COVER SHEET

1 0 0 4 4

SEC Registration Number

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

(Company's Full Name)

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

P a s i g C i t y

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

DANNY Y. YU

(Contact Person)

(632) 631-13-81

(Company Telephone Number)

1 2 | 3 1

Month *Day*

(Calendar Year)

1 7 - Q

(Form Type)

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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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

For the quarterly period ended June 30, 2014

Commission identification number 10044

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

Exact name of issuer as specified in its charter

PHILEX MINING CORPORATION

Province, country or other jurisdiction of incorporation or organization

Manila, Philippines

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

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

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

Issuer's telephone number, including area code

(632) 631-1381 to 88

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

Philex Mining Corporation has not changed its name since its incorporation

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 – 4,936,996,068 (As of June 30, 2014)

Amount of Debt Outstanding – ₱6,897,500,000 (As of June 30, 2014)

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

Indicate by check mark whether the registrant:

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 [ ]

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 ended June 30, 2014 are hereto attached.

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

Status of Operations

The Company's Padcal Gold and Copper mine operated for six months in 2014, under the temporary lifting of the suspension order issued last March 8, 2013, compared with less than four months in the same period last year.

A permanent lifting of the suspension order from the Pollution Adjudication Board (PAB) was also issued on June 18, 2014 after the Company settled its environmental obligations to the government amounting to P188.6 million on June 6, 2014.

In addition, the P200 million outstanding in local business taxes with Tuba and Itogon was also settled through the signing of the Memorandum of Agreement on May 6, 2014. In relation to this, Philex already paid P100 million to the two municipalities on May 16, 2014.

Financial Performance

The Company's consolidated operating revenues for the first half of 2014 amounted to ₱5.782 billion – 38% higher than the ₱4.186 billion reported in 2013. The Company produced higher volumes of metal as the Padcal mine operated for six months or one hundred seventy eight (178) days in 2014 as against one hundred fifteen (115) days in 2013, following the temporary lifting of the suspension order at the mine on March 8, 2013.

Gold production reached 52,286 ounces, covering six months of operations in 2014, compared to 40,845 ounces in 2013. As a result, gold revenue – comprising 53% of the total – grew to ₱3.088 billion from ₱2.254 billion. For the second quarter of 2014, however, the Company produced 25,844 ounces – 22% lower than 33,235 ounces in the same period last year primarily due to the decline in gold grade. Generated gold revenue for the second quarter of 2014 amounted to P1.478 billion - 16% lower than the previous year due to the decline in gold grade, which was partially offset by the favorable gold prices in 2014.

Copper production, on the other hand, rose to 18,196,913 pounds for the first half of 2014 from 13,677,970 pounds in 2013. The higher copper output from higher operating days this year drove revenues from copper to ₱2.453 billion in 2014 – 36% higher than the ₱1.801 billion reported in 2013 – and accounted for 43% of the total. For the second quarter of 2014, copper production was down by 22% at 8,728,904 pounds against 11,244,334 pounds in 2013 – generating a revenue of ₱1.274 billion, 13% lower compared to last year's ₱1.460 billion. Similar to gold, favourable copper prices to some extent reduced the effect of lower copper ore grade.

Realized gold prices for the first half of 2014 and 2013 were US$1,341 per ounce and US$1,313 per ounce, respectively. While gold prices averaged higher than the same period last year, no significant upward movement was realized in 2014 with the continuing decline in world metal prices from the latter part of 2013 to early 2014 after a twelve-year bull run.

On the other hand, realized gold prices dipped in the second quarter of 2013 to US$1,249 per ounce from a high of US$1,595 per ounce in the first quarter, bringing the average realized price for the six months of 2013 to US$1,313 per ounce.

Similarly, realized copper prices for the first half of 2014 and 2013 were US$3.09 per pound and US$3.13 per pound, respectively, following the drop of copper prices in the world market, with a slight recovery in the second quarter of 2014 resulting to the Company realizing copper prices at an average of US$3.22 per pound against US$3.07 per pound for the same period in 2013.

Meanwhile, other revenues, which came mostly from sales of silver, coal, and petroleum products, made up the remaining 4% of the Company's total revenue and amounted to ₱240.8 million for the six months ended June 30, 2014, compared with ₱131 million in 2013, due to the increase in production in Galoc following its Phase II production. Other revenues recorded for the second quarter amounted to ₱116 million in 2014 compared with ₱76 million in 2013.

In the previous years, to protect part of its revenues from unfavorable metal price and foreign exchange fluctuations, the Company entered into metal and foreign currency hedging contracts in the form of forwards, 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

metal prices and realized foreign exchange for the Company's metal production during the respective reporting periods.

In June 2014, the Company entered into gold collar hedging contracts covering 6,000 ounces of monthly production for the third quarter of 2014 as per table below:

Period Covered	Trade/ Transaction Date	Settlement Date	Volume (Ounces)	Strike Price - US$/oz.	
				Put (Floor)	Call (Ceiling)
July 1-31, 2014	23-Jun-14	4-Aug-14	6,000	1,275.00	1,335.00
August 1-31, 2014	4-Jun-14	2-Sep-14	3,000	1,200.00	1,278.00
	23-Jun-14	2-Sep-14	3,000	1,275.00	1,335.00
September1-30, 2014	23-Jun-14	2-Oct-14	6,000	1,275.00	1,335.00
Total / Average			18,000	1,262.50	1,325.50

As of June 30, 2014, mark-to-market (MTM) losses on outstanding gold hedges amounted to ₱10.1 million recorded under equity with the recognition of potential derivative liability. MTM gains or losses are reversed and actual gains or losses, if any, are realized and recorded through revenue upon maturity of the hedge. As of June 30, 2014, no hedge contract has matured.

In 2013, the Company had not entered into hedging contracts as management supported the view that prevailing market trends and conditions would remain favorable to operations. The same view applies for copper in 2014, thus had no outstanding derivative financial instruments.

Operational Overview

Total tonnes milled from the Company's Padcal mine for the first half of 2014 was 57% higher at 4,774,518 tonnes from 3,037,523 tonnes in 2013. This was due mainly to higher operating days in 2014 of 178 days against 115 operating days in 2013. Meanwhile, with three full months operation in the second quarter, total tonnes milled was almost the same at 2,378,441 tonnes in 2014 compared to 2,425,722 tonnes in 2013.

Gold production was higher at 52,286 ounces covering six full months of operation in 2014 from 40,845 ounces in 2013. The increase in this year's gold output was mainly due to higher tonnes milled but was partially reduced by lower head grade of 0.436 grams per tonne – 17% lower than the 0.523 grams per tonne in 2013. In the second quarter of this year, gold output fell to 25,844 ounces from 33,235 ounces last year due to the continued decline in ore grade.

Likewise, copper production was higher at 18,196,913 pounds in the first half of 2014 compared with 13,677,970 pounds last year. The increased tonnage resulted in higher copper production despite the lower head grade of 0.218% compared with 0.249% in 2013. Similarly, the decline in copper grade resulted in lower copper production in the second quarter to 8,728,904 pounds from 11,244,334 pounds in the same period last year.

Operating Costs and Expenses

The Company's consolidated operating costs and expenses (including General and Administrative Expenses) amounted to ₱4.468 billion in the first half of 2014 – 64% higher than the ₱2.726 billion in 2013 due primarily to more operating days this year. All cost components also increased, with Mining and Milling Costs (including Depletion and Depreciation) rising to ₱3.515 billion from ₱1.779 billion in 2013; Mine Products Taxes and Royalties adding to ₱280.6 million from ₱223.0 million; and Handling, Hauling and Storage climbing to ₱41.8 million from ₱29.7 million.

On the other hand, General and Administrative Expenses declined to ₱540.0 million from ₱640.6 million in 2013, primarily due to efforts at cost streamlining. Marketing charges amounted to ₱425.0 million in 2014 – 74% higher than the ₱244.2 million in 2013 – and was in line with the 47% increase in copper concentrates produced to 35,024 dry metric tons (DMT) against 23,867 DMT in 2013, and the higher smelter rates in 2014 (April 2014 to March 2015: treatment charge (TC) of US$92 per DMT and refining charge (RC) of 9.2 cents per pound copper, versus April 2013 to March 2014: TC of US$70 per DMT and RC of 7.0 cents per pound). Income from operations amounted to ₱888.5 million in 2014, which was 27% below the ₱1.216 billion reported in 2013.

In the second quarter of this year, consolidated operating costs and expenses (including General and Administrative Expenses) also rose to ₱2.194 billion compared with ₱2.043 billion in 2013. As a result, income from operations came in lower at ₱462.9 million from ₱1.057 billion.

Costs Per Tonne / Per Ounce / Per Pound

Production and operating costs per tonne were higher in the first six months of 2014 at ₱745 per tonne and ₱893 per tonne, respectively, against ₱595 per tonne and ₱749 per tonne in 2013. The higher production cost per tonne was attributed to the impact of the salary adjustments following the completion of the collective bargaining agreements, additional provision for local business taxes and higher power costs as well as the increase in non-cash production costs related to the amortization of rehabilitation costs for the tailings storage facility no. 3 (TSF3).

The same factors pushed second quarter production and operating costs higher to ₱732 per tonne and ₱881 per tonne, from ₱608 per tonne and ₱763 per tonne, respectively.

Operating cost (using a co-production method) per ounce of gold and per pound of copper were US$1,021 per ounce and US$2.35 per pound in 2014 and were both significantly higher than the 2013 costs by 39% and 34%, respectively. In the second quarter of this year, operating cost per ounce of gold and per pound of copper of US$1,012 per ounce and US$2.48 per pound, respectively, were also higher by 41% than last year's US$717 per ounce and US$1.76 per

pound. The lower metal production in 2014 contributed to the significant increase in operating cost per ounce and per pound.

Other Income (Charges)

Net Other Charges incurred in the first half of 2014 of ₱62.3 million consisted mainly of Interest Expenses of ₱153.4 million, mainly from the short-term loans (against ₱205.1 million in 2013) offset by Foreign Exchange gains of ₱94.8 million (against ₱50.7 million loss in 2013).

On the other hand, the Company realized a Net Other Income of ₱270.4 million for the same period in 2013, comprising primarily of the US$25 million or ₱1.017 billion proceeds from the full settlement of insurance claims for pollution and business interruption pertaining to the 2012 TSF3 incident at the Padcal mine, which was partially offset by Padcal maintenance costs of ₱439.6 million incurred during the first quarter of 2013 when the mine's operation was still under suspension.

The Company recognizes net foreign exchange gains (losses) mainly from the revaluation of the Company's net foreign currency-denominated liabilities due to the effect of the appreciation (depreciation) of the Philippine Peso against US Dollar. The foreign exchange rates at closing dates of June 30, 2014 and March 31, 2014 were ₱43.65 and ₱44.82, respectively, as against ₱44.40 as of December 31, 2013, and ₱43.20 as of June 30, 2013 and ₱40.80 as of March 31, 2013 against ₱41.05 as of December 31, 2012.

The amount of Padcal Maintenance Costs of ₱439.6 million in 2013 was largely related to manpower costs, as the entire workforce was retained and maintenance work for the mill and underground facilities were undertaken, to keep the mine ready for immediate resumption of operations. The Net Other Income account in 2013 also included the ₱26.9 milion Gain on Sale of AFS Financial.

Interest income from short-term money placements amounted to ₱9.2 million, 23% lower than the ₱11.9 million earned in 2013, despite average interest rate steady at 2.0% for both 2014 and 2013.

In the second quarter of 2014, net other charges amounted to ₱13.1 million, with interest payments of ₱90.9 million and other charges, offset by foreign exchange gains of ₱128.4 million. This was an improvement from the ₱176.0 million net other charges recorded in the same period last year.

Core and Reported Net Income

The Company's core net income came in below at ₱559.0 million in the first half of 2014 compared with ₱817.7 million in 2013 as a result mainly of a more significant increase in costs and expenses compared with the growth in revenues. Meanwhile, EBITDA amounted to ₱1.746 billion compared with ₱1.804 billion in 2013 due to the same factors. The Company's core net income and EBITDA excludes non-recurring transactions to clearly reflect and provide results based on the normal operating parameters of the business.

Similarly for the second quarter of 2014, core net income was down to ₱280.6 million as against the ₱685.3 million in 2013, with EBITDA at ₱875.4 million from ₱1.358 billion last year.

Both Net Income Attributable to the Equity Holders of the Company and Reported Net Income in the first half of 2014 amounting to ₱626.9 million and P600.5 million were lower than the ₱1.075 billion and ₱954.4 million, respectively, reported in 2013. This was largely attributable to the increase in costs and expenses brought about by the change in ore mineralogy, making the minerals more expensive to process, and the understatement of 2013 costs due to absence of regular maintenance. The impact of the ₱1.017 billion insurance proceeds recorded in February 2013 also boosted the non-recurring income portion for the period.

FINANCIAL CONDITION REVIEW

As of June 30, 2014, the Company's Current Assets stood at ₱7.009 billion, 16% lower than the ₱8.387 billion in December 2013, primarily due to lower Cash and Cash Equivalents of ₱2.698 billion compared with ₱4.080 billion in 2013 as well as lower Inventories of ₱2.091 billion compared with ₱2.668 billion.

Accounts Receivables consisted of Trade Receivables from sales of the Company's copper concentrates or bullion, Accrued Interest Receivables and Other Receivables. As of June 30, 2014, Accounts Receivable amounted to ₱719.4 million against ₱295.5 million in December 2013. This year's outstanding receivables from shipments were included under Accounts Receivable, while the 2013 balances as advance payments (under Current Liabilities) from Pan Pacific for copper concentrates shipment no. 698, which was shipped only in January 2014 against its original scheduled shipment of December 2013.

A total of eight (8) copper concentrates shipments were made in the first half of 2014, while only four (4) shipments were made for the same period in 2013, all in the second quarter, as Padcal mines' production commenced only on March 8, 2013. The mine's copper concentrates shipments were provisionally valued based on prices in the second calendar week immediately prior to the week of shipment. These were then adjusted to the applicable final prices based on their "quotational period (QP)". The QP for shipments to Pan Pacific Copper Co., Ltd. for the contract years 2014 (April 1, 2014 to March 31, 2015), 2013 (April 1, 2013 to March 31, 2014) and 2012 (April 1, 2012 to March 31, 2013) were the calendar months following the month of the shipment's arrival in Japan for gold and silver, and the third calendar month following the month of arrival for copper. Shipments to Louis Dreyfus Commodities Metals Suisse S.A. were, however, valued based on the average price of the month of scheduled shipment.

The value of Inventories, mostly materials and supplies, comprised 66% of the total inventories and were lower at ₱2.091 billion in 2014 compared with ₱2.668 billion in 2013. Also included in inventories were ₱709.4 million worth of mine products inventory, corresponding to 5,102 DMT of copper concentrates. As of December 31, 2013, the value of unshipped copper concentrates amounted to ₱1.534 billion representing 10,267 DMT.

Other Current Assets increased to ₱1.501 billion in 2014 from ₱1.343 billion in December 2013, attributed mainly to the rise in input value-added tax claims on importation of materials, supplies and equipment pending with the Department of Finance.

As of June 30, 2014, Noncurrent Assets of the Company, consisting mainly of property, plant and equipment and deferred exploration costs – comprising 17% and 60% of total assets, respectively – increased to ₱33.703 billion from ₱31.503 billion in 2013. With the capital intensive nature of the business, the Company continues to invest in new facilities, thus

reflecting the increase in Property, Plant and Equipment to ₱6.958 billion from ₱6.880 billion in 2013. Expenditures on exploration of the Company's various mining properties - mainly Silangan and Kalayaan projects - as well as oil projects of FEP continue to build up therefore increasing the deferred exploration costs to ₱24.341 billion as of June 30, 2014 from ₱22.427 billion as of end-2013.

Available-for-Sale (AFS) financial assets, recorded at fair value, rose to ₱1.186 billion in 2014 from ₱975.4 million in 2013 following the recovery of market value of the Company's investments, mainly in Lepanto and other AFS investments. At year-end 2013, the Company recorded a significant reduction in the value of these shares following the drop in the market prices, reducing the value by ₱1.007 billion. The decrease in the fair value of investments under AFS financial assets, other than Indophil and Lepanto, are considered insignificant and temporary, therefore recorded as a comprehensive loss through equity.

The Company's Total Assets as of June 30, 2014 amounted to ₱40.713 billion compared with ₱39.900 billion in 2013.

As of June 30, 2014, the Company's Total Current Liabilities amounted to ₱10.076 billion, above the ₱9.775 billion in 2013, as a result of additional loan availment from local banks.

Short-term loans grew to ₱6.898 billion in 2014 from ₱6.176 billion in 2013 due to the availment of US$10 million loan each from Philippine National Bank (PNB) and Bank of the Philippine Islands (BPI) in the second quarter of 2014. The amount of outstanding loan comprised of the Company's loan with the subsidiaries of First Pacific Company Limited (FPC) amounting to US$80 million (or ₱3.492 billion) and with local banks amounting to US$70 million (foreign currency) and ₱350 million (peso denominated). The loan facilities available with the subsidiaries of FPC were renewed in April 2014 broken down as follows: US$25 million with Kirtman Limited (US$15 million drawn), US$25 million with Maxella Limited (US$15 million drawn) and US$100 million with Asia Link BV (US$50 million drawn).

The remaining US$70 million loans of the Company were from the following local banks: PNB for US$40 million, Banco de Oro (BDO) for US$20 million and BPI for US$10 million. The ₱350 million short-term loans consisted of the ₱250 million loan from BPI and ₱100 million loan from BDO, which were assigned by BEMC to the Company in 2013 under the same terms. Forum Energy Philippines Corporation (FEPCO), a subsidiary of FEP, also had an outstanding loan of P110.0 million with BNP Paribas in 2013 to finance the drilling of two additional production wells in Galoc Phase II, which loan was fully settled as of June 30, 2014.

Accounts Payable and Accrued Liabilities, mainly due to suppliers and contractors, slightly went down to ₱2.075 billion in 2014 from ₱2.321 billion in 2013. No significant amount of the Company's trade payables were left unpaid based on the terms and conditions agreed upon with suppliers.

The 2013 amount of Accounts Payable and Accrued Liabilities also included ₱693 million worth of advance payments related to the copper concentrates shipment no. 698, which Pan Pacific extended to the Company following the rescheduling of the shipment date from December 23, 2013 to January 2, 2014 due to unfavorable weather conditions.

Income Tax Payable amounted to ₱43.0 million in 2014, which represented the tax payable for the second quarter of 2014 income due by end of August 2014, and the ₱11.5 million tax payable in 2013, which was already settled in early April 2014.

Dividends Payable stood to ₱472.8 million in 2014 compared to ₱460.7 million in 2013. The Company declared cash dividends amounting to ₱0.05 per share in February 2014, representing regular dividends from the Company's core income for the full year 2013. There were no dividends declared in 2013.

Provisions and Subscriptions Payables declined to ₱578.0 million from ₱805.1 million in 2013, due to lower provisions made for directors' compensation, as subscriptions payable remained at the same level of ₱22.0 million for 2014 and 2013.

Total Noncurrent Liabilities as of June 30, 2014 stood at ₱4.193 billion, represented largely by Deferred Income Tax Liabilities at 95% of the total, from ₱4.198 billion in 2013.

Deferred Income Tax Liabilities (DTL) rose to ₱3.966 billion in 2014 from ₱3.916 billion in 2013 and was comprised mainly of the following: ₱1.665 billion arising from the acquisition of 50% of Silangan from Anglo in 2009; ₱1.450 billion for accelerated depreciation and deferred exploration costs; and ₱949.4 million from the acquisition of additional interests in Pitkin.

FEP's long-term loan with BNP Paribas has been fully paid by end of June 2014 with the long-term portion balance in 2013 amounting to ₱55.0 million. Pension Obligation amounted to ₱22.5 million in 2014 from ₱21.6 million in 2013.

Meanwhile, Provision for Losses and Mine Rehabilitation Costs amounted to ₱204.2 million in 2014, slightly lower than the ₱204.8 million provided for in 2013. The Provision for Losses comprised mainly of FEP's contingent liability, while the Provision for Mine Rehabilitation represented the amortized value of the Company's estimated mine closure costs.

Other than the increase in short-term loans, there was no significant change in the amount of the Company's Total Liabilities as of June 30, 2014 from end-2013, which stood at ₱14.269 billion and ₱13.973 billion, respectively.

Shareholders' Equity

The Company's Total Equity as of June 30, 2014 amounted to ₱26.443 billion, a slight improvement from the ₱25.917 billion recorded by the end of 2013. The increase in Additional Paid-in Capital from 2013 to 2014 was related to the amortization of fair value of vested options.

The Company's Net Income Attributable to the Equity Holders of the Parent Company totaled ₱626.9 million, which boosted the growth in Retained Earnings to ₱14.514 billion from ₱14.129 billion in 2013. The dividends declared in February 2014, however, reduced the balance of the Retained Earnings by ₱246.9 million.

In 2013, the Company's Board of Directors approved the appropriation of ₱10 billion out of the Company's Retained Earnings stock for the Company's share in the Silangan mine development and construction from 2016 to 2018.

An upward adjustment in the fair value of AFS Financial Assets of ₱210.9 million was recorded in the first half of 2014, under the Net Unrealized Gain on AFS Financial Assets of the Equity account, increasing the balance to ₱215.6 million in 2014 from ₱4.7 million in 2013. This represented temporary adjustments in the market value of AFS Financial Assets, including Indophil and Lepanto.

In 2013, a permanent decline in the value of both Indophil and Lepanto shares were booked as a loss in the Company's income statement. Cumulative Translation Adjustments amounted to a negative ₱10.3 million - consisting of MTM losses on outstanding hedge contracts and as a result of the translation adjustments of foreign subsidiaries - from a positive of ₱25.1 million in 2013 only on translation adjustments of foreign subsidiaries.

The amount of Net Revaluation Surplus remained at ₱1.611 billion for 2014 and 2013. The effect of Transactions with Non-controlling Interests remained at ₱45.1 million in 2014 – reflecting the difference between the acquisition cost and the book value of the interest acquired in PGI, FEP and FEC shares. The Non-controlling Interests account increased to ₱4.054 billion in 2014 from ₱4.107 billion in 2013 due to losses incurred by these subsidiaries.

Liquidity and Capital Resources

The Company's primary objectives are to fund existing operations and maintain a healthy pipeline of exploration projects for possible expansion. Despite the risks inherent in the business associated with metal prices, foreign exchange rates and the changing economic and market conditions, the Company generated strong net cash flows from operating activities of ₱1.005 billion in the first half 2014, compared with ₱355.2 million for the same period in 2013. The six full months of operations at Padcal boosted the 2014 cash generated.

Other than relying on internally generated funds, which remain as the Company's principal source of cash, the Company also maintains credit facilities as source of funds primarily to finance the capital expenditures of the Padcal mine, Silangan project and other exploration initiatives, as well as to refinance existing debt. The liquidity position of the Company is supported by credit facilities committed by various local banks and FPC. The US$150 million loan facility with FPC, which was renewed in April 2014, has an undrawn amount of US$70 million as of June 30, 2014 and at present.

Net cash used in investing activities, principally for capital expenditures and exploration costs, rose to ₱2.873 billion from ₱2.611 billion in 2013. Capital expenditures amounted to ₱797.6 million in 2014 from ₱904.5 million in 2013, which were attributed to the sustaining capital expenditure of Padcal mine. Expenditures for the continuing exploration activities at the Silangan, Kalayaan, and other projects amounted to ₱2.075 billion in 2014, a significant increase from the ₱1.248 billion in 2013. Also in 2013, ₱1.430 billion was spent on the acquisition of additional shares in Pitkin, increasing the total expenditures further for the period. The proceeds from the sale of AFS Financial Asset of ₱168.0 million and the cash balance of Pitkin of ₱803.4 million were also taken up in 2013, partially offsetting the expenditures.

Net cash provided by financing activities amounted to ₱520.5 million in the first half of 2014, primarily due to the net availment amounting to US$20 million or ₱822.4 million, but partially offset by the dividend payment of ₱246.8 million, versus net cash provided by financing activities of ₱4.775 billion in 2013 on account of loan borrowings.

Capital Expenditures and Exploration Costs

The Company continued to invest in the future and in new technologies to expand capacities and improve efficiencies. For the first half of 2014, capital expenditures and explorations costs accelerated to ₱2.873 billion from ₱2.153 billion in 2013

The Silangan and Kalayaan projects accounted for 65% of capital outlays in 2014 at ₱1.873 billion – almost double the ₱1.037 billion in 2013 – mostly on drilling activities and metallurgic studies. Deferred exploration costs amounted to ₱1.620 billion in 2014 against ₱903.8 million in 2013 while investments in new machinery and equipment continued to grow to ₱252.4 million from ₱133 million.

Padcal operations accounted for the second largest chunk of capital investments in 2014 at ₱797.6 million or 28% of the total – lower than the ₱904.5 million in 2013 which was mainly on expenditures for the rehabilitation of the TSF3 amounting to ₱556.8 million compared with only ₱146.6 million this year. The 2014 Padcal capital expenditures also included a significant amount for sustaining mine development.

Investments in other exploration projects – comprising the remaining 7% of the total - amounted to ₱202.1 million in 2014 – almost the same as the ₱211.8 million in 2013.

Top Five Key Financial and Non-Financial Performance Indicators

Safety Performance

The Company believes that operational excellence can only be achieved unless personnel health and safety remains an utmost priority. In the first half of 2014, the Company recorded zero record for Lost Time Accident-Fatal (LTA-F), same as last year, and Lost Time Accident-Non Fatal (LTA-NF), an improvement from 6 LTA-NF for the same period in 2013.

The Company is working towards achieving “zero-harm” record by constantly reviewing safety policies and procedures. Initiatives are also in place to ensure that injuries are avoided and accidents are eliminated in the workplace. Third-party consultants are also engaged to evaluate the Company’s existing safety performance and identify risks areas and possible areas for improvement.

Earnings Per Share

The earnings per share (EPS) represent the net income attributable to equity holders of the Company expressed in amount per share of the Company’s average outstanding capital stock. Assuming a constant outstanding number of shares, the earnings per share correspondingly increases the Company's earnings increase. The EPS ultimately reflect the Company’s financial and operational growth as a result of its performance in cost management, technical efficiency and productivity.

The basic earnings per share in 2014 were ₱0.1270 based on 4,936,996,068 weighted average shares outstanding for the period. In 2013, the basic earnings per share were ₱0.2178 based on the 4,933,185,776 weighted average shares outstanding for the period.

Considering the effect of the Company's potentially dilutive outstanding stock options for the period, an assumed exercise of the options at exercise price higher than market would have resulted in additional common shares. In 2014 and 2013, the outstanding stock options were considered anti-dilutive based on the lower market prices of the Company's shares compared to the exercise price, thus the diluted earnings per share in 2014 and 2013 were the same as the basic earnings per share of the Company.

Tonnes Milled and Metal Produced

Tonnes milled and ore grade determine concentrates production and sales volume. Tonnes milled were 4,774,518 tonnes in the first half of 2014, compared to only 3,037,523 tonnes in 2013. The Company resumed its Padcal operations on a temporary basis on March 8, 2013 after the suspension of operations on August 2, 2012, thus the lower tonnes milled in 2013, compared to the six full months production in 2014.

Metal production also increased to 52,286 ounces gold and 18,196,913 pounds copper in 2014, compared to 40,845 ounces gold and 13,677,970 pounds copper in 2013.

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 Company's operating performance. At the same cost level, the higher the production volume, the lower the cost per tonne becomes, which will also be similar if the same production volume incurs a 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, which incorporates the metal grade, as it affects metal production, and the exchange rate, as it affects the conversion from peso to dollars.

In the first half of 2014, the total production cost (mine site cost and expenses excluding marketing charges, excise tax and royalties) per tonne of ore milled was ₱745, with total production cost of ₱3.557 billion over ore milled of 4.775 million tonnes. This was 25% higher than the cost per tonne of ₱595 from the total production cost of ₱1.808 billion over ore milled of 3.038 million tonnes in 2013 due to the change in ore mineralogy, making the minerals more expensive to process, and the understatement of 2013 costs due to absence of regular maintenance, as well as higher amortization of the TSF3 as an effect of the rehabilitation costs.

The operating costs and expenses (all cost and expenses including marketing charges but excluding corporate overhead) per tonne of ore milled in 2014 was ₱893 from the total operating cost and expenses of ₱4.262 billion, 19% higher than the ₱749 from the operating costs and expenses of ₱2.275 billion in 2013. The total operating costs for 2014 were significantly higher due to more operating days in 2014 as against 2013 with the Padcal operation resuming only on March 8, 2013, and due to the increase in total production costs.

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. In 2014, the operating cost applicable to gold produced amounted to US$1,021 per ounce compared with

US$737 per ounce in 2013, while operating cost applicable to copper produced amounted to US$2.35 per pound in 2014 compared to US$1.76 per pound in 2013.

Exploration Activities

The Company is cognizant that exploration in itself is a speculative endeavor, and mineral exploration and mining operations can be hampered by force majeure and other unforeseen circumstances beyond the Company's control. To mitigate the impact of these external factors and other contingencies, the Company banks on its ability to successfully explore and/or acquire reserves, design and construct efficient processing facilities, operate and manage its projects, and provide financial controls and management. To ensure the optimization of value from its natural resource properties and the long-term sustainability of operations, the Company pursues and invests in viable exploration activities and operational enhancements on a constant basis.

In the first half of 2014, the amount spent on exploration related to mining properties amounted to ₱1.701 billion compared with ₱1.004 billion in 2013, while exploration costs related to oil and gas properties totaled ₱121.1 million against ₱111.1 million in 2013. As of June 30, 2014, total deferred exploration costs, including costs related to oil and gas exploration, amounted to ₱24.341 billion, comprising 60% of the Company's Total Assets, compared with ₱22.427 billion in 2013.

Subsidiaries and Related Party Transactions

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

Loan Facility Agreement between PMC and Forum Philippine Holdings Limited ("FPHL")

On November 24, 2010, PMC, 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% per annum 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 with the full amount fully drawn by end 2013. The Long Facility Agreement was assigned to Philex Petroluem Corporation (PPC) on November 21, 2013 consequently assigning the outstanding loans of FPHL amounting to US$15 million from PMC to PPC and increasing the advances of PMC to PPC by the same amount.

Advances from PMC to SMMCI and SMECI

PMC, owning directly and indirectly 100% of SMMCI and SMECI, provides the funds to SMMCI, through SMECI up to 2011 and directly thereafter, for the Silangan projects expenditures since the Company's acquisition of Anglo American's interest in the Silangan Project in 2009. As of June 30, 2014, the total advances by the Company to SMECI and SMMCI, including the balance acquired from Anglo American, amounted to ₱9.037 billion from ₱7.556 billion as of

December 31, 2013. These advances are payable on demand and will be settled either through cash payments by SMMCI or conversion to equity of the Company.

Advances from PMC to PGPI

PMC advanced PGPI's working capital and capital expenditure requirements which as of June 30, 2014 and December 31, 2013 amounted to ₱1.324 billion and ₱1.292 billion, respectively. A portion of these advances are secured by collateral participation certificates covering certain mining assets of PGPI's Bulawan mine, which is currently under care and maintenance.

Advances from PMC to PPC

PMC made cash advances to PPC for its additional working capital requirements, and for the acquisition of equity in FEP, PERC and Pitkin. These advances are unguaranteed and payable on demand via cash. As of June 30, 2014 and December 31, 2013, advances from Philex amounted to ₱2.686 billion and ₱2.579 billion, respectively.

Advances from PMC to BEMC

PMC provided cash advances to BEMC for the funding of its exploration and development activities of its coal company in Sibugay, Zamboanga, which are payable on demand through cash. As of June 30, 2014, total advances decreased to P765.2 million from ₱799.7 million as of December 31, 2013. With the declaration of cessation of BEMC's underground coal mining operations in Zamboanga on September 1, 2013, PMC recognized and provided for an allowance for impairment of advances to BEMC amounting to ₱799.7 million in 2013.

Agreements with Anglo

The Company was reimbursed by Anglo American for expenses it incurred on behalf of Northern Luzon Exploration & Mining Co. Inc. ("**NLEMCI**") amounting to ₱235 thousand in 2014 and ₱1.2 million in 2013. As of June 30, 2014 and December 31, 2013, the Company's receivables from these transactions amounted to ₱1.1 million and ₱1.3 million, respectively.

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 entered into an agreement that all of its rights, interests and receivables to Minphil will be assigned to the Company for a total consideration of US$175,000.

The purchase of shares and assignment of receivables will, however, become effective and legally enforceable only upon fulfillment of the closing obligations under the agreement. With the nonfulfillment of the closing obligations in 2013 when these obligations became due, the agreement was terminated and rendered null and void.

Advances of PMC to PGHI

PMC's advances to PGHI, a 100%-owned subsidiary of PMC, slightly increased to ₱917.6 as of June 30, 2014 from ₱917.4 million as at end of 2013, net of allowance for impairment losses amounting to ₱984.7 million recognized in prior years. No additional advances were made in 2014.

Loan Facility Agreements between PMC and First Pacific's Subsidiaries

Out of the US$200 million loan commitment of FPC to PMC, loan agreements covering US$150 million with Kirtman Limited (Kirtman) for US$25 million, Maxella Limited (Maxella) for US$25 million and Asia Link B.V. for US$100 million (all FPC subsidiaries) were executed by the parties on March 12, 2013, for a term of one year and subject to the interest rate of 5%. In March 2014, the US$150 million loan facility was extended and in April 2014, new loan agreements were executed by the parties.

A total of US$80 million has been drawn from this facility (US$15 million from the Kirtman loan, US$15 million from the Maxella facility and US$50 million from the Asia Link B.V. line), which remain outstanding as of June 30, 2014.

Known Trends, Events, or Uncertainties

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

Other than as 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 is 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

DANNY Y. YU
Senior Vice President for Finance
& Chief Financial Officer

PARALUMAN M. NAVARRO
Division Manager –Corporate Finance

Date: August 13, 2014

PHILEX MINING CORPORATION
AND SUBSIDIARIES

UNAUDITED
CONSOLIDATED
FINANCIAL STATEMENTS
June 30, 2014

Pasig City, Philippines

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

		June 30 2014		December 31 2013
Current Assets				
Cash and cash equivalents		2,698,322		4,080,512
Accounts receivable		719,406		295,451
Inventories		2,090,774		2,668,274
Other current assets		1,500,887		1,343,245
Total Current Assets		7,009,389		8,387,482
Noncurrent Assets				
Property, Plant and Equipment		6,957,893		6,880,096
Available-for-sale (AFS) financial assets		1,186,316		975,380
Goodwill		1,208,020		1,208,020
Deferred income tax assets		10,195		11,818
Deferred exploration costs and other noncurrent assets - net		24,341,019		22,427,186
Total Noncurrent Assets		**33,703,443**		**31,502,500**
TOTAL ASSETS	**P**	**40,712,832**	**P**	**39,889,982**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Loans payable-current		6,897,500		6,176,369
Accounts payable and accrued liabilities		2,074,562		2,321,301
Income tax payable		42,974		11,519
Dividends payable		472,799		460,650
Provisions and subscriptions payables		577,983		805,108
Derivative liability		10,088		-
Total Current Liabilities		10,075,906		9,774,947
Noncurrent Liabilities				
Deferred income tax liabilities		3,966,725		3,916,378
Loans payable-net of current portion		-		55,014
Pension obligation		22,477		21,598
Provision for losses and mine rehabilitation costs		204,238		204,791
Total Noncurrent Liabilities		4,193,440		4,197,781
Total Liabilities		14,269,346		13,972,728
Equity Attributable to Equity Holders of the Parent Company				
Capital Stock - P1 par value		4,936,996		4,936,996
Additional paid-in capital		1,076,736		1,058,497
Retained Earnings				
Unappropriated		4,513,559		4,128,826
Appropriated		10,000,000		10,000,000
Net unrealized gain on AFS financial assets		215,624		4,689
Cumulative translation adjustments		(10,294)		25,116
Net revaluation surplus		1,611,397		1,611,397
Effect of transaction with non-controlling interests		45,099		45,099
		22,389,117		21,810,620
Non-controlling Interests		4,054,369		4,106,634
Total Equity		**26,443,486**		**25,917,254**
TOTAL LIABILITIES & EQUITY	**P**	**40,712,832**	**P**	**39,889,982**

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

	Six Months ended June 30			
		2014		2013
REVENUE				
Gold	P	3,087,995	P	2,254,074
Copper		2,452,730		1,800,562
Silver		43,044		34,955
		5,583,769		4,089,591
Less: Marketing charges		424,984		244,208
		5,158,785		3,845,383
Petroleum		195,045		95,290
Coal		2,709		1,031
		5,356,539		**3,941,704**
COSTS AND EXPENSES				
Mining and milling costs (including depletion and depreciation)		3,514,810		1,778,603
General and administrative expenses		540,032		640,632
Mine products taxes and royalties		280,627		222,992
Petroleum production costs		87,938		52,794
Handling, hauling and storage		41,830		29,687
Cost of coal sales		2,794		792
		4,468,031		2,725,500
INCOME FROM OPERATIONS		**888,508**		**1,216,204**
OTHER INCOME (CHARGES) - Net				
Foreign exchange gains (losses)		94,777		(50,735)
Interest income		9,190		11,892
Insurance proceeds		-		1,017,125
Gain on sale of investments		-		26,880
Interest expense		(162,614)		(217,032)
Padcal maintenance costs		-		(439,590)
Others - net		(3,614)		(78,134)
		(62,261)		**270,406**
INCOME BEFORE INCOME TAX		**826,247**		**1,486,610**
PROVISION FOR INCOME TAX		(225,787)		(532,240)
NET INCOME	**P**	**600,460**	**P**	**954,370**
Net income attributable to:				
Equity holders of the Parent Company		626,949		1,074,650
Non-controlling interests		(26,489)		(120,280)
	P	**600,460**	**P**	**954,370**
BASIC EARNINGS PER SHARE	**P**	**0.1270**	**P**	**0.2178**
DILUTED EARNINGS PER SHARE	**P**	**0.1270**	**P**	**0.2178**

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

	2nd Quarter ended June 30			
		2014		**2013**
REVENUE				
Gold	P	1,477,593	P	1,761,051
Copper		1,274,281		1,459,608
Silver		20,339		27,119
		2,772,213		3,247,778
Less: Marketing charges		211,234		196,687
		2,560,979		3,051,091
Petroleum		96,031		48,818
		2,657,010		**3,099,909**
COSTS AND EXPENSES				
Mining and milling costs (including depletion and depreciation)		1,719,271		1,452,217
General and administrative expenses		254,476		365,280
Mine products taxes and royalties		142,652		178,547
Petroleum production costs		55,675		24,321
Handling, hauling and storage		22,010		22,373
Cost of coal sales		-		(29)
		2,194,084		2,042,709
INCOME FROM OPERATIONS		**462,926**		**1,057,200**
OTHER INCOME (CHARGES) - Net				
Foreign exchange gains (losses)		128,425		(34,044)
Interest income		3,582		5,040
Interest expense		(90,916)		(111,756)
Others - net		(54,235)		(35,215)
		(13,144)		**(175,975)**
INCOME BEFORE INCOME TAX		**449,782**		**881,225**
PROVISION FOR INCOME TAX		(116,745)		(330,170)
NET INCOME	**P**	**333,037**	**P**	**551,055**
Net income attributable to:				
Equity holders of the Parent Company		374,421		653,966
Non-controlling interests		(41,384)		(102,911)
	P	**333,037**	**P**	**551,055**
BASIC EARNINGS PER SHARE	**P**	**0.0758**	**P**	**0.1326**
DILUTED EARNINGS PER SHARE	**P**	**0.0758**	**P**	**0.1326**

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

	Six Months ended June 30	
	2014	**2013**
NET INCOME	P 600,460	P 954,370
OTHER COMPREHENSIVE INCOME		
Items to be reclassified to profit and loss in subsequent periods:		
Gain (Loss) on translation of financial statement of foreign subsidiaries	(51,098)	115,628
Movement of fair value of hedging instruments	(10,088)	-
Unrealized gain (loss) on AFS financial assets	210,935	(1,169,939)
Remeasurement of net defined benefit gains,	4,634	-
Unrealized gain on AFS financial assets realized in consolidated statements of income	-	(26,880)
	154,383	(1,081,191)
TOTAL COMPREHENSIVE INCOME	**P 754,843**	**P (126,821)**
Total Comprehensive Income Attributable to:		
Equity holders of the Parent Company	807,108	(67,412)
Non-controlling interests	(52,265)	(59,409)
	754,843	**(126,821)**

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

	Six Months Ended June 30	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	826,247	1,486,610
Adjustments for:		
Depletion and depreciation	861,373	468,620
Interet expense	162,614	217,032
Unrealized foreign exchange (gains) losses and others	(101,250)	187,328
Stock-based compensation expense	18,239	66,624
Provision for decline in inventory	-	23,606
Interest income	(9,190)	(11,892)
Gain on disposal of AFS investments	-	(26,880)
Operating income before working capital changes	1,758,033	2,411,048
Decrease (increase) in:		
Accounts receivable	(414,765)	(103,746)
Inventories	577,500	(718,991)
Other current assets	(157,640)	(82,609)
Increase (Decrease) in:		
Accounts payable and accrued liabilities	(234,463)	50,669
Provisions and subscription payable	(227,126)	(991,834)
Cash generated from operations	1,301,539	564,537
Interest received	-	14,965
Income taxes paid	(136,739)	-
Interest paid	(159,573)	(224,296)
Net cash from operating activities	1,005,227	355,206
CASHFLOWS FROM INVESTING ACTIVITIES		
Deferred exploration costs and other noncurrent assets	(2,074,919)	(1,248,482)
Property, plant and equipment	(797,601)	(904,492)
Proceeds from sale of AFS financial assets	-	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	(2,872,520)	(2,611,380)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Availment of loans	822,381	5,494,780
Exercise of stock options and others	-	2,091
Dividends paid	(246,850)	(1,656)
Payment of loans	(55,014)	(720,318)
Net cash from (used in) financing activities	520,517	4,774,897
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(35,410)	59,110
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,382,186)	**2,577,833**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	4,080,512	1,669,542
CASH AND CASH EQUIVALENTS AT END THE PERIOD	2,698,326	**4,247,375**

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

	Attributable to Equity Holders of the Parent Company										
			Retained Earnings								
	Capital Stock	Additional Paid-in Capital	Unappropriated	Appropriated	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, 2013	4,936,996	1,058,497	4,128,826	10,000,000	4,689	25,116	1,611,397	45,099	21,810,620	4,106,634	25,917,254
Net income (loss)			626,949						626,949	(26,489)	600,460
Other comprehensive income (loss):											
Unrealized loss on AFS financial assets - net of related deferred income tax	-	-	-		210,935	-	-	-	210,935	-	210,935
Movement of fair value of hedging instruments						(10,088)			(10,088)	-	(10,088)
Loss on translation of foreign subsidiaries						(25,322)			(25,322)	(25,776)	(51,098)
Remeasurment of net defined benefit gains,	-	-	4,634		-	-	-	-	4,634		4,634
Total comprehensive income (loss)	-	-	631,583	-	210,935	(35,410)	-	-	807,108	(52,265)	754,843
Increase in additional paid-in capital due to stock option plan	-	18,239	-		-	-	-	-	18,239		18,239
Declaration of cash dividends			(246,850)						(246,850)		(246,850)
BALANCES AT JUNE 30, 2014 (Unaudited)	**4,936,996**	**1,076,736**	**4,513,559**	**10,000,000**	**215,624**	**(10,294)**	**1,611,397**	**45,099**	**22,389,117**	**4,054,369**	**26,443,486**
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	**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 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	-	-	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**	**21,734,042**	**3,921,510**	**25,655,552**

PHILEX MINING CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

		Three Months Ended June 30	
		2014	2013
Current Ratio	Current Assets over Current Liabilities	0.70	0.89
Debt-to-equity Ratio	Total Liabilities over Total Equity	0.54	0.52
Asset-to-equity Ratio	Total Assets over Equity	1.54	1.52
Interest Rate Coverage Ratio	EBIT over Interest Expense	6.02	7.79
Net Income Ratio	Net Income over Net Revenue	0.11	0.24

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE OF ACCOUNTS RECEIVABLE
As of June 30, 2014
(In Thousands)

Accounts Receivable- Trade	P 511,348
Others	208,058
	P 719,406

AGING OF ACCOUNTS RECEIVABLE - TRADE
As of June 30, 2014
(In Thousands)

	0-30 days	31-60 days	61-90 days	Total
Pan Pacific Copper Co. Ltd.	P 103,581	P -		P 103,581
Louis Dreyfus Commodities Metals		82,943	246,144	329,087
Others		78,680		78,680
	P 103,581	P 161,623	P 246,144	P 511,348

PHILEX MINING CORPORATION AND SUBSIDIARIES

SCHEDULE OF LOANS PAYABLE

As of June 30, 2014

(In thousands)

Current -		
Kirtman Limited	P	654,750
Asia Link BV		2,182,500
Bank of the Philippine Islands		686,500
Maxella Limited		654,750
Philippine National Bank		1,746,000
Banco de Oro		973,000
Total Loans	**P**	**6,897,500**

PHILEX MINING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2014
(Amounts in Thousands, Except Amounts Per Unit and Number of Shares)

1. Summary of Significant Accounting Policies and Financial Reporting Practices

Basis of Preparation

The unaudited consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, Interim Financial Reporting. Accordingly, the unaudited consolidated financial statements of Philex Mining Corporation (the Parent Company) and its subsidiaries (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, 2013.

The unaudited consolidated financial statements of the Group have been prepared using the historical cost basis, except for mine products inventories that are measured at net realizable value (NRV), and for AFS financial assets and derivative financial instruments that are measured at fair value. The unaudited consolidated financial statements are presented in Philippine Peso (Peso), which is the Parent Company's functional and reporting currency, rounded to the nearest thousands (₱000), except when otherwise indicated.

Statement of Compliance
The unaudited consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the Philippines. The Group prepared its unaudited consolidated financial statements in accordance with PAS 34, except for the Parent Company's mine products inventories that are measured at NRV, which was permitted by the Philippine Securities and Exchange Commission. The significant accounting policies followed by the Group are disclosed below.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations [based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations] which became effective in 2014. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have significant impact on its financial statements. The relevant disclosures will be included in the notes to the financial statements when these become effective.

Effective January 1, 2014
- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)

  The above standards and amendments have been adopted by the Group but the adoption did not have an impact on the unaudited consolidated financial statements.

Effective on or after July 1, 2014
- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*

Effective subsequent to 2014

- PFRS 9, *Financial Instruments*
- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The Group believes that the amendment will not have a material impact on the Group's consolidated financial statements when it becomes effective.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods

beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  the amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning

on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

2. Significant Judgments and Estimates and Assumptions

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

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

Judgments

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

Determination of the functional currency

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

Recognition of deferred income tax assets

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

Classification of financial instruments

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

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

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

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

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

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

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

Valuation of AFS financial assets
The Group carries its quoted and unquoted AFS financial assets at fair value and at cost, respectively. Fair value measurement requires the use of accounting estimates and judgment. At initial recognition, the fair value of quoted AFS financial assets is

based on its quoted price in an active market while the fair value of unquoted AFS financial assets is based on the latest available transaction price. The amount of changes in fair value would differ if the Group utilized a different valuation methodology.

Any change in fair value of its AFS financial assets is recognized in the consolidated statement of comprehensive income.

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

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

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

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

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

Estimation of useful lives of property, plant and equipment
The Group estimates the useful lives of depreciable property, plant and equipment, except for mine and mining properties, based on internal technical evaluation and experience. These estimated useful lives are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. For mine and mining properties which were depreciated based on units-of production, the Group estimates and periodically reviews the remaining recoverable reserves to ensure that remaining reserves are reflective of the current condition of the mine and mining properties.

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

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

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

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

Valuation of financial assets and financial liabilities
The Group carries certain financial assets and financial liabilities (i.e., derivatives and AFS financial assets) at fair value, which requires the use of accounting estimates and

judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, quoted equity prices), the amount of changes in fair value would differ if the Group utilized a different valuation methodology. Any change in fair value of these financial assets and financial liabilities is recognized in the consolidated statements of income and in the consolidated statements of comprehensive income.

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

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

3. Financial Risk Management Objectives and Policies

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

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

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

Credit and concentration risks
Credit risk is such risk where the Group could incur a loss if its counterparties fail to discharge their contractual obligations, although the Group trades only with recognized, creditworthy third parties. At present, 60% of the Parent Company's annual mineral products sales are committed to Pan-Pacific Co. Ltd. (Pan Pacific) with whom the Parent Company has a long-term sales agreement. This agreement is effective until the end of the Padcal mine life currently declared as 2020 but with possibility of future extension. The balance of the Parent Company's annual mineral products sales is with Louis Dreyfuss Commodities Metals Suisse SA (LD Metals) which is covered by a long-term sales agreement up to January 31, 2013 and several short-term agreements for 25,000 DMT representing the 40% excess production from June 2013 to May 2014.

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

The table below summarizes the Group's exposure to credit risk for the components of the unaudited consolidated balance sheet as of June 30, 2014:

Cash and cash equivalents:	
Cash with banks	₱458,412
Short-term deposits	2,237,556
Accounts receivable:	
Trade	511,348
Others	208,058
Gross maximum credit risk exposure	₱3,415,374

The table below shows the credit quality of the Group's financial assets by class as of June 30, 2014 based on the Group's credit evaluation process:

	Neither Past Due nor Impaired		Past Due and Individually	
	High-Grade	Standard	Impaired	Total
Cash and cash equivalents:				
Cash with banks	₱458,412	₱–	₱–	₱458,412
Short-term deposits	2,237,556	–	–	2,237,556
Accounts receivable:				
Trade	511,348	–	–	511,348
Others	208,058	–	–	208,058
Total	₱3,415,374	₱–	₱–	₱3,415,374

Credit quality of cash and cash equivalents 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.

The Group has no past due but not impaired financial assets as of June 30, 2014.

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 table below summarizes the maturity profile of the Group's financial assets that can be used by the Group to manage its liquidity risk and the maturity profile of the Group's financial liabilities, based on contracted undiscounted repayment obligations (including interest) as of June 30, 2014:

	On Demand	Within 1 Year	More than 1 Year	Total
Loans and receivables:				
Cash and cash equivalents	₱2,698,322	₱–	₱–	₱2,698,322
Accounts receivable:				
Trade	–	511,348	–	511,348
Others	–	208,058	–	208,058
AFS financial assets:				
Quoted equity investments	1,113,588	–	–	1,113,588
Unquoted equity investments	72,728	–	–	72,728
Total undiscounted financial assets	₱3,884,638	₱719,406	₱–	₱4,604,044
Loans payable:				
Principal	₱–	₱6,897,500	_	₱6,897,500
Interest	–	123,366	_	123,366
Accounts payable and accrued liabilities	–	1,894,504	–	1,894,504
Dividends payable	472,799	–	–	472,799
Subscriptions payable	21,995	–	–	21,995
Total undiscounted financial liabilities	₱494,794	₱8,915,370	₱	₱9,410,164

Market risks

Foreign currency risk

Foreign currency risk 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 months ended June 30, 2014, the Parent Company recognized net foreign exchange loss of ₱97.9 million, arising from the translation of these foreign currency-denominated financial instruments.

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

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

US$ Appreciate (Depreciate)	Effect on Consolidated Income before Income Tax
9%	(₱313,499)
(9%)	313,499

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

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates would unfavorably affect future cash flows from financial instruments. As of June 30, 2014, Group's exposure to the risk in changes in market interest rates relates to bank loans.

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

The following table demonstrates the sensitivity to reasonably possible change in interest rates, with all other variables held constant, of the Group's three months period of 2014 income before income tax:

Change in Market Rate of Interest	Effect on Consolidated Income before Income Tax
Decrease by 1.0%	₱1,534
Decrease by 0.5%	767
Increase by 1.0%	(1,534)
Increase by 0.5%	(767)

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 the value of individual stocks. The management monitors the movement of the share prices pertaining to its investments. The Group is exposed to equity securities price risk because of investments held by the Parent Company and PPC, which are classified in the unaudited consolidated balance sheets as AFS financial assets.

The effect on equity, as a result of a possible change in the fair value of the Group's quoted equity instruments held as AFS financial assets as at June 30, 2014, that could be brought by changes in equity indices with all other variables held constant, are as follows:

Currency	Change in Quoted Prices of Investments Carried at Fair Value	Effect on Equity
Australian dollar (AU$)	Increase by 25%	₱1,170
	Decrease by 49%	(2,292)

Peso	Increase by 67%	202,763
	Increase by 34%	405,525
	Decrease by 67%	(202,763)
	Decrease by 34%	(405,525)

Commodity price risk

The Parent Company's mine products revenues are based on international commodity quotations (i.e., primarily on the LME and London Bullion Market Association quotes) over which the Parent Company has no significant influence or control. This exposes the Group's results of operations to commodity price volatilities that may significantly impact its cash inflows.

The table below shows the effect on income before income tax should the change in the prices of copper and gold occur based on the inventory of the Parent Company as of June 30, 2014:

Change in metal prices (Gold)	Effect on income before income tax
Increase by 22%	₱679,359
Decrease by 22%	(679,359)

Change in metal prices (Copper)	Effect on income before income tax
Increase by 30%	₱735,819
Decrease by 30%	(735,819)

The Parent Company did not enter into derivative transactions as a means to mitigate the risk of fluctuations in the market prices of its mine products in 2014.

Derivative Financial Instruments

In June 2014, the Company entered into gold collar hedging contracts covering 6,000 ounces of monthly production for the third quarter of 2014 as per table below:

Period Covered	Trade/ Transaction Date	Settlement Date	Volume (Ounces)	Strike Price - US$/oz.	
				Put (Floor)	Call (Ceiling)
July 1-31, 2014	23-Jun-14	4-Aug-14	6,000	1,275.00	1,335.00
August 1-29, 2014	4-Jun-14	2-Sep-14	3,000	1,200.00	1,278.00
	23-Jun-14	2-Sep-14	3,000	1,275.00	1,335.00
September 1-30, 2014	23-Jun-14	2-Oct-14	6,000	1,275.00	1,335.00
Total / Average			18,000	1,262.50	1,325.50

As of June 30, 2014, mark-to-market (MTM) losses on outstanding gold hedges amounted to P10.1 million recorded under equity with the recognition of potential derivative liability. MTM gains or losses are reversed and actual gains or losses, if any, are realized and recorded through revenue upon maturity of the hedge. As of June 30, 2014, no hedge contract has matured.

4. Segment Information

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

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

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

EBITDA is not a uniform or legally defined financial measure. EBITDA is presented because the Group believes it is an important measure of its performance and liquidity.

The Group relies primarily on the results in accordance with PFRS and uses EBITDA only as supplementary information.

In 2013, management reevaluated its calculation of EBITDA to exclude the effects of non-recurring items. Management believes that the revised computation of EBITDA is more useful in making decisions about resource allocation and performance assessment of its reportable segments.

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

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

	June 30, 2014 (Unaudited)				
	Metals	Energy and Hydrocarbon	Unallocated Corporate Balances	Eliminations	Total
Revenue					
External customers	P 5,583,769	P 197,754	P -	P -	P 5,781,523
Inter-segment					
Consolidated revenue	5,583,769	197,754	-	-	5,781,523
Results					
EBITDA	P 1,783,848	P (31,392)	P (6,188)	P -	P 1,746,268
Interest Income (Expense) - Net	(156,953)	3,524	5	-	(153,425)
Income Tax Expense	(220,679)	(5,108)	-	-	(225,787)
Depreciation and depletion	(859,782)	(1,591)	-	-	(861,373)
Non-recurring items	98,058	(3,281)	-	-	94,777
Consolidated net income (loss)	P 644,492	P (37,849)	P (6,183)	P -	P 600,460
Core net income (loss)	P 575,870	P (10,653)	P (6,183)	P -	P 559,034
Consolidated total assets	P 30,936,713	P 5,745,688	P 10,491	P 4,019,939	P 40,712,831
Consolidated total liabilities	P 11,228,451	P 1,095,874	P 688	P 1,944,332	P 14,269,345
Other Segment Information					
Capital expenditures and other non-current assets	P 2,891,672	P (19,151)	P -	P -	P 2,872,520

	June 30, 2013 (Unaudited)				
	Metals	Energy and Hydrocarbon	Unallocated Corporate Balances	Eliminations	Total
Revenue					
External customers	P 3,845,383	P 96,321	P -	P -	P 3,941,704
Inter-segment	-	-	-	-	-
Consolidated revenue	P 3,845,383	P 96,321	P -	P -	P 3,941,704
Results					
EBITDA	P 2,036,617	P (232,171)	P -	P -	P 1,804,446
Interest Income (Expense) - Net	(185,642)	(19,499)	-	-	(205,140)
Income Tax Expense	(561,509)	29,268	-	-	(532,240)
Depreciation and depletion	(465,991)	(2,629)	-	-	(468,620)
Non-recurring items	356,115	(190)			355,925
Consolidated net income (loss)	P 1,179,590	P (225,220)	P -	P -	P 954,370
Core net income (loss)	P 860,900	P (43,245)	P -	P -	P 817,655
Consolidated total assets	P 28,430,082	P 3,817,747	P 17,890	P 6,672,419	P 38,938,138
Consolidated total liabilities	P 9,584,036	P 1,206,514	P 883	P 2,491,153	P 13,282,586
Other Segment Information					
Capital expenditures and other non-current assets	P 2,030,249	P 122,725	P -	P -	P 2,152,974

5. Basic/Diluted Earnings Per Share

Basic earnings per share as of June 30, 2014 and 2013 are computed as follows:

	2014	2013
Net income attributable to equity holders of the Parent Company	₱626,949	₱1,074,650
Divided by weighted average number of common shares outstanding during year	4,936,996,068	4,933,185,776
Basic earnings per share	₱0.1270	₱0.2178

Diluted earnings per share as of June 30, 2014 and 2013 are computed as follows:

	2014	2013
Net income attributable to equity holders of the Parent Company	₱626,949	₱1,074,650
Divided by weighted average number of common shares adjusted for the effect of exercise of stock options	4,936,996,068	4,933,185,776
Diluted earnings per share	₱0.1270	₱0.2178
Weighted average number of common shares for basic earnings per share	4,936,996,068	4,933,185,776
Dilutive effect of outstanding stock options	–	–
Weighted average number of common shares adjusted for the effect of exercise of stock options	4,936,996,068	4,933,185,776

7. Seasonality and Cyclicality of Interim Operation

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

8. Events After End of Reporting Period

There is no significant event after end of the reporting period.