PHILEX MINING
CORPORATION

August 14, 2013

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

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

Gentlemen:

We submit to you herewith a copy of the Company's SEC Form 17-Q (Quarterly Report) for the six (6) months ended June 30, 2013, which we filed with the Securities and Exchange Commission today.

Very truly yours,

EULALIO B. AUSTIN, JR.
President and CEO

/RSLalo/
RNM-098-13 – Reply on SEC's findings on the AFS

108142013000737

SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills,Mandaluyong City, Metro Manila,Philippines
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Company Information

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Industry Classification	
Company Type	Stock Corporation

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COVER SHEET

10044

SEC Registration Number

PHILEX MINING CORPORATION

(Company's Full Name)

27 Brixton cor Fair Lane Streets

Pasig City

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

Renato N. Migriño

(Contact Person)

746-87-55

(Company Telephone Number)

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Total No. of Stockholders

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. **For the quarterly period ended** June 30, 2013

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 – 4,933,246,068
    (As of June 30, 2013)

    Amount of Debt Outstanding – 6,496,165,395

11. **Are any or all the securities listed on a Stock Exchange?**
    Yes [X] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
Philippine Stock Exchange

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve(12) months (or for such shorter period the registrant was required to file such reports)

Yes [X] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [X] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The Unaudited Consolidated Financial Statements for the period ending June 30, 2013 are hereto attached.

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

The Company's consolidated reported net income for the first half of 2013 amounted to P954.4 million mainly provided by production revenue generated from March 8, 2013 after the government, through the Mines and Geo-science Bureau (MGB) and the Pollution Adjudication Board (PAB), granted the Padcal mine its temporary permit to resume operations to undertake the urgent remediation measures on the Tailings Storage Facility No. 3 and, the $25 million settlement of the Company's claim from its pollution liability insurance. This year's earnings were 53% lower than the P2.036 billion reported net income for the same period last year which was on full operation for the entire six months prior to the August 1, 2012 tailing spill accident at the Padcal mine. Consolidated core net income for the first half period this year amounted to P817.7 million, as compared to P2.109 billion last year; while EBITDA amounted to P2.160 billion, as compared to P3.391 billion in 2012.

With operations only for 115 days in the first half of 2013, the Company's operating revenue declined to P4.186 billion from P7.472 billion last year. Revenue from both gold and copper decreased to P2.254 billion and P1.801 billion, almost half of the P4.071 billion and P3.260 billion revenue from the metals, respectively, last year. Gold and copper outputs for this year were 40, 845 ounces and 13,677,970 pounds at realized prices of $1,313 per ounce and $3.13 per pound. Last year, 58,681 ounces of gold and 18,340,282 pounds of copper were produced at realized prices of $1,618 per ounce and $4.05 per pound. On the other hand, revenue from petroleum was higher this period at P95.3 million, compared to P57.8 million last year when the Galoc operations where most of Philex Petroleum Corporation's (PPC) 60.79%-owned subsidiary, Forum Energy Plc's (FEP), income come from, was suspended from November 2011 to April 2012 to allow for upgrading of the oil operation's facilities. Revenue from Brixton coal at P1.0 million from the sale of 322 tons of its coal inventory was lower this year compared to P15.7 million revenue derived from the sale of 4,900 tons of coal last year.

As the Padcal mine's production volume was lower, marketing charges correspondingly decreased to P244.2 million from P360.6 million in the previous year. Consequently, costs and expenses were also lower at P2.725 billion compared to P4.064 billion last year. Thus, the Company's net income from operations at P1.216 billion was 60% lower this year than the P3.047 billion income a year ago.

Other income for the first half of 2013 includes income realized from the US$25 million or P1.017 billion received by the Company from Chartis Philppines Insurance, Inc. (Chartis) in full settlement of the Company's insurance claims under its pollution legal liability insurance policy coverage on Padcal's Tailings Facility No. 3 (TP3). PPC, a 64.8%-owned subsidiary, reported P26.9 million gain from the sale of its shares of stock in PetroEnergy Resources Corporation's (PERC). Interest income amounted to P11.9 million this period. These non-recurring gains were partially offset by: (1) the interest expense of P217.0 million on the short term loans; (2) the foreign exchange loss of P50.7 million mainly from the revaluation of the Company's net foreign-denominated assets converted at the closing rate of P43.20 per $1 as of June 30, 2013; (3) the P23.6 million provision for impairment of inventory; (4) other provision for losses of P49.6 million; and (5) the Padcal maintenance costs of P439.6 million incurred while in suspended operations this period in 2013. For the same period last year, the other charges includes: (1) the interest expense of P8.0 million incurred from loans; (2) foreign exchange losses of P126.3 million from the revaluation of the Company's net foreign currency-denominated assets; and (3) various reserve provisions amounting to P111.8 million. These charges were partially offset by the interest income of P35.3 million mainly from cash placements and marked-to-market gain of P97.9 million from the outstanding copper forward contracts in 2012. With the lower net income before tax of P1.487 billion for the first half of 2013, the Company provided lower income tax of P532.2 million, compared to P904.7 million income tax provided in 2012 when the Company's net income before tax amounted to P2.941 billion.

For the second quarter period, the operating revenue slightly decreased to P3.297 billion in 2013 from P3.451 billion in 2012 on account of lower realized metal prices despite higher production output from higher ore grade. Metal outputs for the quarter were at 33,235 ounces of gold and 11,244,334 pounds of copper at realized prices of $1,249 per ounce and $3.07 per pound. In the same period last year, 29,528 ounces of gold and 9,254,911 pounds of copper were produced at realized prices of $1,560 per ounce and $3.91 per pound.

Marketing charges for the quarter amounted to P196.7 million, 5% higher than the P187.6 million last year; while costs and expenses were slightly lower at P2.043 billion from P2.105 billion. With lower revenue, income from operations was correspondingly lower at P1.057 billion this year compared to P1.159 billion income from operations last year.

Other charges in the second quarter includes interest expense of P111.8 million, foreign exchange losses of P34.0 million and reserve provision of P60.7 million, partially offset by P5.0 million interest income; while other charges in 2012 included reserve provisions of P82.8 million and foreign exchange losses of P78.3 million, partially offset by P16.0 million interest income and P97.9 million marked-to-market gain from the outstanding copper forward contracts.

In the past years, to protect part of its future revenue 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 were reflected in revenue as addition or deduction in deriving the realized prices and realized foreign exchange for the Company's metal production during the reporting periods. In 2012, operating revenue was augmented by P353.2 million net gain from metal and currency hedging contracts entered by the Parent Company comprising of P401.0 million gain from copper and P2.3 million gain from currency, partially offset by P50.1 million loss from gold. The Company has did not enter into any metal and currency hedging contract in the first half of 2013.

As of June 30, 2012, the Company's outstanding derivative financial instruments were as follows: (1) for gold, 53,200 ounces of collars at an average put strike price of $1,550 and average call strike price of $1,874 with maturity up to January 2013 and 4,450 ounces of forward at an average forward price of $1,641; (2) for copper, 3,780 DMT of put options at strike price of $3.00 per pound with maturity up to September 2012; and 8,320 DMT of forward at an average price of $3.80 per pound with maturity up to January 2013; and (3) for currency, collars of US$96 million at an average put strike price of P43.00:US$1 and average call strike price of P44.85:US$1 with maturity up to December 2012. There was no outstanding position as of June 30, 2013.

As of June 30, 2013, Total Assets of the Company amounted to P38.938 billion, 33% higher than the P29.272 billion balance at year-end 2012.

Total Current Assets amounted to P7.821 billion, 80% higher than the P4.356 billion in 2012 primarily due to the increases: (1) in Cash and Cash Equivalents to P4.247 billion from P1.670 billion, generated from net earnings for the period and from the $92.5 million and P1.0 billion short-term loan availments of the Company, (2) in Accounts Receivable, consisting of Trade Receivable from the sale of copper concentrates, Accrued Interest Receivable and Other Receivable to P395.2 million from P207.7 million, (3) in Inventories to P2.011 billion from P1.315 billion due to higher balances of mine products and materials and supplies inventories, and (4) in Other Current Assets to P1.080 billion from P997 million particularly on input value added tax on importation of materials and supplies.

Non-current Assets increased to P31.117 billion from P24.916 billion while Property, Plant and Equipment increased to P6.576 billion from P6.035 billion from capital acquisitions made this year.

Available for sale (AFS) financial assets decreased to P1.382 billion from P3.991 billion due to the net decrease in fair value of quoted shares amounting to P1.209 billion, the disposal by PPC of its shares of stock in PERC and the reclassification of PPC's investment in Pitkin Petroleum, Plc. (Pitkin) from AFS financial assets to Investment account due to PPC's acquisition of 46.4 million additional shares in Pitkin. This resulted in the increase in PPC's ownership interest in Pitkin from 18% to 50.28% which now requires the consolidation of Pitkin accounts in PPC's financial statements. This transaction increased Goodwill by P1.533 billion.

The Parent Company's ongoing exploration activities at the Silangan and Kalayaan projects, as well as the oil exploration projects of FEP, and the consolidation of Pitkin's deferred exploration accounts accounted for the increase in the balance of Deferred Exploration Costs and Other Noncurrent Assets to P21.368 billion from P14.632 billion.

As of June 30, 2013, Total Liabilities of the Company amounted to P13.283 billion, 85% higher than the P7.180 billion balance at the beginning of the year.

Total Current Liabilities increased to P8.740 billion from P4.618 billion on account of the increase in Short-term Loans to P6.471 billion from P1.450 billion as a result of the P1.0 billion and US$80.0 million loan availments from Kirtman Limited, Maxella Limited and Asia Link BV, all of which are subsidiaries of First Pacific Company Limited (FPC). The Company has an outstanding P2.1 billion loan equivalent to about US$50 million from Kirtman Limited, P1.1 billion of which was availed in 2012 while the remaining P1.0 billion was availed in January 2013. All of these loans are part of the US$200 million loan facility committed by FPC to the Company. On March 12, 2013, loan agreements covering the US$150 million balance of this commitment were executed by the Company with Kirtman Limited for US$25 million, Maxella Limited for US$25 million, and Asia Link B.V. for US$100 million. The Company also availed $30.0 million short term loans from the local banks which were, in turn, advanced to PPC to finance the acquisition of the additional Pitkin shares. Of this bank loans, $17.5 million was paid on May 31, 2013. Forum Energy Philippines Corporation (FEPCO), a subsidiary of FEP, drew down $1.2 million from its loan facility with BNP Paribas to finance the drilling of two additional production wells in Galoc Phase II, about 49% of which is currently payable.

Accounts Payable and Accrued Liabilities, mainly to suppliers and contractors increased to P1.190 billion from P1.096 billion. No significant amount of the Company's trade payables are unpaid within their acceptable terms as agreed upon with the Company's suppliers. Dividends Payable slightly decreased to P481.6 million from P483.3 million. Provisions and Subscription Payable decreased to P597.7 million from P1.590 billion as the P1.034 billion mine waste and tailings fee assessment of the MGB against the Company on the TSF3 tailings incident was paid in February 2013.

Non-current Liabilities amounted to P4.543 billion from P2.562 billion on account of the increase in Deferred Income Tax Liabilities to P4.326 billion from P2.327 billion primarily due to P1.533 billion deferred tax recognized from the acquisition of Pitkin shares by PPC. Non-current portion of FEPCO loan amounted to P25.4 million.

Stockholders' Equity at the end of the first semester was higher at P25.656 billion from P22.092 billion at the beginning of the year. The increase was on account of the consolidated net income attributable to equity holders of the Parent Company amounting to P1.075 billion, and the increase in non-controlling interests by P3.521 billion mainly due to the Pitkin consolidation, partially offset by the unrealized loss on AFS financial assets of P1.209 billion to P595.8 million from the gain of P601.1 million last year.

Net Cash provided in operating activities for the first half of 2013 amounted to P355.2 million, compared to the cash provided by operating activities amounting to P2.653 billion in the same period last year. Cash used in investing activities was higher at P2.611 billion this period compared to P1.534 billion net cash invested last year on account of the Company's ongoing expenses for exploration projects and the acquisition of additional shares in Pitkin. The

Company's availment of P5.495 billion short-term cash loans resulted to a higher cash provided by financing activities amounting to P4.775 billion this period, compared to the minimal cash used in financing activities amounting to P1.864 billion last year. As of June 30, 2013, Cash and Cash Equivalents amounted to P4.247 billion compared to P3.196 billion at the end of the same period last year.

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 and on mine products inventory, and provisional prices initially used are adjusted to forward prices at the end of each reporting period. Up to August 2012 when the Company pre-terminated all of its hedge position because of the suspension of the Padcal mine's operation, the effect of hedging prices were also taken into consideration on hedging transactions entered into from time to time to protect revenue from any significant fluctuations in prices and where reasonable floor levels could be provided on the Company's production. At certain points then, the spot price or forward price and the hedge price comprised the Company's average realized prices. In the first half of 2013, the average realized price amounted to $1,313 per ounce for gold and $3.13 per pound for copper without any effect of hedging transactions as there has been none entered into by the Company this period. In the same period in 2012, the realized price amounted $1,618 per ounce gold (net of amortization of hedging costs of $20 per ounce) and $4.05 per pound copper (after hedging gain of $0.52 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. In 2013, as the Company's temporary resumption of operation started only in the first week of March, tonnes milled were only 3.0 million compared to the full half operation covering 4.7 million tonnes in 2012. Ore grade in 2013 averaged 0.523 grams gold per tonne and 0.249% copper, higher than the average grade of 0.500 grams gold per tonne and 0.221% copper in 2012. Despite the higher ore grade, the lower milling tonnage in 2013, however, produced less concentrates at 23,867 dry metric tons from 33,233 dry metric tons last year. The equivalent metal outputs were 41 thousand ounces gold and 13.7 million pounds copper this year, compared to 59 thousand ounces gold and 18.3 million pounds copper, a year ago.

Foreign Exchange Rate

As the Company's sales proceeds and bank loans are in U.S. dollars, a higher Philippine peso to U.S. dollar exchange rate means higher peso sales revenue but would also reflect a foreign exchange loss on the restatement of the Company's dollar obligations. Conversely, a lower exchange rate reduces the Company's revenue in pesos but brings about foreign exchange income on the loans. As a significant portion of the Company's cash and cash equivalents are also in U.S. dollar, higher exchange rates would reflect foreign exchange gain, and at lower exchange rate, a loss. The Company's average realized exchange rate in the first half of 2013 was P42.03 compared to P42.68 in 2012. As of June 30, 2013, the peso to dollar closing rate was P43.20 compared to P42.12 in 2012.

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 expressed in per metal unit as well, but with the 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 half of 2013, the total production cost (minesite cost and expenses excluding marketing charges, excise tax and royalties) per tonne of ore milled was P594 from the total production cost of P1.808 million over ore milled of 3 million tonnes, 6% lower than the cost per tonne of P636 from the total production cost of P2.959 billion over ore milled of 4.7 million tonnes in the same period last year.

The operating costs and expenses (all cost and expenses excluding corporate overhead) per tonne of ore milled in the first half of 2013 was P749 from the operating cost and expenses of P2.275 billion, 6% lower than the P795 from the operating costs and expenses of P3.700 billion in the same period of 2012.

As the mine produces both gold and copper (and silver) together in one operating process, no physical basis can be used in allocating costs between the two metals, thus, the cost may be allocated proportionately based on the revenue contribution of each product. For the first half of 2013, total operating cost applicable to copper per pound produced amounted to $1.76 compared to $2.07 last year; while total operating cost applicable to gold per ounce produced amounted to $737 compared to $829.

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 semester in 2013 was P0.2178 per share based on the 4,933,185,776 weighted average shares outstanding for the period. The basic earnings per share for the first semester in 2012 was P0.4236 per share based on the 4,931,483,294 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 nil and 5,329,027 shares in 2013 and 2012, respectively. The stock options outstanding as at June 30, 2013 are anti-dilutive. In 2012, diluted earnings per share would have been P0.4231 per share based on the 4,936,812,321 weighted average shares adjusted for the effect of exercise of stock options for the period.

Related Party Transactions

Philex Mining has extended loans and advances to some of its subsidiaries, as described below.

Loan Facility Agreement between Philex Mining and Forum Philippine Holdings Limited (FPHL)

On November 24, 2010, Philex Mining, as lender, and FEP, as guarantor, entered into a loan facility agreement amounting to US$10 million with 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% for the drawn portion and a commitment fee of 1% for the undrawn portion. The facility agreement will enable FPHL to fund its 70% share of a first sub-phase work program over Service Contract 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 Company. On May 25, 2012, the amount of the facility was increased to US$15 million. As of June 30, 2013, the US$15 million has been fully drawn.

Advances from Philex Mining to Silangan Mindanao Mining Co. Inc. (SMMCI) and Silangan Mindanao Exploration Co., Inc. (SMECI)

Pursuant to the joint venture agreement between Anglo American and PGPI all expenditures of SMMCI for the then Boyongan Project being funded by Anglo American were coursed through SMECI as advances to SMMCI with a countervailing amount due to the Anglo American account. Thus, when Philex Mining Corporation acquired Anglo American's interest in the Silangan Project in 2009, the share and asset purchase agreement included the assignment to the Company of the P1.4 billion balance of advances made by Anglo American to SMECI. From that point onwards, the Company provided the funds to SMMCI through SMECI for the project's expenditures until the end of 2011, when the Company started providing the funds directly to SMMCI. As of June 30, 2013, the total advances by the Company to SMECI and SMMCI, including the balance acquired from Anglo American, amounted to P6.289 billion from P5.200 billion as of December 31, 2012. Correspondingly, the outstanding advances of SMECI to SMMCI amounted to P6.297 billion as of June 30, 2013 and December 31, 2012. These advances are payable on demand and will be settled either through cash payments by SMMCI and SMECI or converted to equity of the Company in these companies.

Advances from Philex Mining to Philex Gold Philippines, Inc. (PGPI)

Philex Mining advances PGPI's working capital and capital expenditure requirements which as of December 31, 2012, 2011, and 2010 amounted to P1.596 billion, P1.088 billion, and P932.7 million, respectively. A portion of these advances are secured by collateral participation certificates covering certain mining assets of PGPI's Bulawan mine, which is currently on care and maintenance basis. As of June 30, 2013, the advances increased to P1.677 billion.

Advances from Philex Mining to PPC

Philex Mining made cash advances to PPC for its additional working capital requirement, and for the acquisition of equity in FEP, PERC and Pitkin. These advances are non-interest-bearing, unguaranteed and payable on demand through cash. As of December 31, 2012, 2011, and 2010, advances from Philex Mining amounted to P621.0 million, P646.4 million, and P635.9 million, respectively. As of June 30, 2013, total advances to PPC amounted to P2.004 billion.

Advances from Philex Mining to Brixton Energy & Mining Corporation (BEMC)

Philex Mining provided cash advances to BEMC for the funding of its exploration and development activities of its coal company in Zamboanga, Sibugay. These advances are non-interest-bearing and payable on demand through cash. As of December 31, 2012, 2011, and 2010, total advances amounted to P400 million, P185.2 million, and P139.2 million, respectively. In addition, the Company assumed the liability for the settlement of BEMC's P150 million and P100 million loans with Bank of the Philippine Islands (BPI) upon their maturity on January 14, 2013, and February 18, 2013, respectively. As of June 30, 2013, total advances amounted to P800.1 million.

Advances from Philex Mining to FEC Resources, Inc. (FEC)

Philex Mining extended a loan of US$273,000 in 2009 to FEC for its working capital requirements. The loan was unsecured, due and demandable, and subject to interest at LIBOR + 3% per annum. FEC settled the loan amount including accrued interests on the loan in December 2012.

Agreements with Anglo American Exploration (Philippines), Inc. (Anglo)

Philex Mining was reimbursed by Anglo for expenses incurred by Philex Mining on behalf of Northern Luzon Exploration & Mining Co. Inc. (NLEMCI), which amounted to P921 thousand in 2012, P1.2 million in 2011, and P1.3 million in 2010. As of December 31, 2012, 2011, and 2010, the Company's receivables from these transactions amounted to P431 thousand, P281 thousand, and P364 thousand, respectively. As of June 30, 2013, the Company's receivables amounted to P387 thousand.

On December 7, 2011, the Company entered into an agreement with Anglo where the Company agreed to buy and Anglo agreed to sell all its rights, interests and obligations in Minphil Exploration Company, Inc. (Minphil), the parent company of NLEMCI, for US$25,000. In addition, Anglo agreed with the Company that all of Anglo's rights, interests and title in and to its receivable to Minphil will be assigned to the Company for a consideration amounting to US$175,000. The purchase of share and assignment of receivable will, however, become effective and legally enforceable only upon fulfillment of the closing obligations under the agreement. As of December 31, 2012 and June 30, 2013, the closing obligations have not yet been fulfilled.

Assignment to Philex Gold Holdings Inc. (PGHI) of Philex Mining's Net Advances to PGPI

Assignment to PGHI in 2001 of the Company's net advances to PGPI amounting to P2.2 billion as of December 31, 2000, to be offset by the amount of cash advances in 1996 of P795.6 million received by the Company from Philippines Gold Mining Company - BV on behalf of PGHI representing the net proceeds from PGI's secondary public offering. With the intention of the Company to convert these net advances to equity in PGI should it be warranted in the future, these net advances were reclassified from current advances in 2000 to the "Investments in shares of stock" account. As of December 31, 2012, 2011, and 2010, the advances to PGHI amounted to P1.7 billion and presented as part of the carrying amounts of investments in shares of stocks. No additional advances for the first half 2013.

Acquisition by Philex Mining of 50% Equity Interest of Anglo in Silangan Project

On February 6, 2009, the Company acquired the 50% equity interest of Anglo over the Silangan Project for US$55 million under a share and asset purchase agreement which also included the assignment of receivables from the Philex-Anglo joint venture company, SMMCI, amounting to P1.4 billion. Upon completion of the purchase, the Company assumed the responsibility to provide funds to SMMCI for the advancement of the Silangan project.

Sale of US Dollars to First Pacific

In April 2011, Philex Mining sold US$30 million to First Pacific at a forward rate of P43.06 per US dollar in converting part of the Company's dollar fund for routine working capital requirement. In April 2010, the Company also sold US$20 million to First Pacific at the forward rate of P45.03 per US dollar.

Funding Commitment of First Pacific to Philex Mining

In a letter issued by First Pacific in October 2012, it committed to provide funding of up to US$200 million to the Company for capital expenditures of the Padcal mine and Silangan Project as well as for the Company's working capital requirements.

As part of such commitment, a loan amounting to P2.1 billion was granted by Kirtman Limited, a wholly-owned subsidiary of First Pacific, to the Company in November 2012 under a Term Loan Facility Agreement. The loan is unsecured, repayable within a year and subject to an interest rate of 5%. A commitment fee of 1% is also due for the undrawn amount. As of December 31, 2012, P1.1 billion has been drawn from the facility and the balance of P1.0 billion was drawn in January 2013.

On March 12, 2013, loan agreements covering the balance of US$150 million with Kirtman Limited for US$25 million, Maxella Limited for US$25 million and Asia Link B.V. for US$100 million (all First Pacific subsidiaries) were executed by the parties, for a term of one year and subject to the interest rate of 5%. As of June 30, 2013, US$15 million has been drawn from the Kirtman Limited loan, US$15 million from the Maxella Limited loan and another US$50 million from the Asia Link B.V.loan. The Company is exploring the possibility of refinancing these US$ loans obtained from the First Pacific subsidiaries.

Known Trends, Events or Uncertainties

On March 11, 2013, the Company was authorized by its Board of Directors to undertake a rights offering of common shares where the Company expects to raise approximately P12.3 billion, the net proceeds of which will be used for the repayment of loans from the FPC group, for capital expenditures and exploration costs related to existing projects, primarily the Silangan and the Kalayaan projects; and for general corporate purposes. The specific terms and conditions of the rights offering, including the final issue size, rights entitlement, offer price and record date have not yet been determined.

On July 16, 2013 Pitkin sold all of its interest in Vietnam American Exploration Company LLC for a total cash consideration of P2.1 billion.

Maturity of the P150 million loan from BPI was extended from July 12, 2013 to August 12, 2013. On July 24, 2013, the Banco De Oro P100 million loan was renewed under the same terms for an additional 90-day period until October 22, 2013.

On July 5, 2013, the Company received from MGB the authorization to continue implementing the remediation measures required for Tailings Storage Facility No. 3 after July 7, 2013, the end of the four-month Initial Temporary Operating Period, in the meantime that the MGB is thoroughly reviewing the pertinent technical details of the TSF3 remediation. The Pollution Adjudication Board has similarly resolved in its order of July 5, 2013 to extend the lifting of the cease and desist order it issued to the Company's Padcal operations last November 28, 2012, to fill the void with fresh tailing as well as the reconstruction of the offset dike. These effectively allows the Padcal mine to continue its operation until such time as the MGB/PAB issue new order/s meantime to this matter.

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)

EULALIO B. AUSTIN ,JR.
President & Chief Executive Officer

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

PARALUMAN M. NAVARRO
Division Manager –Corporate Finance

Date: August 13, 2013

PHILEX MINING CORPORATION
AND SUBSIDIARIES

UNAUDITED
CONSOLIDATED
FINANCIAL STATEMENTS
June 30, 2013

Pasig City, Philippines

PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Amounts in Thousands, except Par Value per Share)

ASSETS		June 30 2013 (Unaudited)		December 31 2012 (Audited / Restated)
Current Assets				
Cash and cash equivalents		4,247,375		1,669,542
Accounts receivable - net		395,201		207,749
Inventories - net		2,011,271		1,314,851
Prepaid income tax		87,274		166,467
Other current assets -net		1,079,949		997,340
Total Current Assets		7,821,070		4,355,949
Noncurrent Assets				
Property, Plant and Equipment - net		6,575,755		6,035,174
Available-for-sale (AFS) financial assets		1,381,701		3,990,761
Goodwill		1,791,698		258,593
Deferred exploration costs and other noncurrent assets - net		21,367,914		14,631,528
Total Noncurrent Assets		**31,117,068**		**24,916,056**
TOTAL ASSETS	**P**	**38,938,138**	**P**	**29,272,005**

LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Short-term loans		6,470,804		1,450,000
Accounts payable and accrued liabilities		1,189,696		1,095,550
Dividends payable		481,601		483,257
Provisions and subscriptions payables		597,744		1,589,578
Total Current Liabilities		8,739,845		4,618,385
Noncurrent Liabilities				
Deferred income tax liabilities - net		4,326,111		2,327,427
Long-term portion of loan		25,361		-
Pension obligation		-		43,973
Provision for losses		171,631		171,631
Provision for mine rehabilitation costs		19,638		18,892
Total Noncurrent Liabilities		4,542,741		2,561,923
Total Liabilities		13,282,586		7,180,308
Equity Attributable to Equity Holders of the Parent Company				
Capital Stock - P1 par value		4,933,246		4,933,027
Additional paid-in capital		1,032,363		963,867
Retained Earnings		14,694,729		13,578,781
Net unrealized gain on AFS financial assets		(595,764)		601,055
Cumulative translation adjustments		10,343		(41,785)
Net revaluation surplus		1,611,397		1,611,397
Effect of transaction with non-controlling interests		47,728		45,099
		21,734,042		21,691,441
Non-controlling Interests		3,921,510		400,256
Total Equity		**25,655,552**		**22,091,697**
TOTAL LIABILITIES & EQUITY	**P**	**38,938,138**	**P**	**29,272,005**

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

	Six Months ended June 30	
	2013	**2012**
REVENUE		
Gold	P 2,254,074	P 4,071,124
Copper	1,800,562	3,259,506
Silver	34,955	67,707
	4,089,591	7,398,337
Less: Marketing charges	244,208	360,648
	3,845,383	7,037,689
Petroleum	95,290	57,770
Coal	1,031	15,722
Transfer fees	-	350
	3,941,704	**7,111,531**
COSTS AND EXPENSES		
Mining and milling costs (including depletion and depreciation)	1,778,603	2,921,954
General and administrative expenses	640,632	657,741
Mine products taxes and royalties	222,992	380,462
Petroleum production costs	52,794	54,401
Handling, hauling and storage	29,687	39,394
Cost of coal sales	792	10,104
	2,725,500	4,064,056
INCOME FROM OPERATIONS	**1,216,204**	**3,047,475**
OTHER INCOME (CHARGES) - Net		
Insurance proceeds	1,017,125	-
Padcal maintenance costs	(439,590)	-
Interest expense	(217,032)	(7,979)
Foreign exchange losses	(50,735)	(126,267)
Gain on sale of shares of stocks and PPE	26,880	-
Interest income	11,892	35,275
Marked-to-market gains	-	97,887
Others - net	(78,134)	(105,592)
	270,406	**(106,676)**
INCOME BEFORE INCOME TAX	**1,486,610**	**2,940,799**
PROVISION FOR INCOME TAX	(532,240)	(904,710)
NET INCOME	**P 954,370**	**P 2,036,089**
Net income attributable to:		
Equity holders of the Parent Company	1,074,650	2,088,942
Non-controlling interests	(120,280)	(52,853)
	P 954,370	**P 2,036,089**
BASIC EARNINGS PER SHARE	**P 0.2178**	**P 0.4236**
DILUTED EARNINGS PER SHARE	**P 0.2178**	**P 0.4231**

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

	2nd Quarter Ended June 30			
		2013		**2012**
REVENUE				
Gold	P	1,761,051	P	1,893,696
Copper		1,459,608		1,463,443
Silver		27,119		29,039
		3,247,778		3,386,178
Less: Marketing charges		196,687		187,550
		3,051,091		3,198,628
Petroleum		48,818		48,959
Coal		-		15,638
Transfer fees		-		350
		3,099,909		**3,263,575**
COSTS AND EXPENSES				
Mining and milling costs (including depletion and depreciation)		1,452,217		1,517,010
General and administrative expenses		365,280		342,446
Mine products taxes and royalties		178,547		170,769
Petroleum production costs		24,321		43,289
Handling, hauling and storage		22,373		21,194
Cost of coal sales		(29)		10,055
		2,042,709		2,104,763
INCOME FROM OPERATIONS		**1,057,200**		**1,158,812**
OTHER INCOME (CHARGES) - Net				
Interest income		5,040		16,040
Foreign exchange losses		(34,044)		(78,301)
Interest expense		(111,756)		(3,218)
Marked-to-market gain		-		97,887
Others - net		(35,215)		(77,255)
		(175,975)		**(44,847)**
INCOME BEFORE INCOME TAX		**881,225**		**1,113,965**
PROVISION FOR INCOME TAX		(330,170)		(345,605)
NET INCOME	**P**	**551,055**	**P**	**768,360**
Net income attributable to:				
Equity holders of the Parent Company		653,966		792,390
Non-controlling interests		(102,911)		(24,030)
	P	**551,055**	**P**	**768,360**
BASIC EARNINGS PER SHARE	**P**	**0.1326**	**P**	**0.1607**
DILUTED EARNINGS PER SHARE	**P**	**0.1326**	**P**	**0.1604**

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

	Six Months ended June 30	
	2013	**2012**
NET INCOME	P 954,370	P 2,036,089
OTHER COMPREHENSIVE INCOME		
Items to be reclassified to profit and loss in subsequent periods:		
Gain (Loss) on translation of financial statement of foreign subsidiaries	115,628	(29,607)
Loss on movementin fair value of hedging instruments - net of related deferred income tax	-	(357,286)
Unrealized loss on AFS financial assets - net of related deferred income tax	(1,169,939)	(450,478)
Unrealized gain on AFS financial assets realized in consolidated statements of income	(26,880)	-
	(1,081,191)	(837,371)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(P 126,821)**	**P 1,198,718**
Total Comprehensive Income Attributable to:		
Equity holders of the Parent Company	(P 67,412)	P 1,270,781
Non-controlling interests	(59,409)	(72,063)
	(P 126,821)	**P 1,198,718**

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

	Six Months Ended June 30 2013	Six Months Ended June 30 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P 1,486,610	P 2,940,799
Adjustments for:		
Depletion and depreciation	468,620	477,282
Interet expense	217,032	7,220
Unrealized foreign exchange (gains) losses and others	187,328	42,165
Stock-based compensation expense	66,624	12,925
Provision for decline in inventory	23,606	-
Provision for mine rehabilitation cost	-	774
Interest income	(11,892)	(35,275)
Gain on disposal of AFS investments	(26,880)	-
Operating income before working capital changes	2,411,048	3,445,890
Decrease (increase) in:		
Accounts receivable	(103,746)	899,610
Inventories	(718,991)	(621,285)
Other current assets	(82,609)	(161,816)
Increase (Decrease) in:		
Accounts payable and accrued liabilities	50,669	(83,802)
Provisions and subscription payable	(991,834)	(82,240)
Provision for losses	-	(53,764)
Cash generated from operations	564,537	3,342,593
Interest received	14,965	37,875
Income taxes paid	-	(714,873)
Interest paid	(224,296)	(13,022)
Net cash from operating activities	**355,206**	**2,652,573**
CASHFLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Deferred exploration costs and other noncurrent assets	(1,099,452)	(636,566)
Property, plant and equipment	(1,053,522)	(872,310)
AFS financial assets	-	(25,285)
Proceeds from sale of AFS financial assets (Note 8)	168,000	-
Acquisition of additional shares in the following subsidiaries:		
Pitkin Petroleum Plc	(1,429,785)	-
Cash of acquired subsidiary	803,379	-
Net cash used in investing activities	**(2,611,380)**	**(1,534,161)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Availment of loans (Note 10)	5,494,780	-
Exercise of stock options and others	2,091	51,601
Dividends paid	(1,656)	(1,915,864)
Payment of loans	(720,318)	-
Net cash from (used in) financing activities	**4,774,897**	**(1,864,263)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	59,110	(5,262)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,577,833**	**(751,113)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	1,669,542	3,947,295
CASH AND CASH EQUIVALENTS AT END THE PERIOD	**P 4,247,375**	**P 3,196,182**

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, 2012										
(Audited, As previously reported)	4,933,027	963,867	13,704,164	601,055	(41,785)	1,611,397	45,099	21,816,824	400,256	22,217,080
Impact of adoption of amendments to PAS 19	-	-	(125,383)	-	-	-	-	(125,383)	-	(125,383)
BALANCES AT DECEMBER 31, 2012										
(As restated)	4,933,027	963,867	13,578,781	601,055	(41,785)	1,611,397	45,099	21,691,441	400,256	22,091,697
Net income (loss)	-	-	1,074,650	-	-	-	-	1,074,650	(120,280)	954,370
Other comprehensive income (loss):										
Unrealized loss on AFS financial assets - net of										
related deferred income tax	-	-	-	(1,169,939)	-	-	-	(1,169,939)	-	(1,169,939)
Unrealized gain on AFS financial assets										
realized during the year	-	-	-	(26,880)	-	-	-	(26,880)		(26,880)
Gain on translation of foreign subsidiaries	-	-	-	-	52,128	-	2,629	54,757	60,871	115,628
Total comprehensive income (loss)	-	-	1,074,650	(1,196,819)	52,128	-	2,629	(67,412)	(59,409)	(126,821)
Increase in paid-in capital due to exercise of										
stock option and others	219	1,872	-	-	-	-	-	2,091		2,091
Increase in additional paid-in capital due to										
stock option plan	-	66,624	-	-	-	-	-	66,624		66,624
Adjustment on pension obligation based on										
revised PAS 19	-	-	41,298	-	-	-	-	41,298		41,298
Effect of business combination	-	-	-	-	-	-	-	-	3,580,663	3,580,663
BALANCES AT JUNE 30, 2013 (Unaudited)	**4,933,246**	**1,032,363**	**14,694,729**	**(595,764)**	**10,343**	**1,611,397**	**47,728**	**21,859,425**	**3,921,510**	**25,655,552**

	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										
(Audited, As previously reported)	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
Impact of adoption of amendments to PAS 19	-	-	(112,368)	-	-	-	-	(112,368)	-	(112,368)
BALANCES AT DECEMBER 31, 2011										
(As restated)	4,929,751	887,290	15,980,691	2,020,940	495,019	1,611,397	106,027	26,031,115	907,984	26,939,099
Net income (loss)			2,088,943					2,088,943	(52,854)	2,036,089
Other comprehensive loss:										
Unrealized loss on AFS financial assets - net of related deferred income tax	-	-	-	(450,478)	-	-	-	(450,478)		(450,478)
Movement in fair value of hedging instruments - net of related deferred income tax	-	-	-	-	(357,286)	-	-	(357,286)		(357,286)
Loss on translation of foreign subsidiaries	-	-	-	-	(10,397)	-	-	(10,397)	(19,210)	(29,607)
Total comprehensive income	-	-	2,088,943	(450,478)	(367,683)	-	-	1,270,782	(72,064)	1,198,718
Increase in paid-in capital due to exercise of stock option and others	2,620	48,981	-	-	-	-	-	51,601	-	51,601
Increase in additional paid-in capital due to stock option plan	-	12,925	-	-	-	-	-	12,925	-	12,925
Deemed acquisition of shares of stock of non-controling interest in subsidiaries	-	-	-	-	-	-	(26,377)	(26,377)	26,377	-
Declaration of cash dividends	-	-	(2,071,217)	-	-	-	-	(2,071,217)	-	(2,071,217)
BALANCES AT JUNE 30, 2012 (Unaudited)	**4,932,371**	**949,196**	**15,998,417**	**1,570,462**	**127,336**	**1,611,397**	**79,650**	**25,268,829**	**862,297**	**26,131,126**

PHILEX MINING CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

		Six Months Ended June 30	
		2013	**2012**
Current Ratio	Current Assets over Current Liabilities	0.89	2.89
Debt-to-equity Ratio	Total Liabilities over Total Equity	0.35	0.20
Asset-to-equity Ratio	Total Assets over Equity	1.52	1.20
Interest Rate Coverage Ratio	EBIT over Interest Expense	7.79	365.13
Net Income Ratio	Net Income over Net Revenue	0.24	0.29

PHILEX MINING COPORATION AND SUBSIDIARIES
SCHDULE OF ACCOUNTS RECEIVABLE
(Amounts in thousands)

	As of June 30, 2013
Accounts Receivable - Trade	P 261,362
Accounts Receivable - Miscellaneous	133,839
Total	**P 395,201**

AGING OF ACCOUNTS RECEIVABLE - TRADE
As of June 30, 2013

	0-30 days	31-60 days	61-90 days	over 90 days	Total
Trade					
Pan Pacific Copper Co. Ltd.			(P 26,752)		(P 26,752)
Louis Dreyfus Commodities Metals Suisse SA			80,061	46,315	126,377
Others	161,737				161,737
TotaL	**P 161,737**	**P -**	**P 53,309**	**P 46,315**	**P 261,362**

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHDULE OF LOANS PAYABLE
(Amounts in thousands)

		As of June 30, 2013
Kirtman Limited	P	2,748,000
Asia Link BV		2,160,000
Bank of the Philippine Islands		682,000
Maxella Limited		648,000
Philippine National Bank		108,000
Banco de Oro		100,000
BNP Paribas		50,165
Total	**P**	**6,496,165**

1. Corporate Information, Business Operations and Authorization for Issue of the Financial Statements

Corporate Information

Philex Mining Corporation and its subsidiaries are organized into two main business groupings: the metals business under Philex Mining Corporation and the energy and hydrocarbon business under Philex Petroleum Corporation.

Philex Mining Corporation (the Parent Company or PMC) was incorporated on July 19, 1955 in the Philippines and is listed in the Philippine Stock Exchange on November 23, 1956. Having reached the end of its 50 years corporate life, the Parent Company's Philippine Securities and Exchange Commission (SEC) registration was renewed on July 23, 2004. The Parent Company, Philex Gold Philippines, Inc. (PGPI, a wholly-owned subsidiary through a holding company and incorporated in the Philippines), Lascogon Mining Corporation (LMC), (a subsidiary of PGPI and incorporated in the Philippines), and Silangan Mindanao Exploration Co., Inc. (SMECI, a wholly-owned subsidiary directly by the Parent Company and through a holding company and PGPI and incorporated in the Philippines) and its subsidiary, Silangan Mindanao Mining Co. Inc. (SMMCI, a wholly-owned subsidiary directly by the Parent Company and through SMECI and incorporated in the Philippines) are all primarily engaged in large-scale exploration, development and utilization of mineral resources. The Parent Company operates the Padcal Mine in Benguet. PGPI operated the Bulawan mine in Negros Occidental until the second quarter of 2002. LMC conducts exploration work on Taganaan, Surigao del Norte. SMMCI owns the Silangan Project covering the Boyongan and Bayugo deposits which are under pre-feasibility study stage as at July 31, 2013.

Philex Petroleum Corporation (PPC, a 64.8% owned subsidiary of the Parent Company and incorporated in the Philippines) and its subsidiaries: Forum Energy plc (FEP, 60.5% owned and registered in England and Wales) and its subsidiaries, FEC Resources, Inc. (FEC, 51.2% owned and incorporated in Canada) and Pitkin Petroleum Plc (Pitkin, 50.3% owned and registered in England and Wales) and its subsidiaries are engaged primarily in oil and gas operation and exploration activities, holding participations in oil and gas production and exploration activities through their investee companies. Brixton Energy & Mining Corporation (BEMC), a wholly-owned subsidiary of PPC and incorporated in the Philippines, commenced operation of its coal mine in Diplahan, Zamboanga Sibugay in November 2010 but suspended operation in December 2012 pending results of a detailed review of the coal mine operations and prospects.

The foregoing companies are collectively referred to as the "Group" whose income is derived mainly from the Padcal Mine. Income from petroleum and coal and other sources are relatively insignificant.

The Parent Company's registered business address is Philex Building, 27 Brixton corner Fairlane Streets, Pasig City.

Executive Order (EO) 79

On July 12, 2012, EO 79 was released to lay out the framework for the implementation of mining reforms in the Philippines. The policy highlights several issues that includes area of coverage of mining, small-scale mining, creation of a council, transparency and accountability and reconciling the roles of the national government and local government units. Management believes that EO 79 has no major impact on its current Padcal operations since the mine is covered by an existing Mineral Production Sharing Agreement (MPSA) with the government. Section 1 of EO 79 provides that mining contracts approved before the effectivity of the EO shall continue to be valid, binding, and enforceable so long as they strictly comply with existing laws, rules and regulations and the terms and conditions of their grant. The EO could, however, delay or adversely affect the conversion of the Group's mineral properties covered by Exploration Permits (EPs) or Exploration Permit Applications (EPAs) or Application for Production Sharing Agreements (APSAs) given the provision of the EO on the moratorium on the granting of new mineral agreements by the government until a legislation rationalizing existing revenue sharing schemes and mechanisms shall have taken effect.

On March 7, 2013, the Mines and Geosciences Bureau (MGB) has recommended with the Department of Environment and Natural Resources (DENR) the lifting of DENR Memorandum Order No. 2011-01 on the suspension of acceptance of all types of mining applications. Effective March 18, 2013, MGB has started accepting mining applications for EPs and FTAA pursuant to DENR Administrative Order No. 2013-11.

Status of Business Operations

Padcal Mine Operations

The Parent Company has the Padcal Mine as its main source of revenue from its metals business segment. The Padcal Mine is on its 56th year of operation producing copper concentrates containing gold, copper and silver.

At around midnight of August 1, 2012, the Parent Company voluntarily suspended its operations of the Padcal Mine after tailings were accidentally discharged from the underground tunnel of Penstock A which was used to drain water from Tailings Storage Facility (TSF) No. 3 of the mine. The incident followed the unabated and historically unprecedented heavy rains during the last two weeks of the preceding month from the two typhoons that brought unusual and heavy accumulation of rain water in TSF 3. The suspension of the mine's operations was formalized at around 8 p.m. of the following day, August 2, 2012, when the Mines and Geosciences Bureau (MGB) ordered the Padcal Mine to stop operations until such time as the safety and integrity of its tailings storage facility is assured. The discharge of tailings was fully stopped with the plugging of the sinkhole in one of the two penstocks used in the water management system of TSF 3 and the sealing of the underground tunnel of the affected penstock in November 2012. This has allowed the Padcal Mine to start conducting the necessary remediation and rehabilitation program (which includes the rehabilitation of TSF 3 and the construction of an open spillway in place of the existing penstock system for water management, the construction of a new TSF 4, and the undertaking of remediation and rehabilitation measures in the areas affected by the tailings spill) relative to the resumption of its operations.

On February 18, 2013, the Parent Company paid the ₱1,034,358 Mine Waste and Tailings Fee required by the MGB as provided for under Department of Environment and Natural Resources Administrative Order (DAO) No. 2010-21 implementing the provisions of the Philippine Mining Act of 1995, which fee the Parent Company has provided for in the accounts as of December 31, 2012. The PAB has likewise assessed the Parent Company the amount of ₱92,800 for alleged violations of the Clean Water Act of 2004, which the Parent Company has challenged and is the subject of a motion for reconsideration pending before the PAB. Other provisions for the remediation and rehabilitation of TSF 3 and the areas affected by the tailings spill have also been made in the 2012 accounts.

On February 26, 2013, the MGB lifted its suspension order and allowed the Padcal Mine to operate for a period of four months to conduct further remediation measures on TSF 3, requiring the Parent Company to commission a third party to conduct monitoring and audit of the remediation measures to be undertaken. On March 7, 2013, the Pollution Adjudication Board (PAB) similarly resolved to temporarily lift the cease and desist order and allowed the Parent Company to resume operations for a period of four (4) months from date of the order. After posting the surety bond required by the PAB, at around 12:00 a.m on March 8, 2013, the Padcal Mine commenced its temporary resumption of operations pursuant to the order of the MGB and PAB.

On July 5, 2013, the MGB authorized the Parent Company to continue implementing remediation measures required for the TSF 3 in the meantime that the MGB is thoroughly reviewing the pertinent technical details. On the same date, the PAB resolved to extend the temporary lifting of the issued cease and desist order to allow the Parent Company to fill the void with fresh tailing as well as the reconstruction of the offset dike.

The Group's ability to continue as a going concern depends on the permanent resumption of regular operations of the Parent Company's Padcal Mine. The interim condensed consolidated financial statements do not include any adjustment that might result from uncertainties relating to when the Parent Company would be able to resume regular operations. The effect of these uncertainties will be reported in the consolidated financial statements as they become known and estimable.

The Group continues to look for sources of funding to finance its activities and working capital requirements. On October 30, 2012, the Parent Company obtained a commitment letter from First Pacific Ltd. (FPC) to provide a loan of up to a maximum of US$200,000 to finance the Silangan Project's exploration activities and the Padcal Mine's capital requirements (see Note 10). On February 12, 2013, the Parent Company received the amount of US$25,000 as claims settlement relative to the tailings spill from its pollution legal liability insurance (see Note 11). On March 11, 2013, the Parent Company announced that it has been authorized by its Board of Directors to undertake a rights offering of common shares where the Parent Company expects to raise approximately ₱12.0 billion, the net proceeds of which will be used for the repayment of the loans from FPC, for capital expenditures and exploration costs related to the Company's Silangan and Kalayaan projects, and for general corporate purposes. The specific terms and conditions of the rights offering including the final issue size, rights entitlement, offer price and record date have not yet been determined. As of the end of the period, $130 million of the FPC facility has already been availed by the Parent Company (see Note 10).

PGPI
PGPI previously operated the Bulawan mine in Negros Occidental and developed the Sibutad Project in Zamboanga del Norte. It currently holds 60% of SMMCI, through SMECI, and 99% of Lascogon Mining Corporation (LMC).

SMMCI
SMMCI is currently conducting the pre-feasibility study of the Silangan Project covering the Boyongan and Bayugo copper-gold deposits. Adjacent to the Bayugo deposit is the Kalayaan Project, the exploration of which is being undertaken by the Parent Company by virtue of a Farm-in Agreement with Kalayaan Gold & Copper Resources, Inc., a subsidiary of Manila Mining Corporation.

BEMC
Developmental work for the mining activities of BEMC over its coal property in Zamboanga Sibugay started in 2009 when BEMC also purchased coal from small-scale miners permitted to operate within its mine site and in turn, sells this coal to generate revenue. Mining operations in the property commenced in November 2010 after completion of the mine development work. Coal mining operations of BEMC has, however, been temporarily suspended on January 9, 2013 due to adverse effects of significant drop in coal prices. A detailed review of the operations and prospects of the coal mining projects is currently being undertaken. Activities would be confined to maintenance and repair of the coal mine and processing and marketing of existing coal inventory. The Group is still currently assessing the status of operations of BEMC.

FEP
FEP's principal asset is a 70% interest in Service Contract (SC) 72, converted on February 15, 2010 from Geophysical Survey Exploration Contract 101, covering an 8,800 square kilometers offshore petroleum license situated west of Palawan Island in the West Philippine Sea where the Sampaguita natural gas deposit is located.

Recovery of Deferred Exploration Costs
The Group's ability to realize its deferred mine and oil exploration costs amounting to ₱21,193,745 and ₱14,535,993 as at June 30, 2013 and December 31, 2012, respectively (see Note 9), depends on the success of exploration and development work in proving the viability of its mining and oil properties to produce minerals and oil in commercial quantities, and the success of converting the Group's EPs or EPAs or APSAs to new mineral agreements, which cannot be determined at this time. The interim condensed consolidated financial statements do not include any adjustment that might result from these uncertainties.

Authorization for Issue of the Financial Statements
The interim condensed consolidated financial statements of Philex Mining Corporation and Subsidiaries (the Group) as at June 30, 2013 and for the six months ended June 30, 2013 and 2012 [with comparative audited consolidated statement of financial position as at December 31, 2012 (as restated)] were authorized for issue by the Board of Directors (BOD) on July 31, 2013.

2. Summary of Significant Accounting Policies and Financial Reporting Practices

Basis of Preparation
The interim condensed consolidated financial statements of the Group as at June 30, 2013 and December 31, 2012 and for the six months ended June 30, 2013 and 2012 have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*, except for the Parent Company's mine products inventories that are measured at net realizable value (NRV), which was permitted by the Philippine Securities and Exchange Commission (SEC). The interim condensed consolidated financial statements of the Group do not include all the information and disclosure 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, 2012.

The interim condensed consolidated financial statements of the Group have been prepared using the historical cost basis, except for mine products inventories that are measured at NRV, and for AFS financial assets and derivative financial instruments that are measured at fair value. The interim condensed consolidated financial statements are presented in Philippine Peso (Peso), which is the Parent Company's functional and reporting currency, rounded to the nearest thousands, except when otherwise indicated.

The preparation of the financial statements in compliance with the accounting principles generally accepted in the Philippines requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying interim condensed consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the interim condensed consolidated financial statements. Actual results could differ from such estimates.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2012, except for the adoption of new standards and interpretations effective as at January 1, 2013.

The Group applies, for the first time, certain standards and amendments. These include PAS 19 (Revised 2011) *Employee Benefits,* amendments to PAS 1, *Presentation of Financial Statements and* Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*. As required by PAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of PFRS 12, *Disclosure of Interest in Other Entities* would result in additional disclosures in the annual consolidated financial statements. Under PAS 34, the additional disclosures required by PFRS 12 will be included in the annual consolidated financial statements.

- PAS 1, *Presentation of Items of Other Comprehensive Income - Amendments to PAS 1*
  The amendments to PAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

- PAS 1, *Clarification of the requirement for comparative information (Amendment)*
  The amendment to PAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

  The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under PAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

- PAS 19 (Revised 2011), *Employee Benefits*
  PAS 19 (Revised 2011) includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognized in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognized in profit or loss, instead, there is a requirement to recognize interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service

costs are now recognized in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognized. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. Under PAS 34, these new disclosures will be included in the annual consolidated financial statements. The Group closes actuarial gains and losses to retained earnings every end of reporting period.

The Parent Company reviewed its existing employee benefits and determined that the amended standard has a significant impact on its accounting for retirement benefits. The Parent Company obtained the services of an external actuary to compute the impact to the financial statements upon adoption of the standard.

The effects are detailed below:

	As at December 31, 2012		
	As Restated	**As Previously Reported**	**Change**
Consolidated statement of financial position			
Net retirement plan assets (liability)	**(₱43,972)**	**₱135,147**	**(₱179,119)**
Deferred tax liability (asset)	**(13,192)**	**40,544**	**(53,736)**
Retained earnings	**10,809**	**136,192**	**(125,383)**
Consolidated statement of income			
Cost and expenses	**74,868**	**51,988**	**22,880**
Current tax expense	**(22,460)**	**(15,596)**	**(6,864)**
Net income	**(52,408)**	**(36,392)**	**(16,016)**
Consolidated statement of comprehensive income			
Actuarial movements in OCI	**–**	**79,984**	**79,984**
Tax effects on actuarial movements in OCI	**–**	**(23,995)**	**(23,995)**
OCI, net of tax effects	**–**	**(55,989)**	**(55,989)**

	As at June 30, 2012		
	As Restated	As Previously Reported	Change
Consolidated statement of income			
Cost and expenses	37,434	25,994	11,440
Current tax expense	(11,230)	(7,798)	(3,432)
Net income	(26,204)	(18,196)	(8,008)
Consolidated statement of comprehensive income			
Actuarial movements in OCI	–	39,992	39,992
Tax effects on actuarial movements in OCI	–	(11,998)	(11,998)
OCI, net of tax effects	–	(27,994)	(27,994)

	As at January 1, 2012		
	As Restated	As Previously Reported	Change
Consolidated statement of financial position			
Net retirement plan assets (liability)	(₱107,898)	₱52,627	(₱160,525)
Deferred tax liability (asset)	(32,369)	15,788	(48,157)
Retained earnings	(52,921)	59,447	(112,368)

There was no impact on the on the Group's interim condensed consolidated statement of cash flows. The decrease in basic and diluted earnings per share due to the adoption of amendments to PAS 19 amounted to ₱0.0016 for the period ending June 30, 2012.

- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
  The Amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affected presentation only and had no impact on the Group's financial position or performance.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The interpretation has no material impact on the Group's financial position or performance.

The following standards also became effective as of January 1, 2013:

- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
- PAS 27 (Amended), *Separate Financial Statements*
- PAS 28 (Amended), *Investments in Associates and Joint Ventures*
- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
- Amendments to PFRS 1, *Government Loans*
- Amendments to PFRS 7, *Disclosures - Offsetting Financial Assets and Financial Liabilities*
- PFRS 10, *Consolidated Financial Statements*
- PFRS 11, *Joint Arrangements*
- PFRS 12, *Disclosure of Interests in Other Entities*
- PFRS 13, *Fair Value Measurement*

The above standards are applicable to the Group except for Amendments to PFRS 1, *Government Loans*. The adoption of the above mentioned new standards did not have an impact on the Group's financial position and financial performance.

3. Business Combinations

Acquisition of Pitkin

On April 5, 2013, PPC increased its stake in Pitkin from 18.24% to 50.28% through acquisition of additional 46.4 million shares at US$0.75 per share.

As at the acquisition date, the fair value of the net identifiable assets and liabilities of the Pitkin are as follows:

Assets	
Cash and cash equivalents	₱803,379
Receivables	40,916
Inventories	1,035
Deferred exploration oil and gas exploration costs	5,517,567
Property and equipment	2,801
Other noncurrent assets	6,842
	6,372,540
Liabilities	
Accounts payable and accrued liabilities	48,394
Deferred tax liability	1,533,103
	1,581,497
Net Assets	₱4,791,043

The aggregate of the consideration transferred, amount of non-controlling interest and the acquisition date fair values of PPC's previously held equity interest follows:

	No. of shares	Price per share (US$)	Amount
Consideration transferred	24,000,000	0.75	₱1,313,700
Fair value of non controlling interests	46,405,000	1.25	1,429,785
Fair value of previously held equity interest	69,595,000	1.25	3,580,663
			₱6,324,148

Goodwill arising from the business combination amounted to ₱1,533,105.

The non controlling interest and previously held equity interest was valued at $1.25, the fair value of per share of the net assets of Pitkin as at the acquisition date. The fair value of the previously held equity interest is its historical cost per share as at the acquisition date.

Revenues and net loss of the acquiree since the acquisition date amounted to ₱2,845 and ₱56,833, respectively. Consolidated revenue and net income of the Group had the business combination occurred on January 1, 2013 would be higher by ₱2,564 and lower by ₱36,450, respectively.

4. Segment Information

The Group is organized into business units on their products and activities and has two reportable business segments: the metals segment and the energy and hydrocarbon 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 period, earnings before interest, taxes and depreciation and depletion (EBITDA), and core net income (loss).

Net income (loss) for the period 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 business segments.

			June 30, 2013 (Unaudited)		
	Metals	Energy and Hydrocarbon	Unallocated Corporate Balances	Eliminations	Total
Revenue					
External customers	**₱3,845,383**	**₱96,321**	**₱–**	**₱–**	**₱3,941,704**
Inter-segment	–	–	–	–	–
Consolidated revenue	**₱3,845,383**	**₱96,321**	**₱–**	**₱–**	**₱3,941,704**
Results					
EBITDA	**₱2,392,732**	**(₱232,362)**	**₱–**	**₱–**	**₱2,160,370**
Interest income (expense) - net	**(185,642)**	**(19,498)**	–	–	**(205,140)**
Income tax benefit (expense)	**(561,509)**	**29,269**	–	–	**(532,240)**
Depreciation and depletion	**(465,991)**	**(2,629)**	–	–	**(468,620)**
Consolidated net income (loss)	**₱1,179,590**	**(₱225,220)**	**₱–**	**₱–**	**₱954,370**
Core net income (loss)	**₱860,900**	**(₱43,245)**	**₱–**	**₱–**	**₱817,655**
Consolidated total assets	**₱28,430,082**	**₱3,817,747**	**₱17,890**	**₱6,672,419**	**₱38,938,138**
Consolidated total liabilities	**₱9,584,036**	**₱1,206,514**	**₱883**	**₱2,491,153**	**₱13,282,586**
Other Segment Information					
Capital expenditures	**₱2,030,249**	**₱122,725**	**₱–**	**₱–**	**₱2,152,974**

	June 30, 2012 (Unaudited)				
	Metals	Energy and Hydrocarbon	Unallocated Corporate Balances	Eliminations	Total
Revenue					
External customers	₱7,037,689	₱73,492	₱350	₱–	₱7,111,531
Inter-segment	–	–	–	–	–
Consolidated revenue	₱7,037,689	₱73,492	₱350	₱–	₱7,111,531
Results					
EBITDA	₱3,450,375	(₱57,731)	(₱1,859)	₱–	₱3,390,785
Interest income (expense) - net	42,220	(14,957)	33	–	27,296
Income tax expense	(897,209)	(7,501)	–	–	(904,710)
Depreciation and depletion	(476,025)	(1,257)	–	–	(477,282)
Consolidated net income (loss)	₱2,119,361	(₱81,446)	(₱1,826)	₱–	₱2,036,089
Core net income (loss)	₱2,148,621	(₱37,987)	(₱1,826)	₱–	₱2,108,808
Consolidated total assets	₱24,732,350	₱4,696,242	₱15,824	₱2,159,956	₱31,604,372
Consolidated total liabilities	₱3,034,150	₱1,115,010	₱646	₱1,211,072	₱5,360,878
Other Segment Information					
Capital expenditures	₱1,324,561	₱181,158	₱3,157	₱–	₱1,508,876

The following table shows the Group's reconciliation of core net income to the consolidated net income for the six months ended June 30, 2013 and 2012.

	June 30, 2013 (Unaudited)	June 30, 2012 (Unaudited)
Core net income	**₱817,655**	₱2,108,808
Non-recurring gains (losses):		
Insurance proceeds	**406,850**	–
Gain on sale on AFS investments	**17,407**	–
Mark-to-market gain on derivative instruments	**–**	97,887
Provision for write-down of assets	**(2,236)**	–
Provision for decline in inventory	**(7,457)**	–
Foreign exchange losses	**(50,735)**	(126,267)
Net tax effect of aforementioned adjustments	**(106,834)**	8,515
Net income attributable to equity holders of the Parent Company	**1,074,650**	2,088,943
Net income attributable to NCI	**(120,280)**	(52,854)
Consolidated net income	**₱954,370**	₱2,036,089

Core net income per share is computed as follows:

	June 30, 2013 (Unaudited)	June 30, 2012 (Unaudited)
Core net income	**₱817,655**	₱2,108,808
Divided by weighted average number of common shares outstanding during year	**4,933,185,776**	4,931,483,294
Core net income per share	**₱0.1657**	₱0.4276

Sales of the Parent Company are made to Pan Pacific Metals (Pan Pacific), which is covered by a Long-term Gold and Copper Concentrates Sales Agreement (Note 17), and to Louis Dreyfuss Commodities Metals Suisse SA (LD Metals) for the remaining ore produce. Gross revenue from Pan Pacific and LD Metals for the six months ended June 30, 2013 and 2012 are presented below:

	June 30, 2013 (Unaudited)	June 30, 2012 (Unaudited)
LD Metals	**₱2,593,232**	₱4,120,501
Pan Pacific	**830,423**	2,226,192
	₱3,423,655	₱6,346,693

5. **Cash and Cash Equivalents**

	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
Cash on hand	**₱3,278**	₱4,031
Cash with banks	**821,662**	552,030
Short-term deposits	**3,422,435**	1,113,481
	₱4,247,375	₱1,669,542

Cash in banks and short-term deposits earn interest at bank deposit rates. Short-term deposits are made for varying periods, usually of up to three months depending on the cash requirements of the Group.

6. **Inventories**

	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
Mine products	**₱622,664**	₱–
Coal	**88,289**	86,856
Petroleum	**64,821**	2,868
Materials and supplies	**1,235,497**	1,225,127
	₱2,011,271	₱1,314,851

The Parent Company recognized revenues amounting to ₱622,664 and ₱655,927 for the six months ended June 30, 2013 and 2012, respectively, to reflect the NRV of its mine product inventories. During the six-month period ended June 30, 2013, FEP provided additional provision for decline in materials and supplies inventory amounting to ₱23,606 included in the interim consolidated statements of income.

7. Property, Plant and Equipment

During the six months ended June 30, 2013 and 2012, the Group acquired assets with a cost of ₱1,053,522 and ₱872,310, respectively. Depletion and depreciation charged for the six months ended June 30, 2013 and 2012 amounted to ₱515,657 and ₱501,434, respectively. Depreciation expense amounting to ₱47,037 and ₱24,152 was capitalized under "Deferred Exploration Cost" for the six-month period ended June 30, 2013 and 2012, respectively.

The Parent Company disposed certain mining equipments in 2013 with net book value of ₱85. Deferred exploration costs amounting to ₱51,522 were reclassified as part of property and equipment in 2012 due to start of commercial operations of Libertad Gas Field in February 2012.

8. AFS Investments

	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
Quoted equity investments	**₱1,308,806**	₱2,686,427
Unquoted equity investments	**72,895**	1,304,334
	₱1,381,701	₱3,990,761

On February 21, 2013, PPC sold its investments in PetroEnergy Resources Corp. for a consideration of ₱168,000. The resulting gain amounting to ₱26,880 was recorded in the consolidated statement of income for the six months ended June 30, 2013.

As at December 31, 2012, the unquoted equity investments included investments in shares of Pitkin amounting to ₱1,232,440. In April 5, 2013, PPC increased its stake in Pitkin from 18.24% to 50.28% through acquisition of additional 46.4 million shares at US$0.75 per share which resulted to PPC obtaining control over Pitkin (see Note 3).

The movements of unrealized gain (loss) on AFS investments recognized as a separate component of equity are as follows:

	January 1 to June 30, 2013 (Unaudited)	January 1 to December 31, 2012 (Audited)
Balances at beginning of the period	**₱601,055**	₱2,020,940
Unrealized loss on fair value change during the period	**(1,169,939)**	(1,419,885)
Transferred to consolidated statements of income	**(26,880)**	–
Balances at end of period	**(₱595,764)**	₱601,055

9. Deferred Exploration Costs and Other Noncurrent Assets

	June 30, 2013 (Unaudited)	December 31, 2012 (Audited, As Restated)
Deferred mine exploration costs	**₱15,703,709**	₱14,726,242
Less allowance for impairment losses	**1,048,809**	1,048,811
	14,654,900	13,677,431
Deferred oil exploration costs (Note 3)	**6,981,821**	1,301,536
Less allowance for impairment losses	**442,974**	442,974
	6,538,847	858,562
Others	**221,602**	142,970
Less allowance for impairment losses	**47,435**	47,435
	174,167	95,535
	₱21,367,914	₱14,631,528

Deferred mine and oil exploration costs relate to projects that are on-going. The recovery of these costs depends upon the success of exploration activities and future development of the corresponding mining properties or the discovery of oil and gas that can be produced in commercial quantities. Allowances have been provided for those deferred costs that are specifically identified to be unrecoverable. Included in "Others" is the Group's net retirement plan asset amounting to ₱4,617 as at June 30, 2013. The Group has a net pension obligation amounting to ₱43,973 as at December 31, 2012.

10. Loans Payable

	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
Current		
Related Party		
Kirtman Limited	**₱2,748,000**	₱1,100,000
Asia Link B.V.	**2,160,000**	–
Maxella Limited	**648,000**	–
Bank loans		
Bank of the Philippine Islands (BPI)	**682,000**	250,000
Philippine National Bank (PNB)	**108,000**	–
Banco de Oro (BDO)	**100,000**	100,000
BNP Paribas - current portion	**24,804**	–
Total current loans	**₱6,470,804**	₱1,450,000
Noncurrent		
BNP Paribas - net of current portion	**₱25,361**	₱–
	₱6,496,165	₱1,450,000

<u>Kirtman Limited Loan</u>
On November 9, 2012, the Parent Company entered into an unsecured Term Loan Facility Agreement (the 1st Loan Agreement) with Kirtman Limited (a subsidiary of FPC), a related party, amounting to a maximum of ₱2,100,000 maturing 364 days after the Agreement date. The interest

rate of the loan is set at 5% per annum. Initial drawdown of ₱1,100,000 was made on November 13, 2012. On January 14, 2013, the Parent Company availed of the ₱1,000,000 balance of the facility. The proceeds of the loan were used to fund the capital expenditures of Silangan Project and working capital requirements of the Group.

On March 12, 2013, the Parent Company entered into a second Term Loan Facility Agreement (the 2nd Loan Agreement) with Kirtman Limited amounting to a maximum of US$25,000 maturing 364 days after the 2nd Loan Agreement date. The interest rate of the loan is set at 5% per annum. Initial drawdown of US$15,000 was made on March 18, 2013.

Both loans contain a pre-termination clause which allows the Parent Company to pay all outstanding drawdown before maturity date.

Maxella Limited Loan
On March 12, 2013, the Parent Company entered into a Term Loan Facility Agreement (the 3rd Loan Agreement) with Maxella Limited (a subsidiary of FPC), a related party, amounting to a maximum of US$25,000 maturing 364 days after the 3rd Loan Agreement date. The interest rate of the loan is set at 5% per annum. Initial drawdown of US$15,000 was made on March 18, 2013. The loan also contains a pre-termination clause which allows the Parent Company to pay all outstanding drawdown before maturity date.

Asia Link B.V. Loan
On March 12, 2013, the Parent Company entered into a Term Loan Facility Agreement (the 4th Loan Agreement) with Asia Link B.V., a related party, for up to a maximum of US$100,000. Initial drawdown of US$50,000 was made on April 12, 2013.

Interest expense on the Term Loan Facility Agreements with Kirtman Limited, Maxella Limited and Asia Link B.V amounted to ₱202,628 and nil for the six-month periods ended June 30, 2013 and 2012, respectively.

Bank Loans
On October 7, 2011, BEMC obtained a short-term loan from BDO amounting to ₱100,000. In October 2011, PMC entered into a continuing suretyship agreement with BDO to guarantee the payment of the BEMC loan. The loan had an initial interest rate of 4.25% per annum subject to repricing and a maturity date of April 4, 2012. BEMC renewed the loan for another 180 days at the interest rate of 4.00% subject to repricing, which matured on August 3, 2012 and thereafter renewed for another 59 days subject to the same terms. After a series of renewals during the year, the maturity date of the loan has been extended to April 25, 2013. On April 25, 2013, PMC assumed the liability for the settlement of the ₱100,000 loan from BDO. The loan was renewed under the same terms and will mature on July 24, 2013. Upon maturity, the loan was renewed for additional 90-day period and will mature on October 22, 2013.

The BEMC loan from BDO is unsecured and BEMC is not required to meet any loan covenants. They are, however, covered by a continuing surety by PMC to guarantee the repayment of the loans.

On January 14, 2013 and February 18, 2013, PMC assumed the liability for the settlement of the ₱150,000 and ₱100,000 loans with BPI, previously payable by BEMC. The interest rates of the notes are at 4% per annum but subject to repricing every 30 days based on the prevailing interest rate at the date of repricing. The related interest is payable every 30 days. Maturity of the ₱150,000 loan from BPI was extended from July 12, 2013 to August 12, 2013. The ₱100,000 loan from will mature on August 16, 2013.

On April 2, 2013, the Parent Company obtained unsecured short-term loans from BPI and PNB amounting to US$10,000 and US$2,500, respectively. The loans carries 2.375% and 2.5% per annum but subject to repricing every 30 days, respectively, and will mature on July 1, 2013. On July 1, 2013, the Parent Company renewed the US$10,000 loan for another 42-day period at 2.5% per annum but subject to repricing every 30 days. The US$2,500 loan from PNB was fully paid on July 1, 2013.

The Parent Company also obtained a short-term loan on April 2, 2013 from PNB amounting to US$17,500 guaranteed by the Parent Company's ore concentrate shipment number 691 to Pan Pacific. The loan carries 2.5% fixed interest rate per annum and will mature on May 10, 2013 or upon receipt of payment from Pan Pacific, which ever comes earlier. The loan was fully settled on May 6, 2013.

The proceeds from the loans were subsequently advanced to PPC to fund PPC's acquisition of additional shares in Pitkin.

On December 21 2012, Forum Energy Philippines Corporation, together with Galoc Production Company, W.L.L., entered into a $40 million facility agreement with BNP Paribas to finance the drilling of two additional production wells in Galoc Phase II development. FEPCO's share in this facility is 6.4513% or a total of $2.58 million. As at June 30, 2013, FEPCO's outstanding loan amounted to $1,161. Currently maturing portion of the loan amounting to $574 shall be paid on or before June 30, 2014. Interest rate of the loan is set at 6% per annum plus LIBOR.

Interest expense on the bank loans amounted to ₱13,658 and ₱7,220 for the six-month period ended June 30, 2013 and 2012, respectively.

11. **Insurance Proceeds**

On February 8, 2013, the Parent Company entered into a Settlement, Release and Policy Buy Back Agreement with Chartis Philippines Insurance, Inc. (Chartis) for the compromise settlement of the Parent Company's insurance claim under its Pollution Legal Liability Select Policy covering the Padcal Mine. The claims pertain to the discharge of tailings from TSF 3 of the mine in 2012. Under the terms of the agreement, Chartis shall pay the Parent Company within 15 days the amount of US$25,000 (or ₱1,017,125) in full settlement of the claims. The Parent Company received the full settlement from Chartis on February 12, 2013. The consideration received was recorded under "Insurance proceeds" account under "Other income (charges)" in the consolidated statement of income.

12. **Provisions and Subscriptions Payable**

On February 18, 2013, the Parent Company paid the ₱1,034,358 tailings fee payable assessed against the Parent Company in connection to the discharge of tailings from TSF 3 to the MGB which the Parent Company accrued as at December 31, 2012.

13. **Share-based Payments**

In addition to the 2006 Stock Option Plan, on April 27, 2011, the BOD approved the 2011 Stock Option Plan (the 2011 SOP). The 2011 SOP was also approved by the shareholders on June 29, 2011. Among the salient terms and features of the stock option plan are as follows:

a) Option Grant Date is the date on which option is awarded under the 2011 SOP, provided such award is subsequently accepted by eligible participant.
b) The vesting percentage and vesting schedule of the options granted under the 2011 SOP shall be determined by the Compensation Committee of the Board.
c) 246,334,118 shares representing 5% of the Parent Company's outstanding capital stock shall be initially reserved for exercise of options to be granted.
d) The exercise price for the options granted under the 2011 SOP shall be determined by the Compensation Committee of the Board but shall not be lower than the highest of: (i) the closing price of the shares on PSE on the Option Grant Date, (ii) the average closing price of the shares on the PSE for the 5 business days on which dealings in the shares are made immediately preceding the Option Grant Date; and (iii) the par value of shares.
e) Any amendments to the 2011 SOP shall be deemed adopted and made effective upon approval by shareholders owning at least two-thirds of the outstanding capital stock of the Parent Company and, to the extent legally necessary, by the SEC.

On March 5, 2013, the Parent Company received the SEC resolution approving the 2011 SOP.

The Parent Company granted 40,410,000 options under the 2011 SOP.

The Parent Company uses the Customized Binomial Lattice Model to compute for the fair value of the options together with the following assumptions:

Spot price per share	₱17.50
Exercise price per share	₱24.05
Time to maturity	7 years
Risk-free rate	3.3435%
Volatility*	49.8731%
Dividend yield	1.0031%

**Volatility is calculated using historical stock prices and their corresponding logarithmic returns.*

The total share-based compensation expense for six-month periods ended June 30, 2013 and 2012 amounted to ₱66,624 and ₱12,925, respectively. The corresponding share-based option reserve, included under Additional Paid-in Capital, as at June 30, 2013 and December 31, 2012 amounted to ₱283,499 and ₱216,875, respectively.

14. Financial Instruments

Fair Values of Financial Instruments

The following table shows the carrying values and fair values of the Group's financial assets and financial liabilities:

	June 30, 2013 (Unaudited)		December 31, 2012 (Audited)	
	Fair Value	**Carrying Value**	Fair Value	Carrying Value
Financial Assets				
Cash on hand	**₱3,279**	**₱3,279**	₱4,031	₱4,031
Loans and receivables:				
Cash and cash equivalents				
Cash with banks	**821,661**	**821,661**	552,030	552,030
Short-term deposits	**3,422,435**	**3,422,435**	1,113,481	1,113,481
Accounts receivable:				
Trade	**261,362**	**261,362**	132,876	132,876
Others	**133,839**	**133,839**	74,873	74,873
AFS financial assets:				
Quoted equity investments	**1,308,806**	**1,308,806**	2,686,427	2,686,427
Unquoted equity investments	**72,895**	**72,895**	1,304,334	1,304,334
	₱6,024,277	**₱6,024,277**	₱5,868,052	₱5,868,052
Financial Liabilities				
Other financial liabilities				
Loans payable	**₱6,496,165**	**₱6,496,165**	₱1,450,000	₱1,450,000
Accounts payable and accrued liabilities:				
Trade	**415,694**	**415,694**	431,260	431,260
Accrued expenses	**446,893**	**446,893**	606,205	606,205
Accrued interest	**16,755**	**16,755**	24,765	24,765
Other nontrade liabilities	**91,055**	**91,055**	131,870	131,870
Dividends payable	**481,601**	**481,601**	483,257	483,257
Subscriptions payable	**21,995**	**21,995**	21,995	21,995
	₱7,970,158	**₱7,970,158**	₱3,149,352	₱3,149,352

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, dividends payable and subscriptions payable, approximate their fair values because of their short-term nature. Quoted AFS financial assets are carried at fair value based on the quoted values of the securities. Unquoted AFS financial assets are carried at cost less any impairment since fair value cannot be readily determined based on observable market data. Loans payable are interest bearing and carried at current market rate. The floating interest rate of the noncurrent portion of the loans payable approximates the market rate.

The fair value hierarchy of the financial assets and financial liabilities as at June 30, 2013 and December 31, 2012 are presented below:

	June 30, 2013 (Unaudited)			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
AFS quoted financial assets	**₱1,308,806**	**₱–**	**₱–**	**₱1,308,806**
AFS unquoted financial assets	**–**	**–**	**72,895**	**72,895**

	December 31, 2012 (Audited)			
	Level 1	Level 2	Level 3	Total
Financial assets				
AFS quoted financial assets	₱2,686,427	₱–	₱–	₱2,686,427
AFS unquoted financial assets	–	–	1,304,334	1,304,334

During the period ended June 30, 2013 and December 31, 2012, there were no transfers between Level 1 and 2 fair value measurements and no transfers into and out of Level 3 fair value measurement.

Categories of Financial Assets:

	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
Cash on hand	**₱3,279**	₱4,031
Loans and receivables:		
Cash and cash equivalents		
Cash with banks	**821,661**	552,030
Short-term deposits	**3,422,435**	1,113,481
Accounts receivable:		
Trade	**261,362**	132,876
Others	**133,839**	74,873
	4,639,297	1,873,260
AFS financial assets:		
Quoted equity investments	**1,308,806**	2,686,427
Unquoted equity investments	**72,895**	1,304,334
	1,381,701	3,990,761
	₱6,024,277	₱5,868,052

All financial liabilities of the Group as at June 30, 2013 and December 31, 2012 are categorized as "Other financial liabilities."

15. Financial Risk Management Objectives and Policies and Hedging Activities

Financial Risk Management Objectives and Policies
The Group's principal financial instruments, other than derivatives, comprise mainly of cash and cash equivalents, accounts receivable, AFS financial assets, loans payable 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 BOD is mainly responsible for the overall risk management and approval of the risk strategies and principles of the Group. On June 29, 2011, the BOD approved its formalized hedging policy in relation to entering into commodity derivatives in order to manage its financial performance and since then has no changes.

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, interest rate risk, equity price risk and commodity price risk. The BOD reviews and approves the policies for managing these risks and they are summarized as follows:

Credit and Concentration Risks

Credit risk is the risk where the Group could incur a loss if its counterparties fail to discharge their contractual obligations. To avoid such losses, the Group's primary credit risk management strategy is to trade only with recognized, creditworthy third parties. At present, 60% of the Parent Company's annual mineral products sales are committed to 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 at 2020. The balance of the Parent Company's annual mineral products sales up to 10,000 dry metric tons (DMT) is covered by a memorandum of agreement with LD Metals signed on April 2, 2013.

Credit risk may also arise from the Group's other financial assets, which comprise of cash and cash equivalents, AFS financial assets and derivative 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 consolidated statements of financial position as at June 30, 2013 and December 31, 2012:

	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
Cash and cash equivalents:		
Cash with banks	**₱821,661**	₱552,030
Short-term deposits	**3,422,435**	1,113,481
Accounts receivable:		
Trade	**261,362**	132,876
Others	**133,839**	74,873
Gross maximum credit risk exposure	**₱4,639,297**	₱1,873,260

The following tables show the credit quality of the Group's financial assets by class as at June 30, 2013 and December 31, 2012 based on the Group's credit evaluation process:

	June 30, 2013 (Unaudited)			
	Neither Past Due nor Impaired		**Past Due and Individually**	
	High-Grade	**Standard**	**Impaired**	**Total**
Cash and cash equivalents:				
Cash with banks	**₱821,661**	**₱–**	**₱–**	**₱821,661**
Short-term deposits	**3,422,435**	**–**	**–**	**3,422,435**
Accounts receivable:				
Trade	**261,362**	**–**	**689**	**262,051**
Others	**133,839**	**–**	**1,708**	**135,547**
Total	**₱4,639,297**	**₱–**	**₱2,397**	**₱4,641,694**

	December 31, 2012 (Audited)			
	Neither Past Due nor Impaired		Past Due and Individually	
	High-Grade	Standard	Impaired	Total
Cash and cash equivalents:				
Cash with banks	₱552,030	₱–	₱–	₱552,030
Short-term deposits	1,113,481	–	–	1,113,481
Accounts receivable:				
Trade	132,876	–	689	133,565
Others	74,873	–	1,708	76,581
Total	₱1,873,260	₱–	₱2,397	₱1,875,657

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 assets include quoted and unquoted equity investments that can be readily sold to a third party.

The Group has no past due but not impaired financial assets as at June 30, 2013 and December 31, 2012.

Liquidity Risk

Liquidity risk is the risk where the Group becomes unable to meet its 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 tables below summarize 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 at June 30, 2013 and December 31, 2012, respectively:

	June 30, 2013 (Unaudited)			
	On Demand	**Within 1 Year**	**More than 1 Year**	**Total**
Loans and receivables:				
Cash and cash equivalents	₱4,247,375	₱–	₱–	**₱4,247,375**
Accounts receivable:				
Trade	–	261,362	–	**261,362**
Others	–	133,839	–	**133,839**
AFS financial assets:				
Quoted equity investments	1,308,806	–	–	**1,308,806**
Unquoted equity investments	72,895	–	–	**72,895**
Total undiscounted financial assets	**₱5,629,076**	**₱395,201**	**₱–**	**₱6,024,277**

			June 30, 2013 (Unaudited)	
	On Demand	**Within 1 Year**	**More than 1 Year**	**Total**
Loans payable				
Principal	₱–	₱6,470,804	₱25,361	**₱6,496,165**
Interest	–	352,018	1,593	**353,611**
Accounts payable and accrued liabilities	–	970,397	–	**970,397**
Dividends payable	481,601	–	–	**481,601**
Subscriptions payable	21,995	–	–	**21,995**
Total undiscounted financial liabilities	**₱503,596**	**₱7,793,219**	**₱26,954**	**₱8,323,769**

		December 31, 2012 (Audited)		
	On Demand	Within 1 Year	More than 1 Year	Total
Loans and receivables:				
Cash and cash equivalents	₱1,669,542	₱–	₱–	₱1,669,542
Accounts receivable:				
Trade	–	132,876	–	132,876
Others	–	74,873	–	74,873
AFS financial assets:				
Quoted equity investments	2,686,427	–	–	2,686,427
Unquoted equity investments	1,304,334	–	–	1,304,334
Total undiscounted financial assets	₱5,660,303	₱207,749	₱–	₱5,868,052
Short-term loans:				
Principal	₱–	₱1,450,000	₱–	₱1,450,000
Interest	–	71,742	–	71,742
Accounts payable and accrued liabilities	–	1,194,100	–	1,194,100
Dividends payable	483,257	–	–	483,257
Subscriptions payable	21,995	–	–	21,995
Total undiscounted financial liabilities	₱505,252	₱2,715,842	₱–	₱3,221,094

Market Risks

Foreign Currency Risk

Foreign currency risk is the 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 six-month period ended June 30, 2013 and 2012, the Group recognized net foreign exchange losses of ₱50,735 and ₱126,267, respectively, 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 table below show the breakdown of the Group's foreign currency denominated monetary assets and liabilities

	June 30, 2013 (Unaudited)		June 30, 2012 (Unaudited)	
	US$	**Peso Equivalent**	US$	Peso Equivalent
Assets				
Cash and cash equivalents	**$61,526**	**₱2,657,923**	$53,043	₱2,234,170
Trade receivables	**2,406**	**103,939**	6,739	283,847
	$63,932	**₱2,761,862**	$59,782	₱2,518,017
Liability				
Loans payable	**$93,661**	**₱4,046,165**	$–	₱–

The following tables summarize the impact on the consolidated income before income tax of reasonably possible changes in the exchange rates of US dollar against the Peso. The reasonable movement in exchange rates was determined using 1-year historical data.

Period Ended June 30, 2013 (Unaudited)	
US$ Appreciate (Depreciate)	**Effect on Consolidated Income before Income Tax**
4%	**(₱51,372)**
(4%)	**51,372**

Period Ended June 30, 2012 (Unaudited)	
US$ Appreciate (Depreciate)	Effect on Consolidated Income before Income Tax
6%	₱151,081
(6%)	(151,081)

Interest Rate Risk
Interest rate risk arises from the possibility that changes in interest rates would unfavorably affect future cash flows from financial instruments. The Group's exposure to the risk in changes in market interest rates relates primarily to PMC and FEP loans.

The Group relies on budgeting and forecasting techniques to address cash flow concerns. The Group also keeps its interest rate risk at a minimum by not borrowing when cash is available or by prepaying, to the extent possible, interest-bearing debt using operating cash flows.

The following table illustrates the sensitivity to reasonably possible change in interest rates, with all other variables held constant, of the Group's 2013 and 2012 income before income tax. The change in market interest rates is based on the annualized volatility of the 3-month benchmark rate for the six-month period ended June 30, 2013 and 2012:

Period Ended June 30, 2013 (Unaudited)

Change in Market Rate of Interest	**Effect on Consolidated Income before Income Tax**
Decrease by 1.0%	**₱2,000**
Decrease by 0.5%	**1,000**
Increase by 1.0%	**(2,000)**
Increase by 0.5%	**(1,000)**

Period Ended June 30, 2012 (Unaudited)

Change in Market Rate of Interest	Effect on Consolidated Income before Income Tax
Decrease by 1.0%	₱1,750
Decrease by 0.5%	875
Increase by 1.0%	(1,750)
Increase by 0.5%	(875)

There is no other impact on the Group's equity other than those affecting consolidated statements of income.

Equity Price Risk

Equity price risk is the risk where the fair values of investments in quoted equity securities could increase or decrease as a result of changes in the levels of equity indices and in the value of individual stocks. Management monitors the movement of the share prices pertaining to the Group's 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 consolidated statements of financial position as AFS financial assets. As at June 30, 2013 and December 31, 2012, investments in quoted shares totaling ₱1,308,806 and ₱2,686,427 represent 3.36% and 9.18% of the total assets of the Group, respectively. Reasonable possible changes were based on an evaluation of data statistics using 1-year historical stock price data.

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 June 30, 2013 and December 31, 2012 that could be brought by changes in equity indices with all other variables held constant are as follows:

Period Ended June 30, 2013 (Unaudited)

Currency	**Change in Quoted Prices of Investments Carried at Fair Value**	**Effect on Equity**
Australian dollar (AU$)	**Increase by 25%**	**₱1,937**
	Decrease by 49%	**(3,797)**
Peso	**Increase by 22%**	**219,406**
	Increase by 44%	**438,811**
	Decrease by 22%	**(219,406)**
	Decrease by 44%	**(438,811)**

December 31, 2012 (Audited)

Currency	Change in Quoted Prices of Investments Carried at Fair Value	Effect on Equity
Australian dollar (AU$)	Increase by 25%	₱1,828
	Decrease by 49%	(3,582)
Peso	Increase by 22%	523,404
	Increase by 44%	1,046,808
	Decrease by 22%	(523,404)
	Decrease by 44%	(1,046,808)

Derivative Financial Instruments

There were no outstanding derivative financial instruments as at June 30, 2013 and December 31, 2012.

Unwinding of Derivative Contracts

In August 2012, the Parent Company pre-terminated all outstanding derivative financial instruments prompted by the suspension of Padcal Mine operations which could no longer deliver the underlying production supposed to be covered by the hedged volumes for the rest of the year.

Gold Derivatives

During the six months ended June 30, 2012, the Parent Company has entered into several types of derivatives such as forward, put option and collar contracts to hedge the company's position to possibly decreasing gold prices. The contracts entered in 2012 did not require premium payments. The put options and collars have notional amounts of 8,000 and 900 ounces respectively for each month of January to June 2012. These derivatives were designated as cash flow hedges.

As of June 30, 2012, the Parent Company has outstanding gold derivatives with the following terms:

				Average Strike price in US$ per oz			Period covered	
Deal date	Contract	Total quantity (in ozs)	Monthly maturity (in ozs)	Put	Call	Forward	From	To
Dec 8, 2011	Collar	26,700	8,900	1,600.00	1,905.00	–	Jul 2012	Sep 2012
May 29, 2012	Collar	8,900	8,900	1,500.00	1,843.00	–	Jul 2012	Oct 2012
Apr 27, 2012	Collar	8,900	8,900	1,500.00	1,855.00	–	Jul 2012	Nov 2012

Deal date	Contract	Total quantity (in ozs)	Monthly maturity (in ozs)	Average Strike price in US$ per oz			Period covered	
				Put	Call	Forward	From	To
Jun 6, 2012	Collar	4,450	4,450	1,500.00	1,809.00	–	Jul 2012	Dec 2012
Jun 6, 2012	Forward	4,450	4,450	–	–	1,641.00	Jul 2012	Dec 2012
Jun 28, 2012	Collar	4,250	4,250	1,500.00	1,660.00	–	Jul 2012	Jan 2013

As of June 30, 2012, these gold derivatives have a total mark-to-market value of ₱69,500.

Copper Derivatives
During the six months ended June 30, 2012, the Parent Company has entered into several types of derivatives, such as forward and put option contracts, to hedge against volatile copper prices. The long put option contract did not require premium payments for the period covering January to June 2012. These were designated as cash flow hedges and have monthly notional amounts of 1,300 dry metric tons (DMT) from January to June 2012.

As of June 30, 2012, the Parent Company has outstanding copper derivatives with the following terms:

Deal date	Contract	Total quantity (in DMT)	Monthly maturity (in DMT)	Average Strike price in US$ per oz		Period covered	
				Put	Call	From	To
Nov 3, 2011	Put	3,780	1,260	3.00	–	Jul 2012	Sep 2012
Apr 27, 2012	Forward	3,840	1,280	–	3.79	Jul 2012	Sep 2012
Mar 16, 2012	Forward	3,840	1,280	–	3.89	Oct 2012	Dec 2012
June 28, 2012	Forward	640	640	–	3.35	Oct 2012	Jan 2013

As of June 30, 2012, these copper derivatives have a total mark-to-market value of ₱247,251.

Copper forward contracts entered on April 27 and June 28, 2012 are not designated as cash flow hedges, as of June 30, 2012, the marked-to-market value of these contracts amounted to ₱97,887.

Dollar Forwards and Collars
During the six-month period ended June 30, 2012, the Parent Company entered into dollar collar contracts at a put strike of ₱42.25 and call strike of ₱44.60. The collars have a total monthly notional amount of US$16 million from January to June 2012. For 2012, total gain from these dollar collars amounted to ₱2,288.

As of June 30, 2012, the Parent Company has outstanding dollar collars with the following terms:

Deal date	Contract	Total dollar (in million $)	Monthly maturity (in million $)	Average Strike price in Php per $1		Period covered	
				Put	Call	From	To
Dec 20, 2011	Collar	24	8	43.50	45.50	Jul 2012	Sep 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

As of June 30, 2012, these dollar derivatives have a total mark-to-market value of ₱77,335.

Embedded Derivatives
As of June 30, 2012 and December 31, 2012, the Parent Company had embedded derivatives, which is represented by price exposure relative to its provisionally priced commodity sales contracts. Mark-to-market gains and losses from open or provisionally priced sales are recognized through adjustments to revenue in the consolidated statements of income and to trade receivables in the consolidated statements of financial position. The Parent Company determines mark-to-market prices using the forward price for quotational periods after balance sheet date stipulated in the contract. The effect of these fair value adjustments arising from outstanding derivatives

amounted to a gain of ₱34,356 as at June 30, 2012 and a loss of ₱469 as at December 31, 2012, were included under revenue and adjusted against receivables.

Fair Value Changes on Derivatives
Fair value changes of derivatives that are not designated as accounting hedges flow directly to the consolidated statements of income, while those which are designated as accounting hedges go to equity. Realized gains and losses on settlement are adjusted to the related revenue accounts.

The details of the net changes in the fair values of all derivative instruments as at June 30, 2012 and December 31, 2012 are as follows:

	December 31, 2012 (Audited)	June 30, 2012 (Unaudited)
Beginning balance	₱857,431	₱857,431
Premiums paid	–	–
Net changes in fair values of derivatives:		
Designated as accounting hedges	(280,584)	(157,206)
Not designated as accounting hedges	115,826	97,887
	692,673	798,112
Fair value of settled instruments	(692,673)	(404,026)
Ending balance	₱–	₱394,086

As at December 31, 2012, fair value of settled instruments includes fair value gains from derivatives designated as accounting hedges, copper derivatives not designated as accounting hedge, and unwound deals amounting to ₱384,745, ₱20,740, and ₱287,188, respectively. As at June 30, 2012, the fair value of settled instruments include fair value gains from derivatives designated as accounting hedges.

Hedge Effectiveness of Cash Flow Hedges
Below is a rollforward of the Parent Company's cumulative translation adjustments on cash flow hedges for the year ended December 31, 2012 and six-month period ended June 30, 2012:

	December 31, 2012 (Audited)	June 30, 2012 (Unaudited)
Beginning balance	₱499,496	₱499,496
Changes in fair value of cash flow hedges	(280,584)	(204,271)
Transferred to consolidated statements of income	(432,982)	(404,026)
Tax effects of items taken directly to or transferred from equity	214,070	182,489
Ending balance	₱–	₱73,688

As at June 30, 2013 and December 31, 2012, the ineffective portion of the fair value change of outstanding hedges is not material.

16. Basic/Diluted Earnings Per Share

Basic earnings per share are computed as follows:

	June 30, 2013 (Unaudited)	June 30, 2012 (Unaudited)
Net income attributable to equity holders of the Parent Company	**₱1,074,650**	₱2,088,942
Divided by weighted average number of common shares outstanding during year	**4,933,185,776**	4,931,483,294
Basic earnings per share	**₱0.2178**	₱0.4236

Diluted earnings per share amounts are calculated as follows:

	June 30, 2013 (Unaudited)	June 30, 2012 (Unaudited)
Net income attributable to equity holders of the Parent Company	**₱1,074,650**	₱2,088,942
Divided by weighted average number of common shares adjusted for the effect of exercise of stock options	**4,933,185,776**	4,936,812,321
Diluted earnings per share	**0.2178**	0.4231
Weighted average number of common shares for basic earnings per share	**4,933,185,776**	4,931,483,294
Dilutive effect of outstanding stock options	–	5,329,027
Weighted average number of common shares adjusted for the effect of exercise of stock options	**4,933,185,776**	4,936,812,321

The Parent Company's outstanding stock options are dilutive and the assumed exercise of these stock options would have resulted in additional 5,329,027 common shares as at June 30, 2012. The stock options outstanding as at June 30, 2013 are anti-dilutive.

17. Long-term Gold and Copper Concentrates Sales Agreement

On March 11, 2004, the Parent Company entered into a Long-term Gold and Copper Concentrates Sales Agreement (Sales Agreement) with Pan Pacific covering the copper concentrates produced at the Padcal Mine (Concentrates) pursuant to which the Parent Company shall sell its concentrate production to Pan Pacific in diminishing proportion from 75% of the Padcal Mine's total concentrate production for contract year 2004 to as follows:

a. Contract Year 2011 (starting on April 1, 2011 and ended on March 31, 2012), approximately 40,000 DMT or 60% of the total Concentrates production during each Contract Year, for which the exact proportion shall be negotiated by the parties in good faith during the Contract Year 2011.

b. Contract Year 2012 (starting April 1, 2012 and ended on March 31, 2013), approximately 40,000 DMT or 60% of the total Concentrates production during each Contract Year, for which the exact proportion shall be negotiated by the parties in good faith during the Contract Year 2012.

c. Contract Year 2013 (starting April 1, 2013 and ending on March 31, 2014), approximately 60% of the total Concentrates production during each Contract Year, for which the exact proportion shall be negotiated by the parties in good faith during the Contract Year 2013.

The Sales Agreement shall be effective until the date of the closure of the Padcal Mine, unless terminated earlier in accordance with the terms. Further, if the Parent Company or its affiliate, as defined in the Sales Agreement, develops other mines which produce sulfide floatation copper concentrates, then the Parent Company or its affiliates shall discuss the sale of such copper concentrates with Pan Pacific before offering to sell to others.

18. Other Matters

a. The Group is currently involved in certain legal, contractual and regulatory matters that require the recognition of provisions for related probable claims against the Group. Management and the Group's legal counsel reassess their estimates on an annual basis to consider new relevant information. The disclosure of additional details beyond the present disclosures may seriously prejudice the Group's position and negotiation strategies with respect to these matters. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only a general description is provided.

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

19. Events After the End of Reporting Period

Sale of Investment in Vietnam American Exploration Company LLC (VAMEX)
On July 16, 2013, Pitkin sold all of its interest in VAMEX for a total cash consideration of ₱2,100,000.

Extension of Maturity of BDO Loan and Payment of BPI Loan
Maturity of the ₱150,000 loan from BPI was extended from July 12, 2013 to August 12, 2013. On July 24, 2013, the BDO ₱100,000 loan was renewed under the same terms for an additional 90-day period until October 22, 2013.

Indefinite Extension of the Temporary Lifting of Suspension of Operations
On July 5, 2013, the MGB authorized the Parent Company to continue implementing remediation measures required for the TSF 3 in the meantime that the MGB is thoroughly reviewing the pertinent technical details. On the same date, the PAB resolved to extend the temporary lifting of the issued cease and desist order to allow the Parent Company to fill the void with fresh tailing as well as the reconstruction of the offset dike.