PHILEX MINING CORPORATION

PHILEX Building, 27 Brixton St., Pasig City, Philippines 1600
P.O. Box MCPO 2398, Makati City 1200
Tel. Nos. 631-1381 to 88 • Fax Nos. (632) 634-4441 (Exec.), 631-9501 (Purch.)
Email: philex@philexmining.com.ph • Corporate Website: http://www.philexmining.com.ph

RNM-055-11

July 28, 2011

PHILIPPINE STOCK EXCHANGE, INC.
3/F Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: MS. JANET A. ENCARNACION
Head, Disclosure Department

Gentlemen:

We submit to you herewith a copy of the Company's SEC Form 17-Q (Quarterly Report) for the six (6) months ended June 30, 2011.

Very truly yours,

JOSE ERNESTO C. VILLALUNA, JR.
President and COO

Encls.: a/s
/RSL/

COVER SHEET

1 0 0 4 4

SEC Registration Number

P H I L E X M I N I N G C O R P O R A T I O N

(Company's Full Name)

2 7 B r i x t o n c o r F a i r L a n e S t r e e t s

P a s i g C i t y

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

Renato N. Migriño

(Contact Person)

747-87-55

(Company Telephone Number)

1 2 | 3 1

Month *Day*

(Calendar Year)

1 7 - Q

(Form Type)

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable

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 ID

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** June 30, 2011

2. **Commission identification number** 10044

3. **BIR Tax Identification No**. 000-283-731-000

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

   PHILEX MINING CORPORATION

5. **Province, country or other jurisdiction of incorporation or organization**

   Manila, Philippines

6. **Industry Classification Code: (SEC Use Only)**

7. **Address of issuer's principal office** **Postal Code**

   Philex Building, No. 27 Brixton Street, Pasig City, Philippines 1600

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

   (632) 631-1381 to 88

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

   Philex Mining Corporation has not changed its name since its incorporation

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

    Number of Shares of Stock Outstanding – 4,926,980,993
    (As of June 30, 2011)

    Amount of Debt Outstanding – 2,731,005,000

11. **Are any or all 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

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 [X] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The Unaudited Consolidated Financial Statements for the period ending June 30, 2011 are hereto attached.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Company's consolidated reported net income for the six months period ended June 30, 2011 amounted to P3.219 billion, the highest net income from first half operations in the Company's history and more than three times the net income of P965.0 million for the same period last year. The core net income of P2.836 billion, 188% higher than the P984.1 million a year ago, is likewise the highest for the period to date.

The Company's record earnings performance was generated by the revenue's record level of P8.150 billion for the period, which is 68% higher than the P4.860 billion revenue reported last year. Gold and copper revenue, comprising almost 95% of the total revenue, significantly increased to P4.401 billion and P3.318 billion, respectively, this year, from P2.457 billion and P2.231 billion, respectively, last year. These increases in revenue were the results of better metal prices and production output this year compared to last year. In the first six months of 2011, average realized metal prices for gold and copper were at $1,398 per ounce and $4.09 per pound, respectively, on 72,784 ounces of gold and 18,661,403 pounds of copper produced. Last year, average realized metal prices were at $1,054 per ounce gold and $3.04 per pound copper on 51,122 ounces of gold and 16,146,379 pounds of copper produced. The remaining 5% of total revenue provided by silver, petroleum and coal, were likewise higher at P430.6 million this year from P172.6 million, last year.

Costs and expenses of P3.455 billion and marketing charges of P409.7 million increased this first half of the year from P3.105 billion and P309.9 million, respectively, last year. Nevertheless, net income from operations this year at P4.286 billion is also the highest thus far and is almost threefold higher than the P1.445 billion last year. A restatement of the Company's investment in

Pitkin Petroleum Plc. to fair value resulted in an extraordinary gain of P523.7 million after the accounting treatment of the investment was changed to that of available for sale investment from that of investment in an associate when the Company's holdings in Pitkin was diluted from 21% to 18.46%. This extraordinary income and the gain from operations minus a loss on foreign exchange of P54.0 million, the provision for write-down of deferred exploration costs on the Lascogon Project and input tax amounting to P160.8 million and P10.0 million, respectively, and the equity in net losses of associate of P39.5 million partly offset by net interest income of P8.7 million, contributed to a higher income before income tax of P4.458 billion this year. In 2010, a loss on foreign exchange of P13.8 million and other charges, mostly equity in net losses of associates of P29.6 million and provision for losses of P31.6 million, partially offset by the net interest income of P8.9 million, reduced net income before tax to P1.371 billion. Consequently, the provision for income tax for the comparable periods amounting to P1.239 billion this year is higher than the P406.1 million provision in 2010. The EBITDA of P4.836 billion this period is higher than the EBITDA of P1.513 billion in 2010.

In the second quarter of 2011, the Company recorded the second highest quarterly operating revenue of P4.286 billion which is almost two times higher than the P2.426 billion revenue a year ago. Metal prices this quarter increased to P1,471 per ounce gold and P4.09 per pound copper compared to P1,100 per ounce gold and P2.68 per pound copper in previous quarter. Moreover, metal production this second quarter increased to 35,781 ounces gold and 9,550,931 pounds copper from 26,568 ounces gold and 8,046,928 pounds copper last year.

This quarter, marketing charges of P203.2 million and operating cost and expenses of P1.809 billion increased compared to the marketing charges of P154.7 million and operating cost and expenses of P1.608 billion in the same quarter last year. The higher revenue resulted in the second quarter's net income from operations of P2.274 billion, three times higher than the P663.9 million net income from operations last year. The net interest income of P815 thousand this quarter is lower than the P5.6 million net interest income last year, while the loss on foreign exchange of P27.1 million this quarter is higher compared to the loss of P15.5 million last year. The gain of P523.7 million on the change in treatment of the investment in Pitkin as discussed above, partly offset by the provision for write down of the Lascogon Project's assets of P170.8 million, plus other charges of P51.5 million, compose the non-operating income(loss) this quarter compared to the P22.7 million other charges incurred last year. The second quarter net income before tax amounted to P2.549 billion compared to the net income before tax of P631.3 million in 2010. Consequently a higher provision for income tax of P640.3 million resulted this quarter from the provision for income tax of P187.5 million for the same quarter a year ago.

To protect part of its future revenues from unfavorable metal price fluctuations, the Parent Company entered into hedging contracts in the form of put option contracts for gold; and forward and put options contracts for copper. The Parent Company has likewise hedged portion of its foreign currency receipts in the form of forward and put and call option contracts. The gains or losses from metal and currency hedging transactions are reflected in revenue as addition or deduction in deriving the realized prices for metal and realized exchange rate for currency for the Company's production. For the first half of 2011, gold revenue was reduced by P155.3 million, consisting of P106.7 million amortization of the unwinding cost of the gold collars pre-terminated in 2009, and P48.6 million amortization of the premiums for put options bought this year. The same with copper revenue, which was reduced by P87.6 million consisting of P5.8 million losses from forward contracts, and P81.8 million from the amortization of the premiums for put options bought, both entered into in 2011. In the same period last year, gold and copper revenue were reduced by a total of P309.7 consisting of P177.8 million from the amortization of the unwinding cost of the gold collars pre-terminated in 2009 and P31.5 million

and P107.3 million, respectively, from the amortization of the gold and copper premiums for put options bought in 2010 and 2009, partly offset by a P6.9 million gain realized on copper put options exercised during the period. The amortization of the unwinding cost of the gold collars pre-terminated in 2009 ended in April 2011.

The Company's outstanding financial instruments as of June 30, 2011 are presented in the following tables:

On Gold

Deal Dates		Total Quantity (in oz)	Monthly Maturity (in oz)	Strike price (US$ per oz)	Period Covered From	To
Jan 5, 2011	Put	54,000	9,000	1,200.00	Jul 2011	Dec 2011
Total		54,000	9,000	1,200.00		

On Copper

Deal Dates		Total Quantity (in DMT)	Monthly Maturity (in DMT)	Price in US$ Per DMT Strike/Forward	Per lb Put	Per lb Forward	Period Covered From	To
Jan 5, 2011	Put	4,500	750	8,268.00	3.75		Jul 2011	Dec 2011
Jan 5, 2011	Forward	2,250	375	9,342.93		4.24	Jul 2011	Dec 2011
Total		6,750	1,125		3.75	4.24		

On Dollar

Deal Dates		Total Dollar (in million $)	Monthly Maturity (in million $)	Price in Peso per $1 Strike Price Put	Strike Price Call	Forward	Period Covered From	To
Feb 28, 2011	Put/Call	12	2	43.00	45.00		Jul 2011	Dec 2011
Mar 11, 2011	Put/Call	54	7	43.00	45.00		Jul 2011	Dec 2011
Mar 15, 2011	Put/Call	6	2	43.00	45.00		Jul 2011	Sept 2011
Mar 11, 2011	Forward	6	2			44.10	Oct 2011	Dec 2011
Total		78	13	43.00	45.00	44.10		

As of June 30, 2011, Total Current Assets amounted to P8.843 billion, 14% higher than the P7.751 billion balance at the beginning of the year mainly because of the increases in Cash and Cash Equivalents by P1.262 billion from higher net earnings, Mine Products and Material and Supplies Inventory by P1.057 billion, Derivative Assets by P33.9 million from the premiums on the outstanding gold and copper put options bought, and Other Current Assets by P54.2 million particularly on the input value added tax receivable on importation of materials and supplies. These increases were partially offset by the decrease in Accounts Receivable by P1.314 billion as the higher balance of outstanding trade receivables at the beginning of the year were collected this period.

Non-current Assets as of June 30 amounted to P21.878 billion, 22% higher than the P17.902 billion as of the beginning of the year. The higher balance is mainly due to the increase in Available-for-sale (AFS) Financial Assets by P4.256 billion on account of the Company's

acquisition of shares of stock in Kalayaan Copper Gold Resources, Inc. of P1.072 billion in joint venture with Manila Mining Corporation over the Kalayaan Project, in Lepanto Mining Company of P1.433 billion, in Indophil of P254.0 million, and the reclassification of the investment in Pitkin Petroleum Plc. to AFS of P829.5 million (subsequently revalued to P1.314 billion). Furthermore, Property, Plant and Equipment increased by P130.6 million, and Deferred Exploration Costs and Other Noncurrent Assets by P420.1 million, mostly due to the ongoing exploration activities in the Silangan Project. The reclassification of the Pitkin Petroleum's shares reduced the balance of the Investment in Shares of Stock account to P3.1 million from P833.4 million.

Total Assets of the Company as of June 30, 2011 amounted to P30.721 billion, an increase of 20% from the P25.653 billion balance at the beginning of the year.

Current Liabilities at the end of the first half of 2011 amounted to P4.947 billion, more than twice the amount of P2.312 billion as of the beginning of the year mainly from the increases in Loans Payable due to the availment of short-terms bank loans of US$55.0 million, and in Dividends Payable by P318.3 million mainly due to the declaration of dividend of P0.052 per share as the cash component of the dividend declared that include property dividend in Philex Petroleum shares (but which is not reflected as dividend in the consolidated accounts as control of Philex Petroleum remains with the Philex group). These were partly offset by the P199.8 million decrease in Income Tax Payable. Non-current Liabilities slightly increased to P2.659 billion this year from P2.583 billion in 2010 due to the increase in Deferred Income Tax Liabilities to P2.190 billion from P2.013 billion.

Total Liabilities of the Company as of June 30, 2011 amounted to P7.605 billion, 55% higher than the P4.895 billion at the beginning of the year.

Stockholders' Equity at the end of the period is 11% higher at P23.116 billion than the P20.758 billion balance at the beginning of the year. The increase is from the first semester's net income and Net Unrealized Gain on AFS Investments of P606.8 million, reduced by the negative balance of Cumulative Adjustments on Hedging Instruments of P96.5 million from the marked-to-market losses on the outstanding hedging contracts and the negative balance of the Cumulative Translation Adjustments on Foreign Subsidiary of P10.9 million at end of the period.

Net Cash provided by operating activities this first semester of 2011 amounted to P3.349 billion compared to P463.4 million provided in the same period last year, as net income generated this year is higher than last year and as Accounts Receivable decreased by P1.320 billion this year compared to the increase last year of P29.3 million, partly offset by the decrease in Accounts Payable and Accrued Expenses of P1.502 billion this year compared to P220.2 million last year. Cash Used in Investing Activities is higher this year at P3.847 billion due to the increase in AFS Investments by P2.740 billion and the acquisitions of Property, Plant and Equipment by P516.8 million. In 2010, cash used for the acquisitions of Property, Plant and Equipment, the purchase of the outstanding PGI minority shares for US$5.8 million and the expenses for ongoing exploration projects aggregated to P1.349 billion. The Company's availment of short-term bank loans of P2.567 billion this year, versus last year of P464.4 million, increase the Cash Provided by financing activities to P1.759 billion in 2011 compared to P57.0 million in 2010, partially reduced by the payment of cash dividend of P787.8 million in 2011 and P405.3 million in 2010.

Top Five (5) Key Performance Indicators

Average Metal Price

The average realized prices for the Company's products are key indicators in determining the Company's revenue level. While the world spot market prices quoted in the London Metal Exchange for gold, copper, and silver are applied on the Company's shipments as well as on mine products inventory, and provisional prices are adjusted to forward prices at the end of each reporting period, a portion of the Company's production is also hedged from time to time to protect revenue from any wild fluctuations in prices and where reasonable floor levels could be provided. The spot price, forward price, and the hedge price comprise the Company's average realized prices, which in the first half of 2011 amounted to $1,398 per ounce gold (net of amortization of hedging costs of $47 per ounce) and $4.09 per pound copper (net of amortization of hedging costs of $0.11 per pound). In the same period in 2010, the realized price amounted to $1,054 per ounce gold (net of amortization of hedging costs of $88 per ounce) and $3.04 per pound copper (net of amortization of hedging costs of $0.14 per pound).

At the budgeted price levels of $1,500 per ounce for gold and $4.00 per pound for copper, the budgeted operating revenue for the second half of 2011 is at P7.433 billion. Spot prices both for gold and copper, however, reached record highs of $1,615 per ounce in July 2011 and $4.60 per pound in February 2011, respectively.

Tonnes Milled and Ore Grade

Tonnes milled and ore grade determine concentrates production and sales volume. The higher the tonnage and the grade of ore, the more metals are produced and sold. Ore milled in the first half of 2011 averaged 0.591 grams gold per tonne production, higher than the 0.476 grams gold per tonne average ore grade in 2010. Copper grade of 0.221% in 2011 was likewise higher than the 0.208% average grade in 2010. The better ore grades combined with the higher milling tonnage of 4.7 million tonnes in 2011 from 4.4 million tonnes in 2010, produced more concentrates at 34,263 dry metric tons this period compared to 29,376 dry metric tons last year. The equivalent metal outputs were 73 thousand ounces gold and 18.7 million pounds copper this year, compared to 51 thousand ounces gold and 16.1 million pounds copper in 2010.

For the remaining six months of 2011, the budgeted milling tonnage is at 4.6 million tonnes at the average grade of 0.523 grams per tonne gold and 0.218% copper. In terms of metal production, gold is budgeted at 62 thousand ounces while copper at 18 million pounds.

Foreign Exchange Rate

As the Company's sales proceeds and bank loans are in U.S. dollars, a higher Philippine peso to U.S. dollar exchange rate means higher peso sales revenue but would also reflect a foreign exchange loss on the restatement of the Company's dollar obligations. Conversely, a lower exchange rate reduces the Company's revenue in pesos but brings about foreign exchange income on the loans. As a significant portion of the Company's cash and cash equivalents are also in U.S. dollar, higher exchange rates would reflect foreign exchange gain, and at lower exchange rate, a loss. The Company's average realized exchange rate in the first half of 2011 was P43.37 compared to P45.75 in 2010. As of June 30, 2011, the peso to dollar closing rate was P43.33 compared at P46.310 in 2010.

Total Production Cost Per Tonne and Operating Cost Per Tonne of Ore Milled, and Per Ounce Gold and Per Pound Copper Produced

The Company's average cost per tonne is a key measure of the operating performance of the Company. At the same cost level, the higher the production volume the lower the cost per

tonne, as would also be the result at the same production volume but lower operating cost. Thus, a lower cost per tonne would generally reflect an improvement in operating efficiency. The same essentially applies to cost per ounce gold as well, but with the gold grade, as it affects metal production, and the exchange rate, as it affects the conversion from peso to dollars, getting into consideration.

In the first quarter of 2011, the total production cost (minesite cost and expenses excluding marketing charges, excise tax and royalties) per tonne of ore milled was P544 from the total production cost of P2.535 billion over ore milled of 4.7 million tonnes, 2% lower compared to the cost per tonne of P557 from the total production cost of P2.428 billion over ore milled of 4.4 million tonnes in the same period last year.

The operating costs and expenses (all cost and expenses excluding corporate overhead) per tonne of ore milled in the first half of 2011 was P724 from the operating costs and expenses of P3.370 billion, 6% higher than the operating cost per tonne of P685 from the operating costs and expenses of P2.986 billion in the same period of 2010. Expressed in operating cost per ounce gold produced, operating cost before copper revenue credits was $1,068 per ounce this period compared to $1,277 per ounce in 2010. After copper revenue credit, however, the corresponding cost per ounce was a negative $13 in 2011 compared to $299 in 2010. On the other hand, expressed in operating cost per pound of copper produced before gold revenue credit was $4.16 per pound in 2011 compared to $4.04 per pound in 2010. After gold revenue credit, cost per pound was negative $1.42 in 2011 versus $0.65 in 2010.

For the remaining six months of 2011, the budgeted total production cost per tonne is P587 from the total production cost of P2.696 billion, while the budgeted operating cost per tonne is P756 from the total operating cost of P3.478 billion. The budgeted operating cost per ounce of gold produced is $1,303 per ounce before copper revenue credits, but after copper revenue credits, operating cost is $92 per ounce. In per pound copper terms, the budgeted operating cost is $4.40 per pound before gold revenue credits, but after gold revenue credits is negative $0.66 per pound.

Basic /Diluted Earnings Per Share

The basic earnings per share reflect the Net income attributable to equity holders of the Parent Company expressed in amount per share of the Company's average outstanding capital stock. Assuming a constant outstanding number of shares, as the Company's earnings increase, the earnings per share correspondingly increase.

The basic earnings per share for the half of 2011 was P0.6466 per share based on the 4,924,369,903 weighted average shares outstanding for the period. The basic earnings per share for the half in 2010 was P0.1984 per share based on the 4,910,208,442 weighted average shares outstanding for the period.

Considering the effect of the Parent Company's potentially dilutive stock options outstanding for the period, an assumed exercise of these stock options would have resulted in additional 5,621,336 and 10,012,474 common shares in 2011 and 2010, respectively. The diluted earnings per share in 2011 would be P0.6459 per share based on the 4,929,991,239 weighted average shares adjusted for the effect of such assumed exercises of stock options. In 2010, diluted earnings per share would be P0.1980 per share based on the 4,920,220,916 weighted average shares adjusted for the effect of exercise of stock options for the period.

Known Trends, Events or Uncertainties

There is no known event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation that have not been booked, although the Company could be contingently liable for lawsuits and claims arising from the ordinary course of business, which contingencies are not presently determinable.

Other than what have been discussed above, there are no known significant trends, demands, commitments or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in a material way. There are no material commitments for capital expenditures not reflected in the Company's financial statements. There are likewise no significant seasonality or cyclicality in its business operation that would have material effect on the Company's financial condition or results of operation. There were no other significant elements of income or loss that did not arise from the Company's continuing operations. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period. There are no line items in the Company's financial statements not already explained for causes either above or in the Notes to the Consolidated Financial Statements other than due to the usual period-to-period fluctuations in amounts natural in every business operations.

PART II - OTHER INFORMATION

There are no other information for this interim period not previously reported in a report on SEC Form 17-C.

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.

PHILEX MINING CORPORATION
(Issuer)

MANUEL V. PANGILINAN
Chairman & Chief Executive Officer

JOSE ERNESTO C. VILLALUNA JR.
President & Chief Operating Officer

RENATO N. MIGRIÑO
Treasurer & Chief Financial Officer
Senior Vice President for Finance
Compliance Officer

PARALUMAN M. NAVARRO
Division Manager –Corporate Finance

Date: July 27, 2011

PHILEX MINING CORPORATION
AND SUBSIDIARIES

UNAUDITED
CONSOLIDATED
FINANCIAL STATEMENTS
June 30, 2011

Pasig City, Philippines

PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands, except Par Value Per Share)

ASSETS		June 30 2011 (UNAUDITED)		December 31 2010 (AUDITED)
Current Assets				
Cash and cash equivalents		5,043,813		3,782,248
Accounts receivable - net		866,002		2,180,432
Inventories - net		2,150,901		1,093,636
Derivative assets		33,889		-
Other current assets -net		748,850		694,625
Total Current Assets		8,843,455		7,750,941
Noncurrent Assets				
Property, plant and equipment		5,225,616		5,095,029
Available-for-sale (AFS) financial assets		5,142,513		886,737
Investments in shares of stock		3,088		833,355
Goodwill		258,593		258,593
Deferred exploration costs and other noncurrent assets		11,248,202		10,828,065
Total Noncurrent Assets		**21,878,012**		**17,901,779**
TOTAL ASSETS	**P**	**30,721,467**	**P**	**25,652,720**

LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Short-term bank loans		2,731,005		150,000
Accounts payable and accrued liabilities		919,770		968,506
Income tax payable		657,157		856,954
Dividends payable		526,139		207,875
Provisions and subscriptions payable		112,439		128,335
Total Current Liabilities		4,946,510		2,311,670
Noncurrent Liabilities				
Provision for mine rehabilitation costs		32,998		31,709
Provision for losses		435,276		538,141
Deferred income tax liabilities - net		2,190,289		2,013,230
Total Noncurrent Liabilities		2,658,563		2,583,080
Total Liabilities		7,605,073		4,894,750
Equity				
Capital stock - P1 par value		4,927,068		4,922,131
Additional paid-in capital		862,100		812,378
Retained earnings		14,856,827		12,716,722
Net unrealized gain on AFS financial assets		606,780		419,404
Cumulative translation adjustments		(107,356)		(66,174)
Net revaluation surplus		1,611,397		1,611,397
Effect of transaction with non-controlling interests		106,027		106,027
		22,862,843		20,521,885
Non-controlling Interests		253,551		236,085
Total equity		**23,116,394**		**20,757,970**
TOTAL LIABILITIES & EQUITY	**P**	**30,721,467**	**P**	**25,652,720**

PHILEX MINING CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, except Earnings Per Share)

	2nd Quarter Ended June 30	
	2011	**2010**
REVENUE		
Gold	P 2,302,136	P 1,342,437
Copper	1,667,372	973,275
Silver	52,641	22,871
	4,022,149	2,338,583
Less: Marketing charges	203,155	154,720
	3,818,994	2,183,863
Petroleum	264,345	81,059
Coal	-	6,697
	4,083,339	**2,271,619**
COSTS AND EXPENSES		
Mining and milling costs (including depletion and depreciation)	1,300,466	1,237,479
Mine products taxes and royalties	204,918	119,314
General and administrative expenses	198,723	190,328
Petroleum production costs	89,272	45,624
Handling, hauling and storage	15,790	11,957
Cost of coal sales	(53)	3,012
	1,809,116	1,607,714
INCOME FROM OPERATIONS	**2,274,223**	**663,905**
OTHER INCOME (CHARGES) - Net		
Interest - net	815	5,583
Foreign exchange losses	(27,141)	(15,494)
Gain on dilution of investment	523,710	-
Others - net	(222,300)	(22,690)
	275,084	**(32,601)**
INCOME BEFORE INCOME TAX	**2,549,307**	**631,304**
PROVISION FOR INCOME TAX	(640,339)	(187,529)
NET INCOME	**P 1,908,968**	**P 443,775**
Net income attributable to:		
Equity holders of the Parent Company	1,872,454	446,530
Non-controlling interests	36,513	(2,757)
	P 1,908,967	**P 443,773**
BASIC EARNINGS PER SHARE	**P 0.3802**	**P 0.0908**
DILUTED EARNINGS PER SHARE	**P 0.3798**	**P 0.0907**

PHILEX MINING CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, except Earnings Per Share)

	Six Months period ended June 30			
		2011		**2010**
REVENUE				
Gold	P	4,400,996	P	2,456,849
Copper		3,318,417		2,230,652
Silver		100,445		42,457
		7,819,858		4,729,958
Less: marketing charges		409,657		309,856
		7,410,201		4,420,102
Petroleum		328,866		116,102
Coal		1,288		14,071
		7,740,355		**4,550,275**
COSTS AND EXPENSES				
Mining and milling costs (including depletion and depreciation)		2,504,198		2,404,664
Mine products taxes and royalties		425,518		247,893
General and administrative expenses		369,968		347,609
Petroleum production costs		123,169		75,483
Handling, hauling and storage		30,486		23,428
Cost of coal sales		1,208		6,215
		3,454,547		3,105,292
INCOME FROM OPERATIONS		**4,285,808**		**1,444,983**
OTHER INCOME (CHARGES) - Net				
Interest - net		8,688		8,860
Foreign exchange losses		(54,022)		(13,800)
Gain on dilution of investment		523,710		-
Others - net		(305,728)		(68,925)
		172,648		**(73,865)**
INCOME BEFORE INCOME TAX		**4,458,456**		**1,371,118**
PROVISION FOR INCOME TAX		(1,239,456)		(406,093)
NET INCOME	**P**	**3,219,000**	**P**	**965,025**
Net income attributable to:				
Equity holders of the Parent Company		3,184,050		974,197
Non-controlling interests		34,950		(9,172)
	P	**3,219,000**	**P**	**965,025**
BASIC EARNINGS PER SHARE	**P**	**0.6466**	**P**	**0.1984**
DILUTED EARNINGS PER SHARE	**P**	**0.6459**	**P**	**0.1980**

PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Six Months period ended June 30			
		2011		**2010**
NET INCOME	P	3,219,000	P	965,025
OTHER COMPREHENSIVE INCOME				
Unrealized loss on AFS financial assets		187,376		(90,705)
Gain (Loss) on translation of hedging instruments		(21,799)		216,619
Gain (Loss) on translation of financial statement of foreign subsidiaries		(36,867)		(38,645)
		128,710		87,269
TOTAL COMPREHENSIVE INCOME	**P**	**3,347,710**	**P**	**1,052,294**
Total Comprehensive Income Attributable to:				
Equity holders of the Parent Company		3,330,243		1,061,466
Non-controlling interests		17,467		(9,172)
		3,347,710		**1,052,294**

PHILEX MINING CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amount in Thousands)

	Six Months period ended June 30	
	2011	**2010**
OPERATING ACTIVITIES		
Net Income before income tax	4,443,751	1,371,118
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion and depreciation	385,493	454,026
Net increase in derivative liability	(21,799)	38,831
Unrealized foreign exchange loss	13,510	9,807
Amortization of provision for mine closure cost	679	680
Interest expense on asset retirement obligation	1,243	1,151
Reserve provision	60,000	21,000
Share-based compensation expense	37,985	7,683
Amortization of unwinding cost of hedging contract	-	177,788
Equity in net loss of affiliates	39,488	29,547
Gain on dilution of investment	(523,710)	-
Provision for writedown of assets	170,784	-
Changes in non-cash components of working capital		
Decrease (increase) in:		
Accounts receivable	1,319,529	(29,301)
Inventories	(1,057,266)	(1,063,025)
Other current assets	(93,210)	(294,099)
Decrease in accounts payable and accrued expenses	(1,501,723)	(220,168)
Inrease (decrease) in other liabilities	74,240	(41,632)
Cash provided by operating activities	**3,348,994**	**463,406**
INVESTING ACTIVITIES		
Additions to resource assets	(516,758)	(465,666)
Increase in other assets	(245,504)	(610,772)
Acquisition of additional interest in Philex Gold Inc.	-	(256,040)
Increase in investments in shares of stocks	(2,739,904)	(588)
Increase in other noncurrent assets	(344,721)	(15,485)
Cash used in investing activities	**(3,846,887)**	**(1,348,551)**
FINANCING ACTIVITIES		
Net availments of short-term bank loans	2,567,495	464,363
Exercise of stock options	16,674	36,600
Decrease on cumulative translation adjustment on foreign subsidiary	(36,867)	(38,646)
Dividends	(787,844)	(405,277)
Cash provided by financing activities	**1,759,458**	**57,040**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,261,565**	**(828,105)**
CASH AND CASH EQUIVALENTS - BEGINNING	3,782,248	2,881,115
CASH AND CASH EQUIVALENTS - END	**P 5,043,813**	**P 2,053,010**

PHILEX MINING CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company											
	Capital Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Net Unrealized Gain (Loss) on AFS Financial Assets	Cumulative adjustments on hedging instruments	Cumulative translation adjustments on foreign subsidiary	Net revaluation Surplus	Premium on deemd acquisition of an interest in subsidiary	Effect of transaction with Minority Interest	Sub-total	Minority Interest	Total
Balances at December 31, 2010	**4,922,131**	**812,378**	**12,716,722**	**419,404**	**(74,671)**	**8,498**	**1,611,397**	**106,027**	**-**	**20,521,886**	**236,085**	**20,757,970**
Total Comprehensive income (loss) for the period			3,184,050	187,376	(21,799)	(19,384)				3,330,243	17,467	3,347,709
Issuance of additional shares of stock	4,937	49,721								54,658		54,658
Increase of ownership in FEC Resources										-		-
Increase in ownership in Forum Energy plc.										-	-	-
Dividend declared for the period			(1,043,943)							(1,043,943)		(1,043,943)
Acquisition of minority interest in PGI									-	-		-
BALANCES AT JUNE 30, 2011	**4,927,068**	**862,099**	**14,856,828**	**606,780**	**(96,470)**	**(10,885)**	**1,611,397**	**106,027**	**-**	**22,862,844**	**253,551**	**23,116,395**
Balances at December 31, 2009	**4,900,605**	**774,494**	**9,441,593**	**445,277**	**(338,427)**	**106,810**	**1,611,397**	**-**	**41,536**	**16,983,285**	**700,251**	**17,683,536**
Total Comprehensive income (loss) for the period			974,197	(90,705)	216,619	(38,646)				1,061,465	(9,172)	1,052,293
Issuance of additional shares of stock	15,281	29,002								44,283		44,283
Dividend declared for the period			(442,240)							(442,240)		(442,240)
Acquisition of minority interest in PGI									(256,040)	(256,040)		(256,040)
BALANCES AT JUNE 30, 2010	**4,915,886**	**803,496**	**9,973,550**	**354,572**	**(121,807)**	**68,164**	**1,611,397**	**-**	**(214,503)**	**17,390,754**	**691,079**	**18,081,833**

PHILEX MINING COPORATION AND SUBSIDIARIES
#27 Brixton St., Pasig City

SCHEDULE OF ACCOUNTS RECEIVABLE
As of June 30, 2011

Accounts Receivable - Trade	673,500,402
Accounts Receivable - Miscellaneous	192,501,234
	866,001,636

AGING OF ACCOUNTS RECEIVABLE - TRADE
As of June 30, 2011

	0-30 days	31-60 days	61-90 days	over 90 days	Total
Trade					
Pan Pacific Copper Co. Ltd.	263,117,246				263,117,246
Louis Dreyfus Commodities Metals Suisse SA		108,760,801	80,234,555	216,309,454	405,304,811
Others	5,078,345				5,078,345
	268,195,591	**108,760,801**	**80,234,555**	**216,309,454**	**673,500,402**

PHILEX MINING CORPORATION AND SUBSIDIARIES

#27 Brixton St., Pasig City

SCHEDULE OF LOANS PAYABLE

As of June 30, 2011

Bank of the Philippine Islands	P	782,910,000
Philippine National Bank		865,820,000
Banco de Oro		1,082,275,000
Total	P	2,731,005,000

PHILEX MINING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011

1. Summary of Significant Accounting Policies and Financial Reporting Practices

Basis of Preparation

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements of Philex Mining Corporation (the Parent Company) and its subsidiaries (the Group) do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2010.

The unaudited interim condensed consolidated financial statements have been prepared using the historical cost basis, except for mine products inventory and material and supplies that are measured at net realizable value (NRV) and available-for-sale (AFS) financial assets and derivative financial instruments that are measured at fair value. The unaudited interim condensed consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional currency, rounded to the nearest thousand (₱000) except when otherwise indicated.

Statement of Compliance

The unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the Philippines. The Group prepared its unaudited interim condensed consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRS), except for the Parent Company's mine products inventory that have been measured at NRV, which was permitted by the Philippine Securities and Exchange Commission (SEC). The significant accounting policies followed by the Group are disclosed below.

Changes in Accounting Policies

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as of and for the year ended December 31, 2010, except for the adoption of the following new and amended accounting standards that became effective beginning January 1, 2011.

Adoption of the following changes in PFRS, PAS and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) interpretations did not have any significant impact on the Group's consolidated financial statements.

- PAS 24, *Related Party Disclosures (Amendment)*
- PAS 32, *Financial Instruments: Presentation (Amendment) - Classification of Rights Issue*
- Philipp*ine Interpretation IFRIC 14, Prepayments of a Minimum Funding Requirement*

(Amendment)
- Philipp*ine Interpretation IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments*

Improvements to PFRS
In May 2010, the International Accounting Standards Board issued omnibus of amendments to the following standards, primarily with a view to removing inconsistencies and clarifying wording, which was approved by the Financial Reporting Standards Council in its meeting in July 2010. Unless otherwise specified, the amendments are effective for annual periods beginning or after January 1, 2011. The adoption of the following amendments resulted in changes to accounting policies that have significant impact on the financial position and performance of the Group.

- PFRS 3, *Business Combinations (Revised)*, clarifies the measurement options available for non-controlling interest. Only components of non-controlling interest that constitute a present ownership interest that entitles their holder to a proportionate share in the entity's net assets in the event of liquidation shall be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

  Furthermore, revised PFRS 3 clarifies that contingent consideration arising from business combination prior to adoption of PFRS 3 (Revised) is accounted for in accordance with the old PFRS 3 (2005).

- PAS 1, *Presentation of Financial Statements (Amendment)*, clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the consolidated statement of changes in equity or in the notes to the consolidated financial statements.

- PAS 34, *Interim Financial Statements*, requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements.

Other amendments resulting from the improvements to PFRS to the following standards did not have any significant impact on the accounting policies, financial position and performance of the Group.

- PFRS 7, *Financial Instruments: Disclosures (Amendment)*
- PAS 27, *Consolidated and Separate Financial Statements (Amendment*)
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes (Amendment)*

Future Changes in Accounting Policies

The following are the new and revised accounting standards and interpretations that will become effective subsequent to December 31, 2011. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have any significant impact on its consolidated financial statements.

Effective in 2012

- PFRS 7, *Financial Instruments: Disclosures (Amendments) - Transfers of Financial Assets*, allows users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

- PAS 12, *Income Taxes (Amendment) - Deferred Tax: Recovery of Underlying Assets*, provides a practical solution to the problem of assessing whether recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will, normally, be through sale.

- Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

Effective in 2013

- PFRS 9, *Financial Instruments: Classification and Measurement*, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and de-recognition will be addressed. The completion of this project is expected in the middle of 2011. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

- PFRS 10, *Consolidated Financial Statements*, includes a new definition of control that determines which entities are consolidated. PFRS 10 replaces the part of PAS 27 related to consolidated financial statements and replaces Standing Interpretations Committee (SIC) interpretation 12, *Consolidation - Special Purpose Entities*.

- PFRS 11, *Joint Arrangements*, describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*.

- PFRS 12, *Disclosure of Interests in Other Entities*, sets out the disclosure requirements for subsidiaries, joint ventures, associates and "structured entities." PFRS 12 replaces the requirements previously included in PAS 27, PAS 31, and PAS 28, *Investments in Associates*.

2. Significant Judgments and Estimates and Assumptions

Classification of financial instruments
The Group exercises judgment in classifying financial instruments in accordance with PAS 39. The Group classifies a financial instrument, or its components, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Group's unaudited consolidated balance sheet.

Financial assets are classified into the following categories:
a. Financial assets at FVPL
b. Loans and receivables
c. HTM investments
d. AFS financial assets

Financial liabilities, on the other hand, are classified into the following categories:
a. Financial liabilities at FVPL
b. Other financial liabilities

The Group determines the classification at initial recognition and re-evaluates this classification, where allowed and appropriate, at every reporting date.

Valuation of financial assets and financial liabilities
The Group carries certain financial assets and financial liabilities (i.e., derivatives and AFS financial assets) at fair value, which requires the use of accounting estimates and judgment. At initial recognition, the fair value of quoted AFS financial assets is based on its quoted price in an active market while the fair value of unquoted AFS financial assets is based on the latest available transaction price. The amount of changes in fair value would differ if the Group utilized a different valuation methodology. Any change in fair value of these financial assets and financial liabilities would affect the profit and loss or other comprehensive income.

3. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivatives, comprise mainly of cash and cash equivalents, receivables, AFS financial assets and accounts payable and accrued liabilities. The main purpose of these financial instruments is to provide financing for the Group's operations and capital intensive projects.

The Board of Directors (BOD) is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group.

Financial Risks
The main risks arising from the Group's financial instruments are credit and concentration risks, liquidity risk, and market risk. The market risk exposure of the Group can be further classified to foreign currency risk, cash flow interest rate risk, equity price risk, and commodity price risk. The BOD reviews and approves the policies for managing some of these risks and they are summarized as follows:

Credit and concentration risks

Credit risk is such risk where the Group could incur a loss if its counterparties fail to discharge their contractual obligations, although the Group trades only with recognized, creditworthy third parties. At present, 60% of the Parent Company's annual mineral products sales are committed to Pan-Pacific Co. Ltd. (Pan Pacific) with whom the Parent Company has a long-term sales agreement. This agreement is effective until the end of the Padcal mine life currently declared as 2017 but with possibility of future extension. The balance of the Parent Company's annual mineral products sales is with LD Metals which is covered by a long-term agreement up to April 1, 2012.

With respect to credit risk arising from the other financial assets of the Group, which comprise of cash and cash equivalents and AFS financial assets, the Group's exposure to credit risk could arise from default of the counterparty, having a maximum exposure equal to the carrying amount of these instruments.

The table below summarizes the Group's exposure to credit risk for the components of the unaudited consolidated balance sheet as of June 30, 2011:

Cash and cash equivalents, excluding cash on hand:	
Cash in bank	₱325,685
Short-term deposits	4,706,712
Accounts receivable:	
Trade	673,500
Others	192,502
AFS financial assets:	
Quoted equity investments	2,742,729
Unquoted equity investments	2,399,784
Derivative assets	33,889
Gross maximum credit risk exposure	₱11,074,801

The table below shows the credit quality of the Group's financial assets by class as of June 30, 2011 based on the Group's credit evaluation process:

	Neither past due nor impaired		Past due or individually impaired	Total
	High Grade	Standard		
Cash and cash equivalents, excluding cash on hand:				
Cash in bank	₱325,685	₱-	₱-	₱325,685
Short-term deposits	4,706,712	-	-	4,706,712
Accounts receivable:				
Trade	673,500	-	-	673,500
Others	-	192,502		192,502
AFS financial assets:				
Quoted equity investments	-	2,742,729	-	2,742,729
Unquoted equity investments	-	2,399,784	-	2,399,784
Derivative assets	33,889	-	-	33,889
Total	₱5,739,786	₱5,335,015	₱	₱11,074,801

Credit quality of cash and cash equivalents and AFS financial assets are based on the nature of the counterparty and the Group's internal rating system.

High-grade credit quality financial assets pertain to financial assets with insignificant risk of default based on historical experience and/or counterparty credit standing. Standard-grade credit quality financial asset includes unquoted equity investments that can be readily sold to a third party.

The Group has no past due but not impaired financial assets as of June 30, 2011.

Liquidity risk

Liquidity risk is such risk where the Group becomes unable to meet its payment obligations when they fall due under normal and stress circumstances. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group addresses liquidity concerns primarily through cash flows from operations and short-term borrowings, if necessary.

The table below summarizes the maturity profile of the Group's non-derivative financial liabilities as of June 30, 2011, respectively based on contractual undiscounted repayment obligations (including interest):

	On demand	Within 1 year	More than 1 year	Total
Short-term bank loans	₱-	₱2,731,005	₱-	₱2,731,005
Accounts payable and accrued liabilities	-	696,135	-	696,135
Dividends payable	526,139	-	-	526,139
Subscription payable		21,995	-	21,995
Total undiscounted financial liabilities	₱526,139	₱3,449,135	₱–	₱3,975,274

Market risks

Foreign currency risk

Foreign currency risk is such risk where the value of the Group's financial instruments diminishes due to unfavorable changes in foreign exchange rates. The Parent Company's transactional currency exposures arise from sales in currencies other than its functional currency. All of the Parent Company's sales are denominated in US Dollar. Also, the Parent Company is exposed to foreign exchange risk arising from its US Dollar-denominated cash and cash equivalents, trade receivables, and long-term debt. For the six months ended June 30, 2011, the Parent Company recognized net foreign exchange loss of ₱50.1 million, arising from the translation of these foreign currency-denominated financial instruments.

As the need arises, the Parent Company enters into structured currency derivatives to cushion the effect of foreign currency fluctuations.

The following table summarizes the impact on the unaudited consolidated income before income tax of reasonably possible changes in the exchange rates of US Dollar against the Peso:

USD Appreciate/(Depreciate)	
7%	₱87,591
(7%)	(87,591)

There is no other impact on the Group's equity other than those affecting profit or loss.

Cash flow interest rate risk
Interest rate risk arises from the possibility that changes in interest rates would unfavorably affect future cash flows from financial instruments. As of June 30, 2011, Group's exposure to the risk in changes in market interest rates relates primarily to the Parent Company's short-term bank loans.

The Group relies on budgeting and forecasting techniques to address cash flow concerns. The Group also keeps its cash flow interest rate risk minimum by prepaying, to the extent possible, interest-bearing debt using operating cash flows.

The following table demonstrates the sensitivity to reasonably possible change in interest rates, with all other variables held constant, of the Group's three months period of 2011 income before income tax:

Change in market rate of interest	Effect on income before income tax
(1.0%)	₱27,310
(0.5%)	₱13,655
1.0%	(₱27,310)
0.5%	(₱13,655)

There is no other impact on the Group's equity other than those affecting profit or loss.

Equity price risk
Equity price risk is such risk where the fair values of investments in quoted equity securities could decrease as a result of changes in the levels of equity indices and the value of individual stocks. The management strictly monitors the movement of the share prices pertaining to its investments. The Group is exposed to equity securities price risk because of investments held by the Parent Company, which are classified in the unaudited consolidated balance sheets as AFS financial assets.

The effect on equity, as a result of a possible change in the fair value of the Parent Company's equity instruments held as AFS financial assets as at June 30, 2011, that could be brought by changes in equity indices with all other variables held constant, are as follows:

Currency	Change in quoted prices of investments carried at fair value	
AU$	Increase by 20%	₱101,890
	Decrease by 40%	(203,780)
PHP	Increase by 20%	₱446,656
	Increase by 10%	223,328
	Decrease by 20%	(446,656)
	Decrease by 10%	(223,328)

The impact on the Group's equity excludes the impact on transactions affecting profit or loss.

Commodity price risk
The Parent Company's mine products revenues are based on international commodity quotations (i.e., primarily on the LME and London Bullion Metal Association quotes) over which the Parent Company has no significant influence or control. This exposes the Group's results of operations to commodity price volatilities that may significantly impact its cash inflows. The Parent Company enters into derivative transactions as a means to mitigate the risk of fluctuations in the market prices of its mine products.

The table below shows the effect on income before income tax should the change in the prices of copper and gold occur based on the inventory of the Parent Company as of June 30, 2011:

Change in metal prices (Gold)	Effect on income before income tax
Increase by 17%	₱108,353
Decrease by 17%	(108,353)

Change in metal prices (Copper)	Effect on income before income tax
Increase by 28%	₱126,958
Decrease by 28%	(126,958)

4. Segment Information

The Group is organized into business units on their products and activities and has two reportable operating segments: the mining segment and the oil and gas segment. The operating businesses are organized and managed separately through the Parent Company and its subsidiaries according to the nature of the products provided, with each segment representing a strategic business unit that offers different products to different markets.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income (loss) for the year, earnings before interest, taxes and depreciation and depletion (EBITDA), and core net income (loss).

Net income (loss) for the year is measured consistent with consolidated net income (loss) in the consolidated statements of income. EBITDA is measured as net income excluding interest expense, interest income, provision for (benefit from) income tax, and depreciation and depletion of property, plant and equipment.

The Group started using core net income (loss) in evaluating total performance in 2009. Core income is the performance of operating segments based on a measure of recurring profit. This measurement basis is determined as profit attributable to equity holders of the Parent Company excluding the effects of non-recurring items, net of their tax effects. Non-recurring items represent gains (losses) that, through occurrence or size, are not considered usual operating items, such as foreign exchange gains (losses), gains (losses) on derivative

instruments, gains (losses) on disposal of investments, and other non-recurring gains (losses).

The Group added the disclosure on core net income in 2009 and the disclosure on EBITDA in 2009 and 2008.

The following tables present revenue and profit and certain asset and liability information regarding the Group's operating segments.

June 30, 2011

		Mining		Oil and Gas		Unallocated Corporate Balances		Eliminations		Total
Revenue										
External customers	P	7,819,858	P	330,154		-		-	P	8,150,013
Inter-segment										
Consolidated revenue	P	7,819,858	P	330,154	P	-	P	-	P	8,150,013
Results										
EBITDA	P	4,213,514	P	576,258			P	46,168	P	4,835,940
Interest Income (Expense) - Net		18,722		(10,034)		-		-		8,688
Income Tax Expense		(1,238,293)		(1,164)		-		-		(1,239,457)
Depreciation and depletion		(384,945)		(1,226)		-		-		(386,171)
Consolidated net income (loss)	P	2,608,998	P	563,834		-	P	46,168	P	3,219,000
Consolidated total assets	P	31,366,302	P	5,553,753	P	6,035		(P6,204,623)	P	30,721,467
Consolidated total liabilities		(P12,952,051)		(P1,843,989)		(P47)	P	7,191,014		(P7,605,073)
Core net income (loss)									P	2,835,630
Other Segment Information										
Capital expenditures additions	P	354,031	P	162,727		-		-	P	516,758
Investments in shares of stocks		4,192,587		1,035,764		-		(5,225,263)		3,088
Equity in net losses of associates		-		(39,488)		-		-		(39,488)

June 30, 2010

	Mining	Oil and Gas	Unallocated Corporate Balances	Eliminations	Total
Revenue					
External customers	P 4,729,958	P 130,173	-	-	P 4,860,131
Inter-segment					
Consolidated revenue	P 4,729,958	P 130,173	P -	P -	P 4,860,131
Results					
EBITDA	P 1,862,340	(P11,493)		(P34,272)	P 1,816,575
Interest Income (Expense) - Net	8,388	472	-	-	8,860
Income Tax Expense	(404,254)	(1,450)	-	-	(405,704)
Depreciation and depletion	(450,260)	(4,446)	-	-	(454,706)
Consolidated net income (loss)	P 1,016,213	(P16,917)	-	(P34,272)	P 965,025
Consolidated total assets	P 22,361,230	P 3,884,369	P 5,938	(P3,797,249)	P 22,454,288
Consolidated total liabilities	(P8,145,355)	(P325,544)	(P77)	P 4,098,909	(P4,372,066)
Core net income (loss)					P 983,858
Other Segment Information					
Capital expenditures	P 414,763	P 50,903	-	-	P 465,666
Investments in shares of stocks	3,519,577	944,555	-	(3,361,980)	1,102,152
Equity in net losses of associates	-	(29,547)	-	-	(29,547)

5. Related Party Transactions

The following are the significant transactions with related parties:

a. On November 24, 2010, the Parent Company, as lender, entered into a US$10,000 loan facility agreement with Forum Philippines Holdings Ltd. (FPHL), a wholly-owned subsidiary of FEP. The facility agreement will be available for a three-year period and funds can be borrowed at an interest rate of US LIBOR + 4.5%. The facility agreement will enable FPHL to fund its 70% share of a first sub-phase work programme over SC 72. Obligations arising from funds drawn under this facility agreement are not convertible into FEP's or FPHL's ordinary shares but are guaranteed by FEP for repayment to the Parent Company. As of June 30, 2011, total drawdown amounted to US$6,000.

b. The Parent Company provided non-interest-bearing, unguaranteed cash advances to SMMCI and SMECI to finance SMECI's operations and exploration activities. As of June 30, 2011 & 2010, the outstanding cash advances to SMMCI and SMECI amounted to ₱3,647,285 and P2,545,989, respectively. These advances are payable on demand and will be settled through cash payment by SMMCI and SMECI.

c. The Parent Company advances PGPI's working capital and capital expenditure requirements which amounted to ₱987,769 and ₱907,948 as of June 30, 2011 and 2010, respectively. A portion of these advances are secured by mortgage participation certificates on certain mining assets of PGPI's Bulawan mine which is currently on care and maintenance basis. The mining assets are fully depreciated as of December 31, 2010 and 2009.

d. The Parent Company and PGPI were reimbursed by Anglo's wholly-owned local subsidiary, Anglo American Exploration (Philippines), Inc. for expenses that the Parent Company and PGPI incurred pertaining to the exploration activities of NLEMCI and SMMCI.

As of June 30, 2011, total reimbursements made by Anglo for the Parent Company's and PGPI's advances amounted to ₱285. These reimbursements, which are non-interest-bearing, unguaranteed and reimbursable on demand, are presented as part of "Others" under "Accounts receivable" account in the consolidated balance sheets.

e. The Parent Company made cash advances to be used as additional working capital of PPC, and for the acquisition of investment in shares of stock. These advances are non-interest-bearing, unguaranteed and payable on demand through cash. As of June 30, 2011, cash advances from the Parent Company amounted to ₱635,621.

f. In April 2010, the Parent Company sold US$20,000 to First Pacific Company Limited, Inc. (FPC), a stockholder, at the forward rate of ₱45.03 per US dollar in converting part of the Parent Company's dollar fund for routine working capital requirement.

g. The Parent Company provided cash advances to BEMC for the funding of its exploration and development activities. These advances are non-interest-bearing and payable on demand through cash. As of June 30, 2011 and 2010, total advances amounted to ₱56,238 and ₱168.406 respectively.

6. Basic/Diluted Earnings Per Share

Basic earnings per share as of June 30, 2011 and 2010 are computed as follows:

	2011	2010
Net income attributable to equity holders of the Parent Company	₱3,184,050	₱ 974,197
Divided by weighted average number of common shares outstanding during the period	4,924,369,903	4,910,208,442
Basic earnings per share	₱0.6466	₱0.1984

Diluted earnings per share as of June 30, 2011 and 2010 are computed as follows:

	2011	2010
Net income attributable to equity holders of the Parent Company	₱3,184,050	₱ 974,197
Divided by weighted average number of common shares outstanding during the period including vested options	4,929,991,239	4,920,220,916
Diluted earnings per share	₱0.6459	₱0.1980

Weighted average number of common shares outstanding during the period	4,924,369,903	4,910,208,442
Effect of exercise of stock options	5,621,336	10,012,474
Weighted average number of common shares adjusted for the effect of exercise of stock options	4,929,991,239	4,920,220,916

7. Seasonality and Cyclicality of Interim Operation

There are no significant seasonality or cyclicality in its business operation that would have material effect on the Company's financial condition or results of operation.