Profitability Ratios:		
Return on assets	-0.95%	-5.06%
Return on equity	-2.22%	-11.57%
Gross profit margin	-39.07%	-42.17%
Net profit margin	-45.91%	-70.67%
Liquidity and Solvency Ratios:		
Current ratio	1.33:1	1.37:1
Quick ratio	0.23:1	0.57:1
Solvency ratio	0.00:1	-0.09:1
Financial Leverage Ratios:		
Asset to equity ratio	2.32:1	2.29:1
Debt to equity ratio	1.32:1	1.29:1
Interest coverage ratio	23.51:1	6.59:1