COVER SHEET

1 0 0 4 4

SEC Registration Number

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

(Company's Full Name)

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

P a s i g C i t y

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

DANNY Y. YU

(Contact Person)

(632) 631-13-81

(Company Telephone Number)

1 2 | 3 1

Month *Day*

(Calendar Year)

1 7 - Q

(Form Type)

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

For the quarterly period ended March 31, 2016

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 March 31, 2016)

Amount of Debt Outstanding – ₱9,438,768,299 (As of March 31, 2016)

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 March 31, 2016 are hereto attached.

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

Status of Operations

Padcal mine operated for 90 days in the first quarter of 2016 compared with 88 operating days in the same period last year. The mine has been under normal operations since August 27, 2014.

The Company announced a maiden inferred resource estimate of 21.7 million metric tons in its Bumolo exploration project, which increases confidence of further extending Padcal's life of mine beyond 2022. The Company will advance to the next stages of the Bumolo project to reinforce the initial results while continuing its exploration work around the vicinity of Padcal.

Review of Financial Results

The Company's consolidated operating revenues for the first quarter of 2016 amounted to ₱2.413 billion – marginally higher than the ₱2.393 billion reported in 2015 largely due to improved tonnage and recovery in gold prices.

Gold production reached 24,200 ounces compared with 25,997 ounces in 2015. Inversely, gold prices started to improve causing the Company's realized gold prices for the first quarter of 2016 to average at US$1,239 per ounce, higher than the US$1,189 per ounce gold price

realized for the same period in 2014. The improvement in realized gold prices since the start of the year was traced to the reluctance of the US Federal Reserve Bank to raise interest rates amid a soft economy and the weakness in global equities markets – making gold a safe haven for investors. The impact of the higher gold realized prices, offset by lower gold output, resulted in the slight increase of gold revenue to ₱1.427 billion – comprising 59% of the total – from ₱1.423 billion in 2014.

Similarly, copper production increased to 8,425,171 pounds in 2016 from 8,361,419 pounds in 2015. Realized copper prices for the first quarter of 2016, however, was at US$2.25 per pound from US$2.71 per pound in 2015, following the continuous drop of copper prices in the world market. With increased copper production, revenues from copper rose to ₱945.7 million in 2016 – 4% higher than the ₱912.4 million reported in 2015 – and accounted for 39% of the total, despite depressed prices.

Meanwhile, other revenues, which came mostly from sales of silver and petroleum products, made up the remaining 2% of the Company's total revenue and amounted to ₱39.9 million in 2016 compared with ₱57.0 million in 2015, due to the slowdown in Galoc's Phase II production and continued slump in world crude prices.

As a strategy to protect part of the Company's revenues from unfavorable metal price and foreign exchange fluctuations, the Company regularly assesses the need to enter into metal and foreign currency hedging contracts in the form of forwards, purchased put options and sold call options which are usually designated as cash flow hedges. The gains or losses from these transactions are 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 February 2016, the Company entered into gold collar hedging contracts covering 3,000 ounces of monthly gold production from February to July 2016 at a strike price of US$1,170 per ounce for the put options and US$1,242 per ounce for the call options. Realized loss recognized for the first quarter 2016 amounted to ₱0.6 million while the unrealized mark-to-market (MTM) loss on the outstanding gold hedges as of March 31, 2016 amounted to ₱10.4 million recorded under equity with the recognition of potential derivative liability. MTM gains or losses are reversed and actual gains or losses, if any, are realized and recorded through revenue upon maturity of the hedge.

As of March 31, 2015, there were no outstanding hedging contracts as the contracts entered into by the Company in December 2014 all matured in the first quarter 2015. These gold collar hedging contracts covered 3,000 ounces of monthly gold production for the first quarter of 2015 at a strike price of US$1,200 per ounce for the put options and US$1,210 per ounce for the call options. Total realized loss on these contracts amounted to ₱5.2 million in 2015.

Operational Overview

Total tonnes milled from the Company's Padcal mine for the first quarter of 2016 was 5% higher at 2,324,758 tonnes from 2,221,369 tonnes in 2015.

Gold production reached 24,200 ounces covering three full months of operation in 2016 from 25,997 ounces for the same period in 2015. This was due to the lower ore grade and recovery rate. Gold head grade averaged at 0.405 grams per tonne in the first quarter of 2016 against

previous year's 0.435 grams per tonne. This decline in ore grade was expected following the current mining plan and natural depletion of the main ore body.

Copper production was higher at 8,425,171 pounds in 2016 compared with 8,361,419 pounds in 2015 due to the increase in tonnage, despite lower recovery rate and constant ore grade of 0.204% for 2016 and 2015.

Operating Costs and Expenses

The Company's consolidated operating costs and expenses (including General and Administrative Expenses) amounted to ₱1.674 billion in the first quarter in 2016 – 11% lower than ₱1.887 billion in 2015 due mainly to the continuous efforts of the Company to reduce costs. Following the increase in copper output, smelting charges showed a 6% increase at ₱210.7 million in 2016 compared with ₱199.5 million the previous year. Copper concentrates produced in 2016 was equivalent to 17,804 dry metric tons (DMT) against 17,148 DMT in 2015.

As a result of the cost reduction measures being implemented by the Company, all cost components also decreased, with Mining and Milling Costs (including Depletion and Depreciation) contained at ₱1.424 billion, 8% lower than ₱1.543 billion in 2015; Excise Taxes and Royalties also decreased by 7% to ₱106.0 million from ₱113.7 million; and Handling, Hauling and Storage reduced by 22% to ₱14.5 million from ₱18.7 million.

General and Administrative Expenses also significantly declined by 41% to ₱110.4 million from ₱188.5 million in 2015 due to the decrease in the overhead expenses at Philex head office as well as overhead expenses at Silangan and Philex Petroleum, which were attributed to the organizational restructuring and manpower rightsizing programs being implemented across all operating companies.

Costs Per Tonne / Per Ounce / Per Pound

Production and operating costs per tonne were lower in 2016 at ₱619 per tonne and ₱755 per tonne, respectively, against ₱703 per tonne and ₱844 per tonne in 2015. The lower production cost per tonne was attributed to the lower costs for power, materials and supplies as well as decrease in non-cash production costs related to the extension of Padcal mine life, thus resulting in an extended depletion/depreciation schedule.

On a quarter-to-quarter comparison, operating costs per tonne has consistently fallen by an average of 3% quarterly for the past five quarters, from ₱844 per tonne in the first quarter of 2015 to ₱755 per tonne in the first quarter of 2016. This came from an average of ₱859 per tonne in 2014.

Operating cost (using a co-production method) per ounce of gold and per pound of copper were US$947 per ounce and US$1.72 per pound in 2016, respectively. The operating cost per ounce of gold was slightly higher than the 2015 costs by 1% from US$937 per ounce as a result of lower gold production, while the operating cost per pound copper was significantly lower by 21% from US$2.18 per pound in 2015 due to the modest increase in copper output.

Other Income (Charges)

A Net Other Income of ₱83.7 million was recorded in the first quarter of 2016, which consisted mainly of Foreign Exchange Gain of ₱50.2 million resulting from impact of the Philippine Peso appreciation against the US Dollar on the revaluation of the Company's net foreign currency-denominated liabilities. The foreign exchange rates at closing dates of March 31, 2016 were ₱46.07 as against ₱47.06 as of December 31, 2015. For the same period in 2015, a Net Other Income of ₱109.9 million was also recorded, comprising of Gain on Sale of AFS Financial Assets (Indophil shares) of ₱107.1 million and Foreign Exchange Gain of ₱13.3 million (from revaluation of the Company's net foreign currency-denominated liabilities based on a foreign exchange rate of ₱44.70 against ₱44.72 as of December 31, 2014), but partially offset by the Interest Expense of ₱18.7 million from the short-term bank loans.

Interest income from short-term money placements amounted to ₱1.8 million compared with ₱3.3 million earned in 2015, at an average interest rate ranging from 1.0% to 2.0%, due basically to the lower cash balance.

Core and Reported Net Income

The Company's core net income increased 82% to ₱388.9 million in 2016 compared with ₱214.5 million in 2015 as a result largely of lower operating costs and expenses. Meanwhile, EBITDA amounted to ₱878.7 million in the first quarter 2016 compared with ₱718.1 million in 2015. The Company's core net income and EBITDA excludes non-recurring transactions to clearly reflect and provide results based on the normal operating parameters of the business.

Net Income Attributable to the Equity Holders of the Company and Reported Net Income in the first quarter of 2016, respectively, of ₱426.4 million and ₱420.4 million, were higher than the ₱328.5 million and ₱305.3 million reported in 2015. This was largely attributed to the lower operating costs and expenses, but was partially offset by lower net other income of ₱83.7 million from ₱109.9 million in 2015.

FINANCIAL CONDITION REVIEW

As of March 31, 2016, the Company's Current Assets stood at ₱5.269 billion against ₱5.271 billion in 2015, mainly due to lower Cash and Cash Equivalents to ₱879.3 million from ₱1.009 billion in 2015 and reduction in Accounts Receivable to ₱712.0 million from ₱897.5 million that were offset by the increase in Inventories to ₱2.190 billion from ₱1.887 billion in 2015.

Accounts Receivables consisted of Trade Receivables from sales of the Company's copper concentrates or bullion, Accrued Interest Receivables and Other Receivables. As of March 31, 2016, Accounts Receivable amounted to ₱712.0 million against ₱897.5 million in 2015. This year's outstanding receivables from shipments amounted to ₱385.6 million compared with the previous year's ₱621.0 million.

A total of three (3) copper concentrates shipments were made in the first quarter of 2016 compared with four (4) shipments for the same period in 2015. The Padcal mine's copper concentrates shipments were provisionally valued based on prices in the second calendar week immediately prior to the week of shipment. These were then adjusted to the applicable final prices based on their "quotational period (QP)", which under Pan Pacific Corporation for the

contract years 2016 and 2015 were the calendar months following the month of the shipment's arrival in Japan for gold and silver, and the third calendar month following the month of arrival for copper. The contracts with Louis Dreyfus Commodities Metals Suisse SA have the same QP terms for the same period as that with Pan Pacific.

The value of Inventories consisted of materials and supplies (59% of the total inventories) and mine products inventory (remaining 41% of total inventories). Materials and supplies inventory amounted to ₱1.293 billion in 2016 compared with ₱1.343 billion in 2015. Mine products inventory in 2016 was valued at ₱897.2 million corresponding to the 7,897 DMT of copper concentrates against ₱543.2 million representing inventory of 5,136 DMT as of December 31, 2015.

Other Current Assets increased to ₱1.487 billion in 2016 from ₱1.479 billion the previous year, attributed mainly to the rise in input value-added tax claims on importation of materials, supplies and equipment pending with the Department of Finance. Pending SEC approval, the Company continues to consolidate Philex Petroleum Corporation numbers in the first quarter of 2016.

As of March 31, 2016, Non-Current Assets of the Company, consisting mainly of property, plant and equipment and deferred exploration costs, which comprised 15% and 68% of total assets, respectively, increased to ₱38.573 billion from ₱38.278 billion in 2015.

Deferred Exploration Costs and Other Non-current Assets combined for ₱29.808 billion and grew from ₱29.439 billion in 2015 on account of the on-going exploration activities in the Silangan and Kalayaan projects as well as in the oil exploration projects of Philex Petroleum. Of this, ₱20.183 billion was attributed to Silangan and another ₱2.710 billion to Kalayaan. FEP and Pitkin projects accounted for ₱3.455 billion and ₱1.477 billion, respectively.

With the capital intensive nature of operations, the Company continues to invest in new facilities and equipment to replace worn out materials and supplies, which amounted to ₱302.9 million for the first quarter of 2016. The balance of the Property, Plant and Equipment increased due to expenditures on new facilities and equipment but was reduced by the corresponding depreciation, depletion and amortization, resulting in the balance of ₱6.760 billion from ₱6.828 billion in 2015.

Following the sale of Indophil shares and reclassification of investment in Lepanto to Investment in an Associate in 2015, available-for-sale (AFS) financial assets, recorded at fair value, remained at previous year's level of ₱106.7 million, together with Goodwill at ₱1.239 billion.

The Company's Total Assets as of March 31, 2016 amounted to ₱43.842 billion compared with ₱43.549 billion in 2015.

As of March 31, 2016, the Company's Total Current Liabilities amounted to ₱5.467 billion, 4% lower than ₱5.715 billion in 2015, as a result mainly of the partial repayment of local bank loans in the first quarter 2016.

Short-term loans decreased to ₱3.110 billion (US$67.5 million) in 2016 from ₱3.318 billion (US$70.5 million) in 2015 following the repayment of loans with local banks of US$3 million or ₱143.1 million 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 ₱1.325 billion in 2016 from ₱1.448 billion in 2015. 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 ₱107.0 million in 2016, representing the tax payable for the first quarter of 2016 income due by the end of May 2016. The additional tax payable of ₱13.0 million for the 2015 income was already settled in March 2016.

Dividends Payable stood to ₱479.4 million in 2016 compared with ₱479.7 million in 2015. 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. No cash dividend was declared from the Company's 2015 core net income. In February 2016, however, a property dividend was declared, subject to approval by the Securities and Exchange Commission (SEC), which approval remained pending as of this date.

Provisions and Subscriptions Payables were slightly lower at ₱436.0 million from ₱456.0 million in 2015 with the subscriptions payable balance remaining at the same level of ₱22.0 million for 2016 and 2015.

Total Non-Current Liabilities as of March 31, 2016 stood at ₱10.697 billion, represented largely by Bonds Payable at 59% of the total, from ₱10.550 billion in 2015.

Deferred Income Tax Liabilities (DTL) increased to ₱4.017 billion in 2016 from ₱3.939 billion in 2015 and was comprised mainly of the following: ₱1.665 billion arising from the acquisition of 50% of Silangan from Anglo in 2009; ₱1.347 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 ₱6.329 billion from ₱6.259 billion in 2015 and represented the carrying amount of the convertible notes (CN) issued by SMECI, net of the ₱1.226 billion portion of representing the equity conversion option of the CN which was recorded under Equity. Changes in the Bonds Payable in the first quarter of 2016 were related to the amortization of the discount and transaction costs.

Meanwhile, Provision for Losses and Mine Rehabilitation Costs amounted to ₱328.6 million in 2016 from the ₱330.0 million in 2015. 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 Mine Rehabilitation Costs amounted to ₱137.0 million based on an approved Final Mine Rehabilitation and Development Plan (FMRDP) discounted at 2.8% per year up to the end of mine life.

Other than the repayment of bank loans and payments of trade payables, there was no significant change in the amount of the Company's Total Liabilities as of March 31, 2016 from end-2015, which stood at ₱16.164 billion and ₱16.265 billion, respectively.

Shareholders' Equity

The Company's Total Equity as of March 31, 2016 amounted to ₱27.678 billion, an improvement from the ₱27.284 billion recorded in 2015, with the recording of the net income of

₱420.4 million for the period. The increases in the Additional Paid-in Capital from 2015 to 2016 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 ₱426.4 million, which boosted the growth in Retained Earnings to ₱15.923 billion from ₱15.496 billion in 2015. No cash dividend was declared in the first quarter of 2016 other than the property dividend that is still pending with the SEC for approval. Of the Company's Retained Earnings, ₱10 billion was approved by the Company's Board of Directors in 2013 for appropriation for the Company's share in the Silangan mine development and construction from 2016 to 2018.

As a result of the translation adjustments of foreign subsidiaries in 2016, Cumulative Translation Adjustments amounted to ₱97.2 million from ₱124.3 million in 2015.

The amount of Net Revaluation Surplus remained at ₱1.611 billion for 2016 and 2015. The Non-controlling Interests account slightly decreased to ₱2.715 billion in 2016 from ₱2.721 billion in 2015 due to losses incurred by the Company's 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 ₱667.8 million in the first quarter 2016, compared with ₱460.4 million for the same period in 2015. 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.

Net cash used in investing activities, principally for capital expenditures and exploration costs, slowed down to ₱627.0 million from ₱955.9 million, net of the proceeds from the sale of Indophil shares, in 2015. Capital expenditures also slowed down to ₱302.9 million in 2016, which consisted of sustaining capital expenditures for Padcal and the Silangan Project amounting to ₱288.70 million and ₱14.2 million, respectively, from ₱317.6 million in 2015. No capital expenditures for oil and gas projects were incurred in 2016 and 2015.

Expenditures for the continuing exploration activities at the Silangan, Kalayaan, and other projects amounted to ₱324.1 million in 2016, a huge drop from the ₱935.8 million in 2015 following the slowdown at Silangan Project, as major exploration activities were completed and focus shifted to the completion of the definitive feasibility study.

Net cash used in financing activities amounted to ₱143.1 million in 2016, due to the repayment of local bank loans, versus ₱625.8 million in 2015, on account of loan repayments of ₱527.0 million and dividend payment of ₱98.8 million in 2015.

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 quarter of 2016, capital expenditures and explorations costs amounted to ₱627.0 million from ₱1.253 billion in 2015.

The Silangan and Kalayaan projects accounted for 49% of capital outlays in 2016 amounting to ₱308.8 million – mostly on project management and support – which was lower than ₱918.0 million in 2015 – consisting of deferred exploration costs of ₱910.3 million and investments in new machinery and equipment of only ₱7.7 million.

Padcal operations accounted for the second largest chunk of capital investments in 2015 at ₱288.7 million or 46% of the total. This was a slight decrease from ₱310.2 million in 2015.

Investments in exploration projects focused within the vicinity of Padcal amounted to P29.6 million from ₱25.5 million in 2015.

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 quarter of 2016, the Company recorded two for Lost Time Accident-Fatal (LTA-F) and five for Lost Time Accident-Non Fatal (LTA-NF), compared with zero for both in 2015.

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 2016 and 2015 were ₱0.0863 and ₱0.0665, respectively, based on 4,940,399,068 weighted average shares outstanding for the period. In 2015, the basic

earnings per share were ₱0.0665 based on the 4,940,399,068 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 2016 and 2015, 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 2016 and 2015 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 2,324,758 tonnes in 2016, 5% higher compared with 2,221,369 tonnes in 2015.

Copper output was marginally up by 1% at 8,425,171 pounds against 2015's 8,361,419 pounds due to the increased tonnage. Gold production, however, reached 24,200 ounces, compared with 25,997 ounces in 2015, as a result of the natural depletion of high grade ore.

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 2016, the total production cost (mine site cost and expenses excluding marketing charges, excise tax and royalties) per tonne of ore milled was ₱619, with total production cost of ₱1,438 billion over ore milled of 2,324,758 tonnes. This was 12% lower than the cost per tonne of ₱703 from the total production cost of ₱1.561 billion over ore milled of 2,221,369 tonnes in 2015.

The operating costs and expenses (all cost and expenses excluding corporate overhead) per tonne of ore milled in 2016 was ₱755 from the total operating cost and expenses of ₱1.755 billion, 11% lower than the ₱844 from the operating costs and expenses of ₱1.874 billion in 2014. The total operating costs for 2016 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 2016, the operating cost applicable to gold produced amounted to US$947 per ounce compared with US$937 per ounce in 2015, while operating cost applicable to copper produced amounted to US$1.72 per pound in 2016 compared with US$2.18 per pound in 2015.

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 quarter of 2016, the amount spent on exploration related to mining properties amounted to ₱324.2 million compared with ₱931.0 million in 2015, while exploration costs related to oil and gas properties was nil against ₱4.8 million in 2015. As of March 31, 2016, total deferred exploration costs, including costs related to oil and gas exploration, amounted to ₱29.808 billion, comprising 68% of the Company's Total Assets, compared with ₱29.439 billion at year-end 2015.

Subsidiaries and Related Party Transactions

The Company's significant related party transactions as of March 31, 2016 and December 31, 2015, 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 SMMCI and SMECI, provides the funds to SMMCI, through SMECI since 2011 and directly thereafter, for the Silangan project's expenditures since the Company's acquisition of Anglo American's interest in the Silangan Project in 2009. These advances, which were intended to be converted into equity, amounted to ₱6.174 billion and ₱7.556 billion as of December 31, 2014 and December 31, 2013, respectively. On February 10, 2015, the Company infused all outstanding advances amounting to ₱7.208 billion as equity resulting to nil advances as of December 31, 2015 and March 31, 2016.

b) Advances from PMC to PGPI

PMC advanced PGPI's working capital and capital expenditure requirements, which as of December 31, 2014 and 2013, amounted to ₱1.349 billion and ₱1.292 billion, respectively. Until late 2015, a portion of these advances were secured by collateral participation certificates covering certain mining assets of PGPI's Bulawan mine, which is currently under care and maintenance. On October 30, 2015, PMC acquired 100% direct ownership interest in PGPI from PGHI, which is awaiting the Certificate Authorizing Registration (CAR) from BIR as of date of this report. Accordingly, PMC reclassified all its advances in PGPI as Deposit for Future Stock Subscription.

c) Advances from PMC to PPC

PMC made cash advances to Philex Petroleum Corporation (PPC) for its additional working capital requirements, and for the acquisition of equity in FEP, PERC and Pitkin. In August 2015, PPC pledged certain assets to PMC to secure the outstanding advances. As of December 31, 2015 and March 31, 2016, advances from PMC amounted to ₱2.194 billion.

d) *Advances of PMC to PGHI*

PMC provided advances to PGHI, a 100%-owned subsidiary, which amounted to ₱1.884 billion and ₱1.902 billion as of end-2014 and end-2013, respectively. In 2015, PMC reclassified advances amounting to P1.884 billion as equity in view of the accumulated deficit of PGHI.

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

PMC advanced LMC's working capital and exploration requirements, which as of December 31, 2015 and March 31, 2016 amounted to nil. The advance is intended to be converted into equity.

f) Advances from PMC to BEMC

PMC provided cash advances to BEMC to fund the exploration and development activities of its coal company in Zamboanga, Sibugay. These advances are payable on demand through cash. The advances amounting to ₱737.8 million (net of repayments) proved uncollectible, thus written off, in 2014. As of December 31, 2013, total advances amounted to ₱799.7 million. With the declaration of cessation of BEMC's underground mining operations of its coal mine in Zamboanga, Sibugay on September 1, 2013, PMC recognized an allowance for impairment of advances to BEMC amounting to ₱799.7 million in 2013.

g) Agreements with Anglo

PMC was reimbursed by Anglo American for expenses incurred by PMC on behalf of Northern Luzon Exploration & Mining Co. Inc. ("NLEMCI") except in the first quarter of 2016 and 2015 when no reimbursement was received. In 2014 and 2013, PMC received reimbursement of ₱235 thousand and ₱1.2 million, respectively. As of December 31, 2015, and March 31, 2016, the Company's receivables from these transactions amounted to ₱2.4 million, and ₱2.7 million, respectively.

The terms of the agreement entered into by PMC with Anglo for the possible transfer of Minphil Exploration Company, Inc. ("Minphil"), the parent company of NLEMCI, to PMC were not delivered during the agreed upon period, thus terminating the agreement in late 2013.

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

In December 2014, SMECI and PMC, as the co-issuer, issued 8-year convertible bonds with a face value of ₱7.2 billion at 1.5% coupon rate p.a. payable semi-annually. The

bonds are convertible into 400,000 common shares of SMECI at ₱18,000 per share one year after the issue date. The carrying value of loans payable amounted to ₱6.259 billion and ₱6.329 billion as of December 31, 2015 and as of March 31, 2016, respectively.

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: May 2, 2016

PHILEX MINING CORPORATION
AND SUBSIDIARIES

UNAUDITED
CONSOLIDATED
FINANCIAL STATEMENTS
March 31, 2016

Pasig City, Philippines

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

		March 31 2016 (Unaudited)		December 31 2015 (Audited)
Current Assets				
Cash and cash equivalents		879,343		1,008,686
Accounts receivable		711,958		897,479
Inventories		2,190,425		1,886,544
Other current assets		1,487,469		1,478,748
Total Current Assets		5,269,195		5,271,457
Noncurrent Assets				
Property, plant and equipment		6,760,416		6,828,052
Available-for-sale (AFS) financial assets		106,687		106,687
Investment in an associate		653,408		659,408
Goodwill		1,238,583		1,238,583
Deferred income tax assets - net		5,992		5,992
Deferred exploration costs and other noncurrent assets		29,808,011		29,438,845
Total Noncurrent Assets		**38,573,097**		**38,277,567**
TOTAL ASSETS	**P**	**43,842,292**	**P**	**43,549,024**
LIABILITIES AND EQUITY				
Current Liabilities				
Loans payable		3,109,545		3,317,730
Accounts payable and accrued liabilities		1,324,713		1,448,445
Income tax payable		107,002		13,014
Dividends payable		479,385		479,652
Provisions and subscriptions payable		436,019		456,043
Derivative liability		10,438		-
Total Current Liabilities		5,467,102		5,714,884
Noncurrent Liabilities				
Bonds payable		6,329,223		6,259,063
Deferred income tax liabilities - net		4,017,438		3,939,160
Pension obligation		21,968		21,968
Provision for losses and mine rehabilitation costs		328,582		330,047
Total Noncurrent Liabilities		10,697,211		10,550,238
Total Liabilities		16,164,313		16,265,122
Equity Attributable to Equity Holders of the Parent Company				
Capital Stock - P1 par value		4,940,399		4,940,399
Additional paid-in capital		1,143,448		1,142,722
Retained Earnings				
Unappropriated		5,922,706		5,496,271
Appropriated		10,000,000		10,000,000
Net unrealized loss on AFS financial assets		(1,022)		(1,022)
Equity conversion option		1,225,518		1,225,518
Cumulative translation adjustments		97,240		124,334
Net revaluation surplus		1,611,397		1,611,397
Effect of transactions with non-controlling interests		23,164		23,164
		24,962,850		24,562,783
Non-controlling Interests		2,715,129		2,721,119
Total Equity		**27,677,979**		**27,283,902**
TOTAL LIABILITIES & EQUITY	**P**	**43,842,292**	**P**	**43,549,024**

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

	Three Months ended March 31			
		2016		**2015**
REVENUE				
Gold	P	1,427,229	P	1,423,215
Copper		945,738		912,408
Silver		16,773		19,374
		2,389,740		2,354,997
Less: Smelting charges		210,715		199,511
		2,179,025		2,155,486
Petroleum		23,125		37,616
		2,202,150		**2,193,102**
COSTS AND EXPENSES				
Mining and milling costs (including depletion and depreciation)		1,423,798		1,542,387
General and administrative expenses		110,446		188,542
Excise taxes and royalties		105,988		113,723
Petroleum production costs		19,007		23,795
Handling, hauling and storage		14,496		18,671
		1,673,735		**1,887,118**
OTHER INCOME (CHARGES)				
Foreign exchange gain - net		50,184		13,296
Interest income		1,756		3,305
Gain on disposal of AFS financial assets		-		107,088
Interest expense		-		(18,691)
Others - net		31,793		4,919
		83,733		**109,917**
INCOME BEFORE INCOME TAX		**612,148**		**415,901**
PROVISION FOR INCOME TAX		(191,703)		(110,583)
NET INCOME	**P**	**420,445**	**P**	**305,318**
Net income attributable to:				
Equity holders of the Parent Company		426,435		328,542
Non-controlling interests		(5,990)		(23,224)
	P	**420,445**	**P**	**305,318**
BASIC EARNINGS PER SHARE	**P**	**0.0863**	**P**	**0.0665**
DILUTED EARNINGS PER SHARE	**P**	**0.0863**	**P**	**0.0665**

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

	Three Months ended March 31	
	2016	**2015**
NET INCOME	P 420,445	P 305,318
OTHER COMPREHENSIVE INCOME		
Items to be reclassified to profit and loss in subsequent periods:		
Loss on movement in fair value of hedging instruments	(10,438)	(37,476)
Unrealized loss on AFS financial assets	-	(108,508)
Gain (Loss) on translation of financial statement of foreign subsidiaries	(16,656)	31,882
	(27,094)	(114,102)
TOTAL COMPREHENSIVE INCOME	**P 393,351**	**P 191,216**
Total Comprehensive Income Attributable to:		
Equity holders of the Parent Company	399,341	215,715
Non-controlling interests	(5,990)	(24,499)
	393,351	**191,216**

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

	Three Months ended March 31	
	2016	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	612,148	415,902
Adjustments for:		
Depletion and depreciation	318,502	407,172
Interest expense	-	23,818
Unrealized foreign exchange (gain) losses and others	5,105	(3,610)
Accretion of Asset Retirement Obligation	877	5,672
Stock-based compensation expense	727	3,408
Amortization of prepaid expenses	8,650	12,600
Share in net loss of an associate	6,000	-
Gain on disposal of AFS financial assets	-	(107,088)
Reversal of provision for writedown of assets	-	(26,187)
Interest income	(1,756)	(3,305)
Operating income before working capital changes	950,252	728,382
Decrease (increase) in:		
Accounts receivable	187,277	(33,570)
Inventories	(303,881)	261,091
Other current assets	(8,724)	(70,286)
Increase (Decrease) in:		
Accounts payable and accrued liabilities	(30,857)	(415,040)
Provisions and subscription payable	(113,425)	2,015
Cash generated from operations	680,642	472,592
Income taxes paid	(12,793)	-
Interest paid	(0)	(12,203)
Net cash from operating activities	667,849	460,389
CASHFLOWS FROM INVESTING ACTIVITIES		
Increase in deferred exploration costs and other noncurrent assets	(324,087)	(935,774)
Additions to property, plant and equipment	(302,883)	(317,620)
Proceeds from sale of AFS financial assets	-	297,463
Net cash used in investing activities	(626,970)	(955,932)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Dividends paid	(0)	(98,829)
Short-term bank loans	(143,130)	(526,960)
Net cash from (used in) financing activities	(143,130)	(625,789)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(27,094)	(5,595)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(129,344)	(1,126,926)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	1,008,686	5,231,891
CASH AND CASH EQUIVALENTS AT END THE PERIOD	879,343	4,104,965

PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
(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, 2015	4,940,399	1,142,722	5,496,271	10,000,000	(1,022)	1,225,518	124,334	1,611,397	23,164	24,562,783	2,721,119	27,283,902
										-	-	-
Net income (loss)	-	-	426,435	-	-	-	-	-	-	426,435	(5,990)	420,445
Other comprehensive income (loss):												
Items to be reclassified to profit and loss in subsequent periods:												
Loss on movement in fair value of hedging instrume	-	-	-	-	-	-	(10,438)	-	-	(10,438)	-	(10,438)
Loss on translation of foreign subsidiaries	-	-	-	-	-	-	(16,656)	-	-	(16,656)	-	(16,656)
Total comprehensive income (loss)	-	-	426,435	-	-	-	(27,094)	-	-	399,341	(5,990)	393,351
Increase in additional paid-in capital due to stock option plan	-	726	-	-	-	-	-	-	-	726	-	726
BALANCES AT MARCH 31, 2016 (Unaudited)	**4,940,399**	**1,143,448**	**5,922,706**	**10,000,000**	**(1,022)**	**1,225,518**	**97,240**	**1,611,397**	**23,164**	**24,962,850**	**2,715,129**	**27,677,979**
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)			328,542							328,542	(23,224)	305,318
Other comprehensive income (loss):												
Items to be reclassified to profit and loss in subsequent periods:												
Unrealized loss on AFS financial assets - net of related deferred income tax	-	-	-	-	(108,508)	-	-	-	-	(108,508)	-	(108,508)
Loss on movement of fair value of hedging instrume	-	-	-	-	-	-	(37,476)	-	-	(37,476)	-	(37,476)
Gain on translation of foreign subsidiaries	-	-	-	-	-	-	30,858	-	2,299	33,157	(1,275)	31,882
Total comprehensive income (loss)	-	-	328,542	-	(108,508)	-	(6,618)	-	2,299	215,715	(24,499)	191,216
Increase in additional paid-in capital due to stock option plan		3,408	-	-	-	-	-	-	-	3,408	-	3,408
Declaration of cash dividends	-	-	(98,828)	-	-	-	-	-	-	(98,828)	-	(98,828)
BALANCES AT MARCH 31, 2015 (Unaudited)	**4,940,399**	**1,121,035**	**4,941,746**	**10,000,000**	**(172,518)**	**1,225,518**	**30,752**	**1,611,397**	**21,383**	**23,719,712**	**3,417,904**	**27,137,616**

PHILEX MINING CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

		Three Months Ended March 31	
		2016	2015
Current Ratio	Current Assets over Current Liabilities	0.96	1.26
Debt-to-equity Ratio	Total Liabilities over Total Equity	0.58	0.63
Asset-to-equity Ratio	Total Assets over Equity	1.58	1.63
Interest Rate Coverage Ratio	EBIT over Interest Expense	-	23.07
Net Income Ratio	Net Income over Net Revenue	0.19	0.14

PHILEX MINING CORPORATION AND SUBSIDIARIES

SCHEDULE OF ACCOUNTS RECEIVABLE
As of March 31, 2016
(In Thousands)

Accounts Receivable- Trade	P 385,618
Others	326,340
	P 711,958

AGING OF ACCOUNTS RECEIVABLE - TRADE
As of March 31, 2016

	31-60 days	**Total**
Pan Pacific Copper Co. Ltd.	P 224,389	P 224,389
Louis Dreyfus Commodities Metals	P 161,229	P 161,229
	P 385,618	**P 385,618**

PHILEX MINING CORPORATION AND SUBSIDIARIES

SCHEDULE OF LOANS PAYABLE

As of March 31, 2016

(In thousands)

Banco de Oro		1,750,660
Philippine National Bank		1,289,960
Bank of the Philippine Islands		68,925
Total	**P**	**3,109,545**

PHILEX MINING CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016
(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, 2015.

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 2016. 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, 2016

- PFRS 10, Consolidated Financial Statements, and PAS 28, Investments in Associates and joint Ventures - Investment entities: Applying the Consolidation Exception (Amendments)

- PAS 27, Separate Financial Statement - Equity Method in Separate Financial Statements (Amendments)
- PFRS 11, Joint Arrangements - Accounting for Acquisitions of Interests (Amendments)
- PAS 1, Presentation of Financial Statements - Disclosure Initiative (Amendments)
- PAS 14, Regulatory Deferral Accounts
- PAS 16, Property, Plant and Equipment, and PAS 41, Agriculture - Bearer Plants
- PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments
- Annual Improvements to PFRSs (2012 - 2014 cycle)
    - PFRS 5, Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal
    - PFRS 7, Financial Instruments: Disclosures - Servicing Contracts
    - PFRS 7, Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements
    - PAS 19, Employee benefits - Regional market issue regarding discount rate
    - PAS 34, Interim Financial Reporting - Disclosure information elsewhere in the interim financial report

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's functional currency is Cdn dollar. PGI, PPP and FEP's functional currencies are US dollar.

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.

<u>Accounting Estimates and Assumptions</u>
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 the risk where the Group could incur a loss if its counterparties fail to discharge their contractual obligations. To avoid such losses, the Group's primary credit risk management strategy is to trade only with recognized, creditworthy third parties. At present, 60% of the Parent Company's annual production of concentrates is committed to Pan Pacific Copper Co., Ltd. of which the Parent Company has a long-term sales agreement. This agreement is effective until the end of the Padcal Mine life currently declared at year 2022. The balance of the Parent Company's annual production of concentrates is contracted with LDMetals which is covered until March 2018.

Credit risk may also arise from the Group's other financial assets, 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.

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 March 31, 2016:

Cash and cash equivalents:	
Cash with banks	₱544,128
Short-term deposits	333,751
Accounts receivable:	
Trade	385,618
Others	326,340
Gross maximum credit risk exposure	₱1,589,837

The table below shows the credit quality of the Group's financial assets by class as of March 31, 2016 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	₱544,128	₱–	₱–	₱544,128
Short-term deposits	333,751	–	–	333,751
Accounts receivable:				
Trade	385,618	–	–	385,618
Others	326,340	–	–	326,340
Total	₱1,589,837	₱–	₱–	₱1,589,837

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 March 31, 2016.

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 March 31, 2016:

	On Demand	Within 1 Year	More than 1 Year	Total
Loans and receivables:				
Cash and cash equivalents	₱879,343	₱–	₱–	₱879,343
Accounts receivable:				
Trade	–	385,618	–	385,618
Others	–	326,340	–	326,340
AFS financial assets:				
Quoted equity investments	33,975	–	–	33,975
Unquoted equity investments	72,711	–	–	72,711
Total undiscounted financial assets	₱986,029	₱711,958	₱–	₱1,697,987

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%	(₱80,456)
(4%)	80,456

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 March 31, 2016, 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.

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 March 31, 2016, 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%	7,138
	Increase by 41%	13,937
	Decrease by 21%	(7,138)
	Decrease by 41%	(13,937)

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 March 31, 2016:

Change in metal prices (Gold)	Effect on income before income tax
Increase by 12%	₱171,267
Decrease by 12%	(171,267)

Change in metal prices (Copper)	Effect on income before income tax
Increase by 21%	₱198,605
Decrease by 21%	(198,605)

Derivative Financial Instruments

In February 2016, the Company entered into gold collar hedging contracts covering 3,000 ounces of monthly production starting March to July 2016 at an average strike

price of US$1,170 per ounce for the put options and US$1,242 per ounce for the call options.

A loss of P601 thousand was recognized on contract that matured in March 2016 covering 3,000 ounces:

Period Covered	Trade / Transaction Date	Settlement Date	Volume (Ounces)	Strike Price - US$/oz. Put (Floor)	Strike Price - US$/oz. Call (Ceiling)	Settlement Price US$/oz.	Settlement Gain (Loss) in Php M
Mar 1-31, 2016	11-Feb-16	4-Apr-16	3,000	1,170	1,242	1,246	(0.60)

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

As of March 31, 2016, the outstanding hedging contracts are shown in the following table.

Period Covered	Trade / Transaction Date	Settlement Date	Volume (Ounces)	Strike Price - US$/oz. Put (Floor)	Strike Price - US$/oz. Call (Ceiling)	MTM Gains (Losses) - US$ as of March 31, 2016 Put	MTM Gains (Losses) - US$ as of March 31, 2016 Call
April 1-29, 2016	11-Feb-16	4-May-16	3,000	1,170	1,242	2,302	(32,629)
May 1-31, 2016	11-Feb-16	2-Jun-16	3,000	1,170	1,242	19,119	(84,738)
June 1-30, 2016	11-Feb-16	5-Jul-16	3,000	1,170	1,242	36,113	(98,129)
July 1-29, 2016	11-Feb-16	2-Aug-16	3,000	1,170	1,242	53,670	(122,275)
Total / Average			**12,000**	**1,170**	**1,242**	**111,203**	**(337,771)**
					Net MTM Losses		**$ (226,568)**
							P (10.4)

Mark-to-market (MTM) losses on outstanding gold hedges amounted to P10.4 million recorded under equity with the recognition of potential derivative liability. MTM gains or losses are reversed and actual gains or losses, if any, are realized and recorded through revenue upon maturity of the hedge.

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.

March 31, 2016
(Unaudited)

		Metals		Energy and Hydrocarbon		Unallocated Corporate Balances		Eliminations		Total
Revenue										
External customers	P	2,179,024	P	23,126	P	-	P	-	P	2,202,150
Inter-segment		-		-		-		-		-
Consolidated revenue		2,179,024		23,126		-		-		2,202,150
Results										
EBITDA	P	779,341		(9,361)	P	-	P	108,729	P	878,709
Interest Income (Expense) - Net		495		1,261		-		-		1,756
Income Tax Expense		(191,703)		-		-		-		(191,703)
Depreciation and depletion		(318,502)		-		-		-		(318,502)
Non-recurring items		57,045		(6,861)		-		-		50,184
Consolidated net income (loss)	P	326,677	P	(14,960)	P	-	P	108,729	P	420,445
Core net income (loss)	P	395,475	P	(6,577)	P	-	P	-	P	388,898
Consolidated total assets	P	44,824,140	P	4,365,774	P	9,359	P	(5,356,980)	P	43,842,293
Consolidated total liabilities	P	14,814,152	P	1,348,955	P	1,207	P	-	P	16,164,314
Other Segment Information										
Capital expenditures and other non-current assets	P	611,468	P	15,502	P	-	P	-	P	626,970

	March 31, 2015 (Unaudited)				
	Metals	Energy and Hydrocarbon	Unallocated Corporate Balances	Eliminations	Total
Revenue					
External customers	P 2,155,486	P 37,616	P -	P -	P 2,193,102
Inter-segment					
Consolidated revenue	2,155,486	37,616	-	-	2,193,102
Results					
EBITDA	P 652,641	(45,474)	P -	P 110,908	P 718,075
Interest Income (Expense) - Net	(18,284)	2,897	-	-	(15,386)
Income Tax Expense	(110,583)	-	-	-	(110,583)
Depreciation and depletion	(390,620)	(16,551)	-	-	(407,172)
Non-recurring items	110,856	9,528	-	-	120,384
Consolidated net income (loss)	P 244,010	P (49,600)	P -	P 110,908	P 305,318
Core net income (loss)	P 241,786	P (27,306)	P -	P -	P 214,479
Consolidated total assets	P 42,338,316	P 4,943,367	P 9,631	P (3,030,160)	P 44,261,154
Consolidated total liabilities	P 14,047,032	P 1,142,114	P 1,876	P 1,932,516	P 17,123,538
Other Segment Information					
Capital expenditures and other non-current assets	P 1,226,671	P 26,724	P -	P -	P 1,253,394

5. Basic/Diluted Earnings Per Share

Basic earnings per share as of March 31, 2016 and 2015 are computed as follows:

	2016	2015
Net income attributable to equity holders of the Parent Company	₱426,435	₱328,542
Divided by weighted average number of common shares outstanding during year	4,940,399,068	4,940,399,068
Basic earnings per share	₱0.0863	₱0.0665

Diluted earnings per share as of March 31, 2016 and 2015 are computed as follows:

	2016	2015
Net income attributable to equity holders of the Parent Company	₱426,435	₱328,542
Divided by weighted average number of common shares adjusted for the effect of exercise of stock options	4,940,399,068	4,940,399,068
Diluted earnings per share	₱0.0863	₱0.0665
Weighted average number of common shares for basic earnings per share	4,940,399,068	4,940,399,068
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	4,940,399,068

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.