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-035-12

April 26, 2012

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 three (3) months ended March 31, 2012, which we filed with the Securities and Exchange Commission today.

Very truly yours,

EULALIO B. AUSTIN, JR.
President and COO

Encls.: a/s
/RSL/

COVER SHEET

10044

SEC Registration Number

PHILEX MINING CORPORATION

(Company's Full Name)

27 Brixton cor FairLane Streets

Pasig City

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

Renato N. Migriño

(Contact Person)

746-87-55

(Company Telephone Number)

12 31

Month *Day*

(Calendar Year)

17-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

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. **For the quarterly period ended** March 31, 2012

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 – 4,931,534,968
    (As of March 31, 2012)

    Amount of Debt Outstanding – 350,000,000

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 March 31, 2012 are hereto attached.

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

The Company's consolidated net income for the first quarter of 2012 amounted to P1.268 billion, 3% lower than the P1.310 billion net income for the same quarter last year, as income from operations declined due to higher operating costs. Core net income of P1.330 billion in 2012 though was almost at the same level in 2011, while EBITDA amounted to P2.047 billion and P2.092 billion, in the same periods, respectively.

Revenue generated during the first quarter of 2012 registered the highest first quarter revenue for the Company to date at P4.021 billion, 4% higher than the P3.864 billion last year as revenue from gold increased to P2.177 billion from P2.099 billion and as revenue from copper likewise increased to P1.796 billion from P1.651 billion. Revenue from silver, petroleum and coal, however, decreased to P47.6 million this year from P113.6 million last year. The increases in revenue from gold and copper were the results of improved prices despite the lower production output this year compared to last year. In the first quarter of 2012, average realized metal prices were at $1,678 per ounce gold and $4.26 per pound copper on 29,153 ounces of gold and 9,085,371 pounds of copper produced. Last year, average realized metal prices were at $1,315 per ounce gold and $4.13 per pound copper on 37,003 ounces of gold and 9,110,472 pounds of copper produced. The lower revenue from petroleum was on account of the temporary shut-down of operations of the Galoc oil field off Palawan since November 2011, where most of Philex Petroleum Corporation's 64.5%-owned subsidiary, Forum Energy Plc's, income come from, to allow for the upgrading of its facilities.

With the lower production volume, while marketing charges decreased by 16% to P173.1 million this quarter from P206.5 million last year, on the other hand, costs and expenses increased by 18% to P1.944 billion this quarter from P1.645 billion last year. Thus, the net income from operations of P1.904 billion this quarter was 5% lower than the P2.012 billion income generated last year.

This quarter, net income before tax amounted to P1.827 billion after foreign exchange loss of P48.0 million from the Company's dollar denominated deposits converted at the closing rate of P42.92 per $1 as of March 31, 2012. There were also other charges comprising of share based-compensation expense of P15.0 million, and a reserve provision of P29.0 million, partially offset by net interest income of P14.5 million. In the same period last year, net income before tax amounted to P1.909 billion after foreign exchange loss of P26.9 million from the Company's dollar-denominated deposits converted at the closing rate of P43.432 per $1 as of March 31, 2011, and other charges of P83.4 million comprised partly of share-based compensation expense of P16.9 million, equity in net losses of associates of P39.5 million, and provision for losses of P29.0 million, partially offset by net interest income of P7.9 million. The lower income before income tax this year compared to last year resulted to a reduced income tax provision at P559.1 million this quarter from P599.1 million last year

To protect part of its future revenues from unfavorable metal price and foreign exchange fluctuations, the Parent Company enters into metal and foreign currency hedging contracts in the form of forward, purchased put options and sold call options. The gains or losses from these transactions are reflected in revenue as addition or deduction in deriving the realized prices and realized foreign exchange for the Company's metal production during the respective reporting periods.

In the first quarter of 2012, operating revenue was augmented by a P139.0 million net hedging gain comprising of the P121.7 million gain from copper forward contracts, P42.7 million gain from copper put options, and a loss of P25.4 million amortization of the premiums for gold put options bought. On the other hand, in 2011, operating revenue was reduced by hedging loss of P169.2 million comprising of P88.9 million amortization of the unwinding cost of the gold collars pre-terminated in 2009, P24.3 million and P40.9 million amortizations of the premiums for gold and copper put options bought, and P15.1 million loss from copper forward contracts.

The Company's outstanding derivative financial instruments as of March 31, 2012 are presented in the following tables:

On Gold

Deal Dates	Contract	Total Quantity (in ozs)	Monthly Maturity (in ozs)	Strike Price in US$ per oz		Period Covered	
				Put	Call	From	To
July 27, 2011	Put	24,000	8,000	1,400.00		Jan 2012	June 2012
Dec 08, 2011	Collar	2,700	900	1,600.00	1,905.00	Jan 2012	June 2012
Dec 08, 2011	Collar	26,700	8,900	1,600.00	1,935.00	July 2012	Sept 2012
Mar 29, 2012	Collar	8,900	8,900	1,500.00	1,843.00	Oct 2012	Oct 2012
Total		62,300		1,508.67	1,911.51		

On Copper

Deal Dates	Contract	Total Quantity (in DMT)	Monthly Maturity (in DMT)	Strike Price in US$ per lb			Period Covered	
				Put	Call	Forward	From	To
July 27, 2011	Collar	1,950	650	4.00	4.81		Jan 2012	June 2012
July 27, 2011	Forward	1,950	650			4.43	Jan 2012	June 2012
Nov 03, 2011	Put	3,780	1,260	3.00			Jul 2012	Sept 2012
Mar 16, 2012	Forward	3,840	1,280			3.89	Oct 2012	Dec 2012
Total		11,520		3.34	4.81	4.07		

On Dollar

Deal Dates	Contract	Total Dollar (in million $)	Monthly Maturity (in million $)	Strike Price in Peso per $1		Period Covered	
				Put	Call	From	To
Aug 05, 2011	Collar	24	8	42.25	44.60	Jan 2012	June 2012
Aug 08, 2011	Collar	24	8	42.25	44.60	Jan 2012	June 2012
Dec 20, 2011	Collar	24	8	43.50	45.50	July 2012	Sept 2012
Mar 22, 2012	Collar	48	8	42.75	44.63	Jul 2012	Dec 2012
Mar 22, 2012	Collar	24	8	43.00	44.63	Oct 2012	Dec 2012
Total		144		42.75	44.76		

As of March 31, 2012, Total Assets of the Company slightly increased by 2% to P33.265 billion from P32.454 billion at year- end 2011.

Total Current Assets increased by 8% to P8.963 billion from P8.332 billion primarily due to the increases: in Cash and Cash Equivalents by P716.7 million generated from net earnings for the period, in Inventories by P1.367 billion mostly from the higher balance of mine products inventory at the end of the quarter, and in Other Current Assets by P96.4 million particularly on the input value added tax receivable on importation of materials and supplies. These were partially offset by the decreases: in Accounts Receivable by P882.0 million as a higher balance of trade receivables outstanding at the beginning of the year were collected in the first quarter, and in Derivative Assets by P666.8 million due to the lower mark-to-market valuation of the outstanding metal and currency hedging contracts at the end of the quarter.

Non-current Assets slightly increased to P24.302 billion from P24.123 billion as of the beginning of the year principally from the increases in Property, Plant and Equipment to P5.520 billion from P5.400 billion due to capital acquisitions this year, and Deferred Exploration Costs and Other Noncurrent Assets to P13.212 billion from P13.024 billion because of the ongoing exploration activities of the Company. These were partially offset by the lower balance of Available for Sale investments amounting to P5.311 billion from P5.428 billion mainly due to the decrease in fair values of investments in quoted shares of stocks amounting P129.9 million.

Total Liabilities of the Company at the end of the first quarter of 2012 amounted to P7.727 billion, 43% higher than the P5.403 billion balance at the beginning of the year.

Current Liabilities amounted to P4.563 billion at the end of the first quarter, 77% higher than the P2.576 billion balance at the beginning of the year primarily on account of the P1.933 billion increase in Dividends Payable following the declaration of P2.071 billion cash dividends or P0.42 per share in February 2012. Accounts Payable and Accrued Expenses likewise increased by P89.8 million and Income Tax Payable by P157.6 million on account of the net income for the quarter period.

Non-current Liabilities amounting to P3.163 billion this period, was higher than the P2.827 billion at the beginning of the year on account of the increase in Deferred Income Tax Liabilities to P3.037 billion from P2.635 billion, partly offset by the decrease in Provision for Losses to P108.9 million from P173.7 million.

Stockholders' Equity at the end of the first quarter was lower at P25.539 billion from P27.051 billion at the beginning of the year. The decrease is on account of the cash dividends declared of P2.071 billion, the lower balance of the unrealized gain on AFS investments of P1.891 billion, partly offset by the negative balances of Cumulative Adjustments on Hedging Instruments of P94.6 million, and Cumulative Translation Adjustments on Foreign Subsidiary of P56.4 million.

In the first quarter of 2012, Net Cash provided by operating activities amounted to P1.222 billion, mainly from the net income generated this quarter and by the decreases in Accounts Receivable of P885.2 million and Other Current Assets of P514.6 million, by the increase in Other Liabilities of P400.0 million, minus the increase in Inventories of P1.367 billion and decrease in Accounts Payable and Accrued Expenses of P735.7 million. In 2011, Cash Provided amounted to P2.273 billion, mainly from the net income generated this quarter, and by the decrease in Accounts Receivable of P1.645 billion, partly offset by the increase in Inventories of P1.562 billion. Net Cash used in investing activities amounted to P504.6 million in 2012, compared to P665.7 million in 2011 as expenses for ongoing exploration projects of P150.3 million in 2012 was lower than the P325.4 million in 2011, even as acquisitions of Property, Plant and Equipment of P355.7 million in 2012 was higher than the P310.2 million in 2011. Net Cash used in financing activities is minimal at P381 thousand this quarter, compared to the Net Cash provided by financing activities which amounted to P74.5 million last year from the availment of short-term loan of P100.0 million by a subsidiary. As of March 31, Cash and Cash Equivalents amounted to P4.664 billion in 2012 compared to P5.464 billion in 2011.

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 substantial 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 2012 amounted to P1,678 per ounce gold (net of amortization of hedging costs of $21 per ounce) and $4.26 per pound copper (after hedging gain of $0.42 per pound). In the same quarter in 2011, the realized price amounted to $1,315

per ounce gold (net of amortization of hedging costs of $67 per ounce) and $4.13 per pound copper (net of amortization of hedging costs of $0.14 per pound).

At the budgeted realized price levels of $1,690 per ounce for gold and $3.73 per pound for copper, the budgeted operating revenue for the remaining nine months of 2012 is at P11.711 billion. Spot prices for gold and copper both reached record highs of $1,921 per ounce in September 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 grade in the first quarter of 2012 averaged 0.494 grams gold per tonne and 0.219% copper, lower than the average of 0.613 grams gold per tonne and 0.221% copper in 2011. The lower ore grades, although with slightly higher milling tonnage of 2.4 million tonnes in 2012 from 2.3 million tonnes in 2011, produced less concentrates at 16,478 dry metric tons this quarter compared to 16,792 dry metric tons last year. The equivalent metal outputs were 29 thousand ounces gold and 9.085 million pounds copper this year, compared to 37 thousand ounces gold and 9.110 million pounds copper in 2011.

For the remaining nine months of 2012, the budgeted milling tonnage is at 7.1 million tonnes at the average grade of 0.502 grams per tonne gold and 0.221% copper. In terms of metal production, gold is budgeted at 90 thousand ounces while copper at 29 million pounds.

Foreign Exchange Rate

As the Company's sales proceeds (and in the past, also 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 quarter of 2012 was P42.77 compared to P43.59 in 2011. As of March 31, 2012, the peso to dollar closing rate was P42.92 compared to P43.432 in 2011.

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 2012, the total production cost (minesite cost and expenses excluding marketing charges, excise tax and royalties) per tonne of ore milled was P603 from the total

production cost of P1.421 billion over ore milled of 2.4 million tonnes, 12% higher than the cost per tonne of P537 from the total production cost of P1.218 billion over ore milled of 2.3 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 quarter of 2012 was P766 from the operating cost and expenses of P1.804 billion, 6% higher than the P726 from the operating costs and expenses of P1.646 billion in the same period of 2011. Expressed in operating cost per ounce of gold produced, operating cost before copper revenue credits was $1,447 per ounce this quarter compared to $1,020 per ounce in 2011. After copper revenue credit, however, the corresponding cost per ounce was $86 in 2012 compared to negative $27 in 2011. On the other hand, expressed in operating cost per pound of copper produced before gold revenue credit, the cost was $4.64 in 2012 compared to $4.14 in 2011. After gold revenue credit, cost per pound was negative $0.85 in 2012 versus negative $1.32 in 2011.

For the remaining nine months of 2012, the budgeted total production cost per tonne is P590 from the total production cost of P4.171 billion, while the budgeted operating cost (including production cost) per tonne is P761 from the total operating cost of P5.385 billion. The budgeted operating cost per ounce of gold produced is $1,388 per ounce before copper revenue credits, but after copper revenue credits is at negative $208 per ounce. In per pound copper terms, the budgeted operating cost is $4.39 per pound before gold revenue credits, but after gold revenue credits is at negative $1.06 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 first quarter in 2012 was P0.2629 per share based on the 4,930,918,226 weighted average shares outstanding for the period. The basic earnings per share for the first the three months period in 2011 was P0.2664 per share based on the 4,922,922,793 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 5,329,027 and 6,012,312 common shares in 2012 and 2011, respectively. The diluted earnings per share in 2012 would be P 0.2627 per share based on the 4,936,247,253 weighted average shares adjusted for the effect of such assumed exercises of stock options. In 2011, diluted earnings per share would have been P0.2661 per share based on the 4,928,935,105 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

EULALIO B. AUSTIN
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: April 26, 2012

PHILEX MINING CORPORATION
AND SUBSIDIARIES

UNAUDITED
CONSOLIDATED
FINANCIAL STATEMENTS
March 31, 2012

Pasig City, Philippines

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

ASSETS		March 31 2012 (UNAUDITED)		December 31 2011 (AUDITED)
Current Assets				
Cash and cash equivalents		4,664,039		3,947,295
Accounts receivable - net		713,622		1,595,629
Inventories - net		2,485,942		1,118,667
Derivative asset		237,944		904,701
Other current assets -net		861,735		765,334
Total Current Assets		8,963,282		8,331,626
Noncurrent Assets				
Property, Plant and Equipment - net		5,520,381		5,399,716
Available-for-sale (AFS) financial assets		5,311,178		5,428,069
Deferred income tax assets		-		12,720
Goodwill		258,593		258,593
Deferred exploration costs and other noncurrent assets - net		13,212,016		13,023,504
Total Noncurrent Assets		**24,302,168**		**24,122,602**
TOTAL ASSETS	**P**	**33,265,450**	**P**	**32,454,228**

LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Short-term bank loans		350,000		350,000
Accounts payable and accrued liabilities		1,250,017		1,160,205
Income tax payable		533,607		376,006
Dividends payable		2,258,196		325,333
Provisions and subscriptions payables		171,631		317,111
Derivative liability-current portion		-		47,270
Total Current Liabilities		4,563,451		2,575,925
Noncurrent Liabilities				
Provision for mine rehabilitation costs		17,545		17,775
Provision for losses		108,946		173,731
Deferred income tax liabilities - net		3,036,857		2,635,330
Total Noncurrent Liabilities		3,163,348		2,826,836
Total Liabilities		7,726,799		5,402,761
Equity Attributable to Equity Holders of the Parent Company				
Capital Stock - P1 par value		4,931,535		4,929,751
Additional paid-in capital		946,684		887,290
Retained Earnings		15,318,395		16,093,059
Net unrealized gain on AFS financial assets		1,891,070		2,020,940
Cumulative translation adjustments		(150,952)		495,019
Net revaluation surplus		1,611,397		1,611,397
Effect of transaction with non-controlling interests		106,027		106,027
		24,654,156		26,143,483
Non-controlling Interests		884,495		907,984
Total Equity		**25,538,651**		**27,051,467**
TOTAL LIABILITIES & EQUITY	**P**	**33,265,450**	**P**	**32,454,228**

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

	Three Months ended March 31			
		2012		**2011**
REVENUE				
Gold	P	2,177,427	P	2,098,861
Copper		1,796,063		1,651,045
Silver		38,668		47,804
		4,012,158		3,797,710
Less: Marketing charges		173,098		206,502
		3,839,060		3,591,208
Petroleum		8,811		64,521
Coal		84		1,288
		3,847,955		**3,657,017**
COSTS AND EXPENSES				
Mining and milling costs (including depletion and depreciation)		1,374,775		1,203,732
Mine products taxes and royalties		209,694		220,600
General and administrative expenses		300,296		171,245
Petroleum production costs		11,112		33,896
Handling, hauling and storage		48,369		14,696
Cost of coal sales		49		1,261
		1,944,295		1,645,430
INCOME FROM OPERATIONS		**1,903,660**		**2,011,587**
OTHER INCOME (CHARGES) - Net				
Interest income		19,234		12,126
Interest expense		(4,761)		(4,253)
Foreign exchange gains (losses)		(47,965)		(26,881)
Others - net		(43,336)		(83,428)
		(76,828)		**(102,436)**
INCOME BEFORE INCOME TAX		**1,826,832**		**1,909,151**
PROVISION FOR INCOME TAX		(559,105)		(599,118)
NET INCOME	**P**	**1,267,727**	**P**	**1,310,033**
Net income attributable to:				
Equity holders of the Parent Company		1,296,553		1,311,596
Non-controlling interests		(28,826)		(1,563)
	P	**1,267,727**	**P**	**1,310,033**
BASIC EARNINGS PER SHARE	**P**	**0.2629**	**P**	**0.2664**
DILUTED EARNINGS PER SHARE	**P**	**0.2627**	**P**	**0.2661**

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

	Three Months ended March 31			
		2012		**2011**
NET INCOME	P	1,267,728	P	1,310,033
OTHER COMPREHENSIVE INCOME				
Unrealized loss on AFS financial assets		(129,870)		23,710
Gain (Loss) on translation of hedging instruments		(594,076)		(20,753)
Gain (Loss) on translation of financial statement of foreign subsidiaries		(46,559)		(29,889)
		(770,505)		(26,932)
TOTAL COMPREHENSIVE INCOME	**P**	**497,223**	**P**	**1,283,101**
Total Comprehensive Income Attributable to:				
Equity holders of the Parent Company		520,712		1,284,664
Non-controlling interests		(23,489)		(1,563)
		497,223		**1,283,101**

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

	Three Months Ended March 31	
	2012	**2011**
OPERATING ACTIVITIES		
Net Income before income tax	P 1,826,833	P 1,909,151
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion and depreciation	235,042	190,421
Net decrease(increase) in derivative liability	(594,076)	(20,753)
Amortization of Prov for Mine Closure Cost	-	339
Interest Expense on Asset Retirement Obligation	373	621
Reserve provision	29,000	29,000
Share-based compensation expense	15,000	16,909
Equity in net (income) loss of affiliates	-	39,488
Provision for (Benefit from) deferred income tax	12,720	
Changes in non-cash components of working capital		
Decrease (increase) in:		
Accounts receivable	885,169	1,645,306
Inventories	(1,367,275)	(1,561,959)
Other current assets	514,568	(139,098)
Decrease in accounts payable and accrued exp.	(735,657)	169,777
Inrease (Decrease) in other liabilities	399,999	(5,905)
Cash provided by (used in) operating activities	**1,221,696**	**2,273,297**
INVESTING ACTIVITIES		
Additions to resource assets	(355,705)	(310,223)
Decrease(Increase) in Investments in stocks	(8,350)	199
Increase in deferred exploration cost	(150,253)	(325,407)
Increase in other noncurrent assets	9,737	(30,259)
Cash used in investing activities	**(504,571)**	**(665,690)**
FINANCING ACTIVITIES		
Net availments (payments) of short-term loans	-	100,000
Exercise of stock options	46,178	4,444
Increase (Decrease) on cumulative translation adjustment on foreign subsidiary	(43,560)	(29,889)
Dividends	-	(90)
Increase in minority interest	(2,999)	-
Cash provided by (used in) financing activities	**(381)**	**74,465**
DECREASE IN CASH AND CASH EQUIVALENTS	**716,744**	**1,682,072**
CASH AND CASH EQUIVALENTS - BEGINNING	3,947,295	3,782,248
CASH AND CASH EQUIVALENTS - END	**P 4,664,039**	**P 5,464,320**

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 translation adjustments	Net revaluation Surplus	Effect of transaction with Minority Interest	Sub-total	Minority Interest	Total
Balances at December 31, 2011	**4,929,751**	**887,290**	**16,093,059**	**2,020,940**	**495,019**	**1,611,397**	**106,027**	**26,143,483**	**907,984**	**27,051,467**
Net income			1,296,553					1,296,553	(28,826)	1,267,727
Other comprehensive income (loss):										
Unrealized gain on AFS financial assets	-	-	-	(129,870)	-	-	-	(129,870)		(129,870)
Movement in fair value of hedging instruments	-	-	-	-	(594,076)	-	-	(594,076)		(594,076)
Loss on translation of foreign subsidiaries	-	-	-	-	(51,895)	-	-	(51,895)	5,337	(46,559)
Total comprehensive income	-	-	1,296,553	(129,870)	(645,971)	-	-	520,712	(23,489)	497,223
Increase in additional paid-in capital due to exercise of stock option	1,784	44,394	-	-	-	-	-	46,178		46,178
Increase in additional paid-in capital due to stock option plan	-	15,000	-	-	-	-	-	15,000		15,000
Declaration of cash dividends	-	-	(2,071,217)	-	-	-	-	(2,071,217)		(2,071,217)
BALANCES AT MARCH 31, 2012	**4,931,535**	**946,684**	**15,318,395**	**1,891,070**	**(150,952)**	**1,611,397**	**106,027**	**24,654,156**	**884,495**	**25,538,651**
Balances at December 31, 2010	**4,922,131**	**812,378**	**12,716,722**	**419,404**	**(66,174)**	**1,611,397**	**106,027**	**20,521,885**	**236,085**	**20,757,970**
Net income			1,311,596					1,311,596	(1,563)	1,310,033
Other comprehensive income (loss):										
Unrealized gain on AFS financial assets	-	-	-	23,710	-	-	-	23,710		23,710
Movement in fair value of hedging instruments	-	-	-	-	(20,753)	-	-	(20,753)		(20,753)
Loss on translation of foreign subsidiaries	-	-	-	-	(29,889)	-	-	(29,889)		(29,889)
Total comprehensive income	-	-	1,311,596	23,710	(50,642)	-	-	1,284,664	(1,563)	1,283,101
Increase in additional paid-in capital due to exercise of stock option	1,894	2,550	-	-	-	-	-	4,444		4,444
Increase in additional paid-in capital due to stock option plan	-	16,909	-	-	-	-	-	16,909		16,909
BALANCES AT MARCH 31, 2011	**4,924,025**	**831,837**	**14,028,318**	**443,114**	**(116,816)**	**1,611,397**	**106,027**	**21,827,902**	**234,522**	**22,062,424**

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

SCHEDULE OF ACCOUNTS RECEIVABLE
As of March 31, 2012

Accounts Receivable - Trade	555,456,510
Accounts Receivable - Miscellaneous	158,165,627
	713,622,137

AGING OF ACCOUNTS RECEIVABLE - TRADE
As of March 31, 2012

	0-30 days	31-60 days	61-90 days	over 90 days	Total
Trade					
Pan Pacific Copper Co. Ltd.				162,688,055	162,688,055
Louis Dreyfus Commodities Metals Suisse SA		195,622,367		150,580,779	346,203,147
Others	46,565,308				46,565,308
	46,565,308	**195,622,367**	**-**	**313,268,834**	**555,456,510**

PHILEX MINING CORPORATION AND SUBSIDIARIES

#27 Brixton St., Pasig City

SCHEDULE OF LOANS PAYABLE

As of March 31, 2012

Bank of the Philippine Islands	350,000,000
Total	**P 350,000,000**

PHILEX MINING CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2012

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, 2011.

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 are consistent with those of the previous financial year except for the adoption of new and amended accounting standards that became effective beginning January 1, 2012.

- PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements* requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

- PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income* changes the grouping of items presented in other comprehensive income. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Group's financial position or performance.

- PAS 12, *Income Taxes - Recovery of Underlying Assets* clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40, *Investment Property*, should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, *Property, Plant and Equipment* always be measured on a sale basis of the asset.

Improvements to PFRS

The Financial Reporting Standards Council, or FRSC, approved during its meeting in May 2010 the adoption of Improvements to PFRS, which were issued by the International Accounting Standards Board in May 2010. Improvements to PFRS is an omnibus of amendments to standards that deal primarily with a view to remove inconsistencies and clarify wording. There are separate transitional provisions for each standard which are all effective beginning January 1, 2011. The adoption of the following amendments resulted in changes to the Group's accounting policies but did not have any impact on the Group's financial position or performance.

- PFRS 3, *Business Combinations* amends the measurement options available for non-controlling interest (NCI). Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should 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.

- PFRS 7, *Financial Instruments: Disclosures* intends to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

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

Other amendments resulting from the Improvements to PFRS to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- PFRS 3, *Business Combinations* (Contingent consideration arising from business combination prior to adoption of PFRS 3 (as revised in 2008))

- PFRS 3, *Business Combinations* (Un-replaced and voluntarily replaced share-based payment awards)

- PAS 27, *Consolidated and Separate Financial Statements*

- PAS 34, *Interim Financial Statements*

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* (determining the fair value of award credits)

- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

Future Changes in Accounting Policies

The following are the new and revised accounting standards and interpretations that will become effective subsequent to December 31, 2012. 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 2013

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* requires an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or "similar agreement", irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a. The gross amounts of those recognized financial assets and recognized financial liabilities;
  b. The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c. The net amounts presented in the statement of financial position;
  d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and,
     ii. Amounts related to financial collateral (including cash collateral); and,
  e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The amendment affects disclosures only and has no impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements* replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for

consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

- PFRS 11, *Joint Arrangements* replaces PAS 31, *Interests in Joint Ventures,* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. Currently, the Group accounts joint venture arrangements under equity method.

- *PFRS 12, Disclosure of Interest in Other Entities* includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

- *PFRS 13, Fair Value Measurement* establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance.

- PAS 19, *Employee Benefits (Amendment)* removes the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is currently assessing the impact of the amendment to PAS 19.

- PAS 27, *Separate Financial Statements* (as revised in 2011). As a consequence of the new PFRS 10, *Consolidated Financial Statement,* and PFRS 12, *Disclosure of Interests in Other Entities,* what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group is currently assessing the impact of the amendment.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011). As a consequence of the new PFRS 11, *Joint Arrangements*, and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* specifies that during the development phase of the mine (before production begins), stripping costs are usually capitalized as part of the depreciable cost of building, developing and constructing the mine. Those capitalized costs are depreciated or amortized on a systematic basis, usually by using the units of production method, once production begins. A mining entity may continue to remove overburden and to incur stripping costs during the production phase of the mine. The material removed when stripping in the production phase will not necessarily be 100 per cent waste; often it will be a combination of ore and waste. The ratio of ore to waste can range from

uneconomic low grade to profitable high grade. Removal of material with a low ratio of ore to waste may produce some usable material, which can be used to produce inventory. This removal might also provide access to deeper levels of material that have a higher ratio of ore to waste. There can therefore be two benefits accruing to the entity from the stripping activity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. This Interpretation considers when and how to account separately for these two benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently. The standard is effective for annual periods beginning on or after January 1, 2013.

Effective in 2014

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities* clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group is currently assessing impact of the amendments to PAS 32.

Effective in 2015

PFRS 9, *Financial Instruments: Classification and Measurement* reflects the first phase 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 impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

2. Significant Judgments and Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the Philippines requires the management of the Group to exercise judgment, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of any contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Accounting assumptions, estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effects on amounts recognized in the consolidated financial statements:

Determination of the functional currency

The Parent Company and most of its local subsidiaries based on the relevant economic substance of the underlying circumstances, have determined their functional currency to be the Philippine peso. It is the currency of the primary economic environment in which the Parent Company and most of its local subsidiaries primarily operates. FEC's and FEP's functional currencies are the Canadian dollar and US dollar, respectively.

Recognition of deferred income tax assets

The Group reviews the carrying amounts at each balance sheet date and adjusts the balance of deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The sufficiency of future taxable profits requires the use of assumptions, judgments and estimates, including future prices of metals, volume of inventories produced and, sold and amount of costs and expenses that are subjectively determined like depreciation.

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 consolidated balance sheets.

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.

Loss of significant influence over certain associates

The Group assesses whether lack of significant influence over an associate is evident. Aside from the presumption that holding of less than 20% of the voting power does not give rise to significant influence, the management also considers other circumstances that may lead them to believe that the Group cannot exercise significant influence over its associates. Such circumstances include failure to obtain representations on the investee's BOD, inability to obtain timely financial information or cannot obtain more information than investors without significant influence, the Group's views and economic

decisions are not considered in the operations of the investee, and the other investors are opposing the Group's attempt to exercise significant influence. In 2010, the ownership interest of the Group over its investment in PERC has decreased from 20.62% to 10.31% and management assessed that the Group has lost its significant influence over its investment in PERC. In 2011, the ownership interest of the Group over its investment in Pitkin was reduced from 21% to 18.46% which, together with other factors, caused the management to conclude that the Group has lost its significant influence over its investment in Pitkin. The Group therefore reclassified its investment in Pitkin and PERC as AFS financial assets in 2011 and 2010, respectively.

Accounting Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainties at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Measurement of mine products revenue

Mine products revenue is provisionally priced until or unless these are settled at pre-agreed future or past dates referred to as "quotational period," the prevailing average prices at which time become the basis of the final price. Revenue on mine products is initially recognized based on shipment values calculated using the provisional metals prices, shipment weights and assays for metal content less deduction for insurance and smelting charges as marketing. The final shipment values are subsequently determined based on final weights and assays for metal content and prices during the applicable quotational period.

Impairment of loans and receivables

The Group maintains an allowance for doubtful accounts at a level that management considers adequate to provide for potential uncollectibility of its loans and receivables. The Group evaluates specific balances where management has information that certain amounts may not be collectible. In these cases, the Group uses judgment, based on available facts and circumstances, and based on a review of the factors that affect the collectibility of the accounts. The review is made by management on a continuing basis to identify accounts to be provided with allowance.

The Group did not assess its loans and receivables for collective impairment due to the few counterparties that can be specifically identified. Outstanding trade receivables are mainly from the Parent Company's main customer. Other receivables of the Group are not material. The amount of loss is recognized in the consolidated statement of income with a corresponding reduction in the carrying value of the loans and receivables through an allowance account.

Valuation of AFS financial assets

The Group carries its quoted and unquoted AFS financial assets at fair value and at cost, respectively. Fair value measurement 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 its AFS financial assets is recognized in the consolidated statement of comprehensive income.

Impairment of AFS financial assets
The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 30% or more and "prolonged" as greater than 12 months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted securities.

Impairment of goodwill
The Group reviews the carrying values of goodwill for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. If the recoverable amount of the unit exceeds the carrying amount of the CGU, the CGU and the goodwill allocated to that CGU shall be regarded as not impaired. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill has been allocated, an impairment loss is recognized.

Measurement of NRV of mine products inventory
The NRV of mine products inventory is the estimated sales value less cost to sell, which can be derived from such inventory based on its weight and assay for metal content and the London Metal Exchange (LME) prices which also represents an active market for the product. Changes in weight and assay for metal content as well as the applicable prices as the mine products inventory are eventually shipped and sold are accounted for and accordingly adjusted in revenue.

Write-down of carrying values of materials and supplies inventories
The Group carries material and supplies inventories at NRV when such value is lower than cost due to damage, physical deterioration, obsolescence or other causes. When it is evident that the NRV is lower than its cost based on physical appearance and condition of materials and supplies, an allowance for inventory obsolescence is provided.

Estimation of fair value of identifiable net assets of an acquiree in a business combination
The Group applies the acquisition method of accounting whereby the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of fair value at the date of acquisition. The determination of fair values requires estimates of economic conditions and factors such as metal prices, mineral reserve, freight exchange rates and others.

Estimation of useful lives of property, plant and equipment
The Group estimates the useful lives of depreciable property, plant and equipment, except for mine and mining properties, based on internal technical evaluation and experience. These estimated useful lives are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. For mine and mining properties

which were depreciated based on units-of production, the Group estimates and periodically reviews the remaining recoverable reserves to ensure that remaining reserves are reflective of the current condition of the mine and mining properties.

Estimation of recoverable reserves
Recoverable reserves were determined using various factors or parameters such as market price of metals and global economy. These are economically mineable reserves based on the current market condition and concentration of mineral resource. The estimated recoverable reserves are used in the calculation of depreciation, amortization and testing for impairment, the assessment of life of the mine, and for forecasting the timing of the payment of mine rehabilitation costs.

Estimation of provision for mine rehabilitation costs
The Group recognized a liability relating to the estimated costs of mine rehabilitation. The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rates.

Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at balance sheet date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated balance sheet by adjusting the rehabilitation asset and liability. If, for mature mines, the revised mine assets net of rehabilitation provisions exceeds the carrying value, that portion of the increase is charged directly to the consolidated statement of income. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of income

Impairment of noncurrent non-financial assets
The Group's non-financial assets include property, plant and equipment, investments in shares of stock, and deferred mine and oil exploration costs and other noncurrent assets. The Group assesses whether there are indications of impairment on its noncurrent non-financial assets, at least on an annual basis. If there is objective evidence, an impairment testing is performed. This requires an estimation of the value in use of the CGUs to which the assets belong. Assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. In assessing value in use, the estimated future cash flows are discounted to their present value using a suitable discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, quoted equity prices), 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 is recognized in the consolidated statements of income and in the consolidated statements of comprehensive income.

Provisions for losses
The Group provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle the said obligations. An estimate of the provision is based on known information at balance sheet date, net of any estimated amount that may be reimbursed to the Group. The amount of provision is being re-assessed at least on an annual basis to consider new relevant information.

Estimation of net retirement benefits liability (plan assets) and costs
The Group's net retirement benefits costs are actuarially computed using certain assumptions with respect to future annual salary increases and discount rates per annum, among others.

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 2020 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 March 31, 2013.

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 March 31, 2012:

Cash and cash equivalents, excluding cash on hand:	
Cash in bank	₱376,542
Short-term deposits	4,266,692
Accounts receivable:	
Trade	555,456
Accrued interest	2,959
Others	155,207
AFS financial assets:	
Quoted equity investments	3,936,686
Unquoted equity investments	1,374,492
Derivative assets	237,944
Gross maximum credit risk exposure	₱10,905,978

The table below shows the credit quality of the Group's financial assets by class as of March 31, 2012 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	₱376,542	₱-	₱-	₱376,542
Short-term deposits	4,266,692	-	-	4,266,692
Accounts receivable:				
Trade	555,456	-	-	555,456
Accrued interest	2,959			2,959
Others	155,207		1,675	156,882
AFS financial assets:				
Quoted equity investments	-	3,936,686	-	3,936,686
Unquoted equity investments	-	1,374,492	-	1,374,492
Derivative assets		237,944	-	237,944
Total	₱5,356,856	₱5,549,122	₱1,675	₱10,907,653

Credit quality of cash and cash equivalents and AFS financial assets are based on the nature of the counterparty and the Group's evaluation process. High-grade credit quality financial assets pertain to financial assets with insignificant risk of default based on historical experience. Standard-grade credit quality financial asset includes quoted and unquoted equity investments that can be readily sold to a third party, and derivative transactions with counterparty banks.

The Group has no past due but not impaired financial assets as of March 31, 2012.

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 financial assets that can be used by the Group to manage its liquidity risk and the maturity profile of the Group's financial liabilities, based on contracted undiscounted repayment obligations (including interest) as of March 31, 2012:

	On demand	Within 1 year	More than 1 year	Total
Cash and cash equivalents	₱4,664,039	₱-	₱-	₱4,664,039
Accounts receivable				
Trade	-	555,456	-	555.456
Accrued interest	-	2,959		2,959
Others	-	155,207	-	155,207
AFS financial assets				
Quoted equity investments	-	3,936,686	-	3,936,686
Unquoted equity investments	-	1,374,492	-	1,374,492
Derivative asset	-	237,944	-	237,944
Total undiscounted financial assets	₱4,664,039	₱6,262,744	₱-	₱10,926,783

	On demand	Within 1 year	More than 1 year	Total
Short-term bank loans	₱-	₱350,000	₱-	₱350,000
Accounts payable and accrued liabilities	-	383,060	-	383,060
Dividends payable	2,258,196	-	-	2,258,196
Subscription payable	21,995	-	-	21,995
Total undiscounted financial liabilities	₱2,280,191	₱733,060	₱-	₱3,013,251

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 and trade receivables. For the three months ended March 31, 2012, the Parent Company recognized net foreign exchange gain of ₱61.9 million, arising from the translation of these foreign currency-denominated financial instruments.

As the need arises, the Group 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)	Effect on Income before Income tax
6%	₱214,428
(6%)	(214,428)

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

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 March 31, 2012, Group's exposure to the risk in changes in market interest rates relates primarily to BEMC'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 2012 income before income tax:

Change in market rate of interest	Effect on income before income tax
(1.0%)	₱3,500
(0.5%)	₱1,750
1.0%	(₱3,500)
0.5%	(₱1,750)

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 and PPC, 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 Group's quoted equity instruments held as AFS financial assets as at March 31, 2012, 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	Effect on Equity
AU$	Increase by 20%	₱94,456
	Decrease by 40%	(188,912)
PHP	Increase by 20%	₱692,881
	Increase by 10%	346,441
	Decrease by 20%	(692,881)
	Decrease by 10%	(346,441)

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 Market 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 March 31, 2012:

Change in metal prices (Gold)	Effect on income before income tax
Increase by 21%	₱160,657
Decrease by 21%	(160,657)

Change in metal prices (Copper)	Effect on income before income tax
Increase by 30%	₱164,668
Decrease by 30%	(164,668)

4. Segment Information

The Group is organized into business units on their products and activities and has two business: the metals segment and the energy and hydro carbon 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 is also using core net income (loss) in evaluating total performance. Core income is the performance of business 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 following tables present revenue and profit and certain asset and liability information regarding the Group's operating segments.

March 31, 2012

	Metals	Energy and Hydro carbon	Unallocated Corporate Balances	Eliminations	Total
Revenue					
External customers	P 4,012,158	P 8,894	P -	P -	P 4,021,053
Inter-segment					
Consolidated revenue	4,012,158	8,894	-	-	4,021,053
Results					
EBITDA	P 2,076,174	P (34,310)	P -	P 5,535	P 2,047,400
Interest Income (Expense) - Net	21,785	(7,312)	-	-	14,473
Income Tax Expense	(555,164)	(3,941)	-	-	(559,105)
Depreciation and depletion	(234,378)	(664)	-	-	(235,042)
Consolidated net income (loss)	P 1,308,418	P (46,226)	P -	P 5,535	P 1,267,727
Core net income (loss)	P 1,351,804	P (27,211)	P -	P 5,535	P 1,330,128
Consolidated total assets	P 26,287,413	P 4,709,315	P 18,209	P 2,250,513	P 33,265,450
Consolidated total liabilities	P 5,366,161	P 1,065,418	P 1,430	P 1,293,790	P 7,726,799
Other Segment Information					
Capital expenditures additions	P 1,176,883	P 311,256	P -	P -	P 1,488,139

March 31, 2011

	Metals	Energy and Hydro carbon	Unallocated Corporate Balances	Eliminations	Total
Revenue					
External customers	P 3,797,710	P 65,809	P -	P -	P 3,863,519
Inter-segment					
Consolidated revenue	P 3,797,710	P 65,809	P -	P -	P 3,863,519
Results					
EBITDA	P 2,132,026	P (501)	P -	P (39,487)	P 2,092,038
Interest Income (Expense) - Net	11,357	(3,484)	-	-	7,873
Income Tax Expense	(599,117)	(1)	-	-	(599,118)
Depreciation and depletion	(190,149)	(611)	-	-	(190,760)
Consolidated net income (loss)	P 1,354,117	P (4,597)	P -	P (39,487)	P 1,310,033
Core net income (loss)	P 1,373,356	P (3,456)		P (39,488)	P 1,330,412
Consolidated total assets	P 28,805,369	P 5,001,194	P 6,035	P (5,962,903)	P 27,849,695
Consolidated total liabilities	P (10,212,627)	P (1,786,542)	P (47)	P 6,211,945	P (5,787,271)
Other Segment Information					
Capital expenditures	P 415,074	P 22,112	P -	P -	P 437,186
Investments in shares of stocks	4,231,759	1,062,195	-	(4,500,875)	793,079
Equity in net losses of associates	-	(39,488)	-	-	(39,488)

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 March 31, 2012, total drawdown amounted to US$8 million.

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 March 31, 2012 & 2011 the outstanding cash advances to SMMCI and SMECI amounted to ₱4.5 billion and ₱3.5 billion 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 ₱1.2 billion and ₱952.1 million as of March 31, 2012 and 2011, 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 was reimbursed by Anglo's wholly-owned local subsidiary, Anglo American Exploration (Philippines), Inc. for expenses that the Parent Company incurred pertaining to the exploration activities of Northen Luzon Exploration & Mining Co. Inc.

   As of March 31, 2012, total reimbursements made by Anglo for the Parent Company's advances amounted to ₱478 thousand and ₱367 thousand. 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 March 31, 2012 and 2011, cash advances from the Parent Company amounted to ₱639.5 million and ₱616.4 million, respectively.

f. 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 March 31, 2012 and 2011, total advances amounted to ₱ 236.0 million and ₱143.0 million respectively.

g. In April 2011, the Parent Company sold US$30 million to First Pacific Company Limited, Inc. (FPC), a stockholder, at the forward rate of ₱43.0557 per US dollar in converting part of the Parent Company's dollar fund for routine working capital requirement.

6. Basic/Diluted Earnings Per Share

Basic earnings per share as of March 31, 2012 and 2011 are computed as follows:

	2012	2011
Net income attributable to equity holders of the Parent Company	₱1,296,553	₱1,311,596
Divided by weighted average number of common shares outstanding during the period	4,930,918,226	4,922,922,793
Basic earnings per share	₱0.2629	₱0.2664

Diluted earnings per share as of March 31, 2012 and 2011 are computed as follows:

	2012	2011
Net income attributable to equity holders of the Parent Company	₱1,296,553	₱1,311,596
Divided by weighted average number of common shares outstanding during the period including vested options	4,936,247,253	4,928,935,105
Diluted earnings per share	₱0.2627	₱0.2661

Weighted average number of common shares outstanding during the period	4,930,918,226	4,922,922,793
Effect of exercise of stock options	5,329,027	6,012,312
Weighted average number of common shares adjusted for the effect of exercise of stock options	4,936,247,253	4,928,935,105

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.