APEX MINING CO., INC.

14 August 2013

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, 2013.

Thank you.

Very truly yours,

ROSANNA A. PARICA
Corporate Information Officer

SECURITES 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, 2013

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 17th 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	1,070,758,198
CLASS B	593,807,092

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

Yes [x] No [ ] Phil. Stock Exchange - listed 1,466,516,426 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 [x] No [ ]

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

Yes [ ] No [x]

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached Unaudited Financial Statements for the period June 30, 2013.

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

Geology and Exploration

This quarter, exploration in MPSA 225 was focused on drilling the current near mine-extensions of epithermal veins. Underground diamond drilling was being done by operating two (2) DE-140 rigs, and one (1) Kempe rig to delineate the vertical extensions of Masara Vein, Bibak Vein, Bonanza Vein, Bonanza Hanging wall Split Vein, and Sandy Vein.
Below are the holes with available assay results as of end of 2nd quarter 2013.

Hole ID	From	To	Sample Width (meters)	Au ppm	Vein
AMA-500-009	0.7	1.6	0.9	1.071	BIBAK
AMA-575-003	75.7	76.5	0.8	1.194	SANDY NORTH
AMA-575-003	77.8	80.1	2.3	2.887	SANDY NORTH
AMA-575-003	80.8	83.00	2.2	9.602	SANDY NORTH
AMA-575-003	84.10	85.3	1.2	1.758	SANDY NORTH
AMA-590-001	2.3	4.8	2.5	1.623	MASARA
AMA-590-001	24.7	25.4	0.7	1.141	BONANZA HWS
AMA-590-001	42.3	44.3	2.0	1.208	BONANZA HWS
AMA-590-001	45.6	48	2.4	5.335	BONANZA HWS
AMA-590-001	52.50	53.30	0.80	3.643	BONANZA HWS

Mining and Milling Operations

Operations Summary

	PROJECT HIGHLIGHTS 2nd QUARTER 2013						
			YTD	2nd Qtr	APR	MAY	JUN
1	**Exploration Diamond Drilling**	Meters	3,575	2,275	823	877	574
2	**Mine Operations**						
	Development						
	Ore development	Meters	1,666	870	290	198	382
	Waste development	Meters	3,022	1,482	420	506	556
	Production						
	Ore production	Tonnes	155,213	95,171	25,185	33,917	36,069
	Waste mined Underground	Tonnes	99,166	59,242	13,294	20,913	25,035
	Waste mined Surface Slope Stabilization	Tonnes	527,206	371,366	89,009	131,852	150,505
	Total ore + waste mined	Tonnes	781,585	525,779	127,488	186,682	211,609
3	**Mill Plant Operations**						
	Ore Milled	Tonnes	132,025	69,588	21,742	23,565	24,282
	Calculated Mill Head-GPT	gpt Au	3.66	4.16	4.25	3.47	4.75
		gpt Ag	22.13	24.80	23.70	22.21	28.31
	Mill Recovery	percent Au	81.69	82.63%	83.59%	80.93%	83.42%
		percent Ag	75.94	78.12%	78.43%	79.66%	76.35%
	Metal Production-Oz	oz Au	12,692	7,508	2,463	2,135	2,910
		oz Ag	70,210	42,568	13,688	13,351	15,529
4	**Operating cost (USD)**						
	Mining Cost (per tonne ore produced)	USD/tonne		31	44	18	22
	Milling Cost (per tonne ore milled)	USD/tonne		25	27	31	33
	Total Cost Per Tonne Mined	USD/tonne		91	144	62	78
	Total Cost Per Tonne Milled	USD/tonne		106	167	89	119
	Total Cost Per Oz Au Produced-all costs	USD/oz Au		1,696	1,892	1,647	1,426
	Total Cost Per Oz Au Produced-direct costs	USD/oz Au		1,553	1,758	1,508	1,322
	Total Cost Per Oz- w/ silver credit	USD/oz (Au+Au eq Ag)		974	1,338	847	888
	USD Per Oz (Metal Prices)	Gold		1,465	1,473	1,415	1,205
		Silver		24	24	22	20
5	**Manpower**						
	Company Regular Employees	Managers		41	43	42	39
		Supervisors		196	189	196	202
		Rank & File		833	828	835	836
		Total		1,070	1,060	1,073	1,077
	Contractors' Employees	Total		731	726	771	697
		Total Reg+Cont		1,801	1,786	1,844	1,774
6	**Safety Incident Statistics**						
		NLTA (FAC)	31	25	7	8	10
		LTA (Non-Fatal)	0	0	0	0	0
		Property Damage	50	34	12	8	14
7	**Power Utilization**	kWatt-hr	17,989,408	9,691,347	3,080,498	3,134,079	3,476,770
		peso/kWhr	4.66	4.91	4.99	4.97	4.79

The Mine produced a total 95,171 tonnes of gold ores with an average mine grade of 4.00 grams per tonne. Ore extraction was focused on the active vein systems, such as Bonanza, Masara, Bibak and Sandy north veins at Mine East (Maligaya Area) contributed 71%. Sandy & Maria Inez at Mine Others (Malumon) contributed 19% while the Don Calixto and Masarita veins (at Mine West) contributed 10% of the total ores extraction for the 2nd quarter of 2013. Please refer to the figure 1 below.

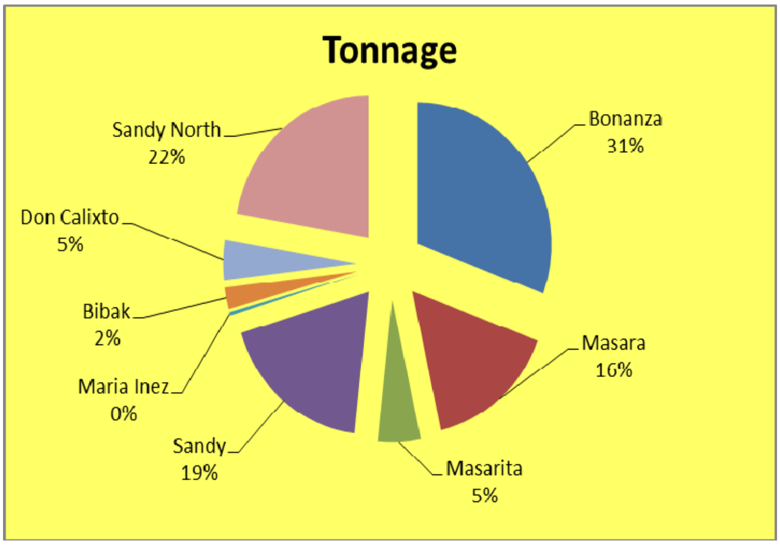

Figure 1 Ore sources for 2nd quarter 2013 Production Statistics

Mine waste development recorded a total advance of 1,482 meter while ore development (on vein) was advanced with a total of 870 meter.

Upgrading of Mine's infrastructures for power supply were an on-going activity during the 2nd quarter of 2013. Electrical permits are all obtained from the Mines & Geoscience Bureau which will allow Apex mines to construct power supply infrastructures at surface and underground.

The Mine Electrical group constructed, installed and completed the following power infrastructures as of the end of the 2nd quarter;

a) Level 515 Bibak 1000 kVA power transformer station,
b) Maligaya 4.16 kV main line upgrading,
c) Level 530 Wagas Sub-station, and
d) Level 720 Sub-station 4.16 kV distribution lines.

To upgrade the compressed air supply for blast hole drilling, the mine acquired additional one (1) unit brand new 1300 cfm Atlas Copco compressor and four (4) unit pressure vessels of 4000 liters at 225 psi capacity.

As the Mine's areas of operations expand, the need for long term ventilation exhaust raise in all the ramps is a must to sustain mine air to normal condition, an additional one (1) unit brand new Arkbro Raise Climber was also acquired and finally arrived at the mine site in 4th week June 2013. With this additional Arkbro Raise Climber, the construction of exhaust raises will be implemented on time as per plan and schedule.

The implementation of Sandy and Maria Inez veins Surface Slope Stabilization Project is also an on-going project to mitigate the risk of water and mud entering the underground through surface holes-out and sink holes during ore extraction employing sublevel caving. The Mine also received the Mines & Geoscience Bureau (MGB) RO XI authorization to use the temporary mine's waste rock dump area into a permanent rock waste dump as per approved plan and design. The waste rock dump parameters were designed by our company geotechnical consulting firm Engineering Development Corporation of the Philippines (EDCOP).

Meanwhile, Mine's trackless equipment as of the end of the 2nd quarter is now 46 units composed of 36 units acquired through financing scheme plus 10 units through the Atlas Copco equipment rental scheme.

Mill Highlights

Period	Tonnes		Grade, g/t		% Recovery		Metals Produced (oz)	
	Milled	per Day	Au	Ag	Au	Ag	Au	Ag
Jan-13	24,038	775	2.70	17.63	77.70%	71.55%	1,857	10,107
Feb-13	18,756	670	3.35	20.68	81.36%	69.71%	1,621	8,409
Mar-13	19,643	634	3.36	19.57	81.19%	77.96%	1,706	9,126
1Q 2013	62,437	694	3.10	25.47	84.63%	67.45%	5,184	27,642
Apr-13	21,742	725	4.25	23.70	83.59%	78.43%	2,463	13,688
May-13	23,565	760	3.47	22.21	80.93%	79.66%	2,135	13,351
Jun-13	24,282	809	4.75	28.31	83.58%	76.35%	2,910	15,529
2Q 2013	69,588	765	4.16	24.80	82.69%	78.12%	7,507	42,568
2013 to-date	132,025	729	3.66	22.13	83.60%	73.07%	12,691	70,211

Table 1. 1Q and 2Q 2013 Mill Production Data

For 2Q 2013, average throughput based on calendar days was 765 tons per day, which is the highest every quarterly throughput since the Mill operated in 2006. Based on operating days, the Mill attained an actual rate of 819 tons per day.

Throughput was affected by drum scrubber relining on May 7-8, 2013, thickener B refurbishment and commissioning in April 17-19, 2013, rod mill end liners relining on June 10-11, 2013 and power interruption incidents on May 22 and June 14, 2003.

Mined average grade for the quarter was 4.16 gpt Au and 24.80 gpt Ag, which is significantly higher than the previous quarter, due to increase in production of high grade ore from underground at Maligaya and Malumon and incidental ore from surface restoration at Sandy area. The higher throughput and grade improved overall gold production and there was an increase from 5,814 oz Au in the first quarter of 2013 to 7,507 oz Au this quarter.

For the new 3000 tons per day plant, steel structures for jaw crusher, elution section and surge bin have been erected. Semiautogenous (SAG) Mill foundation has been completed. Carbon-in-Leach (CIL) and cyanide detoxification tanks have been hydrotested and painted. Tailings pipes installation is almost completed. Thickener A rake and bridge have been dismantled and bed cleaning is ongoing. Several equipment such as the SAG Mill, cyclones, thickener mechanism and electrowinning cells are ready for delivery but still awaiting final payment.

Top Five (5) Key Performance Indicators

1. Tonnes Milled and Ore Grade – tonnage, ore grade and metal recovery determine production and sales volume. The higher the tonner, grade of ore and recovery, the more metals are produced and sold.

   1Q 2013: For the quarter ending March 31, 2013, the mill plant processed a total of 62,437 tonnes with mill heads of 3.10 g/t Au and 25.47 g/t Ag, with average calculated metal recoveries of 84.63% and 67.45% for gold and silver, respectively.

2Q 2013: For the quarter ending June 30, 2013, the mill plant processed a total of 69,588 tonnes with mill heads of 4.16 g/t Au and 24.80 g/t Ag, with average calculated metal recoveries of 82.69% and 78.12% for gold and silver, respectively. Recovery was affected by treatment of high sulfide ore.

Human Resource/Administration

The following activities spearheaded by the Human Resource over the quarter:

1. Monthly meetings with Employees Representatives conducted and report was presented during the Central Safety & Health Council (CSHC) monthly meetings of which some issues were resolved.
2. Model Employee for the 2nd quarter was awarded to Valenzona, Joseph Sr. from CCW.
3. Increase of Rice & Food Allowance from Php810 – Php1,500 / month was granted to all Rank & File employees
4. Counseling sessions conducted to employees who had a high incidence of sick leave, which minimized application of sick leaves for the quarter and increased productivity performance.
5. Absenteeism was minimized for the quarter and overtime percentage decreased; from 10.44% in the month of April to 1.10% for June, 2013 .
6. Timekeeping updated its report in Absenteeism before the end of the day.
7. Employees with Violation Explanation Slip (VES) were sanctioned and given disciplinary action.
8. Policies, Code of Conduct is being reviewed
9. Transfer of employees who were trained last February 2013, were given notices of transfer, especially those who passed in the training.

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.

Apex Mining Co., Inc. fully supported the government program on reforestation. For the 2nd quarter of CY-2013 the Central Nursery of the company has produced 56,071 seedlings of various tree plantation species and planted about 5.82 hectares in open and denuded areas with corresponding 3,660 seedlings planted. The Company also conducted plantation maintenance of 23.42 hectares with an aggregate of 14,399 surviving seedlings. And, replanted all failed spots of about 2,430 seedlings to catch-up the younger plantations.

Donated 16,102 seedlings assistance as part of the upland development program of the DENR, LGU and the adjacent Barangays. Maintained the rehabilitation of the two (2) Adopted Mangrove Projects at Barangay Bucana, Maco and Barangay Bongabong, Pantukan, Compostela Valley. On “Adopt A River Program” the company together with the Barangay Council of Teresa, Maco, Compostela Valley continuously conducted tree planting/clean-up along the adopted river. The Company fully participated the different launching of the National Greening Program (NGP) spearheaded by DENR.

Facilities for environmental mitigating measures such as tailing ponds and silt ponds are being closely monitored regularly as well as spillways and canals within the mine site. Construction of Phase 2D Dam raised to elevation 640m already completed. Rehabilitation measures and repairs are being done to maintain the tailings ponds' stability, tailings pipeline and the spillways capability. Clearing is done whenever necessary to prevent clogging of drainages in the site and siltation of water channels. Regular repair and maintenance of access roads within the mine industrial areas is also being done.

The Company conducted regular in-house environmental quality monitoring to attain the standards set by DENR such as, the air and water quality, domestic and hazardous waste. The Multi-partite Monitoring Team (MMT) conducted quarterly monitoring to monitor/evaluate the environmental compliance of the company. The company continuously conducted collection and hauling of domestic waste generated from the four (4) impact Barangays.

Likewise, the company conducted Information, Education Campaign for the concerned communities to provide the people information about the company and its activities in the area with emphasis on environmental protection and enhancement program.

Community Relations

A harmonious relationship between the community and the company is a major task that Apex Mining Co., Inc. never fails to maintain. With this, the company religiously adheres to the implementation of the Social Development and Management Program (SDMP).

For the Second Quarter of 2013 (April to June), the accomplishments incurred a total amount of Php2,910,833.07, covering the programs below:

Assistance under HEALTH & SANITATION PROGRAM, reached a total of *Php 316,995.80;* which includes medical assistance, blood-letting activity and operation-tuli last April. Also, emergency request for ambulance to ferry patients with serious cases from Apex to their preferred hospital in Tagum City was responded.

For the SOCIAL DEVELOPMENT AND RESPONSIVE EDUCATION, *PhP 365,000.00* was contributed to the following: Special Program for the Employment of Students (SPES) also known as "Students' Summer Job Program", Alternative Learning System Program (ALS), Tabang Paeskwela, Brigada Eskwela and teachers' honorarium and students' transportation.

Moreover, for SUSTAINABLE LIVELIHOOD PROGRAM, *PhP 247,490.00* was provided for the Cacao Production training, including the Farmer Field School (FFS) in partnership with ACDI-VOCA and the aid to cooperatives – a one unit computer set donated to the cooperative,

Furthermore, INFRASTRUCTURE PROJECTS like assistance to the construction of GKK of St. Therese of Avila in Barangay Teresa and materials donated for the renovation of the Philippine Independent Church, Teresa Tribal Hall and Day Care Centers.

In addition, there were other community development projects for the INDIGENOUS PEOPLE GROUP, such as assistance to the Kasalan ng Tribu and IP Day for the Mansakas from the host communities of the company.

Also, *PhP* 1,325,277.57 was the total expenditures for INFORMATION AND EDUCATION CAMPAIGN, covering the symposia on environmental awareness and constant information drive on mining potentials via subscription to medianet (Davao Catholic Herald Newsletter). In addition, it was during this quarter that the Certificate of Approval for the Annual SDMP 2013 and the Five-Year-Plan (2013-2017) were signed by the Regional Director of the Mines and Geosciences Bureau – Dir. Edilberto Arreza and the Chief Executive Vice President of Apex Mining Co., Inc – Benoit de Galbert.

Moreover, *PhP 215,000.00* was spent under the DEVELOPMENT OF MINING TECHNOLOGY AND GEOSCIENCES (DMTG) PROGRAM, particularly on the assistance to the Symposium during the Mindanao Association of Mining Engineers.

Lastly, on top of SDMP are the continuing initiatives of the company such as scholarship grants to deserving high school students, from generous Apex employees, and monthly rice donations to the Home for the Aged and quarterly to the orphanage in Tagum City.

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.

	PROJECT HIGHLIGHTS 2nd QUARTER 2013				
			APRIL	MAY	JUNE
	Safety Incident Statistics				
		NLTA (FAC)	7	8	10
		LTA (Non-Fatal)	0	0	0
		Property Damage	12	8	14

The department undertook a range of initiative in the 2nd quarter of 2013 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.

The following are the milestones for the quarter

a. Conducted Monthly CSHC and Departmental Safety Meetings
b. Conducted routine inspection at underground and surface working area
c. Conducted inspection and audit of fire extinguisher and first aid paraphernalia's at respective underground and surface working areas and equipment & vehicles
d. Conducted audit of underground tools at underground working areas
e. Installed safety signage's both from surface and underground working areas
f. Conducted Safety orientation to visitors and newly hired Apex Employees
g. Daily Monitoring and inspection at the 3000 tpd project
h. Conducted Geohazard and Risk Monitoring at the Tailings Pipeline area and at the slope at the back of the Admin Building
i. Conducted Spot Monitoring of Temperature and Humidity at UG areas (Humidex)
j. Revised and Issued Safety Policies and Memorandum
k. Conducted simulation for Emergency Preparedness Drill in UG (Barabadan area) – Blower Trip off/Power Shutdown
l. Conducted safety awareness seminar and refresher safety orientation for drivers and operators.

Health Awareness Programs

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

a. Conducted "Annual Vision/Eye Care and Cataract Screening Program" to all apex employees and dependents.
b. Conducted Visual acuity evaluations for newly trained heavy equipment drivers
c. Conducted regular Mine Underground Tour, inspection of the workplaces for follow-up and identification of health hazards.
d. Close follow-up on the status of employees diagnosed with Diabetes, Hypercholesterolemia, Hypertension, Heart Diseases and PTB.

e. Routine Medical, Dental Consultations and treatments of employees, contractors, dependents and community residents.
f. Routine consultation and evaluation of surgical mass or cyst and perform minor surgical procedures.
g. Conducted "Annual Blood Letting Program" for Apex employees.
h. Conducted "Operation Tuli" to employees' dependents and community residents of four impact Barangays.
i. Conducted Lecture and Presentation about Safety and Health specifically the importance of vaccination during the scheduled departmental monthly Safety Meeting.
j. Attended a consultative meeting regarding TB Control Program Sponsored by the Provincial Health Office.
k. Conducted Lecture and Presentation regarding "Lifestyle Diseases" on Mill division employees on their monthly seminar workshop.
l. Conducted "Annual Flu Vaccination program" to all apex employees and dependents.
m. Conducted Lecture and Presentation regarding "Cyanide Poisoning prevention and first aid treatment" on Mill division employees on their monthly seminar workshop.
n. Company Occupational physician's quarterly graded evaluations of the nurses based on the results of their quarterly exams with their skills and performance of the previous months.
o. Cascading on the revised Apex Medical Clinic Change of Physical Consultation Timing.

ANALYSIS OF FINANCIAL CONDITIONS

Statement of Comprehensive Income

Sales

The Company's sales in the second quarter ended June 30, 2013 and 2012 amounted to ₱456 million and ₱389 million, respectively, a sales growth of 17% or ₱67 million, bringing the first half ended June 30, 2013 sales to ₱858 million compared to the same period in 2012 of ₱835 million, an increase of ₱53 million for the comparative six-month period.

Information on the realized price and volume shipped of gold for the second quarter and first half of 2013 and 2012 are as follows:

	Second Quarter			First Half		
	2013	2012	Change	2013	2012	Change
Volume in ounces (oz)	7,362	5,473	35%	13,095	11,085	18%
Realized price / oz	$1,383.1	$1,545.7	(11%)	$1,465.1	$1,618.6	(9%)

Information on the realized price and volume shipped of silver for the second quarter and first half of 2013 and 2012 are as follows:

	Second Quarter			First Half		
	2013	2012	Change	2013	2012	Change
Volume in oz	37,910	24,425	55%	68,221	48,890	40%
Realized price / oz	$20.9	$26.2	(20%)	$24.3	$30.3	(20%)

The weighted average foreign exchange rate of US$1.0 to PHP used for the second quarter of 2013 and 2012 was at ₱41.54 and ₱42.78, respectively, and for the first half of 2013 and 2012 at ₱41.14 and ₱42.98, respectively.

An analysis of the sales variance, which comprises of volume, price and exchange rate variances, between the comparative second quarter and first half of 2013 and 2012 of the Company are as follows:

Variances	Between Second Quarter of 2013 and 2012			Between First Half of 2013 and 2012		
	Gold	Silver	Total	Gold	Silver	Total
Volume	₱124,912,334	₱15,099,980	₱140,012,314	₱139,801,380	₱25,143,112	₱164,944,492
Price	(51,218,550)	(8,619,611)	(59,838,161)	(86,417,794)	(17,393,585)	(103,811,378)
Exchange rate	(12,625,701)	(973,054)	(13,598,755)	(34,868,542)	(3,108,113)	(37,976,655)
Sales	₱61,068,083	₱5,507,315	₱66,575,398	₱18,515,044	₱4,641,414	₱23,156,459

The rise in the volume of gold and silver shipped in both comparative second quarters and first halves were the main reason for the increase in the Company's sales. However, the positive volume variance for both comparative periods was significantly reduced by the falling market prices of both gold and silver, and the appreciation of the Philippine Peso (PHP) against the United States Dollar (USD).

Cost of Sales
Cost of sales incurred for the second quarter ended June 30, 2013 and 2012 amounted to ₱313 million and ₱251 million, respectively. A breakdown of the main components of cost of sales is as follows:

- Mining and milling costs grew by only ₱11 million or 10% as a result of the increase in tons of ore mined and milled in the second quarter of 2013 as compared to the same period in 2012 in spite of a 35% rise in metal production. This is a direct result of the improvement in mill head grade which stood at 4.2 grams per ton (g/t) and 3.9 g/t in the second quarter of 2013 and 2012, respectively.
- The acquisition of a new fleet of heavy equipment and completion of construction works in 2013 on the core house building, refuge chamber inside the mine, and container vans, as well as an increase in the tons of ore mined and milled, contributed to the increase of ₱28 million or 33% in the depreciation, depletion and amortization expense in the second quarter of 2013 compared to the same period in 2012. In the second quarter of 2013 and 2012, ore mined tallied 96,036 tons and 44,807 tons, respectively, while ore milled totaled 69,588 tons and 59,273 tons, respectively.
- Personnel cost for the second quarter of 2013 more than doubled to ₱27 million as compared to the same period in 2012 as a result of the new salary and incentive scheme that took effect in July 2012. A reorganization of the management structure in the second quarter of 2012 also took place as a solution to the resignation of key officers in the first quarter of the same year. Both the new remuneration schemes and impact of the reorganization brought about the variance in the personnel cost in the two comparative second quarter periods.
- Rent rose by ₱4 million or 38% as a direct result of gradual addition of equipment rented out from a supplier from four units in 2012 to 10 units in 2013. The equipment requirement is brought about by increased activities in the Company's operational mine.

General and Administrative Expense
General and administrative expenses incurred for the second quarter ended June 30, 2013 and 2012 amounted to ₱137 million and ₱126 million, respectively. Details of the significant elements of general and administrative expenses are shown below.

- Depreciation increased by 8% from period to period as a result of acquisitions of a new fleet of transportation vehicles and office equipment.
- Marketing expenses account is driven by freight, treatment and refining charges incurred to bring the bullion to the refiner's plant overseas and to carry out additional processing of the bullion. Marketing expenses surged to ₱3 million in the second quarter of 2013 from ₱425 thousand in the second quarter of 2012 as a result of the increase in the volume of metal shipped. The number of shipments made by the Company in the second quarter of 2013 was two more than the number of shipments made in the same period in 2012.
- Contracted services increased in the second quarter of 2013 as compared to the same period in 2012 due to the increased need in support services of the expanding operations of the Company.
- Excise taxes and royalties in the second quarter 2013 as compared to the expenses of the same period last year grew by ₱1,373 thousand or 11% as a result of the increase in the market value of the metal sold.

Other Income (Charges)
The Company recognized ₱61 million in net foreign exchange losses in the second quarter of 2013 compared to a ₱16 million net foreign exchange gains in 2012. The amount is a combination of transaction and translation adjustments to foreign currency-denominated financial assets and liabilities. The Company is in a net foreign currency-denominated financial liability position as of June 30, 2013 and 2012.

The closing exchange rate of $1.0 to PHP as of March 31, 2013 and June 30, 2013 was ₱40.94 and ₱43.31, respectively, and as of March 31, 2012 and June 30, 2012 was ₱43.00 and ₱42.28, respectively. The weakening of the PHP against the USD by 6% as of the first and second quarters of 2013 and the strengthening by 2% as of the same periods in 2012 resulted in a recognition of unrealized foreign exchange losses and gains, respectively , due to the translation of the Company's net foreign currency-denominated financial liabilities.

Other Comprehensive Income
There are no items of other comprehensive income or loss in the second quarter and first half periods ended June 30, 2013 and 2012.

Statement of Financial Position
Current Assets
Total current assets decreased by ₱193 million or 13% from ₱1,434 million as of December 31, 2012 to ₱1,241million as of June 30, 2013 primarily due to the following:

- The Company was able to generate positive cash flows from operating and financing activities during the first half of 2013 amounting to ₱1,081 million and ₱74 million, respectively. However, funding demands from its ongoing mill expansion project and continuous exploration and development activities required the Company to use ₱1,189 million on its investing activities or ₱34 million more than the cash generated from operations and loan acquisition.
- Receivables shed ₱149 million mainly because of the application of downpayments made to suppliers and contractors to invoices and billings.
- Inventories dropped ₱55 million to ₱544 million as of June 30, 2013 from ₱599 million as of December 31, 2012. The reduction in the inventory level pertains to materials and consumables used in operations and mill expansion.
- Prepayments and other current assets added ₱46 million mainly as a result of an increase in deferred input tax asset from importations of materials and equipment used or to be used in the mill expansion project.

Noncurrent Assets
Total noncurrent assets grew by ₱990 million or 38% from ₱2,601 million as of December 31, 2012 to ₱3,591 million as of June 30, 2013 primarily due to the following:

- Property, plant and equipment account increased by ₱628 million from acquisitions made during the first six months of 2013 amounting to ₱700 million but was partially set off by depreciation and depletion charges amounting to ₱72 million for the first half of 2013.
- Deferred mine exploration and development costs climbed to ₱1,446 million as of June 30, 2013 from ₱966 million as of December 31, 2012 as a result of continuous exploration of new areas of interest, and development of existing areas showing feasibility.
- The dip in mine and mining properties of ₱108 million is primarily due to depletion charges for the first half of 2013.
- Other noncurrent assets went down by ₱19 million as of June 30, 2013 because of amortization charges of the Company's idle and intangible assets. The decline was partially countered by an increase in long term deposits representing security deposits made to a contractor amounting to ₱8 million as of June 30, 2013.

Current Liabilities
Current liabilities rose by 3% from the December 31, 2012 balance of ₱1,475 million to the June 30, 2013 balance of ₱1,517 million. The breakdown of the change in the current liabilities level is detailed below.

- Accounts payable and accrued liabilities grew by ₱333 million as of June 30, 2013 compared to the December 31, 2012 balance due to the increasing level of purchases and service needs of the Company in connection with its exploration and development activities, and mill expansion.

- The Company recognized finance lease obligation from its acquisition of equipment during the year. The lease runs through 2015 with scheduled monthly and quarterly payments.
- Due to related parties dropped to ₱344 million as of June 30, 2013 from ₱837 million as of December 31, 2012. The decrease is a result of the conversion of related party debts to equity, as approved by regulators in the second quarter of 2013.

Noncurrent Liabilities
Noncurrent liabilities increased to ₱519 million as of June 30, 2013 from the ₱164 million mainly due to the availment of a credit line with a bank amounting to ₱80 million in the second quarter of 2013 with a lump sum maturity of more than one year from the reporting date; and the noncurrent portion of the finance lease liability arising from the acquisition of heavy equipment.

Equity
Equity improved by 17% or ₱400 million, which is the net impact of the conversion of debt to equity, and the net loss for the quarter ended June 30, 2013 amounting to ₱85 million.

APEX MINING CO., INC.

STATEMENTS OF FINANCIAL POSITION

	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
ASSETS		
Current Assets		
Cash	₱19,415,793	₱52,923,378
Receivables	468,423,650	617,685,238
Inventories	544,100,270	598,511,429
Advances to related parties	32,865,084	34,738,559
Prepayments and other current assets	176,701,110	130,600,582
Total Current Assets	1,241,505,907	1,434,459,186
Noncurrent Assets		
Property, plant and equipment	1,543,104,007	915,175,677
Deferred exploration and mine development costs	1,446,304,734	965,584,744
Mine and mining properties	554,016,383	662,204,354
Other noncurrent assets	47,366,663	57,861,742
Total Noncurrent Assets	3,590,791,787	2,600,826,517
TOTAL ASSETS	₱4,832,297,694	₱4,035,285,703
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	₱970,696,691	₱637,499,916
Advances from stockholders and related parties	343,766,718	837,215,067
Current portion of finance lease liability	202,572,745	–
Total Current Liabilities	1,517,036,154	1,474,714,983
Noncurrent Liabilities		
Loans payable	80,000,000	–
Noncurrent portion of finance lease liability	272,963,106	–
Accrued retirement benefits	45,702,050	43,919,929
Provision for mine rehabilitation and decommissioning	82,790,453	82,790,453
Deferred income tax liabilities	37,769,623	37,769,623
Total Noncurrent Liabilities	519,225,232	164,480,005
Total Liabilities	2,036,261,386	1,639,194,988
Equity		
Capital stock	1,774,768,696	1,664,565,290
Additional paid-in capital	2,936,819,040	2,561,661,966
Revaluation surplus on property, plant and equipment	55,751,783	55,751,783
Deficit	(1,971,303,211)	(1,885,888,324)
Total Equity	2,796,036,308	2,396,090,715
TOTAL LIABILITIES AND EQUITY	₱4,832,297,694	₱4,035,285,703

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

	Six-months ended		Quarter ended		Change	
	30-Jun-13	**30-Jun-12**	**30-Jun-13**	**30-Jun-12**	**Amount**	**%**
Revenue						
Sale of Gold	789,513,950	770,998,907	422,976,609	361,908,526	18,515,044	2%
Sale of Silver	68,237,385	63,595,970	32,857,481	27,350,167	4,641,415	7%
Total	**857,751,335**	**834,594,877**	**455,834,091**	**389,258,693**	**23,156,458**	**3%**
Costs of Sales						
Materials & Supplies	209,752,428	203,778,904	116,482,346	105,790,688	5,973,524	3%
Depreciation, Depletion and Ammortizatio	225,932,118	185,211,358	113,062,797	85,067,757	40,720,760	22%
Salaries, allowances and employee benefit	53,316,632	36,846,831	27,485,066	13,516,369	16,469,801	45%
Rent	29,015,767	33,843,835	15,725,348	11,407,938	(4,828,067)	-14%
Utilities	52,452,270	59,589,820	29,545,666	31,159,175	(7,137,550)	-12%
Others	26,463,665	19,212,041	11,039,142	4,498,909	7,251,625	38%
	596,932,881	**538,482,789**	**313,340,365**	**251,440,835**	**58,450,092**	**11%**
GROSS PROFIT	**260,818,454**	**296,112,088**	**142,493,725**	**137,817,858**	**(35,293,634)**	**-12%**
General & Admin Expenses						
Materials & Supplies	16,936,061	14,614,970	8,521,307	7,662,614	2,321,091	16%
Depreciation, Depletion and Ammortizatio	43,030,687	31,233,501	20,977,253	19,434,702	11,797,186	38%
Salaries, allowances and employee benefit	71,985,447	65,072,068	34,995,837	36,109,815	6,913,379	11%
Rent	21,310,842	18,752,604	8,488,932	10,497,548	2,558,238	14%
Utilities	1,203,107	1,628,082	702,108	714,954	(424,975)	-26%
Marketing	4,183,466	3,857,910	2,808,040	424,805	325,557	8%
Contract Service	29,901,776	17,969,160	15,544,993	9,959,364	11,932,616	66%
Excise Tax	17,247,583	7,998,783	8,909,733	7,998,783	9,248,801	116%
Surface Rights	8,577,514	3,892,586	4,558,341	3,892,586	4,684,927	120%
Royalties	8,668,677	4,012,752	4,474,496	4,012,752	4,655,925	116%
Others	59,391,703	73,438,768	27,194,035	25,176,555	(14,047,065)	-19%
	282,436,864	**242,471,184**	**137,175,076**	**125,884,479**	**39,965,680**	**16%**
INCOME (LOSS) FROM OPERATIONS	**(21,618,410)**	**53,640,903**	**5,318,650**	**11,933,378**	**(75,259,314)**	**-140%**
OTHER INCOME (EXPENSE)						
Unrealized Foreign Exchance gain (loss), ne	(62,958,377)	27,745,380	(62,958,377)	15,838,067	(90,703,757)	-327%
Foreign Exchange gain (loss)	4,945,684	(3,294,142)	1,989,424	115,302	8,239,826	-250%
Interest & other income (expense)	(529,878)	(7,662)	(527,784)	(39,616)	(522,216)	6816%
Write Off of Inventories	-	-			-	
Loss(Gain)Write-OffFixed Asset	-	-			-	
Gain(Loss)Sale-Fixed Asset	(5,251,344)	-	(1)		(5,251,344)	
Total	**(63,793,916)**	**24,443,576**	**(61,496,738)**	**15,913,754**	**(88,237,492)**	**-361%**
Provision for Income tax	2,561	4,972	903	4,972	(2,411)	-48%
NET INCOME (LOSS)	**(85,414,887)**	**78,079,507**	**(56,178,991)**	**27,842,160**	**(163,494,395)**	**(5)**
Basic EPS/Diluted EPS	**(0.05)**	**0.05**	**(0.03)**	**0.02**		

APEX MINING CO., INC.

STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013 AND 2012

	Capital Stock	Additional Paid-in Capital	Revaluation Surplus	Deficit	Total
Balances at December 31, 2011	₱1,390,955,655	₱1,665,701,307	₱80,514,893	(₱1,967,469,314)	₱1,169,702,541
Net income for the period	–	–	–	78,079,507	78,079,507
Other comprehensive income, net of tax	–	–	–	–	–
Total comprehensive income for the period	–	–	–	78,079,507	78,079,507
Balances at June 30, 2012	₱1,317,618,030	₱1,503,380,955	₱91,980,180	(₱1,889,389,807)	₱973,831,017
Balances at December 31, 2012	₱1,664,565,290	₱2,561,661,966	₱55,751,783	(₱1,885,888,324)	₱2,396,090,715
Net loss for the period	–	–	–	(85,414,887)	(85,414,887)
Other comprehensive income, net of tax	–	–	–	–	–
Total comprehensive loss for the period	–	–	–	(85,414,887)	(85,414,887)
Debt-to-equity conversion	110,203,406	375,157,074	–	–	485,360,482
Balances at June 30, 2013	₱1,774,768,696	₱2,936,819,040	₱55,751,783	(₱1,971,303,211)	₱2,796,036,308

APEX MINING CO., INC.

STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30

	2013 (Unaudited)	2012 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the period	(₱85,414,887)	₱78,079,507
Adjustments for:		
Depreciation, depletion and amortization	268,962,806	216,444,860
Loss on write off of property, plant and equipment	5,251,343	–
Movement in accrued retirement benefits	1,782,120	1,847,257
Interest expense	529,878	7,662
Operating income before working capital changes	191,111,260	296,379,286
Decrease (increase) in:		
Receivables	259,297,771	299,887,892
Inventories	54,411,159	(140,607,264)
Prepayments and other current assets	(46,100,527)	(11,468,868)
Increase in accounts payable and accrued liabilities	333,196,775	119,111,187
Net cash generated from operations	791,916,438	563,302,233
Interest paid	(529,878)	(7,662)
Net cash flows from operating activities	791,386,560	563,294,571
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(409,759,761)	(282,448,973)
Increase in deferred exploration and mine development costs	(480,719,991)	(203,338,314)
Decrease (increase) in other noncurrent assets	(8,200,000)	11,637,191
Net cash flows used in investing activities	(898,679,752)	(474,150,096)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of long term loan	80,000,000	–
Change in accounts with stockholders and related parties	(6,214,392)	(70,843,841)
Cash from merger with Teresa Crew Gold (Philippines), Inc.	–	134,360
Net cash flows from financing activities	73,785,608	(70,843,841)
NET INCREASE IN CASH	(33,507,585)	18,300,633
CASH AT BEGINNING OF PERIOD	52,923,378	53,550,286
CASH AT END OF PERIOD	₱19,415,793	₱71,850,919

APEX MINING CO., INC.

AGING OF ACCOUNTS RECEIVABLES - UNAUDITED
AS OF THE PERIOD ENDED JUNE 30, 2013

1) Aging 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
Type of Accounts Receivable									
a) Trade Receivables	₱80,917,668	80,917,668							
Less: Allow. For Doubtful Acct.									
Net Trade Receivable	80,917,668	80,917,668							
b) Non-Trade Receivables									
1) Advances - Temp. Accom.	389,835,852	104,058,504	54,693,725	197,917,381	33,166,243				
Less: Allow. For Doubtful Acct.	(2,329,870)				(2,329,870)				
Net Non-Trade Receivables	387,505,982	104,058,504	54,693,725	197,917,381	30,836,373				
Net Receivables (a + b)	**468,423,650**								

2) Accounts Receivable Description

Type of Receivable	Nature/Description	Collection Period
a.) Accounts Receivable	receivable from customers	7 to15 days
b) Accounts Receivable-Others	cash advance to suppliers and contractors, officers and employees/SSS Claims	Within normal operating cycle

3) Normal Operating Cycle: 1 year

1. Corporate Information

Apex Mining Co., Inc. (the “Company”) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 26, 1970, primarily to carry on the business of mining, milling, concentrating, converting, smelting, treating, preparing for market, manufacturing, buying, selling, exchanging and otherwise producing and dealing in gold, silver, copper, lead, zinc brass, iron, steel and all kinds of ores, metals and minerals.

The Company currently operates the Maco Mines in Maco, Compostela Valley.

On March 7, 1974, the Company listed its shares in the Philippine Stock Exchange (PSE) and attained status of being a public company on the same date. The Company is considered a public company under Rule 3.1 of the Implementing Rules and Regulations of the Securities Regulation Code, which, among others, defines a public corporation as any corporation with assets of at least ₱50.00 million and having 200 or more stockholders, each of which holds at least 100 shares of its equity securities.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation
The financial statements of the Company have been prepared on a historical cost basis, except for property, plant and equipment, which are carried at revalued amounts. The financial statements are presented in Philippine peso, the Company’s functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance
The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Summary of Significant Accounting and Financial Reporting Policies
Presentation of Financial Statements
The Company has elected to present all items of recognized income and expense in one single statement of comprehensive income.

Cash
Cash consists of cash on hand and demandable deposits in banks.

Financial Instruments
Date of Recognition
The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date (i.e., the date that an asset is delivered to or by an entity).

Initial Recognition and Measurement of Financial Instruments
All financial instruments are initially recognized at fair value. Except for financial assets and financial liabilities at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs. The Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets and loans and receivables. The Company classifies its financial liabilities into financial liabilities at FVPL and loans and borrowings.

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

The Company's financial assets are in the nature of loans and receivables, while its financial liabilities are in the nature of loans and borrowings. The Company has no financial assets and financial liabilities classified as FVPL, HTM and AFS investments as of June 30, 2013 and December 31, 2012.

Subsequent Measurement
The subsequent measurement of financial instruments depends on their classification as follows:

Loans and Receivables
These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading or designated as AFS investments or financial assets at FVPL.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization and losses arising from impairment are recognized in other income (charges) in the statement of comprehensive income.

Loans and receivables are included in current assets if maturity is within twelve (12) months from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

The Company's cash, receivables, advances to a related party and long term deposits under other noncurrent assets are classified as loans and receivables.

Loans and Borrowings
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. Loans and borrowings are subsequently measured at amortized cost using the EIR 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 other income (charges) in the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

Loans and borrowings are classified as current when it is expected to be settled within twelve (12) months after the end of the reporting period if the Company does not have an unconditional right to defer settlement for at least twelve (12) months from the end of the reporting period. Otherwise, these are classified as noncurrent liabilities.

The Company's loans and borrowings include trade and other payables (excluding balances payable to government agencies arising from withholding taxes and payroll deductions), advances from stockholders and related parties and loans payable.

Impairment of Financial Assets Carried at Amortized Cost

An assessment is made at each reporting period to determine whether there is objective evidence that a specific financial asset may be impaired.

The Company 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. Evidence of impairment may include indications that the borrower is experiencing significant difficulty, default or delinquency in 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.

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 a group of financial assets with similar credit risk 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 there is objective evidence that an impairment loss on loans and receivables carried at amortized cost 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 (excluding future credit losses that have not been incurred) discounted at the financial assets' original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the statement of comprehensive income.

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 statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal period.

With respect to receivables, the Company maintains a provision for impairment losses of receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this provision is evaluated by management on the basis of factors that affect the collectibility of the accounts. A review of the age and status of receivables, designed to identify accounts to be provided with allowance, is performed regularly. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery. If a future write-off is later recovered, the recovery is recognized in the statement of comprehensive income.

Derecognition of Financial Assets and 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 Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Company has transferred its rights to receive cash 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 the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset 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 Company’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 Company could be required to repay.

In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Financial Liabilities

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

When an existing financial liability is replaced by 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 of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognized in the statement of comprehensive income.

Determination of Fair Values of Financial Instruments

The fair value of financial instruments that are actively traded in active markets is determined by reference to quoted market close prices at the close of business on the end of the financial reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar financial instruments for which market observable prices and discounted cash flow analysis or other valuation models exists.

Financial instruments recognized at fair value are measured based on:

- Level 1 - Quoted prices in active markets for an identical asset or liability
- Level 2 - Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3 - Those with inputs for asset or liability that are not based on observable market data (unobservable inputs)

When fair values of listed equity and debt securities as well as publicly traded derivatives at the end of the financial reporting period are based on quoted market prices or binding dealer price quotations without any deduction for transaction costs, the instruments are included within
Level 1 of the hierarchy.

For all other financial instruments, fair value is determined using valuation technique. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models and other relevant valuation model. For these financial instruments, inputs into models are market observable and are therefore included within Level 2.

Instruments included in Level 3 include those for which there is currently no active market.

<u>Offsetting of Financial Instruments</u>
Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and the liability simultaneously.

<u>Business Combination Accounted for Using the Pooling of Interest Method</u>
Business combinations involving entities or entities under common control with no consideration transferred are accounted for using the pooling of interest method. The entity has a choice of two approaches for its accounting policy which it must consistently apply.

a. Restate the financial information in the financial statements of the receiving entity, the surviving entity in the business combination, for periods prior to the combination under common control, to reflect the combination as if it had occurred from the beginning of the earliest period presented in the financial statements, regardless of the actual date of the combination, with due consideration to the period that the entities commenced being under common control.
b. No restatement of financial information in the financial statements of the receiving entity for periods prior to the combination under common control.

The Company's management elected to apply choice (b) as its policy in accounting for the business combination with TCGPI and would involve the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, that would otherwise be done under the purchase method. The only adjustments that are made are to harmonize accounting policies;

- No new goodwill is recognized as a result of the combination; the only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity; and
- The surviving entity statement of income reflects the results of the combining entities for the full year, irrespective of when the combination took place.

Inventories

Inventories, which consist of gold and silver bullion, metal in circuit, ore stockpile, materials and supplies used in the Company's operations, are physically measured or estimated and valued at the lower of cost and net realizable value (NRV). NRV is the estimated future sales price of the product that the entity expects to realize when the product is processed and sold, less estimated costs to complete production and bring the product to sale. Where the time value of money is material, these future prices and costs to complete are discounted.

Cost of gold and silver bullion, metal in circuit and ore stockpile are determined using the first-in first-out method while cost of materials and supplies on hand are determined using a moving average.

Any provision for obsolescence is determined by reference to specific items of inventory. A regular review is undertaken to determine the extent of any provision for obsolescence.

Prepayments and Other Current Assets

Prepayments are expenses paid in advance and recorded as asset before they are used or consumed, as the service or benefit will be received in the future. Prepayments expire and are recognized as expenses either with the passage of time or through use or consumption.

Input taxes, which represent value-added tax (VAT) arising from purchases of goods and services, are carried at cost and included as part of "Prepayment and other current assets" in the statement of financial position. These may either be applied against future output tax liabilities or claimed for tax credit or refund. The Company conducts regular assessment on the recoverability of the account balance depending on how these are to be utilized. The amount of the loss is measured as the difference between the recoverable amount and the carrying amount of the asset. Impairment loss is recognized in the profit or loss as the difference between the asset's carrying amount and estimated recoverable value, and the carrying amount of the asset is reduced through the use of an allowance account.

Property Plant and Equipment

Following initial recognition at cost, property, plant and equipment is carried at revalued amounts, which represent the fair value at date of revaluation less any subsequent accumulated depreciation, depletion and impairment losses, if any.

The initial cost of property, plant and equipment comprises its purchase price or construction cost, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the property, plant and equipment to its working condition and location for its intended use. Such cost includes the cost of replacing parts of such property, plant and equipment when that cost is incurred if the recognition criteria are met. All other repairs and maintenance are charged to current operations during the financial period in which they are incurred.

Valuations are performed frequently enough to ensure that the fair value of a revalued property, plant and equipment does not significantly differ from its carrying amount. Any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. The increase of the carrying amount of an asset as a result of a revaluation is credited directly to other comprehensive income, unless it reverses a revaluation decrease previously recognized as an expense, in which case it is credited in profit or loss. A revaluation decrease is charged directly against any related revaluation surplus, with any excess being recognized as an expense in the profit or loss.

Deferred income tax is provided on the temporary difference between the carrying amount of the revalued property, plant and equipment and its tax base. Any taxable temporary differences reflects the tax consequences that would follow from the recovery of the carrying amount of the asset through sale (non-depreciable assets) and through use (depreciable assets), using the applicable tax rate.

Each year, the Company transfers from revaluation surplus reserve to retained earnings the amount corresponding to the difference, net of tax, between the depreciation charges calculated based on the revalued amounts and the depreciation charge based on the assets' historical costs.

Construction in-progress is stated at cost, which includes cost of construction equipment and other direct costs less any impairment in value. Construction in-progress is not depreciated nor depleted until such time as the relevant assets are completed and put into operational use.

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:

Type of Asset	Estimated Useful Life in Years
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 reporting date.

Property, plant and equipment are depreciated or depleted from the moment of the asset's availability for use and after the risks and rewards are transferred to the Company. Depreciation and depletion ceases when the assets are fully depreciated or depleted, or at the earlier of the period that the item is classified as held for sale (or included in the disposal group that is classified as held for sale) in accordance with Philippine Financial Reporting Standards 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the period the item is derecognized.

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.

Deferred Exploration and Mine Development Costs

Deferred Exploration Costs

Expenditures for mine exploration work prior to drilling are charged to the statement of comprehensive income. Deferred exploration costs represent capitalized expenditures related to the acquisition and exploration of mining properties, including acquisition of property rights, are capitalized and stated at cost and are accumulated in respect of each identifiable area of interest, less any impairment in value.

The Company classifies deferred exploration costs as tangible or intangible according to the nature of the asset acquired or cost incurred and applies the classification consistently. Certain deferred exploration costs are treated as intangible (e.g., license and legal fees), whereas others are tangible (e.g., submersible pumps). To the extent that a tangible asset is consumed in developing an intangible asset, the amount reflecting that consumption is part of the cost of the intangible asset. However, using a tangible asset to develop an intangible asset does not change a tangible asset into an intangible asset.

Capitalized amounts may be written down if future cash flows, including potential sales proceeds related to the property, are projected to be less than the carrying value of the property. If no mineable ore body is discovered, capitalized acquisition costs are expensed in the period in which it is determined that the mineral property has no future economic value.

Mine Development Costs

When it has been established that a mineral deposit is commercially mineable, development sanctioned, and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), amounts previously carried under deferred exploration costs are tested for impairment and transferred to mine development costs.

Subsequent expenditures incurred to develop a mine on the property prior to the start of mining operations are stated at cost and are capitalized to the extent that these are directly attributable to an area of interest or those that can be reasonably allocated to an area of interest, which may include costs directly related to bringing assets to the location and condition for intended use and costs incurred, net of any revenue generated during the commissioning period, less any impairment in value. These costs are capitalized until assets are already available for use or when the Company has already achieved commercial levels of production at which time, these costs are moved to mine and mining properties.

Commercial production is deemed to have commenced when management determines that the completion of operational commissioning of major mine and plant components is completed, operating results are being achieved consistently for a period of time and that there are indicators that these operating results will be continued.

No depreciation or depletion is charged during the mine exploration or development phase.

Mine and Mining Properties

Upon start of commercial operations, mine development costs are capitalized as part of mine and mining properties and presented as a separate line item in the statement of financial position. These costs are subject to depletion, which is computed using the units-of-production method based on proven and probable reserves. Mine and mining properties include the initial estimate of provision for mine and rehabilitation and decommissioning.

Development costs, including construction in-progress incurred on an already operating mine area, are stated at cost and included as part of mine and mining properties. These pertain to expenditures incurred in sourcing new resources and converting them to reserves, which are not depleted or amortized until such time as these are completed and become available for use.

The carrying value of mine and mining properties transferred from mine development costs represents total expenditures incurred to date on the area of interest, net of gross margin from saleable material recognized during the pre-commercial production period, if any.

Deduction is only appropriate if it can clearly be shown that the production of the saleable material is directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management.

<u>Impairment of Nonfinancial Assets</u>

Property, Plant and Equipment and Other Noncurrent Assets
The Company assesses at each reporting date whether there is an indication that property, plant and equipment and other noncurrent assets may be impaired when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If any such indication exists and if the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amounts. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior periods. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at 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 useful life.

Deferred Exploration and Mine Development Costs
An impairment review is performed when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully

provided against, in the reporting period in which this is determined. Deferred exploration and mine development costs are carried forward provided that at least one of the following indicators is met:

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation and development activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

Retirement Benefits

The Company has a funded, noncontributory defined benefit retirement plan which is actuarially determined using the projected unit credit actuarial valuation method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized. If such aggregate is negative, the asset is measured at the lower of such aggregate 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 plan or reductions in the future contributions to the plan.

Retirement cost comprise of current service cost, interest cost and amortization of actuarial gains and losses less the expected return on plan assets, if any.

The defined benefit obligation is calculated annually by an independent actuary. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement benefits liability.

Provisions

General

Provisions are recognized when the Company 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. Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. 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 assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance expense in the statement of comprehensive income.

Provision for Mine Rehabilitation and Decommissioning

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the statement of comprehensive income as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and provision for mine rehabilitation and decommissioning when they occur.

Related Party Relationships

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

Foreign Currency Translation

Transactions in foreign currencies are initially recorded using the prevailing exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are restated at the closing exchange rate at the end of the reporting date. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Equity

Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Subscriptions receivable pertains to the amount owed from investors. Subscriptions receivable is classified as an asset when payment of the full amount is expected to be made in the near term, normally the Company’s normal operating cycle. Otherwise, the amount is presented as a deduction from capital stock.

Deficit represents the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments.

Dividends are recognized as a liability and deducted from equity when they are approved by the Board of Directors of the Company. Dividends for the period that are approved after the end of the reporting period are dealt with as an event after the reporting period.

Earnings (Loss) Per Share

Basic

Basic earnings (loss) per share is calculated by dividing the net loss attributable to ordinary stockholders of the Company by the weighted average number of common shares outstanding during the period, excluding common shares purchased by the Company and held as treasury shares.

Diluted
Diluted earnings (loss) per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potential dilutive common shares during the period. The Company has no potential dilutive common shares.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Gold and Silver
Revenue is recognized when the risk and reward of ownership has passed from the Company to an external party and the selling price can be determined with reasonable accuracy. Revenue is measured at the fair value of the consideration received.

Costs and expenses
Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Cost and expenses are recognized in statement of comprehensive income in the period these are incurred.

Leases
Determination of Whether an Arrangement Contains a Lease
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the period when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the period of renewal or extension period for scenario (b).

Operating Lease
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statement of comprehensive income on a straight-line basis over the lease terms.

Income Taxes

Deferred Income Tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting 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 unused net operating loss carryover (NOLCO) and excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and unused NOLCO and excess of MCIT over RCIT can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income 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 the future taxable income will allow the deferred tax asset to be recovered.

Deferred income tax assets are measured at the tax rate that is expected to apply to the period when the asset is realized based on tax rate and tax laws that has been enacted or substantively enacted as at the reporting date.

Income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions. Management looks at the Company as one business segment operating in one geographical area.

Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Events after the Reporting Period

Post period-end events that provide additional information about the Company’s position at the reporting date (adjusting events) are reflected in the financial statements. Post period-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

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

NOEL V. TANGLAO
President

RODOLFO G. BRAVO
VP-Finance/Treasurer