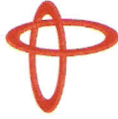


PHILEX MINING CORPORATION

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-085-2012

November 9, 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 Philex Mining Corporation's SEC Form 17-Q (Quarterly Report) for the 3rd quarter 2012 and the nine (9) months ended September 30, 2012 which we filed today with the Securities & Exchange Commission.

Very truly yours,

RENATO N. MIGRIÑO
SVP - Finance

Encls.: a/s
:dda

COVER SHEET

10044
SEC Registration Number

PHILEX MINING CORPORATION AND SUBSIDIARIES
(Company's Full Name)

27 Brixton cor Fair Lane Streets Pasig City
(Business Address: No. Street City/Town/Province)

Renato N. Migriño
(Contact Person)

(632) 631-13-81
(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** September 30, 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 – 4,933,018,318 (As of September 30, 2012)

    Amount of Debt Outstanding – P350,000,000

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 September 30, 2012 are hereto attached.

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

The Company's consolidated core and reported net income for the nine months ended September 30, 2012 amounted to P2.262 billion and P2.035 billion, 43% and 53% lower than the P3.976 billion core and P4.351 billion reported net income last year on account of the suspension of the Company's Padcal mine operation from August 1, 2012 due to the accidental discharge of tailings from the mine's tailing pond following two weeks of unabated rains brought about by two typhoons that resulted in unusual and heavy accumulation of water in the tailings pond. This force majeure event affected the Company's capability to generate revenue during the third quarter which significantly declined to P1.642 billion as production was limited to July with outputs of only 12,616 ounces of gold and 3,965,890 pounds of copper at realized prices of $1,735 per ounce and $3.91 per pound, compared to the operating revenue of P3.683 billion from production outputs of 33,546 ounces of gold and 9,473,658 pounds of copper at realized prices of $1,667 per ounce and $2.99 per pound in the same period last year.

Total operating revenue for the nine months ended September 30, 2012 amounted to P9.114 billion, 23% lower than the P11.833 billion same period a year ago from production outputs of 71,297 ounces of gold and 22,306,172 pounds of copper at realized prices of $1,639 per ounce and $4.03 per pound, versus the 106,331 ounces of gold and 28,135,061 pounds of copper at realized prices of $1,500 per ounce and $3.62 per pound produced last

year. Revenue from petroleum also decreased to P120.3 million this year from P385.8 million last year because of the lower revenue of Forum Energy Plc, Philex Petroleum Corporation's 60.5%-owned subsidiary, from the Galoc oil field which likewise temporarily suspended production from its operation off Palawan from November 23, 2011 to April 1, 2012 for the refurbishment of its Floating Production, Storage and Offloading (FPSO) vessel and the upgrading of its mooring system. Revenue from silver also decreased to P81.4 million this year from P145.5 million last year, while that from coal, on the other hand, increased to P34.1 million from the sale of 10,600 tons this year, compared to P1.3 million from the 462 tons last year.

With lower production volume, marketing charges were lower at P433.6 million this period from P612.8 million last year. On the other hand, operating costs and expenses increased to P5.405 billion, higher than the P5.277 billion operating cost last year. Maintenance cost of P321.9 million was incurred by Padcal while in suspended operations from August to September this quarter, further bringing down net income from operations by 45% to P3.276 billion from P5.943 billion last year.

With the breakdown of Penstock A tunnel of the tailings pond which was eventually sealed after the successful plugging of the sink hole by the end of September 2012 to stop the tailings leakage, the write-down of the tailings pond capital cost of P182.1 million and remediation costs of P172.6 million has been made. This, together with the following: (i) interest expense of P12.0 million (ii) loss on foreign exchange of P140.4 million from the revaluation of the Company's net foreign currency-denominated assets converted at the closing rate of P41.70 per $1 as of September 30, 2012, and (iii) other charges, comprising mainly of the share based-compensation expense of P17.5 million and other losses of P69.3 million, bore down on the Company's operating income, partially offset by the interest income of P52.5 million mainly from cash placements and the gain of P287.2 million from the unwinding in August 2012 of all outstanding metal and foreign currency hedge contracts prompted by the suspension of Padcal operation which could no longer deliver the underlying production supposed to be covered by the hedged volumes for the rest of the year. On the other hand, in 2011, the net income from operations was augmented by interest income of P73.0 million and the extraordinary gain of P523.7 million from the difference between the fair value and the carrying value of the Company's investment in Pitkin Petroleum Plc (Pitkin) after its reclassification to Available for Sale Investment (AFS), partially offset by the following (i) interest expense of P45.6 million, (ii) loss on foreign exchange of P67.1 million and (iii) other charges comprising of: share based-compensation expense of P40.9 million, provision for director's compensation of P85.0 million, equity in net losses of an associate of P39.5 million, and the provision for write-down of deferred exploration costs in the Lascogon project of P170.8 million. With the lower income before tax of P2.963 billion this period in 2012, the provision for income tax was correspondingly lower at P928.8 million , compared to the P1.746 billion income tax provision from the net income before tax of P6.097 billion in 2011.

With third quarter production only in July, operating cost and expenses, inclusive of the maintenance cost of Padcal of P321.9 million, decreased to P1.354 billion in 2012 from P1.822 billion last year. Marketing charges also decreased to P72.9 million this quarter from P203.2 million in the same quarter last year. Income from operations dropped 87% to P215.3 million from P1.657 billion last year.

Other than the tailings pond capital and remediation costs of P354.7 million and the unwinding gain of P287.2 million discussed above, other items during the quarter include interest income of P16.8 million, lower as compared to P40.7 million last year, although interest expense was also lower at P3.6 million compared to P22.0 million last year. Foreign exchange losses of P14.2 million this quarter was bit a higher than the P13.1 million loss last year. Provision for income tax was lower at P24.0 million from P506.2 million in 2011. With the lower revenue, the third quarter resulted to a reported net loss of P1.6 million this year, compared to the reported net income of P1.132 billion in 2011.

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. For the nine months period in 2012, the Company recorded additional revenue of P384.7 million net gains on hedging contracts, comprising of P410.6 million gain from copper and P22.0 million gain from currency, minus P47.9 million loss from gold. For the same period in 2011, revenue was reduced by the net loss from hedging contracts amounting to P274.7 million, comprising of P179.6 million loss from gold and P111.0 million loss from copper partially offset by P15.8 million gain from currency. As of September 30, 2012, the Company's only outstanding derivative contract was from the forward contract to sell in November 2012 of some 1,150 dry metric tons of copper at a price of $8,135 per metric tonne, to protect the remaining volume with quotational period falling under the same month from price fluctuation.

As of September 30, 2012, Total Assets of the Company decreased by 6% to P30.627 billion from P32.454 billion at year- end 2011.

Total Current Assets decreased by 32% to P5.695 billion from P8.332 billion, primarily due to the decreases in: (i) Cash and Cash Equivalents to P2.714 billion from P3.947 billion due to lower earnings during the period (ii) Accounts Receivable to P649.7 million from P1.596 billion as the higher balance of trade receivables outstanding at the beginning of the year were collected this year, and (iii) Derivative Assets to zero balance from P904.7 million as outstanding hedges were realized in August 2012. These were partially offset by the increases in Inventories to P1.364 billion from P1.119 billion, mainly from the remaining mine products and unissued materials and supplies at the end of the period, and in Other Current Assets to P968.0 million from P765.3 million particularly from the input value added tax receivable on importation of materials and supplies.

Non-current Assets slightly increased to P24.933 billion from P24.123 billion as of the beginning of the year principally from the increases in Property, Plant and Equipment to P5.747 billion from P5.400 billion due to capital acquisitions this year and Deferred Exploration Costs and Other Noncurrent Assets to P14.181 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 P4.733 billion from P5.428 billion mainly due to the P701.6 million decrease in the fair values of investments in quoted shares of stocks.

Total Liabilities of the Company at the end of the nine months period of 2012 slightly decreased to P5.346 billion from the P5.403 billion balance at the beginning of the year.

Current Liabilities amounted to P2.414 billion at the end of September from P2.576 billion balance at the beginning of the year primarily on account of the decreases in: (i) Income Tax Payable to P0.6 million from P376.0 million, (ii) Provisions and Other Payables to P84.6 million from P317.1 million and (iii) Derivative Liability to P3.5 million from P47.3 million. These were partially offset by the increases in Accounts Payable and Accrued Liabilities to P1.257 billion from P1.160 billion and Dividends Payable to P718.4 million from P325.3 million following the declaration of P2.071 billion and P542.6 million cash dividends at P0.42 and P0.11 per share in February and July 2012, respectively.

Non-current Liabilities slightly increased to P2.932 billion at the end of this period from P2.827 billion at the beginning of the year as Provision for Losses increase to P293.7 million from P173.7 million although Deferred Income Tax Liabilities decrease to P2.619 billion from P2.635 billion .

Stockholders' Equity at the end of the nine months period of 2012 was lower at P25.282 billion from P27.051 billion at the beginning of the year. The decrease was on account of: (i) the cash dividends declared amounting to P2.071 billion and P542.6 million in February and July, respectively, (ii) the lower balance of Unrealized gain on AFS investments of P1.319 billion from P2.021 billion, (iii) the negative balance of Cumulative translation adjustments on Hedging Instruments of P28.1 million from the marked-to-market value of copper hedging contract done in September compared to P495.0 million at the beginning of the year and (iv) the Effect of transactions with non-controlling interests to P810.5 million from P908.0 million.

For the nine months period of 2012, Net Cash provided by operating activities amounted to P3.922 billion, mainly from the net earnings generated this period and by the decrease in Accounts Receivable of P949.1 million mostly from higher collections of trade receivables and Other Current Assets of P698.9 million, minus the increase in Inventories of P244.9 million and the decreases in Accounts Payable and Accrued Expenses of P782.9 million and Other Liabilities of P249.0 million due to the higher settlement of various payables. In 2011, Cash provided amounted to P4.815 billion, mainly from the net earnings generated for the period, and by the decrease in Accounts Receivable of P1.655 billion, partly offset by the increase in Inventories of P1.490 billion and Other Current Assets of P1.152 billion and decrease in Accounts Payable and Accrued Expenses of P1.897 billion.

Net Cash used in investing activities amounted to P2.632 billion this year, lower than the P5.065 billion net cash invested last year as the increase in AFS investment of P21.1 million this year is lower than the P2.792 billion last year. On the other hand, expenses for ongoing exploration projects of P1.178 billion this year is higher than the P696.8 million expenses in 2011. Acquisitions of Property, Plant and Equipment of P1.182 billion this year is likewise higher than the P791.4 million acquisitions in 2011.

Net Cash used in financing activities amounted to P2.524 billion this year mainly because of the P2.614 billion cash dividends declared for the period compared to the net cash provided by financing activities amounting to P1.480 billion in 2011 from the Company's availment of short-term bank loans of P2.571 billion minus the cash dividend of P1.750 billion

declared for that year. As of September 30, Cash and Cash Equivalents amounted to P2.714 billion in 2012 compared to P5.012 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 copper and the London Bullion Market Association for gold and silver are applied on the Company's shipments as well as on mine products inventory, and provisional prices initially used are adjusted to forward prices at the end of each reporting period, the effect of hedging prices are also taken into consideration on hedging transactions entered into from time to time to protect revenue from any wild fluctuations in prices and where reasonable floor levels could be provided on the Company's production. At certain points, the spot price or forward price, and the hedge price would comprise the Company's average realized prices, which in the nine months of 2012 amounted to $1,639 per ounce gold (net of amortization of hedging costs minus the hedging gain of $16 per ounce) and $4.03 per pound copper (after hedging gain of $0.44 per pound). In the same period in 2011, the realized price amounted to $1,500 per ounce gold (net of amortization of hedging costs of $37 per ounce) and $3.62 per pound copper (net of amortization of hedging costs and hedging loss of $0.09 per pound).

As of September 30, 2012, gold and copper prices were at $1,778 per ounce and $3.75 per pound.

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. For the nine months period, ore grade averaged 0.507 grams of gold per tonne in 2012, lower than the 0.575 grams of gold per tonne in 2011, and 0.224% copper in 2012, higher than the 0.221% copper in 2011. Tonnes milled for the nine months of 2012, which is less by two months production milled in the third quarter due to the suspension of operation in August and September, were 5.5 million tonnes compared to 7.0 million tonnes in 2011. Concentrate produced were 40,562 dry metric tons in 2012 compared to 51,821 dry metric tons produced in 2011. The equivalent metal outputs were 71 thousand ounces gold and 22.3 million pounds copper this year from 106 thousand ounces gold and 28.1 million pounds copper in 2011.

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 nine months of 2012 was P42.63, the average after the effect of the average currency hedging gain of P0.11 to a dollar, compared to P43.24 in 2011, which was the average after the effect of the average currency hedging gain of P0.06 to a dollar. As of September 30, 2012, the peso to dollar closing rate was P41.70 compared to P43.72 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 nine months period of 2012, the total production cost (minesite cost and expenses excluding marketing charges, excise tax and royalties) amounted to P3.621 billion. Production cost per tonne of ore milled was P647, 18% higher than the cost per tonne of P550 in the same period last year.

The operating costs and expenses (all cost and expenses excluding corporate overhead) for the nine months period of 2012 amounted to P4.842 billion. The operating costs and expenses per tonne of ore milled was P809, 11% higher than the P727 in the same period of 2011. Expressed in operating cost per ounce of gold produced, the operating cost before copper revenue credits was $1,475 per ounce this period compared to $1,113 per ounce in 2011. After copper revenue credit, however, the corresponding cost per ounce was $216 in 2012 compared to $122 in 2011. On the other hand, expressed in operating cost per pound of copper produced before gold revenue credit, the cost was $4.71 in 2012 compared to $4.21 in 2011. After gold revenue credit, cost per pound was negative $0.58 in 2012 versus negative $1.59 in 2011.

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 nine months of 2012 was P0.42914 per share based on the 4,931,945,929 weighted average shares outstanding for the period. The basic earnings per share for the nine months of 2011 was P0.8760 per share based on the 4,925,727,336 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 5,127,030 and 5,065,431 common shares in 2012 and 2011, respectively. The diluted earnings per share in 2012 would be P0.42869 per share based on the 4,937,072,959

weighted average shares adjusted for the effect of such assumed exercises of stock options. In 2011, diluted earnings per share would have been P0.8751 per share based on the 4,930,792,767 weighted average shares adjusted for the effect of the exercise of stock options for the period.

Known Trends, Events or Uncertainties

On September 26, 2012, the Company received from the Mines and Geosciences Bureau (MGB) a copy of the Report on Investigation Re: Mill Tailings Fee and Liabilities of Philex Mining Corporation of the Multi-Disciplinary Team that was tasked by the MGB *"to determine the mill tailings fee that maybe imposed upon Philex Mining Corporation (PMC) and investigate any liability(ies) in connection with said incident."* Some of the findings of such report are as follows:

> *"Pursuant to DAO No. 2010-12 re: Providing for a consolidated DENR Administrative Order for Implementing Rules and Regulations of Republic No. 7942, otherwise known as Philippine Mining Act of 1995, Item C of Section 190 thereof provides imposing a fee of PhP50.00/metric ton of solid fraction of tailings to Contractors that were found to have discharged tailings to areas other than the approved tailings disposal area. Thus, Tailings Fee due from PMC as of 06 September 2012 is PhP1,034,358,971.00, without prejudice to final survey after the leak has been totally contained; "*
>
> *"PMC personnel have not been remiss in carrying out the Guidelines [Guidelines on Emergency Preparedness], SOPS [Standard Operating Procedures] and SJPS [Standard Job Procedures] and thus, may not be held liable for the incident;"*

The MGB has requested the Company to submit its comments on the report of the Multi-Disciplinary Team. On October 10, 2012, the Company submitted its position on the issue, stating that the tailings pond accident was due to a force majeure event, and contesting the imposition of such fee.

On September 28, 2012, the Company received from the Environmental Bureau (EMB) of the Department of Environment and Natural Resources a *"Notice of Adverse Findings"* relating to the Company's Padcal Mine Tailings Pond No. 3 (TP3) covered by an Environmental Clearance Certificate (ECC) issued by the EMB, stating that:

> *"Based on table monitoring evaluation of available records of this office from August 2, 2012 to present, it was found out that Condition No. 2 of the original ECC was violated which states 'Pond effluent discharges shall conform with the standards set forth under RA 9275 otherwise known as the Clean Water Act of the Philippines and its implementing Rules and Regulations'."*

The notice also stated that:

> *"Furthermore, the ECC issued for your project also states that 'Non-compliance with any of the above mentioned conditions shall be sufficient cause for the suspension or cancellation of this certificate and/or imposition of fine in an amount not to exceed Fifty Thousand Pesos (P50,000.00) for every violation thereof'."*

The Company was advised to submit to the EMB a written explanation why the Company *"should not be penalized for violating pertinent condition of the ECC",* which the Company did.

The suspension of mining operations is expected to cost the Company P220 million per month in maintenance expenses. The Company is confident it has the financial resources to repair the tailings pond despite mining revenues being suspended, however, its revised whole year reported net income budget for 2012 has been reduced to P1.7 billion from the original budget of P4.8 billion, assuming a worst case scenario that the suspension of Padcal operations will continue up to the end of the year. The revised budget is before any significant costs and expenses related to the repair of the tailings pond and cleaning up of the tailings leakage, and any fines and penalties that maybe lawfully imposed upon the Company, less any recovery from its pollution liability insurance cover, all of which as of this time are still undeterminable and unquantifiable.

There are no other known events 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

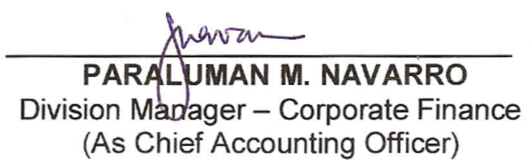
There are no other information for this interim period not previously reported in a report on SEC Form 17-C.

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)

RENATO N. MIGRIÑO
Treasurer & Chief Financial Officer
Senior Vice President for Finance
Compliance Officer
(As Chief Financial Officer and duly authorized signatory)



PARALUMAN M. NAVARRO
Division Manager – Corporate Finance
(As Chief Accounting Officer)

Date: November 8, 2012

PHILEX MINING CORPORATION AND SUBSIDIARIES

UNAUDITED
CONSOLIDATED
FINANCIAL STATEMENTS
September 30, 2012

Pasig City, Philippines

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

ASSETS	September 30 2012 (UNAUDITED)	December 31 2011 (AUDITED)
Current Assets		
Cash and cash equivalents	2,713,695	3,947,295
Accounts receivable - net	649,684	1,595,629
Inventories - net	1,363,528	1,118,667
Derivative asset	-	904,701
Other current assets -net	968,019	765,334
Total Current Assets	5,694,926	8,331,626
Noncurrent Assets		
Property, Plant and Equipment - net	5,747,009	5,399,716
Available-for-sale (AFS) financial assets	4,733,402	5,428,069
Deferred income tax assets	12,755	12,720
Goodwill	258,593	258,593
Deferred exploration costs and other noncurrent assets - net	14,180,741	13,023,504
Total Noncurrent Assets	**24,932,500**	**24,122,602**
TOTAL ASSETS	**P 30,627,426**	**P 32,454,228**

LIABILITIES AND STOCKHOLDERS' EQUITY	September 30 2012 (UNAUDITED)	December 31 2011 (AUDITED)
Current Liabilities		
Short-term bank loans	350,000	350,000
Accounts payable and accrued liabilities	1,257,128	1,160,205
Income tax payable	553	376,006
Dividends payable	718,447	325,333
Provisions and subscriptions payables	84,617	317,111
Derivative liability-current portion	3,547	47,270
Total Current Liabilities	2,414,292	2,575,925
Noncurrent Liabilities		
Provision for mine rehabilitation costs	19,028	17,775
Provision for losses	293,726	173,731
Deferred income tax liabilities - net	2,618,830	2,635,330
Total Noncurrent Liabilities	2,931,584	2,826,836
Total Liabilities	5,345,876	5,402,761
Equity Attributable to Equity Holders of the Parent Company		
Capital Stock - P1 par value	4,933,018	4,929,751
Additional paid-in capital	959,978	887,290
Retained Earnings	15,595,712	16,093,059
Net unrealized gain on AFS financial assets	1,319,345	2,020,940
Cumulative translation adjustments	(28,089)	495,019
Net revaluation surplus	1,611,397	1,611,397
Effect of transaction with non-controlling interests	79,650	106,027
	24,471,011	26,143,483
Non-controlling Interests	810,539	907,984
Total Equity	**25,281,550**	**27,051,467**
TOTAL LIABILITIES & EQUITY	**P 30,627,426**	**P 32,454,228**

PHILEX MINING CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, except Earnings Per share)

	3rd Quarter Ended September 30	
	2012	**2011**
REVENUE		
Gold	P 892,306	P 2,485,862
Copper	654,759	1,094,969
Silver	13,714	45,049
	1,560,779	3,625,880
Less: Marketing charges	72,903	203,192
	1,487,876	3,422,688
Petroleum	62,535	56,907
Coal	18,347	-
Transfer fees	144	-
	1,568,902	**3,479,595**
COSTS AND EXPENSES		
Mining and milling costs (including depletion and depreciation)	966,980	1,322,245
Mine products taxes and royalties	82,799	204,631
General and administrative expenses	235,953	224,864
Petroleum production costs	39,182	52,674
Handling, hauling and storage	16,684	17,883
Cost of coal sales	11,984	-
	1,353,582	1,822,297
INCOME FROM OPERATIONS	**215,320**	**1,657,298**
OTHER INCOME (CHARGES) - Net		
Interest income	16,839	40,698
Interest expense	(3,635)	(22,034)
Foreign exchange losses	(14,167)	(13,111)
Mark-to-market gain	189,300	-
Others - net	(381,174)	(24,614)
	(192,837)	**(19,061)**
INCOME BEFORE INCOME TAX	**22,483**	**1,638,237**
PROVISION FOR INCOME TAX	(24,049)	(506,217)
NET INCOME	**P (1,566)**	**P 1,132,020**
Net income attributable to:		
Equity holders of the Parent Company	27,552	1,130,919
Non-controlling interests	(29,117)	1,101
	P (1,566)	**P 1,132,020**
BASIC EARNINGS PER SHARE	**P 0.0056**	**P 0.2294**
DILUTED EARNINGS PER SHARE	**P 0.0056**	**P 0.2292**

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

	Nine Months ended September 30	
	2012	**2011**
REVENUE		
Gold	P 4,963,429	P 6,886,858
Copper	3,914,265	4,413,386
Silver	81,422	145,495
	8,959,116	11,445,739
Less: Marketing charges	433,550	612,849
	8,525,566	10,832,890
Petroleum	120,304	385,773
Coal	34,069	1,288
Transfer fees	494	-
	8,680,433	**11,219,951**
COSTS AND EXPENSES		
Mining and milling costs (including depletion and depreciation)	3,888,935	3,826,443
Mine products taxes and royalties	463,262	630,149
General and administrative expenses	880,768	594,832
Petroleum production costs	93,583	175,843
Handling, hauling and storage	56,077	48,369
Cost of coal sales	22,089	1,208
	5,404,714	5,276,844
INCOME FROM OPERATIONS	**3,275,719**	**5,943,107**
OTHER INCOME (CHARGES) - Net		
Interest income	52,483	72,984
Interest expense	(11,984)	(45,632)
Foreign exchange losses	(140,433)	(67,133)
Gain on dilution of interest in an associate	-	523,710
Mark-to-market gains	287,188	-
Others - net	(499,690)	(330,342)
	(312,436)	**153,587**
INCOME BEFORE INCOME TAX	**2,963,283**	**6,096,694**
PROVISION FOR INCOME TAX	(928,759)	(1,745,612)
NET INCOME	**P 2,034,524**	**P 4,351,082**
Net income attributable to:		
Equity holders of the Parent Company	2,116,495	4,315,030
Non-controlling interests	(81,971)	36,052
	P 2,034,524	**P 4,351,082**
BASIC EARNINGS PER SHARE	**P 0.4291**	**P 0.8760**
DILUTED EARNINGS PER SHARE	**P 0.4287**	**P 0.8751**

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

	Nine Months Ended September 30	
	2012	**2011**
OPERATING ACTIVITIES		
Net Income before income tax	P 2,963,283	P 6,096,694
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion and depreciation	652,650	578,559
Net decrease(increase) in derivative liability	(501,979)	920,020
Unrealized foreign exchange loss (gain)	-	33,900
Gain on dilution of interest in an associate	-	(523,710)
Amortization of Prov for Mine Closure Cost	-	1,018
Interest Expense on Asset Retirement Obligation	1,231	1,864
Reserve provision	45,000	85,000
Share-based compensation expense	17,464	40,937
Amortization of DB hedging loss	-	106,673
Equity in net (income) loss of affiliates	-	39,488
Provision for writedown of assets	354,705	170,803
Provision for (Benefit from) deferred income tax	18,776	-
Changes in non-cash components of working capital		
Decrease (increase) in:		
Accounts receivable	949,108	1,655,222
Inventories	(244,861)	(1,490,455)
Other current assets	698,854	(1,151,674)
Decrease in accounts payable and accrued exp.	(782,904)	(1,896,641)
Inrease (Decrease) in other liabilities	(248,974)	147,557
Cash provided by (used in) operating activities	**3,922,353**	**4,815,255**
INVESTING ACTIVITIES		
Additions to resource assets	(1,182,086)	(791,378)
Decrease(Increase) in Investments in stocks	(21,109)	(2,792,073)
Increase in deferred exploration cost	(1,178,266)	(696,761)
Increase in other noncurrent assets	(250,427)	(134,259)
Cash used in investing activities	**(2,631,888)**	**(5,065,327)**
FINANCING ACTIVITIES		
Net availments (payments) of short-term loans	-	2,570,700
Exercise of stock options	58,492	27,832
Increase (Decrease) on cumulative translation adjustment on foreign subsidiary	73,135	632,159
Dividends	(2,613,842)	(1,750,431)
Increase in minority interest	(41,850)	-
Cash provided by (used in) financing activities	**(2,524,065)**	**1,480,260**
DECREASE IN CASH AND CASH EQUIVALENTS	**(1,233,600)**	**1,230,188**
CASH AND CASH EQUIVALENTS - BEGINNING	3,947,295	3,782,248
CASH AND CASH EQUIVALENTS - END	**P 2,713,695**	**P 5,012,436**

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

	Nine Months ended September 30	
	2012	**2011**
NET INCOME	P 2,034,524	P 4,351,082
OTHER COMPREHENSIVE INCOME		
Unrealized loss on AFS financial assets	(701,595)	613,657
Gain (Loss) on translation of hedging instruments	(501,979)	1,026,693
Gain (Loss) on translation of financial statement of foreign subsidiaries	(62,980)	(18,697)
	(1,266,554)	1,621,653
TOTAL COMPREHENSIVE INCOME	**P 767,970**	**P 5,972,735**
Total Comprehensive Income Attributable to:		
Equity holders of the Parent Company	891,792	5,294,565
Non-controlling interests	(123,822)	678,170
	767,970	**5,972,735**

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			2,116,495					2,116,495	(81,971)	2,034,524
Other comprehensive income (loss):										
Unrealized gain on AFS financial assets	-	-	-	(701,595)	-	-	-	(701,595)		(701,595)
Movement in fair value of hedging instruments	-	-	-	-	(501,979)	-	-	(501,979)		(501,979)
Loss on translation of foreign subsidiaries	-	-	-	-	(21,129)	-		(21,129)	(41,851)	(62,980)
Total comprehensive income	-	-	2,116,495	(701,595)	(523,108)	-	-	891,792	(123,822)	767,970
Increase in additional paid-in capital due to exercise of stock option	3,267	59,763	-	-	-	-	-	63,030		63,030
Increase in additional paid-in capital due to stock option plan	-	12,925	-	-	-	-	-	12,925		12,925
Acquisitions of shares of stock of non controlling interest in subsidiaries							(26,377)	(26,377)	26,377	-
Declaration of cash dividends	-	-	(2,613,842)	-	-	-	-	(2,613,842)		(2,613,842)
BALANCES AT SEPTEMBER 30, 2012	**4,933,018**	**959,978**	**15,595,712**	**1,319,345**	**(28,089)**	**1,611,397**	**79,650**	**24,471,011**	**810,539**	**25,281,550**
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			4,315,030					4,315,030	36,052	4,351,082
Other comprehensive income (loss):										
Unrealized gain on AFS financial assets	-	-	-	613,658	-	-	-	613,658		613,658
Movement in fair value of hedging instruments	-	-	-	-	1,026,693	-	-	1,026,693		1,026,693
Loss on translation of foreign subsidiaries	-	-	-	-	(9,959)	-	(650,856)	(660,815)	642,117	(18,698)
Total comprehensive income	-	-	4,315,030	613,658	1,016,734	-	(650,856)	5,294,566	678,170	5,972,735
Increase in additional paid-in capital due to exercise of stock option	6,706	62,062	-	-	-	-	-	68,768		68,768
Increase in additional paid-in capital due to stock option plan	-		-	-	-	-	-	-		-
Declaration of dividends			(1,750,431)					(1,750,431)		(1,750,431)
BALANCES AT SEPTEMBER 30, 2011	**4,928,837**	**874,440**	**15,281,321**	**1,033,062**	**950,560**	**1,611,397**	**(544,829)**	**24,134,788**	**914,255**	**25,049,042**

PHILEX MINING CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

		Nine Months Ended September 30	
		2012	2011
Current Ratio	Current Assets over Current Liabilities	2.36	2.06
Debt-to-equity Ratio	Total Liabilities over Total Equity	0.21	0.24
Asset-to-equity Ratio	Total Assets over Equity	1.21	1.24
Interest Rate Coverage Ratio	EBIT over Interest Expense	248.27	134.61
Net Income Ratio	Net Income over Net Revenue	0.23	0.39

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

SCHEDULE OF ACCOUNTS RECEIVABLE
As of September 30, 2012

Accounts Receivable - Trade	531,690,810
Accounts Receivable - Miscellaneous	117,993,265
	649,684,075

AGING OF ACCOUNTS RECEIVABLE - TRADE
As of September 30, 2012

	0-30 days	31-60 days	61-90 days	over 90 days	Total
Trade					
Pan Pacific Copper Co. Ltd.		191,118,270	131,122,545	121,048,995	443,289,810
Others	51,270,484	20,023,301		17,107,215	88,401,000
	51,270,484	**211,141,571**	**131,122,545**	**138,156,210**	**531,690,810**

PHILEX MINING CORPORATION AND SUBSIDIARIES

#27 Brixton St., Pasig City

SCHEDULE OF LOANS PAYABLE

As of September 30, 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
SEPTEMBER 30, 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 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.

After consideration of the result of its impact evaluation using the outstanding balances of financial statements as of December 31, 2011, the Group has decided not to early adopt either PFRS 9 (2009) or PFRS 9 (2010) for its 2012 reporting. The Group will, however, continue to evaluate the impact of the standard in our financial statements for the year 2012.

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.

<u>Judgments</u>
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 Resources, Inc's and Forum Energy plc'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 cash generating unit (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.

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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 September 30, 2012:

Cash and cash equivalents, excluding cash on hand:	
Cash in bank	₱1,210,416
Short-term deposits	1,490,143
Accounts receivable:	
Trade	531,691
Accrued interest	12,239
Others	105,754
AFS financial assets:	
Quoted equity investments	3,409,274
Unquoted equity investments	1,324,128
Derivative assets	-
Gross maximum credit risk exposure	₱8,083,645

The table below shows the credit quality of the Group's financial assets by class as of September 30, 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	₱1,210,416	₱-	₱-	₱1,210,416
Short-term deposits	1,490,143	-	-	1,490,143
Accounts receivable:				
Trade	531,691	-	-	531,691
Accrued interest	12,239	-	-	12,239
Others	105,754	-	1,675	107,429
AFS financial assets:				
Quoted equity investments	-	3,409,274	-	3,409,274
Unquoted equity investments	-	1,324,128	-	1,324,128
Derivative assets	-	-	-	-
Total	₱3,350,243	₱4,733,402	₱1,675	₱8,085,320

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 September 30, 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 September 30, 2012:

	On demand	Within 1 year	More than 1 year	Total
Cash and cash equivalents	₱2,713,695	₱-	₱-	₱2,713,695
Accounts receivable				
Trade	-	531,691	-	531,691
Accrued interest	-	12,239		12,239
Others	-	105,754	-	105,754
AFS financial assets				
Quoted equity investments	-	3,409,274	-	3,409,274
Unquoted equity investments	-	1,324,128	-	1,324,128
Derivative asset	-	-	-	-
Total undiscounted financial assets	₱2,713,695	₱5,383,086	₱-	₱8,096,781

	On demand	Within 1 year	More than 1 year	Total
Short-term bank loans	₱-	₱350,000	₱-	₱350,000
Accounts payable and accrued liabilities	-	1,034,075	-	1,034,075
Dividends payable	718,447	-	-	718,447
Subscription payable	21,995	-	-	21,995
Total undiscounted financial liabilities	₱740,442	₱1,384,075	₱-	₱2,124,517

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 nine months ended September 30, 2012, the Parent Company recognized net foreign exchange loss of ₱140.4 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%	₱100,049
(6%)	(100,049)

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 September 30, 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 nine 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 September 30, 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%	₱79,040
	Decrease by 40%	(158,080)
PHP	Increase by 20%	₱602,815
	Increase by 10%	301,408
	Decrease by 20%	(602,815)
	Decrease by 10%	(301,408)

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 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 September 30, 2012:

Change in metal prices (Gold)	Effect on income before income tax
Increase by 21%	₱14,937
Decrease by 21%	(14,937)

Change in metal prices (Copper)	Effect on income before income tax
Increase by 30%	₱12,034
Decrease by 30%	(12,034)

The Parent Company enters into derivative transactions as a means to mitigate the risk of fluctuations in the market prices of its mine products.

As of September 30, 2012, the Parent Company has outstanding copper forward contract to sell in November 2012, 1,150 metric tonnes of copper at a price of $8,135 per metric tonnes or $3.69 per pound.

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.

September 30, 2012

	Mining	Oil and Gas	Coal	Unallocated Corporate Balances	Eliminations	Total
Revenue						
External customers	P 8,959,116	P 120,304	P 34,069	P 494	P -	P 9,113,983
Inter-segment						
Consolidated revenue	8,959,116	120,304	34,069	494	-	9,113,983
Results						
EBITDA	P 3,671,587	P (77,402)	P (16,651)	P (2,101)	P -	P 3,575,433
Interest Income (Expense) - Net	66,376	(15,176)	(10,746)	46	-	40,499
Income Tax Expense	(919,432)	(9,213)	(114)	-	-	(928,759)
Depreciation and depletion	(649,630)	(1,098)	(1,922)	-	-	(652,650)
Consolidated net income (loss)	P 2,168,901	P (102,889)	P (29,433)	P (2,055)	P -	P 2,034,524
Core net income (loss)	P 2,326,660	P (43,476)	P (19,070)	P (2,055)	P -	P 2,262,060
Consolidated total assets	P 23,981,369	P 4,472,475	P 355,588	P 15,616	P 1,802,379	P 30,627,427
Consolidated total liabilities	P 3,000,544	P 966,166	P 375,005	P 666	P 1,003,495	P 5,345,876
Other Segment Information						
Capital expenditures additions	P 2,700,737	P (15,213)	P (325,173)	P -	P -	P 2,360,351
Investments in shares of stocks	-	-	-	-	-	-
Equity in net losses of associates	-	-	-	-	-	-

September 30, 2011

	Mining	Oil and Gas	Coal	Unallocated Corporate Balances	Eliminations	Total
Revenue						
External customers	P 11,445,739	P 385,773	P 1,288	P -	P -	P 11,832,800
Inter-segment						
Consolidated revenue	P 11,445,739	P 385,773	P 1,288	P -	P -	P 11,832,800
Results						
EBITDA	P 6,077,804	P 581,080	P (9,964)	P -	P -	P 6,648,920
Interest Income (Expense) - Net	44,558	(7,219)	(9,987)	-	-	27,352
Income Tax Expense	(1,745,087)	(523)	(2)	-	-	(1,745,612)
Depreciation and depletion	(577,696)	(1,120)	(760)	-	-	(579,576)
Consolidated net income (loss)	P 3,799,579	P 572,218	P (20,713)	P -	P -	P 4,351,084
Core net income (loss)	P 4,013,470	P (17,842)	P (19,825)			P 3,975,803
Consolidated total assets	P 33,009,507	P 5,051,988	P 498,375	P 6,035	P (5,934,120)	P 32,631,785
Consolidated total liabilities	P (12,592,131)	P (1,412,703)	P (482,400)	P (47)	P 6,904,538	P (7,582,743)
Other Segment Information						
Capital expenditures	P 1,176,883	P 218,427	P 92,829	P -	P -	P 1,488,139
Investments in shares of stocks	3,709,165	1,022,291	-	-	(4,728,367)	3,089
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. On May 25, 2012, the agreement was amended to USD15 million loan facility. As of September 30, 2012, total drawdown amounted to US$15 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 September 30, 2012 and 2011 the outstanding cash advances to SMMCI and SMECI amounted to ₱4.839 billion and ₱3.797 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 ₱1.512 billion and ₱1.043 billion as of September 30,

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 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 September 30, 2012 and 2011, cash advances from the Parent Company amounted to ₱627.1 million and ₱657.8 million, respectively.

e. 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 September 30, 2012 and 2011, total advances amounted to ₱366.9 million and ₱121.9 million, respectively.

f. 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 September 30, 2012 and 2011 are computed as follows:

	2012	2011
Net income attributable to equity holders of the Parent Company	₱2,116,495	₱4,315,030
Divided by weighted average number of common shares outstanding during the period	4,931,945,929	4,925,727,336
Basic earnings per share	₱0.42914	₱0.8760

Diluted earnings per share as of September 30, 2012 and 2011 are computed as follows:

	2012	2011
Net income attributable to equity holders of the Parent Company	₱2,116,495	₱4,315,030
Divided by weighted average number of common shares outstanding during the period including vested options	4,937,072,959	4,930,792,767
Diluted earnings per share	₱0.42869	₱0.8751

Weighted average number of common shares outstanding during the period	4,931,945,929	4,925,727,336
Effect of exercise of stock options	5,127,030	5,065,431

Weighted average number of common shares adjusted for the effect of exercise of stock options	4,937,072,959	4,930,792,767

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.