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FIRST PACIFIC COMPANY LIMITED

第 一 太 平

(Incorporated with limited liability under the laws of Bermuda)
Website: http://www.firstpacific.com

(Stock Code: 00142)

OVERSEAS REGULATORY ANNOUNCEMENT

(This overseas regulatory announcement is issued pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.)

Please refer to the following documents filed by Philex Mining Corporation ("Philex"), a company which First Pacific holds a 31.4% economic interest (together with a 15.1% interest held by Two Rivers Pacific Holdings Corporation, a Philippine affiliate of First Pacific), with the Philippine Stock Exchange, in relation to (i) SEC Form 17-Q (with Management Discussion & Analysis); (ii) Unaudited Consolidated Financial Statements ended 31 March 2010; and (iii) Notes to the Unaudited Interim Financial Statements.

Dated this the 6th day of May, 2010

As at the date of this announcement, the Board of Directors of First Pacific Company Limited ("First Pacific") comprises the following Directors:

Anthoni Salim, *Chairman*
Manuel V. Pangilinan, *Managing Director and CEO*
Edward A. Tortorici
Robert C. Nicholson
Ambassador Albert F. del Rosario
Napoleon L. Nazareno
Professor Edward K.Y. Chen*, *GBS, CBE, JP*
Tedy Djuhar
Sutanto Djuhar
Ibrahim Risjad
Benny S. Santoso
Graham L. Pickles*
Sir David W.C. Tang*, *KBE*
Jun Tang*

**Independent Non-executive Directors*

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. **For the quarterly period ended** March 31, 2010

2. **Commission identification number** 10044

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

4. **Exact name of issuer as specified in its charter**

   PHILEX MINING CORPORATION

5. **Province, country or other jurisdiction of incorporation or organization**

   Manila, Philippines

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

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

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

8. **Issuer's telephone number, including area code**

   (632) 631-1381 to 88

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

   Philex Mining Corporation has not changed its name since its incorporation

10. **Securities registered pursuant to Sections 8 and 12 of the Code, or sections 4 and 8 of the RSA**

    Number of Shares of Stock Outstanding – 4,909,900,813
    (As of March 31, 2010)

    Amount of Debt Outstanding – nil

11. **Are any or all the securities listed on a Stock Exchange?**

    Yes [X] No [ ]

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

Philippine Stock Exchange

12. Indicate by check mark whether the registrant:

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

Yes [X] No [ ]

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

Yes [X] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The Unaudited Consolidated Financial Statements for the period ending March 31, 2010 are hereto attached.

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

The Company's consolidated net income for the first quarter of 2010 amounted to P521.3 million or P0.1076 per share, 17% higher than the net income of P445.7 million or P0.0915 per share (as adjusted for the effect of stock dividends in June 2009) for the same quarter last year. Core net income and EBITDA amounted to P520.1 million and P953.9 million, respectively, this quarter, compared to P380.1 million and P785.0 million, respectively, in 2009.

Stronger metal prices buoyed operating revenue in the first quarter of 2010 compared to the same period last year despite lower production volume for both copper and gold. Copper comprised 53% of operating revenue as the Company generated almost twice the amount at P1.3 billion this year from P697.6 million last year, with realized copper price averaging $3.22 per pound from $1.81 per pound in 2009 (net of the amortization of hedging costs applied to adjust revenue of $0.11 per pound in 2010 and nil in 2009). This was more than enough to compensate for the lower production of 8.1 million pounds of copper this year from 9.2 million pounds last year. On the other hand, revenue from gold decreased to P1.1 billion, comprising 47% of operating revenue, from P1.3 billion last year as production declined to 24.6 thousand ounces in 2010 from 33.8 thousand ounces in 2009, despite higher realized gold price averaging at $1,021 this quarter from $910 last year (net of the amortization of hedging costs applied to adjust revenue of $92 and $32 per ounce in 2010 and 2009, respectively). Consolidated revenue this year also included petroleum revenue of P35.0 million from Forum Energy PLC(FEP), a 52.37% effectively owned subsidiary, and coal revenue of P7.4 million from Brixton Energy & Mining Corp. (BEMC), a wholly-owned subsidiary. The income of FEP came from its share of the Galoc production while the income of BEMC was from the trading of coal purchased from small-scale miners in its mining property.

While marketing charges and operating cost and expenses increased to P155.1 million and P1.5 billion this year from P120.1 million and P1.4 billion respectively, last year, net income from operations at P781.1 million was higher this quarter compared to P530.0 million last year. Net income before tax this quarter amounted to P739.8 million after other charges of P46.2 million, which included equity in net losses of associates of P21.5 million, stock-based compensation expense of P13.9 million, provision for losses of P12.0 million, net interest income of P3.3 million, and foreign exchange gain of P1.7 million. In 2009, net income before tax amounted to P636.5 million after other charges of P19.0 million, foreign exchange loss of P35.1 million, and net interest income of P24.6 million. A marked-to-market gain of P136.0 million representing a partial reversal of the loss recognized in 2008, was also booked last year. As a result of the higher income before income tax this year, the provision for income tax this quarter is higher at P218.6 million compared to P190.8 million last year.

In the first quarter of 2010, the Company recorded total hedging loss of P146.6 million consisting of P88.9 million on the amortization of the provision for the gold unwind transaction done in October 2009, and P14.8 million and P42.9 million, respectively, on the amortization of the gold and copper premiums for bought put options entered into this quarter and in the last quarter of 2009. In the same quarter period in 2009, total hedging loss of P190.6 million was recorded consisting of P39.5 million from gold and P151.1 million from currency options. Hedging gains and losses are applied to adjust the Company's revenue, while the marked-to-market gains and losses of outstanding hedges treated under hedge accounting are charged against the Company's equity.

The Company's outstanding financial instruments as of March 31, 2010 are presented in the following table:

On Gold

Deal Dates		Total Quantity (Ounces)	Monthly Maturity (Ounces)	Strike Price ($ per oz.)	Period Covered From	To
Oct 06, 2009	Put	22,500	2,500	802.00	Apr 2010	Dec 2010
Oct 06, 2009	Put	22,500	2,500	802.00	Apr 2010	Dec 2010
Nov 3, 2009	Put	9,000	1,500	861.00	Apr 2010	Sept 2010
Jan 11, 2010	Put	13,500	1,500	912.25	Apr 2010	Dec 2010
Jan 15, 2010	Put	18,000	2,000	915.25	Apr 2010	Dec 2010
Total/average		31,500		913.96		

On Copper

Deal Dates		Total Quantity (DMT)	Monthly Maturity (DMT)	Strike Price ($ per DMT)	Strike Price ($ per lb.)	Period Covered From	To
Jan 15, 2010	Put	2,925	325	6,614.00	3.00	Apr 2010	Dec 2010
Jan 15, 2010	Put	2,925	325	6,614.00	3.00	Apr 2010	Dec 2010
Jan 15, 2010	Put	2,925	325	6,614.00	3.00	Apr 2010	Dec 2010
Jan 15, 2010	Put	2,925	325	6,614.00	3.00	Apr 2010	Dec 2010
Total/average		11,700		6,614.00	3.00		

As of March 31, 2010, Total Assets of the Company increased to P21.8 billion from P21.4 billion as of the end of 2009. Current Assets increased to P5.2 billion from P5.0 billion primarily due to the increases in Mine Products and Material and Supplies Inventory by P967.8 million, Derivative Assets by P80.2 million from the premiums paid on bought gold and copper put options amounting to P257.2 million, and in Other Current Assets by P83.0 million particularly on the input value added tax receivable on importation of materials and supplies. These were partially offset by the decrease in Cash and Cash Equivalents which stood at P1.9 billion as of March 31, 2010, a decrease of P961.0 million from the balance of P2.9 billion at the end of 2009. Non-current Assets slightly increased to P16.6 billion from P16.4 billion as of the beginning of the year principally from the increase in Deferred Exploration Cost from P9.5 billion to P9.8 billion.

Total Liabilities of the Company slightly decreased to P3.6 billion as of March 31, 2010 from P3.7 billion at the end of 2009. Current Liabilities, decreased to P1.0 billion from P1.2 billion as Accounts Payable and Accrued Expenses decreased by P200.2 million primarily from the payment of hedging losses booked in 2009, and as Provisions and Other Payables also decreased by P20.9 million, partially offset by the increase in Income Tax Payable by P96.6 million on account of the higher net income for the quarter period. Non-current Liabilities was however, slightly higher at P2.6 billion from P2.5 billion due to the increase in Deferred Income Tax Liabilities.

Stockholders' Equity at the end of the first quarter amounted to P18.1 billion, higher than the P17.7 billion balance at the beginning of the year, principally from the first quarter's net earnings, reduced by the Cumulative Translation Adjustments on Foreign Subsidiary amounting to P92.7 million.

Net Cash Used by Operating Activities amounted to P394.2 million this quarter period mainly for to the increases in Inventories and Other Current Assets amounting to P967.8 million and P161.3 million, respectively, and the decrease in Accounts Payable and Accrued Expenses of P200.2 million. Net Cash Used in Investing Activities amounted to P496.1 million mostly for acquisitions of Property, Plant and Equipment of P191.2 million and expenses for ongoing exploration projects of P304.9 million. Net Cash Used for Financing Activities amounted to P70.7 million for the first quarter of 2010, compared to P1.0 billion in 2009 which was used for the repayment of short-term loans of P996.10 million. As of March 31, Cash and Cash Equivalents amounted to P1.9 billion in 2010 compared to P5.7 billion in 2009.

Top Five (5) Key Performance Indicators

Average Metal Price

The average realized prices for the Company's products are key indicators in determining the Company's revenue level. While the world spot market prices quoted in the London Metal Exchange for gold, copper, and silver are applied on the Company's shipments and on mine products inventory, and provisional prices used to determine revenue are adjusted to forward prices at the end of each reporting period, a portion of the Company's production are also hedged from time to time to protect revenue from any wild fluctuations in prices and where reasonable floor levels could be provided. The spot, forward and hedge prices comprise the Company's average realized prices, which in the first three months period of 2010 amounted to $1,021 per ounce gold and $3.22 per pound copper (net of the amortization of hedging costs applied to adjust revenue of $92 per ounce and $0.11 per pound, respectively).

The copper prices per pound is currently at $3.37, slightly higher than the $3.22 average realized copper price in the first quarter of 2010. The gold price per ounce is currently at $1,163, 14% higher than the P1,021 average realized gold price in first quarter of 2010.

Tonnes Milled and Ore Grade

Tonnes milled and ore grade determine concentrates production and sales volume. The higher the tonnage and the grade of ore, the more metals are produced and sold. Ore milled of 2.1 million tonnes for the three months period ended March 31, 2010 was almost the same as that in the first quarter last year but at lower grades of 0.216% copper and 0.477 grams per tonne gold compared to 0.240% copper and 0.627 grams per tonne gold last year, resulting in lower metal production of 8.1 million pounds copper and 25 thousand ounces gold from 9.2 million pounds copper and 34 thousand ounces gold last year. Budgeted for the remaining nine months of 2010 is 6.9 million tonnes at 0.23% copper and 0.56 grams per tonne gold.

Foreign Exchange Rate

As the Company's sales proceeds (and in the past, also bank loans) are in US dollars, a higher Philippine peso to US dollar exchange rate means higher peso sales revenue (but would also reflect a foreign exchange loss on the restatement of the Company's dollar obligations). Conversely, a lower exchange rate reduces the Company's revenue in pesos (but brings about foreign exchange income on the loans). As a significant portion of the Company's cash and cash equivalents are also in US dollar, higher exchange rates would also reflect foreign exchange gain, but at lower exchange rate, a loss. The Company's average realized peso-to-dollar rates for the first quarter was P45.77 in 2010 and P48.07 in 2009. As of March 31, the peso to dollar exchange rate was P45.22 in 2010 compared to P48.419 in 2009.

Total Production Cost Per Tonne and Operating Cost Per Ounce Gold

The Company's average operating cost per tonne is a key measure of the operating performance of the Company. At the same cost level, the higher the production volume the lower the cost per tonne, as would also be the result at the same production volume but lower operating cost. Thus, a lower cost per tonne would generally reflect an improvement in operating efficiency. The same essentially applies to the cost per ounce gold as well, but with the gold grade as it affects metal production, the exchange rate as it affects the conversion from peso to dollars, and the copper revenue as by-product credit against operating cost, all getting into consideration.

In the first quarter of 2010, the total production cost (minesite cost and expenses excluding marketing charges, excise tax and royalties) per tonne of ore milled was P560 from the total production cost of P961.3 million over ore milled of 2.1 million tonnes, 6% higher compared to the production cost per tonne of P526 from the total production cost of P929.4 million over ore milled of 2.1 million tonnes in 2009.

Expressed in operating cost (all cost and expenses excluding corporate overhead) per ounce gold produced, operating cost before copper revenue credit was $1,301 per ounce this year compared to $811 per ounce in 2009. But after copper revenue credit, the corresponding cost per ounce was $182 this year representing 14% of operating cost. This is a market improvement from the 2009 operating cost after copper revenue credit of $307 representing 38% of operating cost.

For the remaining nine months of 2010, the budgeted total production cost per tonne is P537 from the total production cost of P3.7 billion over ore milled of 6.9 million tonnes. The budgeted operating cost per ounce of gold produced before copper credit is $988, with the corresponding cost, net of copper revenue credit, of $45 per ounce.

Earnings Per Share

The earnings per share reflect the Company's bottom line operating results expressed in equivalent amount per share of the Company's average outstanding capital stock. Assuming a constant outstanding number of shares, as the Company's earnings increase, the earnings per share correspondingly increase. The earnings for the three months period of 2010 was P0.1076 per share based on the current 4,905,923,749 weighted average shares outstanding of the Company. In 2009, the earnings for the same period was P0.0915 per share based on 4,867,306,154 weighted average shares outstanding in 2009.

Known Trends, Events or Uncertainties

On April 27, 2010, the Parent Company paid the amount of US$5.8 million as aggregate consideration for the purchase of all of the outstanding common shares of Philex Gold Inc. (PGI) from its existing minority shareholders at US$0.75 per share. As part of the definitive arrangement agreement with PGI, it transferred all of the shares of its wholly-owned subsidiary, Philex Gold Philippines, Inc., to Philex Gold Holdings, Inc. in exchange for the amount of Can$82.4 million which made the Silangan Project now fully owned by the Company.

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 are not presently determinable.

Other than what have been discussed in their respective sections above, there are no known significant trends, demands, commitments or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in a material way. There are no material commitments for capital expenditures not reflected in the Company's financial statements. There are likewise no significant seasonality or cyclicality in its business operation that would have material effect on the Company's financial condition or results of operation. There were no other significant elements of income or loss that did not arise from the Company's continuing operations. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period. There are no line items in the Company's financial statements not already explained for causes either above or in the Notes to the Consolidated Financial Statements other than due to the usual period-to-period fluctuations in amounts natural in every business operations.

PART II - OTHER INFORMATION

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

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PHILEX MINING CORPORATION
(Issuer)

MANUEL V. PANGILINAN
Chairman & Chief Executive Officer

JOSE ERNESTO C. VILLALUNA JR.
President & Chief Operating Officer

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

PARALUMAN M. NAVARRO
Division Manager-Corporate Finance

Date May 5, 2010

PHILEX MINING CORPORATION
AND SUBSIDIARIES

UNAUDITED
CONSOLIDATED
FINANCIAL STATEMENTS
March 31, 2010

Pasig City, Philippines

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

ASSETS		March 31 2010 (UNAUDITED)		December 31 2009 (AUDITED)
Current Assets				
Cash and cash equivalents	P	1,920,137	P	2,881,115
Accounts receivable - net		511,319		517,115
Inventories - net		2,113,985		1,146,219
Derivative asset		100,217		19,975
Other current assets -net		540,820		457,844
Total Current Assets		5,186,477		5,022,268
Noncurrent Assets				
Available-for-sale (AFS) financial assets		756,948		756,948
Investments in shares of stock		1,115,793		1,136,756
Property, Plant and Equipment - net		4,617,729		4,668,892
Deferred income tax assets		43		43
Goodwill		258,593		258,593
Deferred exploration costs and other noncurrent assets - net		9,839,852		9,534,913
Total Noncurrent Assets		**16,588,959**		**16,356,145**
TOTAL ASSETS	**P**	**21,775,436**	**P**	**21,378,414**

LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	P	666,674	P	866,891
Income tax payable		98,883		2,243
Dividends payable		167,810		168,856
Provisions and other payables		94,815		115,735
Total Current Liabilities		1,028,182		1,153,725
Noncurrent Liabilities				
Provision for losses		500,065		500,808
Provision for mine rehabilitation costs		34,276		33,700
Deferred income tax liabilities		2,064,915		1,976,320
Accrued retirement benefits costs		30,324		30,324
Total Noncurrent Liabilities		2,629,580		2,541,153
Total Liabilities		3,657,762		3,694,878
Equity				
Capital Stock - P1 par value		4,910,128		4,900,605
Additional paid-in capital		800,854		774,494
Retained Earnings		9,969,648		9,441,593
Net unrealized gain on increase in value of AFS financial assets		445,277		445,277
Cumulative adjustments on hedging instruments		(368,765)		(338,427)
Cumulative translation adjustments on foreign subsidiary		14,152		106,810
Revaluation surplus		1,611,397		1,611,397
Effect of transaction with minority		41,536		41,536
Total equity attributable to equity holders of the Parent Company		17,424,228		16,983,285
Minority Interest		693,447		700,251
Total equity		**18,117,675**		**17,683,536**
TOTAL LIABILITIES & EQUITY	**P**	**21,775,436**	**P**	**21,378,414**

PHILEX MINING CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, except Earnings Per Share)

		1st Quarter Ended March 31		
		2010		**2009**
OPERATING REVENUE				
Gold	P	1,114,412	P	1,287,637
Copper		1,257,377		697,598
Silver		19,586		20,693
Petroleum		35,043		852
Coal		7,374		-
		2,433,792		**2,006,780**
Less: Marketing charges		155,135		120,061
		2,278,657		**1,886,719**
OPERATING COSTS AND EXPENSES				
Mining and milling (including depletion and depreciation)		1,167,185		1,090,155
Mine product tax and royalties		128,580		123,931
General and administrative		157,281		119,146
Handling, hauling and storage		11,471		12,222
Petroleum production costs		29,859		11,247
Cost of sales-Coal		3,203		-
		1,497,579		1,356,701
INCOME FROM OPERATIONS		**781,078**		**530,018**
OTHER INCOME (CHARGES) - Net				
Interest - net		3,278		24,620
Forex gain (loss)		1,694		(35,126)
Mark-to-market gain		-		136,010
Others - net		(46,234)		(19,014)
		(41,263)		**106,491**
INCOME BEFORE INCOME TAX		**739,815**		**636,509**
PROVISION FOR INCOME TAX		(218,563)		(190,848)
NET INCOME	**P**	**521,252**	**P**	**445,660**
EARNINGS PER SHARE [Net Income divided by the weighted average outstanding shares of 4,905,923,749 in 2010; 4,867,306,154 in 2009]	**P**	**0.1076**	**P**	**0.0915**

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

	Three months ended March 31	
	2010	**2009**
NET INCOME	P 521,252	P 445,660
OTHER COMPREHENSIVE INCOME		
Revaluation surplus on acquisition of subsidiaries	-	952,362
Loss on translation of hedging instruments	(30,338)	(77,847)
Loss on translation of financial statement of foreign subsidiaries	(92,658)	48,672
	(122,996)	923,187
TOTAL COMPREHENSIVE INCOME	**398,256**	**1,368,847**

PHILEX MINING CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOW
(Amount in Thousands)

	Three months Ended March 31	
	2010	**2009**
OPERATING ACTIVITIES		
Net Income	P 521,252	P 445,660
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion and depreciation	241,984	176,094
Net increase in derivative liability	(119,232)	(77,844)
Unrealized foreign exchange gain	-	55,760
Amortization of Prov for Mine Closure Cost	340	533
Interest Expense on Asset Retirement Obligation	575	418
Reserve provision	12,000	8,000
Share-based compensation expense	13,880	8,350
Amortization of DB hedging loss	88,894	-
Equity in net (income) loss of affiliates	20,963	-
Cumulative translation adjustments	-	48,672
Provision for (Benefit from) deferred income tax	0	(76,507)
Changes in non-cash components of working capital		
Decrease (increase) in:		
Accounts receivable	3,900	(1,104,256)
Inventories	(967,766)	361,641
Other current assets	(161,321)	(17,736)
Decrease in accounts payable and accrued exp.	(200,217)	(337,326)
Increase in other liabilities	150,525	196,519
Cash provided by operating activities	**(394,222)**	**(312,021)**
INVESTING ACTIVITIES		
Additions to resource assets	(191,162)	(292,779)
Increase in Investments in stocks	0	(679,004)
Increase in other assets	(304,939)	(2,701,016)
Cash used in investing activities	**(496,101)**	**(3,672,799)**
FINANCING ACTIVITIES		
Net payments of short-term loans	-	(996,144)
Exercise of stock options	22,004	4,344
Decrease on cumulative translation adjustment on foreign subsidiary	(92,658)	-
Decrease in minority interest	0	(27,914)
Cash used in financing activities	**(70,653)**	**(1,019,715)**
INCREASE IN CASH AND CASH EQUIVALENTS	**(960,976)**	**(5,004,535)**
CASH AND CASH EQUIVALENTS - BEGINNING	2,881,115	10,713,106
CASH AND CASH EQUIVALENTS - END	**P 1,920,137**	**P 5,708,571**

PHILEX MINING CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands, Except Par Value Per Shares)

	Three months Ended March 31			
		2010		2009
Capital Stock - ₱1 par value	**P**	4,910,128	**P**	3,885,113
Additional Paid-in Capital		800,854		690,181
Retained Eearnings (Deficit)				
Unappropriated:				
Beginning of period		9,441,593		7,584,186
Net Income		528,055		445,660
End of period		9,969,648		8,029,846
Net Unrealized Gain on Iincrease in Value of AFS Financial Assets				
Beginning and End of period		445,277		1,727
Cumulative adjustments		(354,613)		(329,288)
Revaluation surplus		1,611,397		1,046,609
Effect of transactions with minority		41,536		-
Total		17,424,228		13,324,188
Minority Interest		693,447		1,707,629
Total	**P**	**18,117,675**	**P**	**15,031,817**

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

SCHEDULE OF ACCOUNTS RECEIVABLE
As of March 31, 2010

Accounts Receivable - Trade	366,195,741
Accounts Receivable - Miscellaneous	145,122,872
	511,318,613

AGING OF ACCOUNTS RECEIVABLE - TRADE
As of March 31, 2010

	0-30 days	31-60 days	61-90 days	over 90 days	Total
Trade					
Pan Pacific Copper Co. Ltd.		148,276,926		104,667,346	252,944,273
Louis Dreyfus Commodities Metals Suisse SA	113,251,468				113,251,468
	113,251,468	**148,276,926**	**-**	**104,667,346**	**366,195,741**

PHILEX MINING CORPORATION AND SUBSIDIARIES

#27 Brixton St., Pasig City

SCHEDULE OF LOANS PAYABLE

As of March 31, 2010

No outstanding Bank Loans as of March 31, 2010

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 Financial Reporting Standards (PFRS) Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and footnotes required in the annual consolidated financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2009.

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

Statement of Compliance

The consolidated financial statements of Philex Mining Corporation and subsidiaries (the Group) have been prepared in accordance with accounting principles generally accepted in the Philippines. The Group prepared its consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRS), except for the Parent Company's mine products inventory that have been measured at NRV, which was permitted by the Philippine Securities and Exchange Commission (SEC). The significant accounting policies followed by the Group are disclosed below.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new and amended accounting standards that became effective beginning January 1, 2010. Adoption of the following changes in PFRS and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) interpretations did not have any significant impact on the Group's consolidated financial statements.

- Amendments to PFRS 2, *Share-based Payments - Group Cash-settled Share-based Payment Transactions*, effective for annual periods beginning on or after January 1, 2010, clarifies the scope and the accounting for group cash-settled share-based payment transactions.

- Revised PFRS 3, *Business Combinations*, and Amendments to PAS 27, *Consolidated and Separate Financial Statements,* effective for annual periods beginning on or after July 1, 2009. Revised PFRS 3 significantly changes the accounting for business combinations occurring after this date including the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages that will impact the amount of goodwill recognized, and the reported results in the current and future periods. Amendment to PAS 27 requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as a transaction with owners in their capacity as owners (no resulting goodwill nor gain or loss). Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

  The changes introduced by the revised PFRS 3 must be applied prospectively and PAS 27 must be applied retrospectively with a few exceptions.

- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*, effective for annual periods beginning on or after July 1, 2009, clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.

- Philippine Interpretation IFRIC 17, *Distributions of Non-Cash Assets to Owners*, effective for annual periods beginning on or after July 1, 2009 with early application permitted, provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability.

- Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers*, effective for annual periods beginning on or after July 1, 2009, applies to the accounting for transfers of items of property, plant and equipment by an entity that receive such transfers from its customer, wherein the entity must then use such transferred asset either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

Improvements to PFRS

- PFRS 2, *Share-based Payment*, clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of Revised PFRS 3, *Business Combinations.*

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, clarifies that the disclosures required in respect of noncurrent assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRS only apply if specifically required for such noncurrent assets or discontinued operations.

- PFRS 8, *Operating Segment*, clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

- PAS 1, *Presentation of Financial Statements*, clarifies that the terms of a liability that could result, at anytime; in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

- PAS 7, *Statement of Cash Flows*, explicitly states that only expenditures resulting in a recognized asset can be classified as a cash flow from investing activities.

- PAS 17, *Leases*, removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The amendment now requires that leases of land are classified as either "finance" or "operating" in accordance with the general principles of PAS 17. The amendments will be applied retrospectively.

- PAS 36, *Impairment of Assets*, clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes.

- PAS 38, *Intangible Assets*, clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives. It also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

- PAS 39, *Financial Instruments: Recognition and Measurement*, clarifies the following:

  a. that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.

  b. that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken.

  c. that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*, clarifies that it does not apply to possible reassessment at the date of acquisition,

to embedded derivatives in contracts acquired in a business combination between entities or businesses under common control or the formation of joint venture.

- Philippine Interpretation IFRIC 16, *Hedge of a Net Investment in a Foreign Operation*, states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of March 31 of each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Group using consistent accounting policies.

Subsidiaries

Subsidiaries are entities over which the Parent Company has the power to govern the financial and operating policies of the entities, or generally has an interest of more than one half of the voting rights of the entities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group or Parent Company directly or through the holding companies. Control is achieved where the Parent Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. They are deconsolidated from the date on which control ceases.

All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions that are recognized in assets are eliminated in full.

The Parent Company's subsidiaries and their respective nature of business are as follows:

Subsidiary	Nature of Business
Philex Gold Holdings, Inc. (PGHI)	Incorporated in the Philippines to serve as an intermediary holding company through which its subsidiaries, the Company also conducts large-scale exploration, development and utilization of mineral resources.

Philippines Gold Mining Company B.V.(PGMC-BV)	Incorporated in the Netherlands, as previously the intermediary holding company of PGI.
Philex Gold, Inc. (PGI)	Incorporated in Canada and owns 100% of the outstanding shares of PGPI. PGI, currently 81% owned by PGHI, is listed at the TSX Venture Exchange.
Philex Gold Philippines, Inc. (PGPI)	Incorporated in the Philippines as a wholly owned subsidiary of PGI and is primarily engaged in large-scale exploration, development and utilization of mineral resources, previously by the Bulawan mine and Sibutad Project. Currently owns 50% effective interest in SMMCI through SMECI.
Lascogon Mining Corporation (LMC)	Incorporated in the Philippines on October 20, 2005 to engage in exploration, development and utilization of mineral resources, principally the Lascogon Project in Surigao.
Silangan Mindanao Exploration Co., Inc. (SMECI)	Incorporated in the Philippines on October 12, 1999 primarily to engage in the business of large-scale exploration, development and utilization of mineral resources but currently the holding company of SMMCI.
Silangan Mindanao & Mining Co., Inc. (SMMCI)	Incorporated in the Philippines on January 4, 2000 primarily to engage in the business of large-scale exploration, development and utilization of mineral resources, principally the Silangan Project.
Philex Petroleum Corporation (PPC)	Incorporated in the Philippines on December 27, 2007 to carry on businesses related to any and all kinds of petroleum and petroleum products, oil, and other resources of energy
Forum Energy Plc (FEP)	A United Kingdom (UK)-based oil and gas exploration and production company registered in England and Wales, with a focus on the Philippines and whose shares are listed with the Alternative Investment Market of the London Stock Exchange.
FEC Resources, Inc. (FEC)	Incorporated under the laws of Alberta, Canada and is engaged primarily in the business of exploration and development of oil and gas and other mineral related opportunities, either directly or indirectly through companies in which FEC invests.

Brixton Energy & Mining Corporation (BEMC)	Incorporated in the Philippines on July 19, 2005 to engage in exploration, development and utilization of energy-related resources.
Fidelity Stock Transfers, Inc (FSTI)	Incorporated in the Philippines to act as a stock transfer agent and/or registrar of client corporations.
Philex Land, Inc (PLI)	Incorporated in the Philippines to own, use, develop, subdivide, sell, exchange, lease, and hold for investment or otherwise, real estate of all kinds including buildings, houses, apartments and other structures.
Philex Insurance Agency, Inc. (PIAI)	Incorporated in the Philippines on May 20, 1987 to act as a general agent for and in behalf of any domestic and/or foreign non-life insurance company or companies authorized to do business in the Philippines. PIAI is currently under dormant status.

The ownership of the Group over the foregoing companies is summarized as follows:

As of March 31, 2010:

	Percentages of Ownership	
	Direct	Indirect
PGHI	100.0	–
PGMC-BV	–	100.0
PGI	–	81.0
PGPI	–	100.0
LMC	_	60.0
SMECI	_	60.0
SMMCI	–	83.3
PPC	100.0	–
FEP	–	39.1
FEC	51.2	–
LMC	–	40.0
FEP	–	25.8
BEMC	100.0	–
SMECI	40.0	_
SMMCI	16.7	_
FSTI	100.0	–
PLI	100.0	–
PIAI	100.0	–

As of March 31, 2009:

	Percentages of Ownership	
	Direct	Indirect
PGHI	100.0	–
PGMC-BV	–	100.0
PGI	–	81.0
PGPI	–	100.0
LMC	_	60.0
SMECI	_	60.0
SMMCI	–	83.3
PPC	100.0	–
FEP	–	36.8
FEC	50.7	–
LMC	–	40.0
FEP	–	25.8
BEMC	100.0	–
SMECI	40.0	_
SMMCI	16.7	_
FSTI	100.0	–
PLI	100.0	–
PIAI	100.0	–

Minority Interest

Minority interest represents interest in a subsidiary which is not owned, directly or indirectly, by the Parent Company. The losses applicable to the minority in a consolidated subsidiary may exceed the minority interest's equity in the subsidiary. The excess, and any further losses applicable to the minority, are charged against the majority interest except to the extent that the minority has a binding obligation to and is able to make good the losses. If the subsidiary subsequently reports profits, the majority interest is allocated with all such profits until the minority's share of losses previously absorbed by the majority is recovered.

Minority interest represents the portion of profit or loss and the net assets not held by the Group. Transactions with minority interest are accounted for using the entity concept method, whereby the difference between the consideration and the book value of the share of the net assets acquired is recognized as an equity transaction.

Investment in Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% to 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statements of income, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other

unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investment in Joint Venture Entities

Joint venture entities are all entities subject to a common control under a contractual arrangement with other parties. Investments in joint venture entities are accounted for under the equity method. Under the equity method, the investments are carried at cost plus post-acquisition changes in the Group's share in the net assets of the joint venture entity, less any impairment in value. Dividends are considered return on capital and deducted from the investment account. Unrealized gains arising from transactions with the joint ventures are eliminated to the extent of the Group's interests in the joint ventures, against the investments in those joint ventures. Unrealized losses are similarly eliminated but only to the extent that there is no evidence of the asset transferred.

The Group has investment in the shares of stock of a joint venture entity, Minphil Exploration Co., Inc. (MECI). MECI's wholly owned subsidiary, Northern Luzon Exploration & Mining Co., Inc. (NLEMCI) has not started productive operations as of December 31, 2009.

Business Combination and Goodwill

Business combinations are accounted for using the purchase method. This involves recognizing identifiable assets and liabilities of the acquired business initially at fair value. If the acquirer's interest in the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination, the acquirer shall (a) reassess the identification and measurement of the acquiree's identifiable assets and liabilities and the measurement of the cost of the combination; and (b) recognize immediately in profit or loss any excess remaining after that reassessment.

When a business combination involves more than one exchange transaction, each exchange transaction shall be treated separately using the cost of the transaction and fair value information at the date of each exchange transaction to determine the amount of any goodwill associated with that transaction. This results in a step-by-step comparison of the cost of the individual investments with the Group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at each exchange transaction. The fair values of the acquiree's identifiable assets, liabilities and contingent liabilities may be different at the date of each exchange transaction. Any adjustments to those fair values relating to previously held interests of the Group is a revaluation to be accounted for as such and presented separately as part of equity. If the revaluation relates directly to an identifiable fixed asset, the revaluation will be transferred directly to retained earnings when the asset is derecognized in whole through disposal or as the asset concerned is depreciated or amortized.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share in the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is recognized separately as a noncurrent asset. Goodwill on acquisitions of associates is included in investments in associates and is tested annually for impairment as part of the overall balance.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (CGU) or group of CGUs to which the goodwill relates. 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. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its impairment test of goodwill annually every December 31.

Foreign Currency Translation of Foreign Operations

Each entity (subsidiaries and branches) in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at balance sheet date. All exchange differences are recognized in the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Financial statements of consolidated foreign subsidiaries that are integral to the operations of the Group are translated as if the transactions of the foreign subsidiaries had been those of the Parent Company. At each balance sheet date, foreign currency monetary items are translated using the prevailing rate, non-monetary items which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined. Income and expenses are translated at the average prevailing rates for year.

Financial statements of consolidated foreign branches and subsidiaries that are not integral to the operations of the Group are translated into the presentation currency of the Group (the Philippine Peso) at the rate of exchange at the balance sheet date and, their statement of income are translated at the exchange rates at the dates of transactions. The exchange differences arising from the translation are taken directly to a separate component of equity (under cumulative translation adjustment). On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated statement of income.

For purposes of consolidation, the consolidated financial statements of FEP, FEC and PGI, which are expressed in United States (US) Dollar amounts, have been translated to Philippine Peso amounts as follows:

a. assets and liabilities for each consolidated balance sheet presented (i.e., including comparatives) are translated at the closing rate at the date of consolidated balance sheet;

b. income and expenses for each consolidated statement of income (i.e., including comparatives) are translated at exchange rates at the dates of transactions; and

c. all resulting exchange differences are recognized as a separate component of equity.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to insignificant risk of change in value.

Financial Instruments

Date of recognition

The Group recognizes financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition and classification of financial instruments

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those financial assets and liabilities at fair value through profit or loss (FVPL), includes transaction cost.

On initial recognition, the Group classifies its financial assets in the following categories: HTM investments, AFS financial assets, FVPL financial assets, and loans and receivables. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

Determination of fair value
The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments and all other financial instruments where there is no active market, fair value is determined using generally acceptable valuation techniques. Such techniques include using arm's length market transactions; reference to the current market value of another instrument, which are substantially the same; discounted cash flow analysis and other valuation models.

Day1 Profit
Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 profit) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is
not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

Derivatives and Hedging
The Parent Company uses currency and commodity derivatives such as forwards, swaps and option contracts to economically hedge its exposure to fluctuations in gold and copper prices. For accounting purposes, such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivatives are accounted for as at FVPL, where any gains or losses arising from changes in fair value on derivatives are taken directly to net profit or loss for the year, unless hedge accounting is applied.

For the purpose of hedge accounting, hedges are classified as:

a. fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability; or

b. cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecast transaction; or

c. hedges of a net investment in a foreign operation.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Parent Company formally designates and documents the hedge relationship to which the Parent Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges
Cash flow hedges are hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognized directly in consolidated statement of comprehensive income while the ineffective portion is recognized in the consolidated statement of income.

Amounts taken to equity are transferred to the consolidated statement of income when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts are recognized as other comprehensive income.

If the forecast transaction is no longer expected to occur, amounts previously recognized in equity are transferred to consolidated statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction or firm commitment occurs. If the related transaction is not expected to occur, the amount is taken to consolidated statement of income.

Hedges of a net investment in a foreign operations
Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized directly in the consolidated statement of comprehensive income while any gains or losses relating to the ineffective portion are recognized in the consolidated statement of income. On disposal of the foreign operation, the cumulative value of any such gains or losses recognized directly in the consolidated statement of comprehensive income is transferred to the consolidated statement of income.

Embedded derivatives
An embedded derivative is separated from the host financial or non-financial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;

- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

- the hybrid or combined instrument is not recognized as at FVPL.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. Changes in fair values are included in the consolidated statement of income.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. These financial assets are included in current assets if maturity is within twelve months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

As of March 31 2010 and 2009, included under loans and receivables are the Group's cash and cash equivalents and accounts receivable.

AFS financial assets
AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified in any of the three other categories. The Group designates financial instruments as AFS if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. After initial recognition, AFS financial assets are measured at fair value with unrealized gains or losses being recognized in the consolidated statement of comprehensive income as "Unrealized gain on AFS financial assets."

When the investment is disposed of, the cumulative gains or losses previously recorded in equity are recognized in the consolidated statement of income. Interest earned on the investments is reported as interest income using the effective interest rate method. Dividends earned on investments are recognized in the consolidated statement of income as 'Dividends income' when the right of payment has been established. The Group considers several factors in making a decision on the eventual disposal of the investment. The major factor of this decision is whether or not the Group will experience inevitable further losses on the investment. These

financial assets are classified as noncurrent assets unless the intention is to dispose of such assets within twelve months from the balance sheet date.

As of March 31, 2010, included in the AFS financial assets are the Group's quoted and unquoted equity investments.

Other financial liabilities

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

As of March 31, 2010 and 2009, included in other financial liabilities are the Group's short-term bank loans, accounts payable and accrued liabilities, dividends payable, ,subscription payables, long-term debt - including current portion and provisions and other payables.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated balance sheet.

Impairment of Financial Assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the contracted parties or a group of contracted parties is /are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present

value of estimated future cash flows discounted at the current market rate of return of a similar financial asset.

Loans and Receivables
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is objective evidence than an impairment loss on financial assets carried at amortized cost has been incurred, the amount of loss is measured as a difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of loss is recognized in the consolidated statement of income.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS financial assets
For AFS financial assets, the Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. 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. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income is removed from equity and recognized in the consolidated statement of income.

Impairment losses on equity investments are recognized in the consolidated statement of income. Increases in fair value after impairment are recognized directly in the consolidated statement of comprehensive income

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of 'interest income' in the

consolidated statement of income. If subsequently, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to third party under a 'pass-through' arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Inventories

Mine products inventory, which consist of copper concentrates containing copper, gold and silver, are stated at NRV. Coal inventory and materials and supplies are valued at the lower of cost and NRV. Cost incurred in bringing materials and

supplies to their present location and condition is accounted for as purchase cost determined on a weighted average basis.

NRV for mine products and coal inventory is the selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. In the case of materials and supplies, NRV is the value of the inventories when sold at their condition at the balance sheet date.

Input Tax Recoverable

Input tax recoverable is stated at 10% in prior years up to January 2006 and 12% starting February 2006 of applicable purchase cost of goods and services net of output tax liabilities and allowance for probable losses.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depletion and depreciation and accumulated impairment in value, if any.

The initial cost of property, plant and equipment consists of its purchase price, including import duties, taxes, borrowing costs and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to consolidated statement of income in the period in which costs are incurred. In situations where it can be clearly demonstrated that the expenditures would result in an increase in future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of such property, plant and equipment.

When assets are sold or retired, the cost and related accumulated depletion and depreciation and accumulated impairment in value are removed from the accounts and any resulting gain or loss is reflected in the consolidated statement of income.

Depletion or amortization of mine and mining properties is calculated using the units-of-production method based on estimated recoverable reserves. Depreciation of other items of property, plant and equipment is computed using the straight-line method over the estimated useful lives of the assets as follows:

	No. of Years
Buildings and improvements	5 to 10
Machinery and equipment	2 to 20
Surface structures	10

Depreciation or depletion of an item of property, plant and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or depletion ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated recoverable reserves, useful lives, and depreciation and depletion methods are reviewed periodically to ensure that the estimated recoverable reserves, periods and methods of depletion and depreciation are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

Property, plant and equipment also include the estimated costs of rehabilitating the Padcal Mine, for which the Group is constructively liable. These costs, included under land, buildings and improvements, are amortized using the units-of-production method based on the estimated recoverable mine reserves until the Group actually incurs these costs in the future.

Level and block development (included as part of mine and mining properties) and construction in progress are stated at cost, which includes the cost of construction, plant and equipment, other direct costs and barrowing costs, if any Block development and construction in progress are not depleted or amortized until such time as these are completed and become available for use.

Deferred Exploration Costs

Expenditures for exploration works on oil and mining properties (i.e., acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling, and activities in relation to evaluating the technical feasibility and commercial viability of extracting an oil and mineral resource) are deferred as incurred and included under "Deferred exploration cost and other noncurrent assets" account in the consolidated balance sheet. If and when recoverable reserves are determined to be present in commercially producible quantities, the deferred exploration expenditures and subsequent oil and mine development costs are capitalized as part of the mine and mining properties account classified under property, plant and equipment.

A valuation allowance is provided for unrecoverable deferred oil and mine exploration costs based on the Group's assessment of the future prospects of the exploration project. Full provision is made for the impairment unless it is probable that such costs are expected to be recouped through successful exploration and development of the area of interest, or alternatively, by its sale. If the project does not prove to be viable, all revocable cost associated with the project and the related impairment provisions are written off. When a project is abandoned, the related deferred oil and mine exploration costs are written off. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset is capitalized by the Company. The capitalization of borrowing costs: (i) commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are being incurred; (ii) is suspended during the extended periods in which active development, improvement and construction of the assets are interrupted; and (iii)

ceases when substantially all the activities necessary to prepare the assets ae completed.

Other borrowing costs are recognized as an expense in the period in which it incurs them.

Impairment of Noncurrent Non-financial Assets

The Group assesses at each reporting date whether there is indication that a noncurrent non-financial asset or cash generating unit (CGU) may be impaired. The Group's non-financial assets include property, plant and equipment, investments in shares of stock and deferred mine and oil exploration costs and other noncurrent assets. If any such indication exists, or when an annual impairment testing for such items is required, the Group makes an estimate of their recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use, and is determined for an individual item, unless such item does not generate cash inflows that are largely independent of those from other assets or group of assets or CGUs. When the carrying amount exceeds its recoverable amount, such item is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows to be generated by such items are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset or CGU. Impairment losses of continuing operations are recognized in the consolidated statement of income in the expense categories consistent with the function of the impaired asset.

An assessment is made at least on each balance sheet date as to whether there is indication that previously recognized impairment losses may no longer exist or may have decreased. If any indication exists, the recoverable amount is estimated and a previously recognized impairment loss is reversed only if there has been a change in the estimate in the assets or CGU's recoverable amount since the last impairment loss was recognized. If so, the carrying amount of the item is increased to its new recoverable amount which cannot exceed the impairment loss recognized in prior years. Such reversal is recognized in the consolidated statement of income unless the asset or CGU is carried at its revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount less any residual value on a systematic basis over its remaining estimated useful life.

Revenue Recognition

Revenue is recognized upon delivery to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Revenue from sale of mine products

Revenue from sale of mine products is measured based on shipment value price, which is based on quoted metal prices, as adjusted to reflect the net realizable value of mine products inventory at the end of the financial reporting period.

Revenue from sale of oil products
Revenue is derived from sale of oil to third party customers. Sale of oil is recognized at the time of delivery of the product to the purchaser. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales tax or duty.

Revenue from sale of coal
Revenue from sale of coal is recognized when the risks and rewards of ownership is transferred to the buyer, usually on the day of delivery of the coal.

Interest Income
Interest income is recognized as it accrues using the effective interest method.

Cost and Expense Recognition
Cost and expenses are recognized in the consolidated statement of income in the year they are incurred.

Retirement Benefits Cost
Retirement benefits cost is actuarially determined using the projected unit credit method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the Group's retirement plan at the end of the previous reporting year exceed 10% of the higher of the defined benefits obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past service cost is recognized as an expense on a straight-line basis over the average period that the benefits become vested. If the benefits are vested immediately following the introduction of, or changes to, the retirement plan, past service cost is recognized immediately.

The defined benefits liability is either the aggregate of the present value of the defined benefits obligation and actuarial gains and losses not recognized, reduced by past service cost not yet recognized, and the fair value of plan assets from which the obligations are to be settled, or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plan.

If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan, net actuarial losses of the current period and the past service cost of the current period are recognized immediately to the extent that they exceed any reduction in the present value of these economic benefits. If there is no change or there is an increase in the present value of economic benefits, the entire net actuarial losses of the current period and the past service cost of the current period are

recognized immediately to the extent that they exceed any reduction in the present value of these economic benefits. Similarly, net actuarial gains of the current period after the deduction of past service cost of the current period exceeding any increase in the asset is measured with the aggregate of cumulative unrecognized net actuarial losses and past service cost at the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. If there is no change or there is a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognized immediately.

Share-based Payments
Certain officers and employees of the Group receive additional remuneration in the form of share-based payments of either the Parent Company, FEP or PGI, whereby equity instruments (or "equity-settled transactions") are awarded in recognition of their services.

The cost of equity-settled transactions with employees is measured by reference to their fair value at the date they are granted, determined using the acceptable valuation techniques.

The cost of equity-settled transactions, together with a corresponding increase in equity, is recognized over the period in which the performance and/or service conditions are fulfilled ending on the date on which the employees become fully entitled to the award ("vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date up to and until the vesting date reflects the extent to which the vesting period has expired, as well as the Group's best estimate of the number of equity instruments that will ultimately vest. The consolidated statement of income charge or credit for the period represents the movement in cumulative expense recognized as the beginning and end of that period. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which awards are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. An additional expense is likewise recognized for any modification which increases the total fair value of the share-based payment arrangement or which is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. If a new award, however, is substituted for the cancelled awards and designated as a replacement award, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Foreign Currency-Denominated Transactions and Translations
Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities

denominated in foreign currencies are restated using the rate of exchange at the balance sheet date. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

When the gain or loss on a non-monetary item is recognized in other comprehensive income, any foreign exchange component of that gain or loss shall be recognized in the consolidated statement of comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in the consolidated statement of income, any exchange component of that gain or loss shall be recognized in the consolidated statement of income.

Related Party Relationships and Transactions

Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred income tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, and carryforward benefits of the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) [excess MCIT] and net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, excess MCIT and NOLCO can be utilized.

Deferred income tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates and interest in joint ventures. With respect to investments in other subsidiaries, associates and interests in joint ventures, deferred income tax liabilities are recognized except when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced 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. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred income tax amount to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that has been enacted or substantively enacted at the balance sheet date.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to offset the current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Provisions and Contingencies
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the consolidated statements of income, net of any reimbursement.

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing the net income attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any.

Diluted Earnings Per Share
Diluted earnings per share amounts are calculated by dividing the net income attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares

Other Comprehensive Income
Other comprehensive income comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRS.

Capital Stock
Ordinary or common shares are classified as equity. The proceeds from the increase of ordinary or common shares are presented in equity as capital stock to the extent of the par value issued shares and any excess of the proceeds over the par value or shares issued less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Parent Company. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the balance sheet date.

Treasury Shares
Own equity instruments which are reacquired (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments, When the retained earnings account has a debit balance, it is called "deficit". A deficit is not an asset but a deduction from equity.

Events After the Balance Sheet Date
Events after the balance sheet date that provide additional information about the Group's position at the balance sheet (adjusting event) are reflected in the consolidated financial statements. Events after the balance sheet date that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

2. Significant Judgments and Estimates and Assumptions

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 unaudited consolidated balance sheet.

Financial assets are classified into the following categories:

a. Financial assets at FVPL
b. Loans and receivables
c. HTM investments
d. AFS financial assets

Financial liabilities, on the other hand, are classified into the following categories:

a. Financial liabilities at FVPL
b. Other financial liabilities

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. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, quoted security 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 would affect the profit and loss and equity.

3. Financial Risk Management Objectives and Policies

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. About 64% of the Parent Company's annual mineral products sales are made to Pan-Pacific Co. Ltd. and 69% of the outstanding trade receivables are from Pan Pacific Copper, Ltd (Pan Pacific), with whom the Parent Company has a long-term supply agreement, assuring Pan

Pacific with sale of the Parent Company's mine products. This agreement is effective until end of the life of the mine currently declared as up to mid of 2017. The balance of the Company's annual mineral products sales is with Louis Dreyfuss (LD) Metals which is covered by a long-term agreement up to April 1, 2012.

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

The table below summarizes the Group's exposure to credit risk for the components of the unaudited consolidated balance sheet as of March 31, 2010:

Cash and cash equivalents, excluding cash on hand:	
Cash in bank	₱107,365
Short-term deposits	1,808,147
Accounts receivable:	
Trade	366,196
Others	145,123
AFS financial assets:	
Quoted equity investments	742,389
Unquoted equity investments	14,560
Gross maximum credit risk exposure	₱3,183,780

The table below shows the credit quality of the Group's financial assets by class as of March 31, 2010 based on the Group's credit evaluation process:

	Neither past due nor impaired		Past due or individually impaired	Total
	High Grade	Standard		
Cash and cash equivalents, excluding cash on hand:				
Cash in bank	₱107,365	₱-	₱-	₱107,365
Short-term deposits	1,808,147	-	-	1,808,147
Accounts receivable:				
Trade	366,196	-	-	366,196
Others	-	145,123	1,675	146,798
AFS financial assets:	-		-	
Quoted equity investments	-	742,389	-	742,389
Unquoted equity investments	-	14,560	-	14,560
Total	₱2,281,708	₱902,072	₱1,675	₱3,185,455

Credit quality of cash and cash equivalents and AFS financial assets are based on the nature of the counterparty and the Group's internal rating system.

High grade accounts receivables pertain to those receivables from customers that consistently pay before maturity.

The Group has no past due but not impaired financial assets as of March 31, 2010.

Liquidity risk
Liquidity risk is such risk where the Group becomes unable to meet its payment obligations when they fall due under normal and stress circumstances. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group addresses liquidity concerns primarily through cash flows from operations and short-term borrowings, if necessary.

The table below summarize the maturity profile of the Group's non-derivative financial liabilities as of March 31, 2010, respectively based on contractual undiscounted repayment obligations (including interest):

	On demand	Within 1 year	More than 1 year	Total
Short-term bank loans	₱-	₱-	₱-	₱-
Accounts payable and accrued liabilities	-	666,674	-	666,674
Dividends payable	167,810	-	-	167,810
Provisions and other payables		94,815-	-	94,815
Total undiscounted financial liabilities	₱167,810	₱761,489	₱	₱929,299

Market risks
Foreign currency risk
Foreign currency risk is such risk where the value of the Group's financial instruments diminishes due to unfavorable changes in foreign exchange rates. The Parent Company's transactional currency exposures arise from sales in currencies other than its functional currency. All of the Parent Company's sales are denominated in US Dollar. Also, the Parent Company is exposed to foreign exchange risk arising from its US Dollar-denominated cash and cash equivalents, trade receivables, and long-term debt. For the three months ended March 31, 2010, the Parent Company recognized ₱7.0 million in foreign exchange gains arising from the translation of these foreign currency-denominated financial instruments.

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

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

USD Appreciate/(Depreciate)	
1%	₱20,310
(1%)	(20,310)

There is no other impact on the Group's equity other than those affecting profit or loss.

Cash flow interest rate risk
Interest rate risk arises from the possibility that changes in interest rates would unfavorably affect future cash flows from financial instruments. The Group's exposure to the risk in changes in market interest rates relates primarily to the Parent Company's short-term bank loans. As of March 31, 2010, the Parent Company has no outstanding short-term bank loans.

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

The following table demonstrates the sensitivity to reasonably possible change in interest rates, with all other variables held constant, of the Group's first quarter 2009 income before income tax:

Change in market rate of interest	Effect on income before income tax
(1.0%)	$640
(0.5%)	$320
1.0%	($640)
0.5%	($320)

There is no other impact on the Group's equity other than those affecting profit or loss.

Equity price risk
Equity price risk is such risk where the fair values of investments in quoted equity securities could decrease as a result of changes in the levels of equity indices and the value of individual stocks. The management strictly monitors the movement of the share prices pertaining to its investments. The Group is exposed to equity securities price risk because of investments held by the Parent Company, 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 Parent Company's equity instruments held as AFS financial assets as at March 31, 2010, 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	
AU$	Increase by 10%	₱68,869
	Increase by 5%	34,434
	Decrease by 10%	(68,869)
	Decrease by 5%	(34,434)

Currency	Change in quoted prices of investments carried at fair value	
PHP	Increase by 10%	₱5,669
	Increase by 5%	2,835
	Decrease by 10%	(5,669)
	Decrease by 5%	(2,835)

The impact on the Group's equity excludes the impact on transactions affecting profit or loss.

Commodity price risk
The Parent Company's mine products revenues are based on international commodity quotations (i.e., primarily on the LME and London Bullion Metal Association quotes) over which the Parent Company has no significant influence or control. This exposes the Groups's results of operations to commodity price volatilities that may significantly impact its cash inflows. The Parent Company enters into derivative transactions as a means to mitigate the risk of fluctuations in the market prices of its mine products.

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, 2010:

Change in metal prices	Effect on income before income tax
Increase by 10%	₱86,235
Decrease by 10%	(86,235)

4. Segment Information

For management purposes, the Group is organized into business units based on their products and has two reportable segments as follows:

- The mining segment is engaged in mine explorations and production of copper concentrates
- The oil and gas segment is engaged in oil reserves explorations and production of oil and gas

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

The following table presents the segment assets and liabilities and results of operations as of March 31, 2010 and 2009.

March 31, 2010

		Mining		Oil and Gas		Unallocated Corporate Balances		Eliminations		Total
Revenue										
Sales to external customers	**P**	**2,391,375**	**P**	**42,417**	**P**	**-**			**P**	**2,433,792**
Results										
Profit before tax, interest expense and interest income	P	777,593		(P24,205)		-		(P16,851)	P	736,537
Net interest income		3,095		183		-		-		3,278
Income (loss) before income tax		780,688		(24,022)		-		(16,851)		739,815
Income tax expense		217,864		699		-		-		218,563
Net income	**P**	**562,824**		**(P24,721)**		**-**		**(P16,851)**	**P**	**521,252**
Assets and Liabilities										
Segment assets	P	16,677,614	P	2,479,113	P	5,938	P	739,988	P	19,902,652
Investments		4,774,577		1,068,114		-		(3,969,950)		1,872,741
Deferred income tax assets		-		43						43
Consolidated total assets	**P**	**21,452,191**	**P**	**3,547,270**	**P**	**5,938**		**(P3,229,963)**	**P**	**21,775,436**
Consolidated total liabilities	**P**	**7,165,339**	**P**	**155,826**	**P**	**77**		**(P3,663,480)**	**P**	**3,657,762**
Other Segment Information										
Additions to property, plant and equipment	P	175,941	P	15,221					P	191,162
Depreciation and amortization		222,108		19,876						241,984
Marked to market income										-
Noncash expenses other than depreciation and amortization and marked to market gain		17,421								17,421

March 31, 2009

	Mining	Oil and Gas	Unallocated Corporate Balances	Eliminations	Total
Revenue					
Sales to external customers	**P 2,005,928**	**P 852**	**P -**		**P 2,006,780**
Results					
Profit before tax, interest expense and interest income	P 633,864	(P21,976)	-	-	P 611,888
Net interest income	24,565	56	-	-	24,620
Income (loss) before income tax	658,429	(21,921)	-	-	636,509
Income tax expense	-	-	-	-	-
Net income	**P 658,429**	**(P21,921)**	**-**	**-**	**P 636,509**
Assets and Liabilities					
Segment assets	P 17,884,472	P 2,443,775	P 6,130	(P1,071,021)	P 19,263,356
Investments	3,479,079	1,028,691	-	(3,189,676)	1,318,095
Deferred income tax assets	248,182	-			248,182
Consolidated total assets	**P 21,611,733**	**P 3,472,466**	**P 6,130**	**(P4,260,697)**	**P 20,829,632**
Consolidated total liabilities	**P 9,628,173**	**P 1,012,205**	**P 33**	**(P4,842,597)**	**P 5,797,814**
Other Segment Information					
Additions to property, plant and equipment	P 286,400	P 6,380			P 292,779
Depreciation and amortization	170,264	5,830			176,094
Marked to market income					-
Noncash expenses (income) other than depreciation and amortization and marked to market gain	(36,218)				(36,218)

5. Related Party Transactions

The following are the significant transactions with related parties:

a. On September 25, 2008, the Board approved the Parent Company to pursue the acquisition of the 50% equity interest over the Silangan Project through SMECI and SMMCI from Anglo American Exploration Philippines B.V. (Anglo). The acquisition, which was consummated on February 6, 2009, was executed through a share and asset purchase agreement for a total consideration of US$55,000 (or ₱2,619,375), US$24,695 (or ₱1,176,114) for the shares, US$43 (or ₱2,020) for the project properties, US$27,053 (or ₱1,288,416) for the receivables and US$3,209 (or ₱152,825) for the payment of loans of Anglo in joint venture companies. This acquisition effectively gave the Parent Company, together with PGPI, which currently owns the other 50% interest, control over the property.

b. In conjunction, Anglo assigned to the Parent Company its receivables from SMMCI for cash advances to finance SMECI's operations and exploration activities. From this point, the Parent Company continued providing the cash

advances to SMMCI and SMECI. As of March 31, 2010, the outstanding cash advances to SMMCI and SMECI amounted to ₱2,307,914.

c. The Parent Company advances PGPI's working capital and capital expenditure requirements which amounted to ₱870,054 and ₱593,571 as of March 31, 2010 and 2009, respectively. A portion of these advances are secured by mortgage participation certificates on certain mining assets of PGPI's Bulawan mine which is currently on care and maintenance basis.

6. Basic Earnings Per Share

Basic earnings per share as of March 31, 2010 and March 31, 2009 are computed as follows:

	2010	2009
Net income attributable to equity holders of the Parent Company	**₱528,055**	₱445,660
Divided by weighted average number of common shares outstanding during year	**4,905,923,749**	4,867,306,154
Basic earnings per share	₱0.1076	₱0.0915

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.