108102015000308

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632)726-0931 to 39 Fax:(632)725-5293 Email: mis@sec.gov.ph

Barcode Page

The following document has been received:

Receiving Officer/Encoder : Ramon L. Legaspi
Receiving Branch : SEC Head Office
Receipt Date and Time : August 10, 2015 10:42:02 AM
Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No.	0000010044
Company Name	PHILEX MINING CORP.
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	108102015000308
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
Document Code	17-Q
Period Covered	June 30, 2015
No. of Days Late	0
Department	CFD
Remarks	

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

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

For the quarterly period ended June 30, 2015

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 – 4,940,399,068 (As of June 30, 2015)

Amount of Debt Outstanding – ₱9,729,425,211 (As of June 30, 2015)

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, 2015 are hereto attached.

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

Status of Operations

Since June 20, 2014, the Company's Padcal Mine has been running under normal operations after the Mines and Geosciences Bureau (MGB) permanently lifted the suspension it issued on August 12, 2012. As a result, the mine operated for 178 days in the first six months of 2015, the same number of days in the previous year under a temporary status.

In April 2015, the Company likewise received an Order from the DENR, through the MGB, approving the Declaration of Mining Project Feasibility (DMPF) of the Silangan Project. As such, the Company's subsidiary owning the project, Silangan Mindanao Mining Co., Inc. (SMMCI), has been authorized to proceed to the Development and Operating Periods of Mineral Production Sharing Agreement (MPSA) No. 149-99-XIII, subject to compliance with the conditions of the Order.

Review of Financial Results

The Company's consolidated operating revenues for the first half of 2015 amounted to ₱4.886 billion – a 15% decrease from the ₱5.782 billion reported in 2014 – mainly due to depressed metal prices amidst slightly lower copper production. For the second quarter of 2015,

consolidated operating revenues went down to ₱2.493 billion from ₱2.868 billion in 2014, primarily due to the continuing slump in metal prices.

Gold production increased to 53,689 ounces for the first half of 2015, brought about by better recovery and ore grades, compared with 52,286 ounces in 2014. Realized gold prices for the first half of 2015 and 2014 were US$1,190 per ounce and US$1,341 per ounce, respectively. The 11% decline in realized gold price was due to the continuing slump in world metal prices from the latter part of 2012 to 2015. The impact of lower realized prices, however, was partially offset by the increase in gold output, though still resulted in the drop in gold revenue to ₱2.894 billion – comprising 59% of the total – from ₱3.088 billion.

For the second quarter of 2015, gold production was up by 7% to 27,692 ounces compared with 25,844 ounces for the same period in 2014. The increase in gold production was, however, not sufficient to offset the impact of the declining gold prices that averaged US$1,187 per ounce versus US$1,311 per ounce in comparative period of 2014. Thus, gold revenue slightly decreased to ₱1.471 billion in 2015 as against ₱1.478 billion in 2014.

Copper production, on the other hand, fell to 16,890,505 pounds in 2015 from 18,196,913 pounds in 2014. Realized copper prices for the first half of 2015 and 2014 were US$2.61 per pound and US$3.09 per pound, respectively, following the movement of metal prices in the world market. With decreased copper production and depressed realized copper prices, revenues from copper declined 24%, to ₱1.870 billion in 2015 from ₱2.453 billion reported in 2014, and accounted for 38% of the total.

For the second quarter of 2015, copper production was also down by 2% to 8,529,086 pounds compared with 8,728,904 pounds in 2014. The decrease in copper production for the period, coupled with the significant drop in copper prices that averaged at US$2.48 per pound in 2015 versus US$3.22 per pound in 2014, resulted in decreased copper revenue of ₱957.9 million from last year's ₱1.274 billion.

Meanwhile, other revenues, which came mostly from sales of silver and petroleum products, made up the remaining 3% of the Company's total revenue and amounted to ₱121.0 million in 2015 compared with ₱240.8 million in 2014, due to the slowdown in Galoc's Phase II production, and the 47% fall in oil crude price from US$109/bbl to US$58/bbl.

In the previous years, the Company entered into metal and foreign currency hedging contracts in the form of forwards, purchased put options and sold call options, to protect part of its revenues from unfavorable metal price and foreign exchange fluctuations. 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 December 2014, the Company entered into hedging contracts covering 3,000 ounces of monthly gold production for the first quarter of 2015. The terms of these contracts, already matured as of March 31, 2015. Also in May 2015, the Company concluded hedging contracts covering 3,000 ounces per month starting May to September 2015. The corresponding gains (losses) on the contracts that have already matured are provided in the table below:

Period Covered	Trade / Transaction Date	Settlement Date	Volume (Ounces)	Strike Price - US$/oz.		Settlement	
				Put (Floor)	Call (Ceiling)	Price US$/oz.	Gain (Loss) In Php M
Jan 1-30	4-Dec-14	3-Feb-15	3,000	1,200	1,210	1,251	(5.4)
Feb 1-27	4-Dec-14	3-Mar-15	3,000	1,200	1,210	1,229	(2.5)
Mar 1-31	4-Dec-14	2-Apr-15	3,000	1,200	1,210	1,180	2.7
May 1-29	15-May-15	2-Jun-15	3,000	1,200	1,230	1,198	0.2
June 1-30	15-May-15	2-Jul-15	3,000	1,200	1,230	1,182	2.4
Total / Average			15,000	1,200	1,218		(2.5)

As of June 30, 2015, contracts for 9,000 ounces as presented in the table below remained outstanding with mark-to-market (MTM) gain of ₱10.1 million recorded under equity with the recognition of potential derivative asset. MTM gains or losses are reversed and actual gains or losses, if any, are realized and recorded through revenue upon maturity of the hedge.

Period Covered	Trade / Transaction Date	Settlement Date	Volume (Ounces)	Strike Price - US$/oz.		MTM Gain (Loss) - In Millions	
				Put (Floor)	Call (Ceiling)	as of June 30, 2015	
						Put	Call
July 1-31	15-May-15	2-Aug-15	3,000	1,200	1,230	$0.120	($0.020)
August 1-28	15-May-15	2-Sep-15	3,000	1,200	1,230	0.098	(0.037)
Sept 1-30	15-May-15	2-Oct-15	3,000	1,200	1,230	0.120	(0.058)
Total / Average			9,000	1,200	1,230	$0.339	($0.115)
					Net MTM Gain		**$0.223**
							P 10.1

In June 2014, the Company entered into gold collar hedging contracts covering 6,000 ounces of monthly production for the third quarter of 2014 at an average strike price of US$1,262.50 per ounce for the put options and US$1,325.50 per ounce for the call options. These remained outstanding as of end June 2014 with MTM losses of ₱10.1 million recorded under equity with the recognition of potential derivative liability.

Operational Overview

Total tonnes milled from the Company's Padcal mine for the first half of 2015 were 6% lower at 4,473,255 tonnes from 4,774,518 tonnes in 2014. In the second quarter alone, tonnes milled were 5% lower at 2,251,886 tonnes compared with 2,378,441 tonnes in 2014.

Despite the reduction in tonnage, gold output went up by 3% in 2015 to 53,689 ounces from 52,286 ounces last year due to the 8% improvement in recovery rate and better ore grade at 0.442 grams per tonne this year compared with last year's 0.436 grams per tonne. Similarly, the ore grade for the second quarter of 2015 was better at 0.450 grams per tonne as against 0.434 grams per tonne in 2014.

On the other hand, copper production was lower at 16,890,505 pounds in 2015 compared with 18,196,913 pounds in 2014. The decrease in tonnage, coupled with 5% lower head grade of

0.206% from 0.218% in 2014, resulted in the significant drop in copper production this year, despite the 5% improvement in recovery rate. Copper ore grade for the second quarter of 2015 was also lower at 0.208% compared with 0.212% in 2014.

Operating Costs and Expenses

The Company's consolidated operating costs and expenses (including General and Administrative Expenses) amounted to ₱3.728 billion in the first half in 2015 – 17% lower than ₱4.468 billion in 2014. This was attributed mainly to the continuous efforts of the Company to reduce costs through manpower rightsizing and enhancing efficiency via equipment modernization and process re-engineering. Following the drop in copper output, treatment charges and refining charges (marketing expenses) showed a 5% decrease to ₱403.4 million in 2015 compared with ₱425.0 million in 2014. Operations for the first half of 2015 yielded an equivalent of 34,151 dry metric tons (DMT) of copper concentrates produced against 35,024 DMT in 2014.

As a result mainly of the cost reduction measures being implemented by the Company, all major cost components also decreased, with Mining and Milling Costs (including Depletion and Depreciation) contained at ₱3.032 billion from ₱3.515 billion in 2014; Excise Taxes and Royalties capped at ₱240.7 million from ₱280.6 million due to lower revenues; and Handling, Hauling and Storage reduced to ₱36.6 million from ₱41.8 million. The reduction of headcount at the Padcal mine site from 2,375 to 1,919 contributed significantly in the lower Mining and Milling Costs.

General and Administrative Expenses also significantly declined to ₱363.8 million from ₱540.0 million in 2014 due to the P143.8 million or 38% decrease in the overhead expenses at Philex head office. This was primarily brought about by the reduction in Pasig headcount to 109 in 2015 from 231 the previous year. Overhead expenses at Silangan and Philex Petroleum also decreased to P133.9 million from P166.4 million in 2014.

In the second quarter of 2015, consolidated operating costs and expenses (including General and Administrative Expenses) also decreased to ₱1.840 billion compared with ₱2.194 billion in 2014.

Costs Per Tonne / Per Ounce / Per Pound

Production and operating costs on per tonne basis were lower in 2015 at ₱686 per tonne and ₱830 per tonne, respectively, against ₱745 per tonne and ₱893 per tonne in 2014. The lower production cost was attributed mainly to reduced labor costs and contracted services and the decrease in non-cash production costs related to lower amortization of tailings storage facility no. 3 (TSF3) attributed to its increased impounding capacity (six years from the previous 2 ½ years).

Operating cost (using a co-production method), excluding general and administrative expenses, per ounce of gold and per pound of copper were US$918 per ounce and US$2.05 per pound in 2015. The operating costs per ounce of gold and per pound of copper were significantly lower than 2014's US$1,021 per ounce of gold and US$2.35 per pound of copper, respectively and were attributed to operational enhancements and cost control initiatives. In the second quarter of 2015, operating cost per ounce of gold and per pound of copper of US$903 per ounce and

US$1.89 per pound, respectively, were also significantly lower than last year's US$1,012 per ounce and US$2.48 per pound.

Other Income (Charges)

A Net Other Income of ₱62.5 million was recorded in the first half of 2015. This consisted mainly of Gain on Sale of AFS Financial Assets of ₱107.1 million which was partially offset by the Net Foreign Exchange Loss of ₱27.8 million (against a ₱94.8 million gain in 2014) and Interest Expense of ₱10.9 million from the short-term bank loans (against ₱162.6 million in 2014).

The Company recognized a gain of ₱107.1 million from the sale of its investment in Indophil Resources NL (Indophil) under an acquisition scheme offered by Indophil's major shareholder, Alsons Prime Investments Corporation, to Indophil's other shareholders whereby AUD0.30 was offered for every share held. The Company's investments in Indophil totaled 29,240,806 shares with a carrying cost of ₱190.4 million prior to the sale. The proceeds from the sale were received in February 2015.

In addition, the Company recognized net foreign exchange loss mainly from the revaluation of the Company's net foreign currency-denominated liabilities due to the weakening of the Philippine Peso against the US Dollar. The foreign exchange rates at closing dates of June 30, 2015 were ₱45.09 as against ₱44.72 as of December 31, 2014. During the first half in 2014, however, the Philippine Peso appreciated against the US Dollar to ₱43.65 as of June 30, 2014 from ₱44.40 as of December 31, 2013 thus the foreign exchange gain of ₱94.8 million.

Meanwhile, the Company incurred ₱10.9 million in interest expense, significantly lower than the interest expense of ₱162.6 million in 2014 due to the full repayment of loans with First Pacific subsidiaries in December 2014.

Interest income from short-term money placements amounted to ₱2.6 million, lower than the ₱9.2 million earned in 2014, at an average interest rate of 2.0% for both 2015 and 2014.

In the second quarter of 2015, net other charges amounted to ₱47.4 million, with foreign exchange loss of ₱41.1 million and other charges, compared with net other charges of ₱13.1 million in the same period last year.

Core and Reported Net Income

The Company's core net income came in 7% lower at ₱519.7 million for the first half of 2015 compared with ₱559.0 million in 2014 as a result largely of comparatively lower realized metal prices. Meanwhile, EBITDA amounted to ₱1.517 billion in the first half 2015 compared with ₱1.746 billion in 2014. The Company's core net income and EBITDA exclude non-recurring transactions to clearly reflect and provide results based on the normal operating parameters of the business. For the second quarter of 2015, core net income increased to ₱305.2 million as against the ₱280.6 million in 2014. EBITDA, however, decreased to ₱799.1 million from ₱841.8 billion last year.

Net Income Attributable to the Equity Holders of the Company and Reported Net Income in the first half of 2015 of ₱607.0 million and ₱564.8 million were slightly lower than the ₱626.9 million and ₱600.5 million, respectively, reported in 2014. The difference between the two was due to

the 64.73% ownership in Philex Petroleum, which posted a net loss of P86.0 million in the first half of 2015.

For the second quarter of 2015, Net Income Attributable to the Equity Holders of the Company amounted to ₱278.4 million, lower than the ₱374.4 million in 2014. Similarly, Reported Net Income for the second quarter of 2015 of ₱259.5 million was below the ₱333.0 million posted last year.

FINANCIAL CONDITION REVIEW

As of June 30, 2015, the Company's Current Assets stood at ₱6.993 billion, 27% lower than the ₱9.530 billion in 2014, primarily due to lower Cash and Cash Equivalents of ₱3.103 billion compared with ₱5.232 billion in 2014 as well as lower Accounts Receivable of ₱400.8 million compared with ₱1.056 billion, partially offset by higher Inventories of ₱1.897 billion compared with ₱1.858 billion in 2014. Inventories as of June 30, 2015 included unshipped volume of copper concentrates at 4,357 DMT as against 5,112 DMT at yearend 2014.

Accounts Receivables consisted of Trade Receivables from sales of the Company's copper concentrates or bullion, Accrued Interest Receivables and Other Receivables. Of the ₱400.8 million Accounts Receivable, outstanding receivables from concentrate shipments amounted to ₱169.4 million compared with ₱818.2 million in 2014.

A total of seven copper concentrates shipments were made in the first half of 2015 compared with eight shipments in the same period in 2014. The Padcal mine's 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)", which under Pan Pacific Corporation for the contract years 2015 (April 1, 2015 to March 31, 2016), 2014 (April 1, 2014 to March 31, 2015) and 2013 (April 1, 2013 to March 31, 2014) were the calendar months following the month of the shipment's arrival (1MAMA) in Japan for gold and silver, and the third calendar month after the month of arrival (3MAMA) for copper. The contracts with Louis Dreyfus Commodities Metals Suisse SA have varying QP terms for which in 2014, gold QP was month of schedule shipment (MOSS) and copper QP was 3MAMA, while in 2015, gold QP is either MOSS or 1MAMA and copper QP is 3MAMA.

The value of Inventories, mostly materials and supplies comprising 70% of the total inventories, were slightly higher at ₱1.897 billion in 2015 compared with ₱1.858 billion in 2014. Also included in inventories were ₱565.3 million worth of mine products inventory, corresponding to 4,357 DMT of copper concentrates. As of December 31, 2014, the value of unshipped copper concentrates amounted to ₱643.5 million representing 5,112 DMT.

Other Current Assets increased to ₱1.582 billion in 2015 from ₱1.377 billion in 2014, attributed mainly to the rise in input value-added tax claim on importation of materials, supplies and equipment pending and still to be filed with the Bureau of Internal Revenue.

As of June 30, 2015, Non-Current Assets of the Company, consisting mainly of property, plant and equipment and deferred exploration costs – comprising 17% and 63% of total assets, respectively – increased to ₱36.943 billion from ₱35.110 billion in 2014. 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 ₱7.477 billion from ₱7.139 billion in 2014.

Available-for-Sale (AFS) financial assets, recorded at fair value, decreased to ₱601.8 million in 2015 from ₱906.7 million in 2014 following the sale of Indophil shares. At year-end 2014, the Company also recorded a decline in the value of AFS financial assets.

Deferred Exploration Costs and Other Non-current Assets combined for ₱27.617 billion and grew from ₱25.817 billion in 2014 on account of the on-going exploration activities in the Silangan and Kalayaan projects as well as in the oil exploration projects of FEP. Of this, ₱18.152 billion was attributed to Silangan and another ₱2.686 billion to Kalayaan. FEP and Pitkin projects accounted for ₱986 million and ₱3.839 billion, respectively.

The Company's Total Assets as of June 30, 2015 amounted to ₱43.936 billion compared with ₱44.640 billion in 2014.

As of June 30, 2015, the Company's Total Current Liabilities amounted to ₱6.467 billion, 14% lower than ₱7.523 billion in 2014, as a result of the partial repayment of local bank loans in the first half 2015.

The Parent Company's short-term loans decreased to ₱3.630 billion in 2015 from ₱4.308 billion in 2014 following repayment of loans with local banks of US$16 million or ₱713 million. The amount of loan comprised of the Company's loan with several local banks amounting to US$80.5 million (foreign currency). As of July 24, 2015, Parent debt stood at ₱3.630 billion as the Company sustained its debt management and balance sheet clean-up activities.

Accounts Payable and Accrued Liabilities, mainly due to suppliers and contractors, slightly went down to ₱1.751 billion in 2015 from ₱1.796 billion in 2014. No significant amount of the Company's trade payables were left unpaid based on the terms and conditions agreed upon with suppliers.

Income Tax Payable amounted to ₱102.7 million in 2015, representing the tax payable for the second quarter of 2015 income due by end of August 2015. The additional tax payable of ₱47.4 million for the 2014 income was already settled in March 2015.

Dividends Payable stood to ₱484.9 million in 2015 compared with ₱488.8 million in 2014. The Company declared cash dividends amounting to ₱0.02 per share in February 2015, representing regular dividends from the Company's 2014 core net income. A total of ₱0.08 per share was declared as dividends in 2014.

Provisions and Subscriptions Payables were significantly lower at ₱498.6 million from ₱883.1 million in 2014, due to the payment of separation pay under the Company's manpower-rightsizing program, partially offset by the provisions made for directors' compensation, while subscriptions payable remained at the same level of ₱22.0 million for 2015 and 2014.

Total Non-Current Liabilities as of June 30, 2015 stood at ₱10.695 billion, represented largely by Bonds Payable at 57% of the total, from ₱10.076 billion in 2014.

Deferred Income Tax Liabilities (DTL) increased to ₱3.995 billion in 2015 from ₱3.859 billion in 2014 and was comprised mainly of the following: ₱1.665 billion arising from the acquisition of 50% of Silangan from Anglo in 2009; ₱1.350 billion for accelerated depreciation and deferred exploration costs; and ₱980.0 million from the acquisition of additional interests in Pitkin.

The amount of Bonds Payable increased to ₱6.100 billion from ₱5.947 billion in 2014, representing the carrying amount of the convertible notes (CN) issued by SMECI, net of the ₱1.226 billion portion representing the equity conversion option of the CN which was recorded under Equity. Changes in the Bonds Payable in 2015 were related to the amortization of the discount and transaction costs.

Meanwhile, Provision for Losses and Mine Rehabilitation Costs amounted to ₱576.6 million in 2015, higher than the ₱225.6 million in 2014. 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. The increase in the balance was mainly due to the additional estimated mine closure costs of ₱430.0 million discounted at 6% per annum up to the end of mine life.

Other than the repayment of bank loans and payments related to the Company's manpower-rightsizing program, there was no significant change in the amount of the Company's Total Liabilities as of June 30, 2015 from end-2014, which stood at ₱17.161 billion and ₱17.599 billion, respectively.

Shareholders' Equity

The Company's Total Equity as of June 30, 2015 amounted to ₱26.775 billion, a slight decline from the ₱27.042 billion recorded in 2014. The increases in the Capital Stock and Additional Paid-in Capital from 2014 to 2015 were 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 ₱607.0 million, which boosted Retained Earnings to ₱15.218 billion from ₱14.712 billion in 2014. The dividends declared in February 2015, however, reduced the balance of the Retained Earnings by ₱98.8 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.

The Company recorded ₱114.5 million of net decline in the fair value of AFS Financial Assets of in the first half of 2015 under the Net Unrealized Loss on AFS Financial Assets of the Equity account which included the reversal of the 2014 unrealized gain related to the Indophil shares. This increased the balance of the Net Unrealized Loss to ₱178.5 million in 2015 from ₱64.0 million in 2014 representing temporary adjustments in the market value of AFS Financial Assets.

As a result of the translation adjustments of foreign subsidiaries in 2015, Cumulative Translation Adjustments amounted to ₱58.4 million from ₱37.4 million in 2014.

The amount of Net Revaluation Surplus remained at ₱1.611 billion for 2015 and 2014. The effect of Transactions with Non-controlling Interests fell to a negative balance of ₱12.5 million in 2015 from ₱19.1 million – reflecting the difference between the acquisition cost and the book value of the interest acquired in PGI, FEP, FEC and Pitkin shares. The Non-controlling

Interests account decreased to ₱2.774 billion in 2015 from ₱3.442 billion in 2014 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 net cash flows from operating activities of ₱1.563 billion in the first half 2015, compared with ₱1.005 billion in the same period last year. A significant portion of the cash generated in 2015 was used to settle the costs related to the manpower-rightsizing program.

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 previously also by FPC. Loans under the US$150 million loan facility with FPC were fully paid by the Company in December 2014 thus terminating the facility agreement.

Net cash used in investing activities, principally for capital expenditures and exploration costs, slightly decreased to ₱2.869 billion, net of the proceeds from the sale of Indophil shares, from ₱2.873 billion in 2014. Capital expenditures increased to ₱857.6 million in 2015 from ₱797.6 billion in 2014, which were attributed to the sustaining capital expenditure of Padcal Mine amounting to ₱780.0 million as against ₱797.6 million in 2014. Expenditures for the continuing exploration activities at the Silangan, Kalayaan, and other projects amounted to ₱1.682 billion in 2015 from ₱2.075 billion in 2014.

Net cash used in financing activities amounted to ₱811.8 million in 2015, primarily due to the repayment of local bank loans of ₱1.466 billion and dividend payment of ₱98.8 million, net of loan availment of ₱752.7 million, versus net cash generated from financing activities of ₱520.5 million in 2014 arising mainly from the availment of loans of ₱822.4 million, partially offset by the dividend payment of ₱246.9 million and loan repayments of ₱55.0 million.

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 2015, capital expenditures and explorations costs amounted to ₱2.540 billion from ₱2.873 billion in 2014.

The Silangan and Kalayaan projects accounted for 66% of capital outlays in 2015. Last year, capex for Silangan reached ₱1.873 billion – mostly on drilling activities, metallurgic studies and pre-feasibility study – and was higher than ₱1.682 billion this year. Deferred exploration costs amounted to ₱1.607 billion while investments in new machinery and equipment amounted to only ₱74.9 million.

Padcal operations accounted for the second largest chunk of capital investments in 2015 at ₱780.0 million or 31% of the total. This was a decrease from ₱797.7 million in 2014 due to lower mine development costs and absence of works at TSF4. Investments in exploration projects focused within the vicinity of Padcal and amounted to ₱77.8 million in 2015 from ₱202.1 million in 2014.

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 2015, the Company did not record any Lost Time Accident-Fatal (LTA-F) and Lost Time Accident-Non Fatal (LTA-NF) incidents, same as in 2014.

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 2015 were ₱0.1229 based on 4,940,399,068 weighted average shares outstanding for the period. In 2014, the basic earnings per share were ₱0.1270 based on the 4,936,996,068 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 2015 and 2014, the outstanding stock options were considered anti-dilutive based on the lower market prices of the Company’s shares compared with the exercise price, thus the diluted earnings per share in 2015 and 2014 were the same as the basic earnings per share of the Company.

Tonnes Milled and Metal Produced

Tonnes milled and ore grade determine the volume of concentrates to be produced and sold. Tonnes milled were lower at 4,473,255 tonnes in the first half of 2015, compared with 4,774,518 tonnes in 2014. Despite lower tonnage, gold production increased to 53,689 ounces in 2015, compared with 52,286 ounces in 2014 due to improved recovery rate and better ore grades.

Copper production, on the other hand, declined to 16,890,505 pounds copper in 2015 from 18,196,913 pounds copper in 2014.

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 2015, the total production cost (mine site cost and expenses excluding marketing charges, excise tax and royalties) per tonne of ore milled was ₱686, with total production cost of ₱3.069 billion over ore milled of 4,473,255 tonnes. This was 8% lower than the cost per tonne of ₱745 from the total production cost of ₱3.557 billion over ore milled of 4,774,518 tonnes in 2014.

The operating costs and expenses (all cost and expenses excluding corporate overhead) per tonne of ore milled in 2015 was ₱830 from the total operating cost and expenses of ₱3.713 billion, also 7% lower than the ₱893 from the operating costs and expenses of ₱4.262 billion in 2014. The total operating costs for 2015 were significantly lower due to cost reduction measures implemented.

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 the first half of 2015, the operating cost applicable to gold produced amounted to US$918 per ounce compared with US$1,021 per ounce in 2014, while operating cost applicable to copper produced amounted to US$2.05 per pound in 2015 compared with US$2.35 per pound in 2014.

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 2015, the amount spent on exploration related to mining properties amounted to ₱ 1.643 billion compared with ₱1.954 billion in 2014, while exploration costs related to oil and

gas properties totaled ₱42.5 million against ₱121.1 million in 2014. As of June 30, 2015, total deferred exploration costs, including costs related to oil and gas exploration, amounted to ₱27.617 billion, comprising 63% of the Company's Total Assets, compared with ₱25.826 billion in 2014.

Subsidiaries and Related Party Transactions

The Company's significant related party transactions as of June 30, 2015 and December 31, 2014, which are under terms that are no less favorable than those arranged with third parties, and account balances are as follows:

a) *Advances from PMC to SMMCI and SMECI*

PMC, owning directly and indirectly 100% of SMECI and SMMCI, provided the funds to SMMCI, through SMECI since 2011 and directly thereafter up to mid-December 2014, for the Silangan projects' expenditures since the Company's acquisition of Anglo American's interest in the Silangan Project in 2009. The total advances by the Company to SMECI and SMMCI, including the balance acquired from Anglo American amounting to ₱7.208 billion were fully paid in February 2015 with a portion paid in December 2014 thus no outstanding advances as of June 30, 2015.

b) *Advances from PMC to PGPI*

PMC advanced PGPI's working capital and capital expenditure requirements, which as of June 30, 2015 and December 31, 2014, amounted to ₱1.350 billion and ₱1.349 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.

c) *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 through cash. As of June 30, 2015 and December 31, 2014, advances from PMC amounted to ₱2.447 billion and ₱2.684 billion, respectively. On June 25, 2015, the Board of PPC agreed to pledge its holdings in FEP and Pitkin to PMC to support its advances from PMC. The pledge is subject to the approval of PPC shareholders on August 11, 2015.

d) *Advances of PMC to PGHI*

PMC provided advances to PGHI, a 100%-owned subsidiary of PMC, amounting to ₱1.884 billion, as of December 31, 2014. No additional advances were made in 2015.

e) *Advances of PMC to Lascogon Mining Corp. (LMC)*

PMC advanced LMC's working capital and exploration requirements totaling to ₱142.8 million as of June 30, 2015 and ₱140.3 million as of December 31, 2014.

f) Advances from PMC to BEMC

PMC has written-off its advances to BEMC in the amount of ₱737.8 million (net of repayments) following its uncollectibility. BEMC has declared cessation of its underground mining operations of its coal mine in Zamboanga Sibugay in September 1, 2013, prompting the impairment of advances in 2013 before finally writing-off in 2014.

g) 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. The loan remains outstanding as of June 30, 2015.

h) Agreements with Anglo

PMC was reimbursed by Anglo American for expenses incurred by PMC on behalf of Northern Luzon Exploration & Mining Co. Inc. ("NLEMCI"), which amounted to ₱235 thousand in 2014. As of June 30, 2015 and December 31, 2014, the Company's receivables from these transactions amounted to ₱1.8 million and ₱1.5 million, respectively. No reimbursements were made in 2015.

i) Funding Commitment of FPC to PMC

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

As part of such commitment, a loan amounting to ₱2.1 billion was granted by Kirtman Limited, a wholly-owned subsidiary of FPC to the Company in November 2012 under a Term Loan Facility Agreement. The loan was unsecured, repayable within a year and subject to an interest rate of 5%. A commitment fee of 1% per annum was also due for the undrawn amount. The full loan amount of ₱2.1 billion was fully paid from proceeds of loans availed by PMC from local banks in November 2013.

On March 12, 2013, loan agreements covering the balance of US$150 million with Kirtman Limited for US$25 million, Maxella Limited for US$25 million and Asia Link B.V. for US$100 million (all FPC subsidiaries) were executed by the parties, for a term of one year and subject to the interest rate of 5%. In December 2014, all outstanding loans to Kirtman Limited (US$15 million), Maxella Limited (US$15 million) and Asia Link B.V.

(US$50 million) were fully paid thus terminating all loan agreements and commitments with them.

j) *Issuance of Convertible Bonds to FPC and SSS by SMECI*

In December 2014, SMECI and PMC, as the co-issuer, issued 8-year convertible notes (CNs) with a face value of ₱7.2 billion at 1.5% coupon rate p.a. payable semi-annually. The CNs are convertible into 400,000 common shares of SMECI at ₱18,000 per share one year after the issue date. The carrying amount of the CNs which was recorded as bonds payable was ₱5.947 billion as of December 31, 2014. This amount was net of the ₱1.226 billion portion representing the equity conversion option of the CNs which was recorded under Equity. As of June 30, 2015, the bonds payable increased to ₱6.100 billion from the amortization of the discount and transaction costs.

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 10, 2015

PHILEX MINING CORPORATION
AND SUBSIDIARIES

UNAUDITED
CONSOLIDATED
FINANCIAL STATEMENTS
June 30, 2015

Pasig City, Philippines

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

		June 30 2015		December 31 2014
Current Assets				
Cash and cash equivalents		3,103,435		5,231,892
Accounts receivable		400,827		1,055,864
Inventories		1,896,806		1,858,220
Derivative assets		10,073		7,766
Other current assets		1,581,751		1,376,741
Total Current Assets		6,992,892		9,530,483
Noncurrent Assets				
Property, plant and equipment		7,477,094		7,138,912
Available-for-sale (AFS) financial assets		601,835		906,681
Goodwill		1,238,583		1,238,583
Deferred income tax assets - net		8,304		8,224
Deferred exploration costs and other noncurrent assets		27,617,103		25,817,465
Total Noncurrent Assets		**36,942,919**		**35,109,865**
TOTAL ASSETS	**P**	**43,935,811**	**P**	**44,640,348**
LIABILITIES AND EQUITY				
Current Liabilities				
Loans payable		3,629,745		4,307,720
Accounts payable and accrued liabilities		1,750,648		1,795,755
Income tax payable		102,686		47,423
Dividends payable		484,850		488,818
Provisions and subscriptions payable		498,573		883,102
Total Current Liabilities		6,466,502		7,522,818
Noncurrent Liabilities				
Bonds payable		6,099,680		5,947,366
Deferred income tax liabilities - net		3,994,510		3,859,141
Pension obligation		23,940		43,585
Provision for losses and mine rehabilitation costs		576,618		225,618
Total Noncurrent Liabilities		10,694,748		10,075,710
Total Liabilities		17,161,250		17,598,528
Equity Attributable to Equity Holders of the Parent Company				
Capital Stock - P1 par value		4,940,399		4,940,399
Additional paid-in capital		1,138,009		1,117,627
Retained Earnings				
Unappropriated		5,218,365		4,712,032
Appropriated		10,000,000		10,000,000
Net unrealized loss on AFS financial assets		(178,481)		(64,010)
Equity conversion option		1,225,518		1,225,518
Cumulative translation adjustments		58,362		37,370
Net revaluation surplus		1,611,397		1,611,397
Effect of transaction with non-controlling interests		(12,508)		19,084
		24,001,061		23,599,417
Non-controlling Interests		2,773,500		3,442,403
Total Equity		**26,774,561**		**27,041,820**
TOTAL LIABILITIES & EQUITY	**P**	**43,935,811**	**P**	**44,640,348**

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

	2nd Quarter ended June 30			
		2015		**2014**
REVENUE				
Gold	P	1,471,121	P	1,477,593
Copper		957,948		1,274,281
Silver		18,189		20,339
		2,447,258		2,772,213
Less: Marketing charges		203,928		211,234
		2,243,330		2,560,979
Petroleum		45,836		96,031
		2,289,166		**2,657,010**
COSTS AND EXPENSES				
Mining and milling costs (including depletion and depreciation)		1,489,957		1,719,271
General and administrative expenses		175,304		254,476
Excise taxes and royalties		126,947		142,652
Petroleum production costs		30,329		55,675
Handling, hauling and storage		17,884		22,010
		1,840,421		2,194,084
OTHER INCOME (CHARGES)				
Interest income		665		3,582
Interest expense		6,418		(90,916)
Foreign exchange gains (losses) - net		(41,099)		128,425
Others - net		(13,377)		(54,235)
		(47,393)		**(13,144)**
INCOME BEFORE INCOME TAX		**401,352**		**449,782**
PROVISION FOR INCOME TAX		(141,862)		(116,745)
NET INCOME	**P**	**259,490**	**P**	**333,037**
Net income attributable to:				
Equity holders of the Parent Company		278,432		374,421
Non-controlling interests		(18,942)		(41,384)
	P	**259,490**	**P**	**333,037**
BASIC EARNINGS PER SHARE	**P**	**0.0564**	**P**	**0.0758**
DILUTED EARNINGS PER SHARE	**P**	**0.0564**	**P**	**0.0758**

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

	Six Months ended June 30			
		2015		2014
REVENUE				
Gold	P	2,894,336	P	3,087,995
Copper		1,870,356		2,452,730
Silver		37,564		43,044
		4,802,256		5,583,769
Less: Marketing charges		403,439		424,984
		4,398,817		5,158,785
Petroleum		83,452		195,045
Others		-		2,709
		4,482,269		**5,356,539**
COSTS AND EXPENSES				
Mining and milling costs (including depletion and depreciation)		3,032,343		3,514,810
General and administrative expenses		363,846		540,032
Excise taxes and royalties		240,671		280,627
Petroleum production costs		54,124		87,938
Handling, hauling and storage		36,555		41,830
Cost of coal sales		-		2,794
		3,727,539		**4,468,031**
OTHER INCOME (CHARGES)				
Gain on sale of AFS financial assets		107,088		-
Interest income		2,640		9,190
Interest expense		(10,943)		(162,614)
Foreign exchange gains (losses) - net		(27,803)		94,777
Others - net		(8,459)		(3,614)
		62,523		**(62,261)**
INCOME BEFORE INCOME TAX		**817,253**		**826,247**
PROVISION FOR INCOME TAX		(252,446)		(225,787)
NET INCOME	**P**	**564,807**	**P**	**600,460**
Net income attributable to:				
Equity holders of the Parent Company		606,974		626,949
Non-controlling interests		(42,167)		(26,489)
	P	**564,807**	**P**	**600,460**
BASIC EARNINGS PER SHARE	**P**	**0.1229**	**P**	**0.1270**
DILUTED EARNINGS PER SHARE	**P**	**0.1229**	**P**	**0.1270**

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

	Six Months ended June 30	
	2015	**2014**
NET INCOME	P 564,807	P 600,460
OTHER COMPREHENSIVE INCOME		
Items to be reclassified to profit and loss in subsequent periods:		
Loss on translation of financial statement of foreign subsidiaries	6,354	(51,098)
Movement of fair value of hedging instruments	2,307	(10,088)
Realized gain on sale of AFS financial asset	(108,136)	-
Reversal of unrealized gain on AFS financial asset	(17,555)	-
Unrealized gains (loss) on AFS financial assets	11,220	210,935
	(105,810)	149,749
Items not to be reclassified to profit and loss in subsequent periods:		
Remeasurement of net defined benefit gains (losses)	-	4,634
	(105,810)	154,383
TOTAL COMPREHENSIVE INCOME	**P 458,997**	**P 754,843**
Total Comprehensive Income Attributable to:		
Equity holders of the Parent Company	513,495	807,108
Non-controlling interests	(54,498)	(52,265)
	458,997	**754,843**

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

	Six Months Ended June 30	
	2015	**2014**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	817,253	826,247
Adjustments for:		
Depletion and depreciation	742,923	861,373
Interet expense	21,196	162,614
Unrealized foreign exchange (gains) losses and others	35,010	(101,250)
Amortization of Asset Retirement Obligation	39,298	-
Stock-based compensation expense	20,382	18,239
Amortization of prepaid expenses	25,200	-
Reversal of provision for writedown of assets	(26,187)	-
Gain on sale of available-for-sale financial assets	(107,088)	-
Interest income	(2,640)	(9,190)
Operating income before working capital changes	1,565,347	1,758,033
Decrease (increase) in:		
Accounts receivable	657,677	(414,765)
Inventories	(38,585)	577,500
Other current assets	(207,318)	(157,640)
Increase (Decrease) in:		
Accounts payable and accrued liabilities	(328,679)	(461,589)
Provisions and subscription payable	(106,753)	-
Cash generated from operations	1,541,689	1,301,539
Income taxes paid	(47,423)	(136,739)
Interest paid	68,853	(159,573)
Net cash from operating activities	1,563,119	1,005,227
CASHFLOWS FROM INVESTING ACTIVITIES		
Increase in deferred exploration costs and other noncurrent asse	(1,682,290)	(2,074,919)
Additions to property, plant and equipment	(857,599)	(797,601)
Proceeds from sale of AFS financial assets	297,463	-
Share buyback of Pitkin shares	(626,737)	-
Net cash used in investing activities	(2,869,164)	(2,872,520)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Availment of loans	752,675	822,381
Payments of:		
Dividends paid	(98,829)	(246,850)
Payment of loans	(1,465,660)	(55,014)
Net cash from (used in) financing activities	(811,814)	520,517
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(10,600)	(35,410)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,128,457)	(1,382,186)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	5,231,891	4,080,512
CASH AND CASH EQUIVALENTS AT END THE PERIOD	3,103,435	2,698,326

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	Equity Conversion Option	Cumulative translation adjustments	Net revaluation Surplus	Effect of transaction with Minority Interest	Sub-total	Minority Interest	Total
BALANCES AT DECEMBER 31, 2014	4,940,399	1,117,627	4,712,032	10,000,000	(64,010)	1,225,518	37,370	1,611,397	19,084	23,599,417	3,442,403	27,041,820
Net income (loss)	-	-	606,974	-	-	-	-	-	-	606,974	(42,167)	564,807
Other comprehensive income (loss):												
Items to be reclassified to profit and loss in subsequent periods:												
Unrealized gain on AFS financial assets - net of related deferred income tax	-	-	-	-	11,220	-	-	-	-	11,220	-	11,220
Realized gain on sale of AFS financial asset	-	-	-	-	(108,136)	-	-	-	-	(108,136)	-	(108,136)
Reversal of unrealized gain on AFS financial asset	-	-	-	-	(17,555)	-	-	-	-	(17,555)	-	(17,555)
Movement of fair value of hedging instruments	-	-	-	-	-	-	2,307	-	-	2,307	-	2,307
Items not to be reclassified to profit and loss in subsequent periods:												
Gain (Loss) on translation of foreign subsidiaries	-	-	-	-	-	-	18,685	-	-	18,685	(12,331)	6,354
Total comprehensive income (loss)	-	-	606,974	-	(114,471)	-	20,992	-	-	513,495	(54,498)	458,997
Increase in additional paid-in capital due to stock option plan	-	20,382	-	-	-	-	-	-	-	20,382	-	20,382
Sale of PPC shares	-	-	-	-	-	-	-	-	2,298	2,298	1,758	4,056
Remeasurment of net defined benefit gains	-	-	(1,812)		-		-	-	-	(1,812)	-	(1,812)
Share buyback transactions									(33,890)	(33,890)	(616,163)	(650,053)
Declaration of cash dividends	-	-	(98,828)	-	-	-	-	-	-	(98,828)	-	(98,828)
BALANCES AT JUNE 30, 2015 (Unaudited)	**4,940,399**	**1,138,009**	**5,218,365**	**10,000,000**	**(178,481)**	**1,225,518**	**58,362**	**1,611,397**	**(12,508)**	**24,001,061**	**2,773,500**	**26,774,561**
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 loss:												
Items to be reclassified to profit and loss in subsequent periods:												
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)
Items not to be reclassified to profit and loss in subsequent periods:												
Loss on translation of foreign subsidiaries	-	-	-	-	-	-	**(25,322)**	-	-	(25,322)	(25,776)	(51,098)
Remeasurement of net defined benefit gains	-	-	4,634	-	-	-	-	-	-	4,634	-	4,634
Total comprehensive income	-	-	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**

PHILEX MINING CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

		Six Months Ended June 30	
		2015	2014
Current Ratio	Current Assets over Current Liabilities	1.08	0.70
Debt-to-equity Ratio	Total Liabilities over Total Equity	0.64	0.54
Asset-to-equity Ratio	Total Assets over Equity	1.64	1.54
Interest Rate Coverage Ratio	EBIT over Interest Expense	75.44	6.02
Net Income Ratio	Net Income over Net Revenue	0.13	0.11

PHILEX MINING CORPORATION AND SUBSIDIARIES

SCHEDULE OF ACCOUNTS RECEIVABLE
As of June 30, 2015
(In Thousands)

Accounts Receivable- Trade	P 265,908
Others	134,919
	P 400,827

AGING OF ACCOUNTS RECEIVABLE - TRADE
As of June 30, 2015

	31-60 days	**Total**
Louis Dreyfus Commodities Metals	P 169,428	P 169,428
Others	96,480	96,480
	P 265,908	**P 265,908**

PHILEX MINING CORPORATION AND SUBSIDIARIES

SCHEDULE OF LOANS PAYABLE

As of June 30, 2015

(In thousands)

Bank of the Philippine Islands		743,985
Philippine National Bank		901,800
Banco de Oro		1,983,960
Total	**P**	**3,629,745**

PHILEX MINING CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015
(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, 2014.

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 2015. 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, 2015
- PAS 19, Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)
- Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

- PFRS 2, Share-based Payment - Definition of Vesting Condition
- PFRS 3, Business Combinations - Accounting for Contingent Consideration in a Business Combination
- PFRS 8, Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets
- PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization
- PAS 24, Related Party Disclosures - Key Management Personnel

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.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions (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.

<u>Annual Improvements to PFRSs (2010-2012 cycle)</u>

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.

  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  - A performance condition may be a market or non-market condition
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

  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 is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a 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 PAS 39, Financial Instruments: Recognition and Measurement (or PFRS 9, Financial Instruments, if early adopted). 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 are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

  The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.
  The amendment has no impact on the Group's financial position or performance.

- PAS 24, Related Party Disclosures - Key Management Personnel
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment will not have a material effect on the Group since it adopts the cost model of accounting.

<u>Annual Improvements to PFRSs (2011-2013 cycle)</u>
The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group.

The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 3, Business Combinations - Scope Exceptions for Joint Arrangements
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.

This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, Fair Value Measurement - Portfolio Exception
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

- PFRS 3, Business Combinations – Scope Exceptions for Joint Arrangements
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  • Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  • This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, Fair Value Measurement – Portfolio Exception
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable).

- PAS 40, Investment Property
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

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 end of reporting period 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 statements of financial position.

The Group has no intention of selling its investments in stocks in the near term. These are being held indefinitely and may be sold in response to liquidity requirements or changes in market condition. Accordingly, the Group has classified its investments in stocks as AFS investments. The Group has no plans to dispose its AFS investments within 12 months from the end of the reporting date.

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 end of reporting period 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 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 statements 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 statements of comprehensive income.

Impairment of AFS financial assets

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

other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted securities.

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

Measurement of NRV of mine products inventory
The NRV of mine products inventory is the estimated sales value less costs to sell, which can be derived from such inventory based on its weight and assay for metal content, and the LME and London Bullion Metal Association for 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 coal and 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 inventories, 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 and oil and gas 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 and oil and gas 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 each end of the reporting period 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 statements of financial position by adjusting the rehabilitation asset and liability. If the net rehabilitation provisions of revised mine assets for mature mines exceed the carrying value, that portion of the increase is charged directly to the consolidated statements of income. For closed sites, changes to estimated costs are recognized immediately in the consolidated statements of income.

Impairment of noncurrent non-financial assets
The Group's non-financial assets include input tax recoverable, property, plant and equipment, deferred mine and oil exploration costs and other noncurrent assets. The Group assesses whether there are indications of impairment on its current and 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 VAT disallowance rate, 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.

Convertible Bonds
The Group's convertible bonds, treated as a compound financial instrument, are separated into liability and equity components based on the terms of the contract. On issuance of the convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortized cost (net of transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

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 each end of the reporting period, 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, 2015:

Cash and cash equivalents:	
Cash with banks	₱639,356
Short-term deposits	2,461,249
Accounts receivable:	
Trade	265,908
Others	134,919
Gross maximum credit risk exposure	₱3,501,432

The table below shows the credit quality of the Group's financial assets by class as of June 30, 2015 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	₱639,356	₱–	₱–	₱639,356
Short-term deposits	2,461,249	–	–	2,461,249
Accounts receivable:				
Trade	265,908	–	–	265,908
Others	134,919	–	–	134,919
Total	₱3,501,432	₱–	₱–	₱3,501,432

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, 2015.

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, 2015:

	On Demand	Within 1 Year	More than 1 Year	Total
Loans and receivables:				
Cash and cash equivalents	₱3,103,435	₱–	₱–	₱3,103,435
Accounts receivable:				
Trade	–	265,908	–	265,908
Others	–	134,919	–	134,919
AFS financial assets:				
Quoted equity investments	529,124	–	–	529,124
Unquoted equity investments	72,711	–	–	72,711
Total undiscounted financial assets	₱3,705,270	₱400,827	₱–	₱4,106,097

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.

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
4%	(₱67,176)
(4%)	67,176

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, 2015, 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 2015 income before income tax:

Change in Market Rate of Interest	Effect on Consolidated Income before Income Tax
Decrease by 1.0%	₱109
Decrease by 0.5%	55
Increase by 1.0%	(109)
Increase by 0.5%	(55)

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, 2015, 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
Peso	Increase by 21%	111,120
	Increase by 41%	216,948
	Decrease by 21%	(111,120)
	Decrease by 41%	(216,948)

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, 2015:

Change in metal prices (Gold)	Effect on income before income tax
Increase by 12%	₱347,320
Decrease by 12%	(347,320)

Change in metal prices (Copper)	Effect on income before income tax
Increase by 13%	₱243,146
Decrease by 13%	(243,146)

Derivative Financial Instruments

In December 2014, the Company entered into gold collar hedging contracts covering 9,000 ounces of monthly production for the first quarter of 2015 which already matured as of March 31, 2015. In May 2015, the Company concluded hedging contracts covering 3,000 ounces per month starting May to September 2015 as provided in the tables below:

Period Covered	Trade / Transaction Date	Settlement Date	Volume (Ounces)	Strike Price - US$/oz.		Settlement	
				Put (Floor)	Call (Ceiling)	Price US$/oz.	Gain (Loss) In Php M
Jan 1-30	4-Dec-14	3-Feb-15	3,000	1,200	1,210	1,251	(5.4)
Feb 1-27	4-Dec-14	3-Mar-15	3,000	1,200	1,210	1,229	(2.5)
Mar 1-31	4-Dec-14	2-Apr-15	3,000	1,200	1,210	1,180	2.7
May 1-29	15-May-15	2-Jun-15	3,000	1,200	1,230	1,198	0.2
June 1-30	15-May-15	2-Jul-15	3,000	1,200	1,230	1,182	2.4
Total / Average			15,000	1,200	1,218		(2.5)

The actual gains or losses are realized and recorded during the first six months through revenue upon maturity of the hedge.

As of June 30, 2015, contracts for 9,000 ounces as presented in the table below remained outstanding with mark-to-market (MTM) gain of ₱10.1 million recorded under equity with the recognition of potential derivative assets. MTM gains or losses are reversed and actual gains or losses, if any, are realized and recorded through revenue upon maturity of the hedge.

Period Covered	Trade / Transaction Date	Settlement Date	Volume (Ounces)	Strike Price - US$/oz.		MTM Gain (Loss) - In Millions	
				Put (Floor)	Call (Ceiling)	as of June 30, 2015	
						Put	Call
July 1-31	15-May-15	2-Aug-15	3,000	1,200	1,230	$0.120	($0.020)
August 1-28	15-May-15	2-Sep-15	3,000	1,200	1,230	0.098	(0.037)
Sept 1-30	15-May-15	2-Oct-15	3,000	1,200	1,230	0.120	(0.058)
Total / Average			9,000	1,200	1,230	$0.339	($0.115)
					Net MTM Gain		$0.223
							P 10.1

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, 2015 (Unaudited)				
	Metals	Energy and Hydrocarbon	Unallocated Corporate Balances	Eliminations	Total
Revenue					
External customers	P 4,398,817	P 83,452	P -	P -	P 4,482,269
Inter-segment					
Consolidated revenue	4,398,817	83,452	-	-	4,482,269
Results					
EBITDA	P 1,377,974	(86,195)	P -	P 225,368	P 1,517,147
Interest Income (Expense) - Net	(10,106)	1,804	-	-	(8,303)
Income Tax Expense	(252,480)	35	-	-	(252,446)
Depreciation and depletion	(770,814)	(63)	-	-	(770,876)
Non-recurring items	77,606	1,679	-	-	79,285
Consolidated net income (loss)	P 422,179	P (82,740)	P -	P 225,368	P 564,807
Core net income (loss)	P 567,611	P (47,883)	P -	P -	P 519,728
Consolidated total assets	P 42,748,865	P 3,507,044	P 9,631	P (2,329,729)	P 43,935,811
Consolidated total liabilities	P 14,213,887	P 1,084,138	P 1,876	P 1,861,349	P 17,161,250
Other Segment Information					
Capital expenditures and other non-current assets	P 2,508,419	P 31,471	P -	P -	P 2,539,889

	June 30, 2014 (Unaudited)				
	Metals	Energy and Hydrocarbon	Unallocated Corporate Balances	Eliminations	Total
Revenue					
External customers	P 5,158,785	P 197,754	P -	P -	P 5,356,539
Inter-segment					
Consolidated revenue	5,158,785	197,754	-	-	5,356,539
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

5. Basic/Diluted Earnings Per Share

Basic earnings per share as of June 30, 2015 and 2014 are computed as follows:

	2015	2014
Net income attributable to equity holders of the Parent Company	₱606,974	₱626,949
Divided by weighted average number of common shares outstanding during year	4,940,399,068	4,936,996,068
Basic earnings per share	₱0.1229	₱0.1270

Diluted earnings per share as of June 30, 2015 and 2014 are computed as follows:

	2015	2014
Net income attributable to equity holders of the Parent Company	₱606,974	₱626,949
Divided by weighted average number of common shares adjusted for the effect of exercise of stock options	4,940,399,068	4,936,996,068
Diluted earnings per share	₱0.1229	₱0.1270
Weighted average number of common shares for basic earnings per share	4,940,399,068	4,936,996,068
Dilutive effect of outstanding stock options	–	–
Weighted average number of common shares adjusted for the effect of exercise of stock options	4,940,399,068	4,936,996,068

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 the end of the reporting period.