



# APEX MINING CO., INC.

22 August 2012

**PHILIPPINE STOCK EXCHANGE, INC.**

Disclosure Department  
Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

Attention: **Ms. Janet Encarnacion**  
Head, Disclosure Dept.

Dear Ms. Encarnacion:

We are submitting herewith SEC Form 17-Q for the quarter ended June 30, 2012.

Thank you.

Very truly yours,

**ROSANNA A. PARICA**

Corporate Information Officer

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-Q

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

For the quarterly period ended: **June 30, 2012**

Commission Identification Number: **40621** 3. BIR Tax Identification No. **000-284-138**

Exact Name of Registrant as specified in its charter: **APEX MINING CO., INC.**

Province, country or other jurisdiction of incorporation or organization : **PHILIPPINES**

Industry Classification Code : (SEC Use Only)

Address of registrant's principal office: **U1704 17<sup>th</sup> Flr, Prestige Tower Cond., F. Ortigas Jr. Road, Ortigas Center, Pasig City**

Postal Code: **1605**

Telephone number, including area code: Tel # **706-2805** Fax # **706-2804**

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

Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding or amount of Debt Outstanding
CLASS A	908,758,198
CLASS B	545,758,228

Are any or all registrant's securities listed on the Phil. Stock Exchange?

Yes  No  Phil. Stock Exchange - listed 1,454,516,426 million shares (P1.00) par value

Indicate by check mark whether the registrant:

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

Yes  No

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

Yes  No

## **PART I FINANCIAL INFORMATION**

### **Item 1. Financial Statements**

Please see attached Unaudited Financial Statements for the period ended June 30, 2012

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

#### **A. OPERATIONS HIGHLIGHTS**

##### **Exploration**

Exploration in MPSA 225 was focused on near-mine extensions of veins. Two (2) LM55 rigs are operating underground to assess these extensions. The first LM55 is targeting Sandy-Malumon from L590 and the other LM55 rig is drilling to assess the Sandy Main Vein target.

The Kempe rig was used to target Bonanza and Sandy veins ahead of development.

Below are some significant intercepts during the quarter.

Hole ID	From	To	Sample width	Au ppm	Vein
ASA-590-002	8.2	9	0.8	1.87	Sandy-Malumon
ASA-590-002	78.5	79.4	0.9	3.79	Sandy-Malumon
ASA-590-002	86.5	87.5	1	4.29	Sandy-Malumon
ASA-590-002	273.7	274.6	0.6	1.07	Sandy-Malumon
ASA-590-002	288.1	289.7	1.6	1.901	Sandy-Malumon
ASA-590-003	75.6	78.2	2.6	1.822	Sandy-Malumon
ASA-590-003	134.3	134.7	0.4	7.765	Sandy-Malumon
AMA-485-003	0	1.7	1.7	3.45	Bonanza Hanging Wall Split
ASA-785-006	209.6	213.7	4.1	1.745	Sandy
ASA-785-006	141.8	142.8	1	1.24	Sandy
ASA-590-006	219.6	226.2	6.6	3.45	Sandy
ASA-590-006	206.5	209.7	3.2	17.515	Sandy
ASA-785-007	207.7	208.7	1	2.48	Sandy
ASA-785-007	212.8	216.8	4	13.505	Sandy
ASA-785-007	227.4	228.1	0.7	1.95	Sandy

Detailed Geologic Mapping was simultaneously conducted in Parcels I and III of MPSA-234-XI-2007. Mapping was carried out along rivers, creeks and roads using compass and tape, and by direct plotting using 1:1000 scale. The maps are then transferred into 1:1000 Fact Maps separated into blocks, and later reduced and collated into a 1:5000 scale map.

Mapping was completed in Parcel I in the first week of May, Parcel II in the third week of April and Parcel III in the third week of May.

Detailed mapping was downscaled in late May up to the end of the quarter. Mapping was conducted by two (2) teams in Parcel V. The rest of the surface personnel assist in the drilling operation at Mapula and in the preparation for the RC drilling.

### Mine and Milling Operations

The Mine produced a total 44,807 tonnes of gold ores for the 2<sup>nd</sup> quarter 2012, with an average mine grade of 4.5 grams per tonne. Ore extraction was focused on the active vein systems, such as Bonanza representing with 28% of the total production to-date, Masara with 12%, Bibak with 7% all at Mine East (Maligaya Area) and Sandy representing 37% of the total production, & Maria Inez with 15%, at Mine Others (Malumon). The Don Calixto, Don Fernando and Wagas veins (at Mine West) are temporarily suspended pending arrival of new underground equipment.

To sustain the level of ore delivery to the Mill Plant, a total of 19,816 tonnes at 2.62 grams per tonne were mined from the old marginal ore stockpile for the 2<sup>nd</sup> quarter of 2012.

Mine development on ore (on vein) was advanced to 727 meters for the 2<sup>nd</sup> quarter with a total of 1,341 meters to-date 2012. Mine waste development was also advanced to 1,053 meters for the 2<sup>nd</sup> quarter with a total of 2,172 meters to-date as of end of June 2012.

All the mandatory requirements from the DOLE was adapted for a changed in manpower work schedule to be implemented in July 2012, from the three (3) shifts eight (8) hours work per day to two (2) shift twelve (12) hours work per day to improve manpower utilization. Mine's labor work force will render duty for one (1) week and takes off one (1) week for as rest. The work cycle scheme will allow the miners to completely regain the required physical conditioning as a result of heavy workloads and exposure to severe environment typical while working underground.

Meanwhile, pending arrival of the newly ordered underground fleet, the re-opening of additional ore sources was temporarily suspended. The Mine management have completed all the required processing for the delivery of 36 units brand new underground equipment that will be used in the mine expansion to 2,500 TPD by 2015.

For second quarter of the year 2012, average throughput significantly increased from an average of 530 tonnes per day (TPD) in first quarter to 652 TPD due to improved mechanical availability.

Critical spares supply are on site such as drum scrubber and rod mill bearings, ball mill gear reducer and tailings pump spares. Site preparation for the construction of new plant is on-going. Rehabilitation on Stripping and Gold Room sections are partially completed. Tertiary crusher installation and fine ore bin expansion are still on-going to cope with target production of 700-850 TPD in the 3<sup>rd</sup> quarter.

Major operating cost cutback was the reduction in cyanide consumption from 2.5 to 2.0 kg/t corresponding to annual economy of 400,000 USD due to better process control.

For the quarter ending June 30, 2012, the mill plant processed a total of 59,273 tonnes with mill heads of 3.92 g/t Au and 24.09 g/t Ag, with average calculated metal recoveries of 85.60% and 72.68% for gold and silver, respectively.

Shown in table below is the Summary of Operations for the Second Quarter of 2012:

HIGHLIGHTS 2ND QUARTER 2012							
		YTD	2nd Qtr	APR	MAY	JUN	
<b>1</b>	<b>Exploration Diamond Drilling</b>	Meters	6,331	3,751	1,145	1,143	1,463
<b>2</b>	<b>Mine Operations</b>						
	Development						
	Ore development	Meters	1,341	727	262	243	222
	Waste development	Meters	2,172	1,053	377	384	291
	Production						
	Ore production	Tonnes	94,247	44,807	15,983	14,020	14,804
	Waste mined	Tonnes	66,890	31,376	11,493	11,560	8,323
	Total ore + waste mined	Tonnes	161,137	76,183	27,476	25,580	23,127
<b>3</b>	<b>Mill Plant Operations</b>						
	Ore Milled	Tonnes	107,740	59,273	19,381	18,637	21,255
	Calculated Mill Head-GPT	gpt Au	3.95	3.92	4.13	3.86	3.78
		gpt Ag	23.68	24.09	26.34	24.70	21.50
	Mill Recovery	percent Au	85.38%	85.60%	85.88%	84.69%	86.14%
		percent Ag	70.27%	72.69%	73.55%	71.66%	72.80%
	Metal Production-Oz	oz Au	11,525	6,242	2,229	1,950	2,063
		oz Ag	56,965	32,734	11,620	10,383	10,731
<b>4</b>	<b>Operating cost (USD)</b>						
	Mining Cost (per tonne ore produced)	USD/tonne	58	64	74	58	60
	Milling Cost (per tonne ore milled)	USD/tonne	30	30	31	31	28
	Total Cost Per Tonne Mined	USD/tonne	121	165	172	162	162
	Total Cost Per Tonne Milled	USD/tonne	130	126	142	122	113
	Total Cost Per Oz Au Produced-all costs	USD/oz Au	1,754	1,718	1,807	1,717	1,631
	Total Cost Per Oz Au Produced-direct costs	USD/oz Au	1,271	1,243	1,305	1,219	1,204
	Total Cost Per Oz- w/ silver credit	USD/oz (Au+Au eq Ag)	1,092	1,032	1,071	1,009	1,017
	USD Per Oz (Metal Prices)	Gold	1,640	1,606	1,661	1,559	1,599
		Silver	31	29	31	29	28
<b>5</b>	<b>Manpower</b>						
	Company Regular Employees	Managers		37	36	37	37
		Supervisors		175	175	175	174
		Rank & File		821	826	819	819
		Total		1,033	1,037	1,031	1,030
	Contractors' Employees	Total		363	410	328	351
		Total Reg+Cont		1,396	1,447	1,359	1,381
<b>6</b>	<b>Safety Incident Statistics</b>						
		NLTA (FAC)		1	0	1	1
		LTA (Non-Fatal)		0	0	0	0
		Property Damage		0	0	0	0
<b>7</b>	<b>Power Utilization</b>	kWatt-hr	17,036,077	8,794,080	2,941,727	2,835,477	3,016,876
		peso/kW hr	3.93	3.82	3.77	3.86	3.82

### C. HUMAN RESOURCE AND MANAGEMENT

The 2<sup>nd</sup> quarter of 2012 continues to be a very challenging for everyone. The Human Resource Department is on its way to the full implementation of Salary Standardization. Job Validations were done to determine whether job description matches the job holder. Everyone was busy in its every role aiming to accomplish what has been its goal right from the very first quarter.

Manpower went down compared to last quarter due to some resignations. Freeze hiring is still implemented while hiring of significant positions is taken into consideration.

Employee welfare section carry on its program, having fun run in month of May and the recognition of the Model Supervisor and model employee. Opening of sports feast highlighted the whole month of June.

Benefits continue to be availed of by employees, increasing at least a 30% of our hospitalization cases and outpatient cases. While dental benefit is still catered by the dentist in the Medical department.

Among other major accomplishments were the execution of the salary standardization in June 26, 2012 and the cascading of the new work schedule which will be implemented in July 2012.

Furthermore, in view of motivating the Apex employees to become more productive and effective in their areas of responsibilities, series of employees activities were conducted monthly. This is to encourage employees to participate in these activities of which they have something to look forward in the next few weeks. Team and Event Coordinators are selected to represent their departments and monthly meetings are conducted to discuss the events to be launched.

The 8 Employee Representatives, who were elected last year, were very active in the monthly meeting and had presented arising issues and concerns of employees. They were able to present it during the Central Safety and Health Council meeting which was attended by all Managers. A Field Exposure was organized for them, and had a site visit at PHILSAGA Mining Corporation in Bunawan, Agusan Sur. It was an enriching experience for all the representatives as they could see the difference of working conditions and benefits of employees.

The HR Department had initiated the Team Building Workshop among the HR personnel to enhance interpersonal relationships and improve work productivity. It was a one day activity and overnight stay at Lakan's Place in Tagum City.

Priorities this quarter include maintaining peace and harmony among HR personnel and its clientele and going on with the review of salaries and recommend adjustments for employees' affected.

**D. ENVIRONMENTAL MANAGEMENT**

It is the goal of the company to demonstrate world standard environmental practices by minimizing the environmental impact of our mining operations by safeguarding the environment, for the present and for future generations. The company believes that environmental stewardship is based on planning, implementation, evaluation of programs and a strong desire to improve and achieve excellence in what we do.

For the 2<sup>nd</sup> quarter of CY-2012 the following environmental activities were implemented with the corresponding cost as follows:

Activities	Actual Cost
Reforestation and Forest Protection	1,170,906.00
Waste Management	123,829.00
Construction and Maintenance	13,218,133.31
Monitoring Workshops and River System	1,560,657.10
Air Quality Monitoring	117,600.00
<b>Total</b>	<b>16,191,125.41</b>

The company's forestry section through casual workers conducted tree planting, protection and maintenance to enhance the disturbed areas. Also planting of assorted shrubs / grasses, establishment of wattling structures were used for slope stabilization and erosion control. Enrichment planting in low density areas was also conducted.

To ensure compliance with the DENR standards, continuous monitoring of effluent from the different established sampling stations was conducted. Moreover, Peizometer monitoring was also continuously conducted at the tailings pond for information and reference purpose. All safety measures and maintenance works were undertaken to ensure the smooth operations of tailings conveyance to disposal area.

Collection and hauling of domestic garbage and waste was also maintained.

## **E. CORPORATE SOCIAL RESPONSIBILITY**

During the 2<sup>nd</sup> Quarter of 2012, the company has reached out to the community a total of P612,168.05 through the programs under Social Development and Management Plan 2012.

### **Health and Sanitation Program**

For the Health Program, the company was able to extend a total cost of P45, 000.00. That includes free medical and dental check-up as well as free medicines to the host and neighbouring community members.

### **Sustainable Livelihood Programs and Activities**

Moreover, for Sustainable Livelihood Program, P127,050.25 was spent for the Community-Based Entrepreneurship Training and Graduation of the five groups of women with their business plans as training output. Also, training on production of cocoa was conducted to the farmers, in collaboration with COCOPAL (Cocoa, Coconut and Palay) Project Farmer Leader, Mr. Victor Ramos. In addition, broiler chickens were dispersed to Barangay Mainit for their additional income generating project.

### **Social Development Programs and Responsive Education**

Social Development and Responsive Education Program was with an actual cost of P149,077.80 from April – June, 2012. This program includes scholarship grants to two-year course scholars, honorarium for the Alternative Learning System instructional managers, and the graduation ceremony of the scholars on painting and tile-setting training. Also, requests on service vehicles during emergency cases, community activities and students transportation, were catered. Financial assistance was also given to the requesting barangays, schools and churches for their various activities such as barangay patronal fiesta, District Youth Camp, Brigada Eskwela, and the like. In addition, there was also a *Kasalan ng Bayan* (Mass Wedding) sponsored by Apex in Barangay New Leyte for couples living together for a long time but unable to receive the sacrament of marriage.

### **Infrastructures**

On the other hand, Infrastructures Projects were also prioritized. Churches like the Sto. Nino GKK was renovated, Sta. Teresa Chapel was expanded, Four Square Gospel in Bunlang and Tagbaros were improved. Also, a bridge in Purok 3 in Barangay Teresa was repaired.

### **Indigenous Peoples Programs and Projects**

Furthermore, Indigenous Peoples were not taken for granted. Tribal Day celebration for the Mansakas was financially assisted and was attended to. Also, a capability-building seminar was conducted to the Barangay Tribal Council of Elders and Leaders in Barangay Mainit.

### **Information Education Campaign**

Lastly, Information Education and Communication Campaign were continued. SDMP quarterly monitoring was conducted by the Community Relations Department personnel with Mr. Ryan Paran, Mines and Geosciences Bureau - Community Affairs Officer. In addition, an environmental symposium and a tree planting activity by the grantees of Apex Special Program for the Employment of Students, was assisted and Young Ones United for Jesus Christ 2<sup>nd</sup> Anniversary was enjoined with an Anti-Drug Campaign.

## F. Safety and Health

It is the mission of the company's Safety and Health Department to promote the well-being of all the stakeholders by embracing safety as a way of life by achieving world class standards and by upholding a holistic approach to wellness. This is done with care and sincere commitment to realize a sustainable, responsible and globally recognized mining company.

The department is committed to a safe and healthy work environment and ensuring that all employees, contractors and visitors to go home to their families safe and sound. The commitment is underpinned by the newly formulated Company's Annual Occupational Health and Safety Plan.

The department undertook a range of initiative in the 2<sup>nd</sup> quarter of 2012 to facilitate and increase the health and well-being of its staff, encourage a work-life balance and reduce the rate of illness and injury. Key officers and senior managers actively supported and promoted healthy and active lifestyle choices. These values can increase employee productivity and a positive work culture, as well as decrease stress and minimize the impact of illness and injury. Activities ranged from encouraging physical activity and good nutrition, to empowering staff to self-manage their health.

Below shows some of the trainings, programs and activities undertaken during the quarter.

Trainings	Date	No. of Participants
Supervisor Development Program	April 27 2012	43
Mine Refresher Training	May 24-31	18
Safety Orientation	Quarterly	
Visitors/OJT	April – June 2012	98
Newly Hired/Casuals	April – June 2012	4
Contractors	April – June 2012	24

Month	Implemented Programs/Activities
Apr-12	• Blood Donation program in cooperation with Maco Local Health Unit
	• Conduct Free Hemoglobin screening , Pulse Oximetry test
May-12	• Scheduled Activity w/ cooperation of comrel department
Jun-12	• Conduct Flu/Pneumonia/Hepatitis Vaccinations to Employees
	• Lectures/presentations regarding benefits of having vaccinated

### Safety Milestone (2<sup>nd</sup> quarter, 2012)

- Conducted Central Safety and Health Council Meeting every second Friday of the month and then held Departmental Safety Meetings.
- Conducted regular underground and surface safety inspections.
- Conducted water sampling at water purifier and source/reservoir.
- Conducted audit and inspection of surface Fire Hydrant.
- Monthly audit of fire extinguishers and first aid medicines at respective areas.
- Conducted safety orientation of OJT's, visitors, suppliers and contractors
- Escorted BIR Manila during their mine site visit
- Conducted inspection and evaluation at Durian access road, PJAC, Dizon Land owner's small scale mining association and Bunlang area
- Fabricate and installed safety signages at respective underground
- Audited and pull-out defective W-65 self-rescuer at L-590 & L870 underground
- Escorted and assisted basic safety during the U/G familiarization of OJT *BSEM* student from USEP Davao and Bicol Univ.
- Conducted geo-hazard inspection at former Masara Landslide



- Issued 6 units oxygen and acetylene carrier
- Inspection/audit of fire alarm, Emergency lights, Exit sign and fire hydrant.
- Translation Company Safety Handbook
- Updated company authorization to drive and operate ID's
- Attended MDRRMC meeting at Maco municipal hall
- Conducted Goe-hazard assessment at L+920 to L+1000 PJAC together with the concerned departments
- Cascading and selection of delegates for PMSIA activities
- Complied the recommendation of Maco Bureau of Fire inspection in the previous inspection
- Conducted and assisted fire safety inspection of the Maco Bureau of Fire regarding the acted recommendation
- Accompanied the inspection of MGB XI inspection team at surface area
- Ongoing finishing of Maligaya underground refuge chamber

## Health Awareness Programs

Lastly but not the least, the following Health Awareness Programs were implemented during the quarter:

- Conducted Blood Letting Program(Blood Donation) for Apex employees
- Conducted Blood Lead Level Testing to Mill employees exposed to lead
- Conducted Free Hemoglobin and Oxygen pulse Oximetry determination for Employees.
- Conduct Lecture and Presentation about Safety and Health specifically the importance of vaccination (Pneumonia, Flu, Hepatitis and Cervical) during the scheduled departmental monthly Safety Meeting
- Close follow-up on the status of employees diagnosed with Diabetes, Hypercholesterolemia, Hypertension, Heart Diseases and PTB.
- Routine Medical, Dental Consultations and treatments of employees, contractors, dependents and community residents.
- Routine consultation and evaluation of surgical mass or cyst and perform minor surgical procedures.
- Conducted OPERATION TULI to employees dependents and community residents of four impact Barangays
- Evaluation and interpretation of Blood Lead Level testing result of Mill employees
- Finalize the dissemination of the Importance of vaccination for upcoming Apex Vaccination program
- Close follow-up on the status of employees diagnosed with Diabetes, Hypercholesterolemia, Hypertension, Heart Diseases and PTB.
- Routine Medical, Dental Consultations and treatments of employees, contractors, dependents and community residents.
- Routine consultation and evaluation of surgical mass or cyst and perform minor surgical procedures.
- Conducted APEX VACCINATION PROGRAM (Influenza "Flu" , Pneumonia) to employees and dependents.
- Regular company physician Underground inspection during the Mine tour to identify Occupational health hazards and follow up on the improvements and corrections of the previously identified hazards
- Close follow-up on the status of employees diagnosed with Diabetes, Hypercholesterolemia, Hypertension, Heart Diseases and PTB.
- Routine Medical, Dental Consultations and treatments of employees, contractors, dependents and community residents.
- Routine consultation and evaluation of surgical mass or cyst and perform minor surgical procedures.

## Management Discussion and Analysis of Financial Condition and Results of Operations

Apex Mining Co.'s sale of gold and silver for the six months ended June 30, 2012 amounted to P834.6 million. This is 12% or P118.0 million lower than the same period revenue last year of P952.6, primarily due to lower volume of metals shipped. Ounces of gold and silver sold and shipped during the period aggregated to 11,085oz. and 48,890oz. respectively, as compared to 13,181oz. and 72,325oz. shipped from January to June, 2011.

Realized gold and silver prices per ounce for the period averaged to \$1,639.89 as compared to \$1,449.97 per ounce in the same period last year.

Total costs and expenses incurred for June 30, 2012 and 2011 amounted P780.9 million and P895.2 million, respectively.

Cost of sales (COS) declined to P538.5 million from P690.0 in the previous period, while general and administrative (G&A) expenses increased to P242.4 million from P205.2 last period.

The fluctuation was brought about by the following expenses:

- Rent charged to cost of sales decreased by P140.3 million. Effective January 1, 2012, the Company assumed all the assets of Teresa previously rented by virtue of a statutory merger as approved by the SEC.
- Salaries and employment benefits decreased by P6.4 million. During the first quarter of the year, the Company made an announcement on the resignation of key officers and reorganization within the management. Such move reflected a savings of P6.4 million compared to prior period.
- Materials and supplies decreased from P223.9 (COS - 206.7 million; G&A – 17.2 million) to P218.4 (COS - P203.6 million; G&A P14.6 million) in line with the decrease in production volume. There is also a shift in issuances of materials and supplies to support the on-going exploration and development activities. These issuances are presented in the balance sheet as deferred mine exploration and development costs and will be subsequently transferred to mine and mining properties upon start of operation and then expense by way of depletion charges.
- Depreciation and amortization, on the other hand, significantly increased by P25.6 million due to higher capital acquisitions made in the first quarter of the year as well as the transfer of equipment from Teresa as mentioned above.
- Net decrease in utilities and contracted services at P10.4 million are due to rising cost of materials and services.

Other income included foreign exchange gains amounting to P24.5 million (unrealized P15.9 million, realized P8.6 million gain) principally arising from the translation of the foreign currency-denominated advances from related parties at P42.28:\$1 as of June 30, 2012 from P43.49:\$1 as of June 30, 2011.

Net income increased to P78.1 million or a 46% jump for the six-months ended June 30, 2012 from the net income of P53.4million for the same period last year.

Cash as of June 30, 2012 amounted to P71.8million, compared to P53.5million in 2011. Collection from sales was higher, particularly from sale of silver shipped in 2011.

Accounts Receivable including transactions from uncollected sales of metals in June 2012 amounted to P219.5 million as against P407.4 million as of December 31, 2011. The significant decline was due to lesser shipment made in June and lower volume of metals sold throughout the period.

Inventories, on the other hand, were higher at P490.7 million compared to P350.1 million in 2011. As of June 30, 2012, there was ore extracted and processed but undelivered until July 4, 2012.

The increase in Prepayments and Other Current Assets in June 2012 was mainly due to transfers of Other Current Assets of Teresa, the merged entity.

Deferred exploration and development costs continued to increase to P733.5 million as of June 30, 2012 from P530.2 million as at end of December 31, 2011 due to opening of various portals for the exploration activities.

Property, plant and equipment (PPE), net, as of June 30 increased to P675.9 million in June 2012 from P579.3 in 2011. The increase was mainly due to various acquisitions of mine & mill equipment, office equipment and several constructions that are in progress.

A decline in mine and mine properties to P695 million in 2012 from P774 million last year was due to periodic amortization of costs of portals declared to be in commercial operation stage and mine out costs based on exploration results.

Other assets significantly increased to P73.5 million from P49.9 million in December 2011 due to transfer of idle machineries from Teresa with a net book value of P21.9 million.

Current liabilities as of June 30, 2012 amounted to P1.3 billion as compared to P1.5 billion in 2011.

The increase in Accounts Payable and Accrued Liabilities to P391.3 million from P271.1 million in 2011 were mainly from purchases of goods and services and employee benefit accruals during period.

Advances from shareholders and affiliates amounted to P944.1 million from P1,238.8 million in 2011. The decrease was due to payments made by the Company to related parties.

As of June 30, 2011, non-current Liabilities amounted to 153.2 million, slightly greater than the than the figure in 2011 of P134.1 million. The significant factor that contributed to the increase is the movement of deferred income tax liabilities arising from translation of monetary liabilities.

Deferred income tax liabilities amounted to P53.2 million at June 30, 2012 and 36.0 million at December 31, 2011.

The Provision for Mine Rehabilitation Cost is maintained in the amount of P66.8 million at June 30, 2012 and December 31, 2011. This amount is based on estimated cost for reforestation, dismantling and decommissioning of property and equipment as included in the FMRDP.

In compliance with PAS no. 19, Accounting for Employees Benefits, the Company's accrual at June 30, 2012 and December 31, 2011 was P33.1 million and P31.3 million respectively. The December 31, 2010 accrual was P19.6 million.

The Board of Directors and stockholders of the Company and Teresa at a meeting held on September 1, 2011 and August 1, 2011 of the BOD of the Company and Teresa, respectively, and at a meeting held on October 6, 2011 and September 15, 2011 of the stockholders of the Company and Teresa, respectively, approved the Plan

of Merger (Merger) of the Constituent Corporations, the Company being the surviving corporation and Teresa being the absorbed Corporation.

An Articles and Plan of Merger was executed by the Constituent Corporations on October 7, 2011 for filing and approval by the SEC.

On December 1, 2011, the SEC approved the Articles and Plan of Merger. As indicated in the Articles and Plan of Merger, the Merger will be effective on the first day of the month immediately following the month in which approval for the Merger is obtained from the SEC (the "Effective Date of Merger"), thus the Merger became effective on January 1, 2012.

With the net income of P78.1 million, the deficit at June 30, 2012 improved to P1.889.3 million as compared to P1.967.4 million in 2011.

Net cash provided by operating activities amounted to 454.2 million for the six-month ended June 30, 2012 as compared to P286.8 million for the same period in 2011 mainly due to higher net income earned.

Net cash used in investing activities, comprising of additions to property, plant and equipment, non-current assets and exploration expenditures, was P362.1 million for the six-month ended June 2012 as compared to the net amount provided by investing activities during the same period last year of P381.3 million.

Net cash used in financing activities amounted to P73.8 million due to payments made to advances from related parties. In 2011 of the same period, cash provided by financing activities amounted to P103.7 million.

#### **FREE CASH FLOW (FCF)**

The company generated a positive FCF of ₱18.3 million during the six-month period ended June 30, 2012.

FCF is an indication of the Company's ability to generate cash from its operations, less its capital expenditures, to support its working capital requirements.

**Apex Mining Co., Inc.**  
**Balance Sheets**  
**(all in Philippine Pesos)**

	June 30, 2012 (Unaudited)	December 31		Change	
		2011 (Audited)	2010 (Audited)	Amount	%
<b>Current Assets</b>	<b>887,362,138</b>	<b>879,827,345</b>	<b>728,484,734</b>	<b>7,534,791</b>	<b>3%</b>
Cash	71,850,919	53,550,286	17,859,662	18,300,633	34%
Receivables - net	219,489,333	407,376,223	232,769,295	(187,886,890)	(46%)
Inventories - net	490,661,768	350,054,504	343,397,510	140,607,264	40%
Other current assets	105,360,118	68,846,332	134,458,267	36,513,786	53%
<b>Property and Equipment</b>	<b>675,939,516</b>	<b>579,316,307</b>	<b>418,365,809</b>	<b>96,623,209</b>	<b>38%</b>
Mill machineries and equipment	924,090,217	608,534,053	573,920,413	315,556,164	52%
Heavy mobile equipment	650,150,122	546,927,930	405,064,481	103,222,192	19%
Mine machineries and equipment	415,030,466	412,802,533	400,111,228	2,227,933	1%
Dams and diversions	411,153,573	347,914,489	306,982,635	63,239,084	18%
Power gen. and electrical	358,954,061	118,787,399	87,725,764	240,166,662	202%
Buildings and structures	195,618,602	156,603,219	137,973,771	39,015,383	25%
Pumps and motors	121,459,993	56,476,526	20,908,861	64,983,467	115%
Roads and bridges	99,240,948	97,860,081	92,687,895	1,380,867	1%
Exploration and drilling equipment	83,008,616	2,896,233	133,932	80,112,383	2766%
Transportation equipment	63,277,282	5,711,445	3,189,511	57,565,837	1008%
Assay and met. laboratory	45,884,907	16,513,446	545,878	29,371,461	178%
Land and improvements	35,515,000	35,515,000	35,515,000	-	0%
Small tools and equipment	16,603,380	733,813	5	15,869,567	2163%
Computers	11,617,243	4,449,264	4,049,884	7,167,979	161%
Communication equipment	4,261,907	2,368,130	2,293,964	1,893,777	80%
Office furniture	943,875	519,768	204,601	424,107	82%
Fixed assets for asset retirement obligation	597,721	597,721	1,109,848	-	0%
Staff house furniture	390,000	390,000	390,000	-	0%
Construction in progress	55,866,567	76,342,550	45,274,918.13	(20,475,983)	-27%
<b>At Cost</b>	<b>3,493,664,480</b>	<b>2,491,943,600</b>	<b>2,118,082,589</b>	<b>1,001,720,880</b>	<b>40%</b>
<b>Accumulated Depreciation</b>	<b>2,817,724,964</b>	<b>1,912,627,293</b>	<b>1,699,716,780</b>	<b>905,097,671</b>	<b>47%</b>
<b>Deferred mine exploration and development costs</b>	<b>733,494,519</b>	<b>530,156,205</b>	<b>161,880,451</b>	<b>203,338,314</b>	<b>81%</b>
<b>Mine and mine properties</b>	<b>695,104,265</b>	<b>774,453,464</b>	<b>1,007,351,523</b>	<b>(79,349,198)</b>	<b>-32%</b>
<b>Other assets</b>	<b>73,530,441</b>	<b>49,877,351</b>	<b>20,273,259</b>	<b>23,653,090</b>	<b>9%</b>
Non-current deposits	24,250,591	23,108,236	11,878,971	1,142,354	5%
Idle Assets, net	21,871,745	-	-	21,871,745	100%
Others	27,408,105	26,769,115	8,394,288	638,990	2%
<b>Total Assets</b>	<b>3,065,430,879</b>	<b>2,813,630,672</b>	<b>2,336,355,776</b>	<b>251,800,207</b>	<b>9%</b>

<b>Current Liabilities</b>	<b>1,335,434,455</b>	<b>1,509,807,114</b>	<b>1,177,111,415</b>	<b>(174,372,659)</b>	<b>-12%</b>
Accounts Payable & Accrued Liabilities	391,324,958	271,074,982	292,109,620	120,249,976	44%
Due to Mapula	164,087,992	12,701,610	19,169,589	151,386,382	1192%
Due to Teresa	-	482,842,673	137,552,525	(482,842,673)	(100%)
Due to ASVI-TSG	60,135,479	62,349,865	-	(2,214,386)	-4%
Due to Mindanao Gold	719,886,026	680,837,984	728,279,681	39,048,042	6%
<b>Non-Current Liabilities</b>	<b>153,174,639</b>	<b>134,121,017</b>	<b>185,413,344</b>	<b>19,053,622</b>	<b>14%</b>
Deferred Tax Liability	53,201,922	35,995,557	85,487,863	17,206,365	48%
Asset Ret. Obligation	66,811,963	66,811,963	80,296,912	0	0%
Accrued Ret. Payable	33,160,754	31,313,497	19,628,569	1,847,257	6%
<b>Total Liabilities</b>	<b>1,488,609,095</b>	<b>1,643,928,131</b>	<b>1,362,524,759</b>	<b>(155,319,036)</b>	<b>-9%</b>
<b>Total Capital Stock</b>	<b>3,466,211,589</b>	<b>3,137,171,855</b>	<b>2,912,979,163</b>	<b>329,039,734</b>	<b>10%</b>
Capital Stock	1,466,516,426	1,390,955,655	1,317,618,030	75,560,771	5%
In excess of par	1,919,180,270	1,665,701,307	1,503,380,955	253,478,963	15%
Revaluation increment	80,514,893	80,514,893	91,980,180	0	0%
<b>Retained Earnings</b>	<b>(1,889,389,807)</b>	<b>(1,967,469,313)</b>	<b>(1,939,148,148)</b>	<b>78,079,507</b>	<b>-4%</b>
<b>Total capital deficiency</b>	<b>1,576,821,784</b>	<b>1,169,702,541</b>	<b>973,831,017</b>	<b>407,119,241</b>	<b>35%</b>
<b>Liabilities and Equity</b>	<b>3,065,430,879</b>	<b>2,813,630,672</b>	<b>2,336,355,776</b>	<b>251,800,205</b>	<b>9%</b>

Apex Mining Co., Inc.  
 Unaudited Statements of Comprehensive Income  
 (all in Philippine Pesos)

	Six-months ended June 30		Quarter ended June 30		Change	
	2012	2011	2012	2011	Amount	%
<b>Revenue</b>						
Sale of gold	770,998,907	840,533,486	361,908,526	452,108,467	(69,534,579)	-8%
Sale of silver	63,595,970	112,035,982	27,350,167	68,602,223	(48,440,012)	-43%
	<b>834,594,877</b>	<b>952,569,468</b>	<b>389,258,693</b>	<b>520,710,690</b>	<b>(117,974,591)</b>	<b>-479%</b>
<b>Costs of Sales</b>						
Materials and supplies	203,778,904	206,710,143	105,790,688	56,061,330	(2,931,239)	-1%
Depreciation, depletion & amort	185,211,358	181,731,767	85,067,757	94,850,692	3,479,591	2%
Utilities	59,589,820	47,142,976	31,159,175	24,378,073	12,446,844	26%
Salaries and employee benefits	36,846,831	50,951,439	13,516,369	26,075,791	(14,104,608)	-28%
Rent	33,843,835	174,178,872	11,407,938	89,709,893	(140,335,037)	-81%
Marketing	11,553,969	9,642,532	6,986,779	6,887,166	1,911,437	20%
Contracted services	3,522,170	3,343,737	2,059,235	2,264,208	178,433	5%
Others	4,135,903	16,280,329	(4,547,106)	7,003,683	(12,144,426)	-75%
	<b>538,482,790</b>	<b>689,981,795</b>	<b>251,440,835</b>	<b>307,230,836</b>	<b>(151,499,005)</b>	<b>-615%</b>
<b>GROSS PROFIT</b>	<b>296,112,087</b>	<b>262,587,673</b>	<b>137,817,857</b>	<b>213,479,855</b>	<b>33,524,414</b>	<b>136%</b>
<b>General and Administrative Expense</b>						
Salaries and employee benefits	65,072,068	57,333,144	36,109,815	28,402,379	7,738,924	13%
Depreciation, depletion and amort	31,233,501	9,134,497	19,434,702	4,619,819	22,099,004	242%
Rent	18,752,604	13,991,028	10,497,548	7,137,212	4,761,576	34%
Contracted services	17,969,160	18,706,010	9,959,364	10,141,980	(736,850)	-4%
Materials and supplies	14,614,970	17,162,106	7,662,614	8,242,361	(2,547,136)	-15%
Excise tax	7,998,783	10,339,700	7,998,783	10,339,700	(2,340,917)	-23%
Royalties	4,012,752	5,207,107	4,012,752	5,207,107	(1,194,355)	-23%
Surface rights	3,892,586	5,200,782	3,892,586	5,200,782	(1,308,196)	-25%
Marketing	3,857,910	-	424,805	-	3,857,910	
Utilities	1,628,082	2,928,606	714,954	1,356,080	(1,300,524)	-44%
Others	73,438,768	65,188,959	25,176,556	22,500,087	8,249,809	13%
	<b>242,471,184</b>	<b>205,191,939</b>	<b>125,884,479</b>	<b>103,147,507</b>	<b>37,279,245</b>	<b>151%</b>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>53,640,903</b>	<b>57,395,734</b>	<b>11,933,378</b>	<b>110,332,347</b>	<b>(3,754,831)</b>	<b>-15%</b>
<b>Other Income and Expenses</b>						
Unrealized forex gain (loss), net	15,838,067	(3,805,445)	15,838,067	(3,805,445)	19,643,512	-516%
Foreign exchange gain (loss)	8,613,171	793,966	115,302	(796,889)	7,819,205	985%
Interest & other income (expense)	(7,662)	(702,420)	(39,616)	(340,546)	694,758	-99%
Write-off of inventories and assets	-	(215,634)	-	(1,471,723)	215,634	-100%
<b>Total</b>	<b>24,443,576</b>	<b>(3,929,533)</b>	<b>15,913,753</b>	<b>(6,414,603)</b>	<b>28,373,109</b>	<b>115%</b>
<b>Provision for Income tax</b>	<b>4,972</b>	<b>3,552</b>	<b>4,972</b>	<b>1,801</b>	<b>1,420</b>	<b>40%</b>
<b>NET INCOME</b>	<b>78,079,507</b>	<b>53,462,649</b>	<b>27,842,160</b>	<b>103,915,943</b>	<b>24,616,858</b>	
<b>Basic EPS/Diluted EPS</b>	<b>0.05</b>	<b>0.04</b>	<b>0.02</b>	<b>0.08</b>		

\*The basic and diluted earnings per share is the same for the periods presented as there are no potential dilutive common share

**Apex Mining Co., Inc.**  
**Unaudited Statements of Changes in Equity**  
**(all in Philippine Pesos)**

	<b>Six Months Ended June 30</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
CAPITAL STOCK - P1 PAR VALUE	1,466,516,426	1,317,618,030	756,682,170
ADDITIONAL PAID-IN CAPITAL	1,919,180,270	1,503,380,955	4,224,410
REVALUATION INCREMENT	80,514,893	91,980,180	102,452,217
DEFICIT			
Beginning of period	(1,967,469,313)	(1,939,148,148)	(1,829,812,618)
Net Income (loss) for the period	78,079,507	53,462,649	(183,159,525)
End of period	(1,889,389,807)	(1,885,685,499)	(2,012,972,143)
<b>TOTAL EQUITY</b>	<b>1,576,821,783</b>	<b>1,027,293,666</b>	<b>(1,149,613,346)</b>



Apex Mining Co., Inc.  
Unaudited Statement of Cash Flows  
(all in Philippine Pesos)

	Six Months Ended June 30		
	2012	2011	2010
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net Income/ (Loss)	78,079,507	53,462,648	(183,159,524)
Depreciation, amortization and other non-cash expenses	221,254,527	205,955,284	193,099,474
<b>Operating income before changes in working capital</b>	<b>299,334,034</b>	<b>259,417,932</b>	<b>9,939,950</b>
Decrease (Increase) in receivables and advances	187,886,891	71,198,208	81,688,439
Decrease (Increase) in Inventory	(140,607,263)	(63,098,094)	(26,304,831)
(Decrease) Increase in accounts payable and accrued expenses	119,111,187	25,385,317	25,027,406
Decrease (Increase) in prepayments	(11,468,868)	(6,123,044)	(44,798,658)
<b>Net cash used in operating activities</b>	<b>454,255,981</b>	<b>286,780,319</b>	<b>45,552,306</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	(170,447,972)	(209,027,599)	(75,150,262)
Decrease (Increase) in deferred mine exploration costs	(203,338,314)	(173,916,682)	(38,777,079)
Decrease (Increase) in other noncurrent assets	11,637,191	1,589,518	11,354,424
<b>Net cash used in investing activities</b>	<b>(362,149,095)</b>	<b>(381,354,763)</b>	<b>(102,572,917)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase (decrease) in amounts of advances from affiliates	(73,806,253)	103,666,124	75,624,390
<b>Net cash provided by financing activities</b>	<b>(73,806,253)</b>	<b>103,666,124</b>	<b>75,624,390</b>
<b>NET INCREASE IN CASH</b>	<b>18,300,633</b>	<b>9,091,680</b>	<b>18,603,779</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>53,550,286</b>	<b>17,859,662</b>	<b>16,836,351</b>
<b>CASH AT END OF PERIOD</b>	<b>71,850,919</b>	<b>26,951,342</b>	<b>35,440,130</b>

**APEX MINING CO., INC.**  
**Aging of Accounts Receivable**  
**As of June 30, 2012**

**1) Aging of Accounts Receivable**

Type of Accounts Receivable	Total	1 Month	2-3 Mos	4-6 Mos	7 Mos to 1 Year	1-3 Years	3-5 Years	5 Years Above	Past due accounts & items in litigation
a) Trade Receivables	25,599,977	25,599,977							
Less: Allow. For Doubtful Acct.									
Net Trade Receivable	25,599,977	25,599,977	-	-	-	-	-	-	-
b) Non-Trade Receivables									
1) Advances - Temp. Accom.	196,219,226	125,580,304	23,762,148	27,352,960	19,523,813				
Less: Allow. For Doubtful Acct.	(2,329,870)								
Net Non-Trade Receivables	193,889,356	125,580,304	23,762,148	27,352,960	19,523,813	-	-	-	-
<b>Net Receivables (a + b)</b>	<b><u>219,489,333</u></b>								

**2) Accounts Receivable Description**

Type of Receivable	Nature/Description	Collection Period
a.) Accounts Receivable	receivable from customers/government	
b) Accounts Receivable-Others	cash advance to suppliers, officers and employees/SSS Claims	

**3) Normal Operating Cycle:** 1 year

**APEX MINING CO., INC.**

**NOTES TO UNAUDITED FINANCIAL STATEMENTS**

**June 30, 2012**

**1. Significant accounting policies**

The accompanying unaudited financial statements as of June 30, 2012 have been prepared in accordance with Philippine Financial Reporting Standards under the historical cost convention, consistent with the accounting policies adopted in the Company's audited financial statements for the year ended December 31, 2011, the accompanying notes to which may also apply and can be referred to for further information on these financial statements.

**2. Current Assets**

1.1 Cash

Cash as at June 30, 2012 consist of cash on hand and in banks of P71,850,919.

1.2. Receivables

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less provision for impairment. As of June 30, 2012, the account includes trade receivable, advances to suppliers and contractors, advances to officers and employees and other receivables amounting to P219,489,333.

1.3. Inventories

Inventories consist of gold in bullion and in circuit, parts and supplies being used in operations and on-going development of the mine. As of June 30, 2012, cost of the inventories amounted to P490,661,769.

1.4 Prepayments and other current assets

Prepayments and other current assets as of June 30, 2012 consist of input tax receivable and prepaid health and property insurance amounting to P105,360,118.

**3. Property, Plant and Equipment**

The company's property, plant and equipment are presented at revalued amounts, except for the construction in progress which is carried at cost.

Gains and losses on disposal of an asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset is recognized in the profit or loss. On disposal of the revalued asset, the relevant revaluation surplus included in the reserve account is transferred directly to retained earnings.

The Company's future retained earnings is restricted to the extent of the revaluation surplus recognized in equity until such time that the entire revaluation surplus has been fully realized.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

<u>Type of Asset</u>	<u>Estimated Useful Life in Years</u>
Building and improvements	5 to 20
Mining and milling equipment	3 to 5
Power equipment	3 to 5
Roads and bridges and land improvements	5 to 10
Exploration equipment and others	3 to 5

The assets' residual values, estimated recoverable reserves and useful lives are reviewed and adjusted if appropriate at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

#### **4. Other Non-Current Assets**

Other non-current assets as at June 30, 2012 include Mine & Mine Properties of P695,104,265, Deferred Mine Exploration and Development Costs amounting to P733,494,519 and Other assets totaling to P73,530,441.

#### **5. Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Company is established. These are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

#### **6. Advances from Shareholders and Affiliate**

Shareholders and affiliate provide continuous advances to finance the Company's rehabilitation and refurbishing of the mine project and commercial activities. These advances are non-interest bearing and considered payable on demand.

Advances from shareholders and affiliate as at June 30, 2012 and December 31, 2011 are as follows:

	<u>Relationship</u>	<u>June 30, 2012</u>	<u>December 31, 2011</u>
Mindanao Gold	Shareholder	P 719,886,026	P 680,837,984
Teresa	Entity under common control	-	482,842,673
ASVI	Ultimate Parent	60,135,479	62,349,865
Mapula	Shareholder	164,087,992	12,701,610
<b>Total</b>		<b>P 951,004,087</b>	<b>P1,238,732,132</b>

#### **Merger with Teresa**

Pursuant to Sections 76 to 80 of the Corporation Code of the Philippines, the Board of Directors (BOD) and stockholders of the Company and Teresa (collectively referred to as "Constituent Corporations") at a meeting held on September 1, 2011 and August 1, 2011 of the BOD of the Company and Teresa, respectively, and at a meeting held on October 6, 2011 and September 15, 2011 of the stockholders of the Company and Teresa, respectively,

approved the Plan of Merger (Merger) of the Constituent Corporations, the Company being the surviving corporation and Teresa being the absorbed Corporation.

An Articles and Plan of Merger was executed by the Constituent Corporations on October 7, 2011 for filing and approval by the SEC.

On December 1, 2011, the SEC approved the Articles and Plan of Merger. As indicated in the Articles and Plan of Merger, the Merger will be effective on the first day of the month immediately following the month in which approval for the Merger is obtained from the SEC (the "Effective Date of Merger").

The Merger became effective and was reflected in the Apex financial statements on January 1, 2012.

### **7. Cash Flow analyses**

Net cash provided by operating activities for the period amounted to ₱299.3 million compared to the same period last year of ₱259.4 million. The increase during the period is primarily due to higher sales and collection of receivable and accounts payable and accrued expenses resulting from increased credit purchases.

Net cash used in investing activities for the period, comprising of additions to property, plant and equipment, non-current assets and exploration expenditures, was ₱454.3 million as compared to the net amount during the same period last year of P286.8 million. The increase was largely attributable to the significant amount invested in deferred exploration and development costs of ₱203.3 million and additions to property of ₱170.4 million.

Net cash used in financing activities for the period amounted to ₱73.8 million. Payments were made to related parties for advances made in the form of capital and operating expenditures. Net cash provided by financing activity during the same period last year amounted to ₱103.6 million.

### **8. Subsequent events**

On July 20, 2012, the following investors subscribed for the following shares of the Company:

Investors	Shares subscribed	Type of shares
Monte Oro Resources and Energy, Inc.	120,000,000	Class A - Common
Vicsal Development Corporation	18,000,000	Class A - Common
Solar Securities, Inc.	12,000,000	Class A - Common
Mindanao Gold, Ltd.	48,048,864	Class B - Common

The subscriptions were settled through cash payment and conversion of existing debt to equity.

**ART 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.

**APEX MINING CO., INC.**

Registrant



**BAIVERTH M. DIABO**

President



**RODOLFO G. BRAVO**

VE-Chief Financial Officer