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, 2014

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: 3304B West Tower, PSE Centre, Exchange 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
Common	1,868,639,664

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

Yes [x] No [ ] Phil. Stock Exchange

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, 2014.

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

Geology and Exploration

For this quarter, exploration in MPSA 225 was focused on drilling the current near mine-extensions of epithermal veins. An underground diamond drilling program was conducted utilizing two (2) DE-140 rigs and one (1) Kempe rig to delineate the vertical extensions of Bonanza Hangingwall Split Vein, Sandy North Vein, Bibak Vein, Fern Vein, Maria Inez Vein and Don Juaquin vein. A total aggregate of 817 meters was drilled for the period.

Below are the holes with available assay results as of end of 2nd quarter of 2014.

Hole ID	From	To	Width (meters)	Au gpt	Target Vein
AMA-530-021	52.6	53.1	0.5	1.12	Bibak Vein
ASA-590-026	149.8	152.7	2.9	4.367	Sandy North Split
ASA-590-026	156.8	158.5	1.7	7.892	Sandy North Split
ASA-590-026	214.15	215	0.85	1.143	Maria Inez
ASA-590-026	266.1	266.9	0.8	3.984	Maria Inez
ASA-590-026	424.2	425	0.8	2.594	Don Juaquin
ASA-590-024	144.8	145.1	0.3	2.581	Bonanza Hangingwall Split
AMA-575-001	203.8	208.7	4.9	24.215	Bonanza Hangingwall Split

Mine

As of second quarter of 2014, the mine produced a total of 84,897 tonnes of gold ores with an average mine grade of 4.43 grams per tonne. Ore extraction was focused on the active vein systems, such as Bonanza hanging wall split, Sandy North, Masara, and Bibak at Mine East (Maligaya Area) and Sandy & Maria Inez at Mine Others (Malumon). The Mine deferred the development of Don Calixto and Don Fernando veins (at Mine West) pending completion of all the required surface facilities and infrastructures. In its place, the mine reopened the Fern vein and Masarita vein and Barabadan area for further exploration and access development.

Mine waste development recorded a total advance of 1,990 meters. Meanwhile, mine development on ore (on vein) was advanced with a total of 1,050 meters.

Mill

For the 2nd quarter of 2014, average throughput based on calendar days was **650 TPD**, while based on operating days, the Mill attained an actual rate of **769 TPD**. Major factors that affected the average throughput was because of grinding shutdowns due to our Ball Mill such as repairs of the cut-off shafting connecting the drive motor and high speed gear (May 19-21, 36.83 hrs) and the replacement of its worn-out motor bearing (June 22-25, 80.17 hrs). Other causes of low throughput were due to the filling of new leaching tanks; several episodes of power failure which delayed operations; and some preventive maintenance schedules for the crushing and grinding area.

The processed feed grade for the quarter was an average of **4.55 gpt Au** (with 28.26 gpt Ag), which is a modest gain from the previous record. As for the overall gold production, there was a significant increase which is from **4,786 oz Au** in the 1st quarter of 2014 to **6,645 oz Au** in the 2nd quarter due to increase in throughput and grade. Aside from these, there was also an increase in recovery which is 78.78%.

For the plant capacity upgrade, ongoing activities are being done to increase our throughput to 1,500 tpd with a target to finish on the 4th quarter of 2014.

CORPORATE SOCIAL RESPONSIBILITY

Apex Mining Co., Inc. (AMCI) observes constant implementation of the Social Development and Management Program (SDMP) as the prime instrument in enriching the community.

For the Second Quarter of 2014 (April to June), a grand sum of P 4,554,844.31 was assisted to the community for the accomplishments stated below:

Assistance under MEDICAL & HEALTH PROGRAM, incurred a sum of P 374,765.36*;* which includes free medical assistance to the community patients through the Company Clinic, blood-letting assistance to Barangay Elizalde and mass circumcision last summer. Also, the company ambulance was made accessible to ferry patients with serious cases from Apex to their preferred hospital in Tagum City.

For the RESPONSIVE EDUCATION, P540,544.00 was contributed for the following: Special High School Scholarship Grants to 20 students from Elizalde National High School and Thompson Christian School, constant support to school activities such as the *Brigada Eskwela* and provision of students' transportation to ferry students on a daily basis to and from their respective schools.

Moreover, for SPECIAL PROGRAMS, P490,174.92 was spent. A chunk of the SDMP was allotted for the unification of the Indigenous Peoples (Mansaka Tribe) and the training for the Pool of Underground equipment operators from the community.

In addition, there is also the SUSTAINABLE LIVELIHOOD PROGRAM with an expenditure of P147,950.00. Under this program is the conduct of the Philippine Bizcamp – Entrepreneurship Training for the group of pastors along Masara Lines. In addition, series of cacao production trainings to interested farming communities was also held.

Likewise, there is the INFRASTRUCTURE PROJECTS, with a sum of P1,319,980.00. Such amount was incurred for the diversion of the Masara River and for the construction of the following at New Leyte National High School - Teresa Campus: 4 classroom building in partnership with Gakad Kalinga ComVal Chapter, school reservoir and school perimeter fence.

Also, an amount of P51,670.00 was assisted for the SOCIAL SERVICES PROGRAM**,** such as the monthly rice donation to DSWD - Home for the Aged in Tagum City and some other assistance to the general constituency.

Furthermore, there are COMMUNITY DEVELOPMENT PROGRAMS, which incurred a cost of P370,000.00. It was spent particularly for the company's support to community assemblies such as the Araw ng Mansaka, as well as the constant response to the community's request for service vehicles for the community affairs.

In addition is the FAITH AND DEVELOPMENT PROGRAM alongside with the YOUTH AND DEVELOPMENT PROGRAM with an expenditure amounting to P372,981.80, being maximized particularly for religious gatherings of interfaith groups, fiesta celebrations, mass wedding, and annual church youth camps along Masara Lines.

Moreover, an amount of P679,203.23 was allocated for the INFORMATION EDUCATION AND COMMUNICATION CAMPAIGN. There were symposia conducted in partnership with the 9th Infantry Spear Division, Mines and Geosciences Bureau – Region XI.

Lastly, a family profiling activity was conducted by the Company together with the enumerators from the seven impact barangays of AMCI: Masara, Mainit, Teresa, Tagbaros, New Leyte, Elizalde and New Barili. So far, the activity incurred a cost of P207,575.00 against DEVELOPMENT OF MINING TECHNOLOGY AND GEOSCIENCES.

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 2014				
			April	May	June
	Safety Incident Statistics				
		NLTA (FAC)	0	0	1
		LTA (Non-Fatal)	1	0	1
		Property Damage	9	7	3

The following are the milestones for the quarter:

1. Issued needed PPE to all employees
2. Attended weekly managers meeting (every Tuesday afternoon).
3. Monthly drinking water sampling to ensure that the waters coming from AMCI refilling station and distributed to all working areas are potable. Sampling was monitor and done by safety personnel.
4. Conducted basic first aid training on April 21-23 and June 25-27, 2014 for drivers and newly hired employees.
5. Conducted Monthly CSHC and Departmental Safety Meetings
6. Conducted Pep-talk to underground and surface workers.
7. Conducted routine inspection at underground and surface working areas
8. Conducted inspection and audit of fire extinguisher and first aid paraphernalia's at respective underground and surface working areas and equipment & vehicles
9. Conducted audit of underground tools at underground working areas
10. Installed safety signage's both from surface and underground working areas
11. Conducted Safety orientation to visitors and newly hired Apex Employees
12. Daily Monitoring and inspection at mill projects
13. Conducted Geo-hazard and Risk Monitoring at the Tailings Pipeline area and at the slope at the back of the Admin Building
14. Conducted Spot Monitoring of Temperature and Humidity at UG areas (Humidex)
15. Released and cascaded the following safety memorandum.
    - Procedure on monitoring and activation of emergency response during continuous heavy rain.
    - Hiring new JO, Contract and probationary workers
    - Guidelines on the Emergency Preparedness, Response and evacuation during Major Landslide / Debris Flow / lash Flood at L-900 Sandy Restoration area
    - Selection of Monthly Safest worker.
16. Conducted an investigation to an accident/incident incurred for the period and provide recommendations.
17. Prepared and Installed safety signage at mine site roads and all working areas.
18. Prepared and activated ICS and Emergency response during rally.
19. Prepared and submitted burning incident report to office of MGB-XI.
20. Replaced used fire extinguisher during April 10, 2014 burning incident.
21. Conducted Rope Rescue training.
22. Conducted monthly inspection and testing of fire hydrants installed at Mill and admin areas
23. Conducted random inspection to all company equipment / vehicle used in the mine areas.
24. Conducted inspection of contracted busses and equipment.
25. Monitored and follow-up action taken to all MGB-XI findings recommended action plans and submit compliance report to MGB-XI.
26. Monitored the compliance of MGB-XI and company safety rules.
27. Prepared and submitted monthly (GAR) report to MGB-XI and DOLE.
28. Reported and coordinated all inspection report especially unsafe acts/practices to concern managers.
29. Conducted regular working areas safety and health hazards identification and follow-up action plans.

30. Sent four (4) safety officers / representatives to attend BOSH training on March 3-7, 2014 at Davao City.
31. Sent 1 safety personnel / representative to attend Loss Control Management Training on June 16-20, 2014 at Davao City
32. Attended every other day (Tue, Thu, Sat) morning mine coordination meeting.
33. Awarded / recognized 20 safest AMCI personnel (10 Supervisor and 10 rank & file) on June 23, 2014.
34. Close follow-up on the treatment of employees diagnosed with Diabetes, Hypercholesterolemia, Hypertension, Heart Diseases and PTB.
35. Regular workplace inspection for identifications of safety and health hazards.
36. Routine Medical, Dental Consultations and treatments of employees, contractors, dependents and community residents of 7 Impact Barangay.

Health Awareness Programs

The following Health Awareness Programs were also implemented during the quarter:

1. Conducted “Operation Tuli and Alis Bukol Program” to employees dependents and community residents of seven impact Barangays.
2. Conducted cascading to all employees on the upcoming medical health programs this coming May. “Blood Letting”.
3. Continued health education and health promotion through conduct of lectures and presentation on Blood Borne Disease during the schedule departmental monthly safety meeting.
4. Conducted Blood Letting Program to Apex employees.
5. Conducted Lectures and Presentations Regarding Heat Stress Prevention.
6. Conducted cascading to all employees on the upcoming medical health program this coming June. “ANNUAL VACCINATION PROGRAM”.
7. Transacted business with us for Decentralization Process Orientation of Programmatic Management of Drug Resistant Tuberculosis at Davao Regional Hospital.

Management Discussion and Analysis of Financial Position and Results of Operations CY 2013 and 2012

Statement of Comprehensive Income

Sales

The Company's sales for year ended December 31, 2013 and 2012 to ₱1,733 million and ₱1,817 million, respectively, a decrease of 5% or ₱84 million.

Information on the realized price and volume shipped of gold for the year ended December 31, 2013 and 2012 are as follows:

	Year Ended		
	2013	2012	Change
Volume in ounces (oz)	**27,468**	23,686	16%
Realized price/oz	**$1,389**	$1,659	(16%)

Information on the realized price and volume shipped of silver for the year ended December 31, 2013 and 2012 are as follows:

	Year Ended		
	2013	2012	Change
Volume in oz	**150,753**	108,872	38%
Realized price/oz	**$23**	$33	(30%)

The weighted average foreign exchange rate of US$1.0 to PHP used for the year ended December 31, 2013 and 2012 at ₱41.43 and ₱42.25, respectively.

An analysis of the sales variance, which comprises of volume, price and exchange rate variances, between the comparative fourth quarter and year ended December 31, 2013 and 2012 of the Company are as follows:

	Year 2013 and 2012		
Variances	Gold	Silver	Total
Volume	₱265,126,521	₱58,568,595	₱323,695,116
Price	(302,900,064)	(63,056,098)	(365,956,162)
Exchange rate	(28,719,970)	(12,849,736)	(41,569,707)
Sales	(₱66,493,513)	(₱17,337,240)	(₱83,830,753)

Full year sales variance can be broken down into an increase in volume shipped, but sales was negatively affected by the decline in the average realized metal prices and the appreciation of the PHP in 2013 and 2012.

Cost of Sales

Cost of sales incurred for the year ended December 31, 2013 and 2012 to ₱1,705 million and ₱1,198 million, respectively. A breakdown of the main components of cost of sales in 2013 and 2012 is as follows:

- Materials used in mining and milling grew by ₱271 million or 55% in 2013 compared to 2012 as a result of the increase in the following factors, among others:
  - Ore mined totaled 337,983 tons and 157,555 tons of ore in 2013 and 2012, respectively, or an improvement of 115%; and
  - Ore milled tallied 280,451 tons and 233,097 tons in 2013 and 2012, respectively, an increase of 20%
- The acquisition of a new fleet of heavy equipment and completion of various construction works in 2013 on the core house building, refuge chamber inside the mine, and container vans, as well as the increase in ore mined, contributed to the increase of ₱138 million or 39% in the depreciation, depletion and amortization expense in 2013 compared to 2012.
- Personnel cost increased by ₱22 million or 20% due to the new salary scheme implemented in the middle of 2012 which increased the salaries of the employees was taken up in full in 2013.
- Rent surged by ₱22 million or 40% in 2013 compared to 2012 as a direct result of gradual addition of equipment rented out from a supplier from four units in 2012 to 10 units in 2013. Another reason for the increase in rent is due to the Company's decision to reduce its exploration and development activities in 2013 and focus utilization of its rented out equipment to operational activities.

General and Administrative Expense

General and administrative expenses incurred for the year ended December 31, 2013 and 2012 to ₱547 million and ₱595 million, respectively. Details of the significant elements of general and administrative expenses are shown below.

- Depreciation and amortization decreased by ₱58 million or 84% due to items being written off in the first half of 2013 or were sold in the third quarter of 2013. There were also items that were already fully depreciated in the first half of 2013, but were still being depreciated in 2012.
- The increase in personnel cost of ₱5 million or 3% in 2013 as compared to 2012 was due to the new salary scheme (refer to Personnel Cost explanation under Cost of Sales).
- Contracted services rose ₱5 million or 12% in 2013 compared to 2012. The jump in cost was brought about by the increased need of support services of the increased activities of the Company in 2013.
- Excise taxes, royalties and surface rights, which are derived from sales or gross income, dipped by ₱3 million or 6% in 2013 as compared to 2012 as a result of the decrease in sales and gross income.

Other Income (Charges)

The breakdown of the main components of other income (charges) in 2013 and 2012 amounting to ₱338 million in other charges and ₱19 million in other income, respectively, is presented below.

- The Company recognized ₱126 million in net foreign exchange losses in 2013 compared to ₱31 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 December 31, 2013 and 2012.

  The closing exchange rate of $1.0 to PHP as of December 31, 2013 and 2012 was ₱44.41 and ₱41.19, respectively. The weakening of the PHP against the USD 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.
- In 2013, the Company entered into finance lease agreements for the purchase of a new fleet of heavy equipment and transportation vehicles, and loan facilities with

banks. These transactions resulted in recognition of interest expense charges totaling ₱72 million in 2013. These arrangements were not yet entered into by the Company in 2012.

Other Comprehensive Income
Aside from the effects of the re-measurement loss of the accrued retirement benefits of the Company, there were no other items affecting other comprehensive income as of and for the year ended December 31, 2013 and 2012.

Statement of Financial Position

Current Assets
Total current assets decreased by ₱531 million or 38% from ₱1,410 million as of December 31, 2012 to ₱879 million as of December 31, 2013 primarily due to the following:

- The Company was able to generate positive cash flows from operating and financing activities in 2013 amounting to ₱751 million and ₱1,036 million, respectively. However, mill expansion project expenditures and continuous exploration and development activities required the Company to disburse ₱1,823 million for investing activities. Net effect on cash, after the impact of foreign exchange rate changes, was a decrease of ₱19 million.
- Receivables shed ₱305 million or 49% from its December 31, 2012 balance of ₱618 million to ₱313 million mainly because of the collection of trade receivables from the Company's customer.
- A drop in the inventory level of ₱185 million or 31% due to mainly to write offs of obsolete items and improved inventory management.

Noncurrent Assets
Total noncurrent assets grew by ₱1,355 million or 52% from ₱2,625 million as of December 31, 2012 to ₱3,980 million as of December 31, 2013 primarily due to the following:

- Property, plant and equipment account increased to ₱1,904 million as of December 31, 2013 from ₱915 million as of December 31, 2012 due primarily to acquisitions and constructions made in 2013.
- Deferred mine exploration and development costs climbed to ₱1,442 million as of December 31, 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 economic feasibility.
- The dip in mine and mining properties of ₱141 million is due to depletion charges in 2013.

Current Liabilities
Current liabilities rose by 65% from the December 31, 2012 balance of ₱1,475 million to the December 31, 2013 balance of ₱2,430 million. The breakdown of the change in the current liabilities level is detailed below.

- Accounts payable and accrued liabilities grew by ₱439 million as of December 31, 2013 compared to the December 31, 2012 balance due to the increased level of purchases and service needs of the Company in connection with its exploration and development activities, and mill expansion.
- The current portion of the loans payable of the Company consists of loans related to the financing of the heavy mobile equipment acquired during the year, and the term loan obtained from local banks to finance the supposed mill expansion. The Company was not able to meet certain conditions in its loan covenants, thus, rendering the loans as

current. Management is in constant communication with the parties involved to structure in a new scheme or payment plan acceptable to all.

- Due to related parties dropped to ₱353 million as of December 31, 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 decreased by ₱31 million as of December 31, 2013 from ₱174 million as of December 31, 2012 mainly due to the following:

- Decrease in deferred income tax liabilities of ₱34 million due to reversal of future taxable amounts such as revaluation surplus and unrealized foreign exchange gains of the prior years;
- Decline in the provision for mine rehabilitation and decommissioning of ₱35 million due to changes in estimates and assumptions; and
- Additional accrued retirement benefits as a result of the adoption of the revised standard on employee benefits. Prior period impact of the adoption of the revised standard amounted to ₱7 million, while the 2013 impact on other comprehensive income amounted to ₱14 million and on the 2013 statement of comprehensive income at ₱16 million, bringing the total 2013 impact on accrued retirement benefits to about ₱30 million.

Equity
Equity slightly dipped by 4% or ₱101 million, which is the net impact of the additional capital from shareholders, conversion of debt to equity, and the net loss for the year ended December 31, 2013.

Management Discussion and Analysis of Financial Position and Results of Operations CY 2012 and 2011

Apex Mining Co., Inc. reported a ₱56.8 million net income for the year 2012 from net losses of ₱39.8 million in 2011 and ₱120.6 million in 2010. The positive result is primarily due to lower costs and expenses incurred which cushioned the impact of lower revenue reported.

Revenue

The Company's revenue from sale of gold and silver during the year declined from ₱1.815 and ₱0.224 billion in 2011 to this year's sales level of ₱1.657 and ₱0.160 billion, respectively, due to lower volume of gold and silver produced despite the increase in sales price of metals.

	2012	2011
Au produced, oz.	23,889	26,256
Ag produced, oz.	115,871	146,294
Price per ounce	$1,660	$1,592

Lower volume of ounces produced was due to 20% lower gold grade feed despite the 15% increase in tonnage milled.

Direct cost

Cost of metal sold is lower in 2012 at ₱1.199 billion compared to ₱1.514 billion in 2011 and ₱1.132 billion in 2010 due to the following factors:

- Rent on milling equipment decreased to ₱53.9 million in 2012 compared to ₱372.8 million in 2011 and ₱364.6 million in 2010. 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.
- Cost of direct materials used in mining and milling slightly improved to ₱489.6 million this year compared to ₱517.4 million in 2011 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, depletion and amortization decreased to ₱350.4 million from ₱352.3 million in 2011 and ₱295.4 million in 2010. Significant acquisition was made during the last quarter of the year only in preparation for the planned mill plant expansion.
- Salaries and employment benefits increased to ₱114.4 million (2011 - ₱99.2 million; 2010 - ₱94.7 million) due to salary review and upgrade implemented effective July 2012.
- Increase in utilities and other expenses were due to inflationary increase in the cost of materials and services. Marketing expense, contracted services and repairs and maintenance, on the other hand, decline in line with the decline in production during the year.

General and administrative expenses

Increase in general and administrative expenses is largely attributable to higher personnel costs incurred arising from salary review and upgrade implanted in the middle of the year. The Company also paid ₱43.8 million from the Bureau of Internal Revenue (BIR) based on its audit of Apex Mining's 2009 books of accounts. Excise tax, royalty fees and surface rights payments are lower due primarily to lower revenue reported. Donation and contribution significantly increased from ₱1.5 million in 2011 to ₱14.3 million in 2012 due to assistance given to victims of typhoon Pablo last December 2012.

Other income and expenses

Other income included net foreign exchange gains amounting to ₱31.5 million principally arising from the translation of the foreign currency-denominated advances from related parties at ₱41.05:$1 as of December 31, 2012 from ₱43.84:$1 last year. In 2011, the Company also wrote off ₱73.0 million input VAT incurred in 2009 and ₱37.1 million of deferred exploration and mine development costs from veins considered as mined out.

Financial position

At December 31, 2012, the Company was able to generate funds and maintained a cash balance of ₱52.9 million from its previous cash balance of ₱53.6 million last year's cash on hand and in banks. Cash inflows were primarily sourced from new share subscriptions from Monte Oro Resources & Energy Inc., Solar Securities, Inc., Vicsal Development Corporation and Mindanao Gold Ltd. ₱40.0 million of cash balance was placed under short-term, interest earning deposit.

Receivables which included transaction from uncollected sales of metals as of December 31, 2012 increased to ₱617.7 million from ₱407.4 million in 2011. The material increase was due to advance payments to suppliers amounting to ₱242.3 million in 2012.) for equipment to be used in expansion of mine and mill operations. In 2011, advances to suppliers amounted to P76.2 million.

Inventories were higher at ₱598.5 compared to last year's amount of ₱350.1 million due to increased requirements of mill consumables arising from increased capacity from 500 tpd to 850 tpd starting September 30, 2012.

The increase in Prepayments and Other Current Assets in December 2012 was mainly due to the consolidation of Other Current Assets of Teresa, the merged entity, to the Company. The increase was also brought about by Input taxes amounting to ₱41.0 million accumulated during the year.

Property, plant and equipment (PPE), net, as December 31, 2012 increased to ₱915.2 million in from ₱579.3 in 2011. The increase was mainly due to various acquisitions of mine and mill equipment in line with the Company's on-going expansion.

Deferred exploration and development costs continued to increase to ₱915.2 million as of December 31, 2012 from ₱530.2 million in 2011 due to opening of various portals for the exploration activities. The Company has been developing new ore sources in preparation for the new 3000 tons per day plant.

A decline in mine and mine properties to ₱662.2 million in 2012 from ₱774.4 million last year was due to periodic amortization of costs and write-off of mined out areas.

Other assets increased to ₱57.9 million from ₱49.9 million in December 2011 due to transfer of machineries from Teresa with a net book value of P21.9 million.

Current liabilities at December 31, 2012 amounted to ₱1.471 million as compared to ₱1.510 billion in 2011 due to lower trade and other payables and advances to related parties. During the year, the Company applied for a conversion of related party debts to equity. Registration for such conversion is still subject to approval by the Securities and Exchange Commission.

The slight decrease in Accounts Payable and Accrued Liabilities to ₱637.5 million from 654.7 million in 2011 were mainly due to timing of payments.

Advances from shareholders and affiliates dropped due to payments made to related parties during the year. Liabilities of its related party, Teresa Crew Gold Corporation, have been assigned to and offset with balances of Mindanao Gold and Mapula Creek Gold Corporation during the Merger. Refer to Note 1 of the audited financial statements for the details.

As of December 31, 2012, non-current Liabilities amounted to ₱164.5 million, greater than the than the figure in 2011 of ₱134.1 million. The significant factor that contributed to the increase was the increase in accrual for retirement benefits and provision for mine rehabilitation costs, as well as increase in deferred income tax liabilities arising from translation of monetary liabilities.

In compliance with PAS no. 19, Accounting for Employees Benefits, the Company's accrual at December 30, 2012 amounted to 43.9 million compared to December 31, 2011 accrual of P31.3 million. The December 31, 2010 accrual was ₱19.6 million.

The Provision for Mine Rehabilitation Cost was estimated at ₱82.8 million as at December 31, 2012 while the accrual amount in December 31, 2011 is ₱66.8 million only. This amount is based on estimated cost for reforestation, dismantling and decommissioning of property and equipment as included in the Final Mine Rehabilitation and Development Plan.

Deferred income tax liabilities amounted to ₱37.8 million in 2012 and 36.0 million at December 31, 2011.

On December 1, 2011, the SEC approved the Articles and Plan of Merger of the Company and Teresa. 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.

On July 20, 2012, additional subscription to the share capital of the Company was placed by Monte Oro Resource and Energy Inc. (120,000,000 Class A common shares), Vicsal Development Corp (18,000,000 Class A common shares), Solar Securities, Inc. (12,000,000 Class A common shares), Mindanao Gold Ltd (48,048,864 Class B Common shares) and Mapula Crew Gold Corporation (37,292,725 Class A common shares).

The December 31, 2012 share capital amounted to ₱1.665 billion and ₱1.391 billion respectively.

With the net income of ₱56.8 million, the deficit at December 31, 2012 improved to P1.886 billion as compared to ₱1.967.4 million in 2011.

Net cash provided by operating activities amounted to ₱311.2 million for the year ended December 31, 2012 as compared to ₱79.8 million in 2011 mainly due to higher net income earned.

Net cash used in investing activities, comprising of additions to sale of property, plant and equipment, non-current assets and exploration expenditures, was ₱978.7 million in 2012 as compared to the net amount used in investing activities during the same period last year of P637.6 million.

Management Discussion and Analysis of Financial Position and Results of Operations Second Quarter 2014, 2013 and 2012

Statement of Comprehensive Income

Sales

The Company's sales in the second quarter ended June 30, 2014, 2013 and 2012 amounted to ₱422 million, ₱456 million and ₱389 million, respectively, a decline in sales of 7% or ₱34 million for the comparative first quarter of 2014 and 2013, and an increase sales of 17% or ₱67 million for the comparative first quarter of 2013 and 2012, bringing the sales for the six months ended June 30, 2014, 2013 and 2012 to ₱685 million, ₱858 million and ₱835 million, respectively.

Information on the realized price and volume shipped of gold for the second quarter and first half of 2014, 2013 and 2012 are as follows:

Second Quarter	**2014**	2013	2012	Change
Volume in ounces (oz)	**6,886**	7,362	5,473	(6%)
Realized price/oz	**$1,286**	$1,383	$1,546	(7%)

First Half	**2014**	2013	2012	Change
Volume in ounces (oz)	**10,971**	13,095	11,085	(16%)
Realized price/oz	**$1,287**	$1,465	$1,619	(12%)

Information on the realized price and volume shipped of silver for the second quarter and first half of 2014, 2013 and 2012 are as follows:

Second Quarter	**2014**	2013	2012	Change
Volume in oz	**35,826**	37,910	24,465	(5%)
Realized price/oz	**$20**	$21	$26	(6%)

First Half	**2014**	2013	2012	Change
Volume in oz	**60,602**	68,221	48,890	(11%)
Realized price/oz	**$20**	$24	$30	(18%)

The weighted average foreign exchange rate of US$1.0 to PHP used in the second quarter ended
June 30, 2014, 2013 and 2012 was at ₱44.28, ₱41.54 and ₱42.78, respectively.

An analysis of the sales variance, which comprises of volume, price and exchange rate variances, between the comparative second quarter and first half periods ended June 30, 2014 and 2013 of the Company are as follows:

Variances	**Between Second Quarter of 2014 and 2013**			**Between First Half of 2014 and 2013**		
	Gold	Silver	Total	Gold	Silver	Total
Volume	(₱27,376,152)	(₱1,805,769)	(₱29,181,921)	(₱128,012,305)	(₱7,626,379)	(₱135,638,684)

Price	(27,896,677)	(1,899,369)	(29,796,046)	(80,536,703)	(11,070,014)	(91,606,717)
Exchange rate	24,098,868	1,233,170	25,332,038	50,288,502	4,347,827	54,636,328
Sales	(₱31,173,962)	(₱2,471,968)	(₱33,645,930)	(₱158,260,507)	(₱14,348,567)	(₱172,609,073)

The sales in the comparative second quarter of 2014 and 2013 was affected by the drop in the volume shipped and market prices for gold and silver. The decrease in volume was a combined result of the reduction in tons milled because of power shortage and recovery percentage, while the depreciation of the Philippine Peso (PHP) against the United States Dollars (USD) slightly lifted the negative impact of the volume and price variances on the Company's sales in the second quarter ended June 30, 2014 compared to the same period in 2013. The first quarter reduction in volume was primarily caused by the temporary shutdown of the milling operations because of a minor tailings incident.

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 PHP against the USD.

Cost of Sales

Cost of sales incurred in the second quarter ended June 30, 2014, 2013 and 2012 amounted to ₱345 million, ₱313 million and ₱251 million, respectively, bringing the cost of sales for the six months ended June 30, 2014, 2013 and 2012 to ₱597 million, ₱597 million and ₱538 million, respectively. A breakdown of the main components of cost of sales in the comparative second quarters is as follows:

- Cost of materials and supplies grew by ₱31 million or 27% is the effect of having to feed the mill with complex ore that will normally require more reagents before the gold is harnessed from the ore. This also affects recoverability as evidenced that in the second quarter of 2014 and 2013, recovery percentage was 79% and 83%, respectively.

  Cost of materials and supplies increased 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.

- Depreciation, depletion and amortization in the second quarter of 2014 slipped by ₱24 million or 21% compared to the same period in 2013, while the second quarter 2013 figure was 33% or ₱28 million higher than that of the same period in 2012. The reason for the swings in the figure pertains to depletion charges. Depletion is calculated per ton of ore extracted, processed and sold during the period. Since the company processed, and eventually sold, relatively lower tons in the second quarter of 2014 compared to 2013, depletion charges went down. On the other hand, tons in the second quarter of 2013 were higher compared to 2012 that's why depletion charges went up.

- Personnel cost increased in quarter-on-quarter in the second quarter of 2014, 2013 and 2012 due to additional direct labor hired.

General and Administrative Expense
General and administrative expenses incurred in the second quarter ended June 30, 2014, 2013 and 2012 amounted to ₱131 million, ₱137 million and ₱126 million, respectively, bringing the cost of sales for the six months ended June 30, 2014, 2013 and 2012 to ₱267 million, ₱282 million and ₱242 million, respectively. A breakdown of the main components of cost of sales in the comparative second quarters is as follows:

- Depreciation dropped by 67% due to old assets and idle assets being fully depreciated by the first quarter of 2014 compared to the same period in 2013. The increase in depreciation in 2013 compared to 2012 was because of a new fleet of transportation vehicles.

- Personnel cost increased quarter-on-quarter. The rise in the second quarter of 2014 was attributable to appointment and assignment of key officers as management was restructured in the latter part of 2013. On the other hand, the jump in personnel cost in the second quarter of 2013 compared to 2012 was attributable to the new salary scheme that started becoming effective only in the third quarter of 2012.

- Excise taxes and surface rights slightly dropped as the sales and corresponding cost bases decreased in the second quarter of 2014 as compared to the second quarter of 2013. However, for royalties, we have assessed that the accruals and payments we have previously made were sufficient accruals and payments, for the meantime, while the dispute between the two contesting indigenous groups on who the rightful payee should be are still being cleared out. In the second quarter of 2013 compared to the second quarter of 2012, there was an overall 11% increase in the excise taxes, surface rights and royalties due to much higher sales during that period.

Other Income (Expense)
Other income and (expense) in the second quarter of 2014, 2013 and 2012 amounted to (₱81 million), (₱61 million) and ₱16 million, respectively. The breakdown of the main components of other income (expense) is as follows:

- Net foreign exchange gains in the second quarter of 2014 and 2012 amounting to ₱79 million and ₱16 million, respectively, and net foreign exchange losses in the second quarter of 2013 amounting to ₱63 million were mainly due to the fluctuations in the PHP-USD rates. The Company was in a net foreign currency-denominated financial liability position during the second quarter in 2014, 2013 and 2012.
- The Company had outstanding bank loans and interest-bearing obligations in the second quarter of 2014 that were no yet outstanding in the second quarter of 2013 and 2012.
- There was a ₱137 million write-off of a group of assets in the second quarter of 2014 which is essentially comprised of assets damaged by extortionists.

Statement of Financial Position

Current Assets

Total current assets decreased by ₱104 million from ₱879 million as of December 31, 2013 to ₱775 million as of June 30, 2014 primarily due to the reduction in inventory of ₱70 million due to the shifting of some of fast-moving items of inventory under a consignment contract; and the reduction in receivables of ₱48 million on account of collections made from trade creditors and employees and officers.

Noncurrent Assets

Total noncurrent assets grew by ₱45 million or little over 1% from ₱3,980 million as of December 31, 2013 to ₱4,025 million as of June 30, 2014 primarily due to the following movement:

- Property, plant and equipment dropped by ₱198 million because of the write-off of damaged equipment, and depreciation charges;
- Mine and mining properties and other assets shed ₱40 million on depletion and amortization charges, respectively; and
- Deferred mine exploration and development costs climbed by ₱284 million as a result of continuous exploration of new areas of interest, and development of existing areas showing economic feasibility.

Current Liabilities

Current liabilities rose by 9% or ₱220 million from the December 31, 2013 balance of ₱2,430 million to the June 30, 2014 balance of ₱2,650 million. The significant changes in the current liabilities category are detailed below.

- Accounts payable and accrued liabilities was reduced by ₱251 million as of June 30, 2014 compared to the December 31, 2013 balance due to settlement of long outstanding payables using working capital funds received from a related party.
- A lump sum payment of ₱166 million was given to finance lease creditors for the acquired heavy equipment was made from the advances granted by a related party.
- To aid in the settling of long outstanding payables, a related party granted the Company a total of ₱650 million in short term working capital advances as of June 30, 2014 bearing interest at a rate of 8% per annum.

Noncurrent Liabilities

No material changes were made in the noncurrent liabilities account of the Company as of June 30, 2014 and December 31, 2013.

Equity

The decrease in total equity of ₱279 million as of June 30, 2014 compared to the total equity as of December 31, 2013 pertains to the net loss for the six months ended June 30, 2014.

Key Performance and Financial Soundness Indicators

Key Performance Indicators

The key performance indicators below are not based on Generally Accepted Accounting Principles (GAAP) financial measures and are therefore not audited. Similar data may be interpreted and presented differently when compared to other entities' data.

Tons Mined and Milled

Tonnage, ore grade and metal recovery determine the production and sales volume. The higher the tonnage, ore grade and recovery, the more metals are produced and sold.

The mine production attained 84,897 tons with an average grade of 4.43 Au, g/t in the second quarter of 2014 compared to the 96,036 tons with an average grade of 4.00 Au, g/t of the same period in 2013.

On the other hand, the mill plant processed a total of 59,786 tons with a mill head grade of 4.55 Au, g/t and 28.26 Ag, g/t in the second quarter of 2014 compared to the 69,588 tons with a mill head grade of 4.16 Au, g/t and 24.80 Ag, g/t of the same period in 2013. Average metal recovery of gold and silver in the second quarter of 2014 was 78.8% and 79.9%, respectively, while in the same period of 2013 was 82.6% and 78.1%, respectively.

Financial Soundness Indicators

Management has identified the following as the financial ratios deemed significant in assessing the Company's performance and financial soundness:

		June 30	December 31
Financial Ratio	Formula	2014	2013
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	0.29:1	0.36:1
Debt-to-equity	$\frac{\text{Total debts}}{\text{Total equity}}$	1.39:1	1.13:1
Asset-to-equity	$\frac{\text{Total assets}}{\text{Total equity}}$	2.39:1	2.13:1

		Six Months Ended June 30	
Financial Ratio	Formula	2014	2013
Return on assets	$\frac{\text{Net income (loss)}}{\text{Total assets}}$	(0.06):1	(0.02):1
Return on equity	$\frac{\text{Net income (loss)}}{\text{Total equity}}$	(0.14):1	(0.03):1

APEX MINING CO., INC.

STATEMENTS OF FINANCIAL POSITION

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
ASSETS		
Current Assets		
Cash	**₱44,030,089**	₱33,677,065
Receivables	**265,579,176**	313,464,697
Inventories	**343,585,327**	413,682,013
Advances to related parties	**873,141**	486,992
Prepayments and other current assets	**120,395,282**	117,308,256
Total Current Assets	**774,463,015**	878,619,023
Noncurrent Assets		
Property, plant and equipment	**1,705,160,164**	1,903,652,578
Deferred exploration and mine development costs	**1,726,139,788**	1,442,338,623
Mine and mining properties	**493,646,146**	521,451,487
Other noncurrent assets	**99,741,288**	121,415,837
Total Noncurrent Assets	**4,024,687,385**	3,979,858,525
TOTAL ASSETS	**₱4,799,150,399**	₱4,858,477,548
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	**₱1,235,854,366**	₱1,075,883,309
Bank loans payable	**325,997,504**	331,585,004
Current portion of finance lease liability	**372,749,236**	538,626,540
Advances from stockholders and related parties	**1,125,667,205**	483,830,181
Total Current Liabilities	**2,649,548,850**	2,429,925,034
Noncurrent Liabilities		
Noncurrent portion of finance lease liability	**7,191,183**	7,191,183
Accrued retirement benefits	**83,730,583**	83,730,583
Provision for mine rehabilitation and decommissioning	**47,806,902**	47,806,902
Deferred income tax liabilities	**4,016,232**	4,016,232
Total Noncurrent Liabilities	**142,744,900**	142,744,900
Total Liabilities	**2,792,293,751**	2,572,669,934
Equity		
Capital stock	**2,572,669,934**	2,572,669,934
Additional paid-in capital	**3,098,234,838**	3,098,234,838
Revaluation surplus on property, plant and equipment	**13,387,441**	13,387,441
Re-measurement loss on retirement plan	**(24,178,104)**	(24,178,104)
Deficit	**(2,949,227,191)**	(2,670,276,225)
Total Equity	**2,006,856,648**	2,285,807,614
TOTAL LIABILITIES AND EQUITY	**₱4,799,150,399**	₱4,858,477,548

APEX MINING CO., INC.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX AND THREE-MONTH PERIODS ENDED JUNE 30

	Six Months Ended		Quarter Ended	
	June 30, 2014 (Unaudited)	June 30, 2013 (Unaudited)	**June 30, 2014 (Unaudited)**	June 30, 2013 (Unaudited)
SALES				
Gold	**631,253,444**	₱789,513,950	**391,802,647**	₱422,976,609
Silver	**53,888,818**	68,237,385	**30,385,514**	32,857,481
	685,142,262	857,751,335	**422,188,161**	455,834,090
COST OF SALES				
Mining and milling	**230,607,980**	209,752,428	**147,584,452**	116,482,346
Depreciation, depletion and amortization	**153,100,787**	225,932,118	**89,260,965**	113,062,797
Personnel cost	**81,049,383**	53,316,632	**41,307,685**	27,485,066
Utilities	**50,597,712**	52,452,270	**27,974,318**	29,545,666
Rent	**37,386,808**	29,015,767	**14,080,143**	15,725,348
Others	**43,944,991**	26,463,666	**24,483,199**	11,039,142
	596,687,660	596,932,881	**344,690,762**	313,340,365
GROSS PROFIT	**88,454,602**	260,818,454	**77,497,399**	142,493,725
GENERAL AND ADMINISTRATIVE EXPENSES				
Personnel cost	**104,472,692**	71,985,447	**49,164,908**	34,995,837
Depreciation and amortization	**3,867,355**	43,030,687	**(3,362,552)**	20,977,253
Contracted services	**26,608,375**	29,901,776	**15,993,383**	15,544,993
Excise taxes and surface rights	**20,459,368**	25,916,261	**12,606,210**	13,384,229
Materials and supplies	**15,435,982**	16,936,061	**7,532,701**	8,521,307
Rent	**19,480,656**	21,310,842	**9,735,291**	8,488,932
Marketing	**2,402,643**	4,183,466	**1,251,497**	2,808,040
Others	**74,703,988**	69,174,886	**38,123,801**	32,455,388
	267,431,059	282,439,426	**131,045,238**	137,175,979
INCOME (LOSS) FROM OPERATIONS	**(178,976,457)**	(21,620,972)	**(53,547,839)**	5,317,746
OTHER INCOME (CHARGES)				
Foreign exchange gains (losses) – net	**79,930,473**	(58,012,694)	**83,466,944**	(60,968,953)
Interest expense - net	**(41,469,613)**	(529,878)	**(27,024,345)**	(527,784)
Loss on write off of PPE	**(137,146,776)**	(5,251,343)	**(137,146,776)**	–
	(98,685,916)	(63,793,915)	**(80,704,177)**	(61,496,737)
NET INCOME (LOSS) FOR THE PERIOD	**(277,666,045)**	(85,414,887)	**(134,252,016)**	(56,178,991)
PROVISION FOR TAX	**1,284,920**	–	**1,284,920**	–
OTHER COMPREHENSIVE INCOME, NET OF TAX	–	–	–	–
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**(278,950,966)**	(₱85,414,887)	**(135,536,936)**	(₱56,178,991)
INCOME (LOSS) FOR THE PERIOD PER SHARE - BASIC AND DILUTED	**(₱0.15)**	(₱0.05)	**(₱0.07)**	(₱0.03)

APEX MINING CO., INC.

STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2014 AND 2013

	Capital Stock	Additional Paid-in Capital	Revaluation Surplus	Re-measurement loss	Deficit	Total
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
Balances at December 31, 2013	₱1,868,639,664	₱3,098,234,838	₱13,387,441	(₱24,178,104)	(₱2,670,276,225)	₱2,285,807,614
Net loss for the period					(278,950,966)	(278,950,966)
Other comprehensive income, net of tax						
Total comprehensive loss for the period					(278,950,966)	(278,950,966)
Balances at June 30, 2014	₱1,868,639,664	₱3,098,234,838	₱13,387,441	(24,178,104)	(₱2,949,227,191))	₱2,006,856,648

APEX MINING CO., INC.

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

	2014 (Unaudited)	2013 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the period	**(278,950,966)**	(₱85,414,887)
Adjustments for:		
Depreciation, depletion and amortization	**156,968,142**	268,962,806
Loss on write off of property, plant and equipment	**137,146,776**	5,251,343
Movement in accrued retirement benefits	**–**	1,782,120
Operating income before working capital changes	**15,163,952**	190,581,382
Decrease (increase) in:		
Receivables	**47,885,522**	259,297,771
Inventories	**70,096,685**	54,411,159
Prepayments and other current assets	**(3,087,025)**	(46,100,527)
Increase (decrease) in accounts payable and accrued liabilities	**(422,213,207)**	333,196,775
Net cash flows from operating activities	**(292,154,073)**	791,386,560
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	**(95,622,503)**	(409,759,761)
Increase in deferred exploration and mine development costs	**(255,995,822)**	(480,719,991)
Decrease (increase) in other noncurrent assets	**12,674,549**	(8,200,000)
Net cash flows used in investing activities	**(338,943,777)**	(898,679,752)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from subscriptions to capital stock	**–**	80,000,000
Proceeds from availment of long term loan	**–**	(6,214,392)
Change in accounts with stockholders and related parties	**641,450,874**	–
Net cash flows from financing activities	**641,450,874**	73,785,608
NET INCREASE IN CASH	**10,353,024**	(33,507,585)
CASH AT BEGINNING OF PERIOD	**33,677,065**	52,923,378
CASH AT END OF PERIOD	**44,030,089**	₱19,415,793

APEX MINING CO., INC.

AGING OF ACCOUNTS RECEIVABLES - UNAUDITED
AS OF THE PERIOD ENDED JUNE 30, 2014

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	₱59,801,911	59,801,911							
Less: Allow. For Doubtful Acct.									
Net Trade Receivable	59,801,911	59,801,911							
b) Non-Trade Receivables									
1) Advances - Temp. Accom.	208,107,134	87,426,365	30,005,458	90,675,311					
Less: Allow. For Doubtful Acct.	(2,329,870)								
Net Non-Trade Receivables	205,777,264	87,426,365	30,005,458	90,675,311	–				
Net Receivables (a + b)	**265,579,176**								

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 September 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, finance lease payable 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.

<u>Derecognition of Financial Assets and Liabilities</u>

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.

<u>Determination of Fair Values of Financial Instruments</u>

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 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.

<u>Deferred Exploration and Mine Development Costs</u>

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.

Intangible Assets

Intangible assets, which consist of acquired computer software licenses and other licenses, are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line basis over their estimated useful lives of three years.

Impairment of Nonfinancial Assets

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.

Mine and Mining Properties
The Company provides allowance for impairment losses on mine and mining properties when they can no longer be realized. A valuation allowance is provided for unrecoverable costs of mine and mining properties based on the Company's assessment of the future prospects of a project. Full provision is made for the impairment unless it is probable that such costs are expected to be recouped through successful mine operation of the area of interest, or alternatively, by its sale. If the project does not prove to be viable or is abandoned, all revocable cost associated with the project and the related impairment provisions are written off.

Retirement Benefits
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the
projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Re-measurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in the statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of comprehensive income.

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Re-measurements are not reclassified to profit or loss in subsequent periods. Re-measurements recognized in OCI after the initial adoption of Revised PAS 19 are not closed to any other equity account.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

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.

<u>Revenue Recognition</u>
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.

<u>Costs and expenses</u>
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.

<u>Leases</u>
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.

<u>Income Taxes</u>
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

WALTER W. BROWN
President and CEO

RAMON Y. SY
CFO/Treasurer