COVER SHEET

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S.E.C. Registration Number

A P E X M I N I N G C O . I N C .

(Company's Full Name)

3 3 0 4 B W E S T T O W E R E X CHANGE R O A D

O R T I G A S C E N T E R P A S I G C I T Y

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

ROSANNA A. PARICA

Contact Person

706-2805

Company Telephone Number

1 2 | 3 1

Month Day

Fiscal Year

SEC FORM 17-Q

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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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: **March 31, 2015**

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.

1704 17F Prestige Tower Cond., F. Ortigas Jr. Road, Ortigas Center, Pasig City

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	6,227,887,491

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 Interim Financial Statements as of March 31, 2015.

Management Discussion and Analysis of Financial Position and Results of Operations
First Quarter 2015 and 2014

Consolidated Statement of Comprehensive Income

Consolidated Net Income
Consolidated net income of Apex Mining Co., Inc. (the "Parent Company") and its Subsidiaries (collectively referred to as the "Group") for the first quarter ended March 31, 2015 amounted to ₱100.2 million, a significant turnaround from the consolidated net loss of ₱108.8 million in 2014.

Consolidated Revenue
Consolidated revenue in the first quarter of 2015 amounted to ₱665.4 million, an increase of ₱402.4 million from the consolidated revenue of ₱263.0 million in the same period last year.

Information on the volume of gold produced and realized prices in the comparative quarter periods of 2015 and 2014 is as follows:

	2015	2014	Change
Volume in ounces	**11,557**	4,086	+183%
Realized price per ounce	**$1,211**	$1,308	-7%

Information on the volume of silver produced and realized prices in the comparative quarter periods of 2015 and 2014 is as follows:

	2015	2014	Change
Volume in oz	**51,917**	24,776	+110%
Realized price/oz	**$17**	$21	-18%

The weighted average United States dollar (USD) to Philippine peso (PHP) foreign exchange rates in the comparative quarters were at ₱44.42 in 2015 and ₱44.87 in 2014.

Analysis of revenue in 2015 compared to 2014 shows the following variances contributing to the net increase in revenue:

Increase (decrease) in Thousands of PHP	Gold	Silver	Total
Volume	₱438,494	₱25,258	₱463,753
Price	(50,298)	(8,713)	(59,011)
Exchange rate	(817)	(1,508)	(2,325)
	₱387,380	₱15,037	₱402,416

The volume variance was brought about by significantly higher tonnage of ore at better grades in 2015 compared to 2014. Tonnes milled and mill head grade increased by 69.4% and 47.7%, respectively. The significant increase in tonnage was primarily a result of more operating days in the first quarter of 2015 to 70 days from 57 days in the first quarter of 2014 when a temporary shutdown of the mill plant was effected to conduct remedial measures on a minor tailings pond incident.

The continued strength of the USD further weighed down on metal prices in 2015 as against 2014, resulting in the unfavorable price variance for both gold and silver. The slight appreciation of the PHP against the USD has resulted in the unfavorable exchange rate variance shown above.

Consolidated Cost of Production
Consolidated cost of production incurred in the first quarter of 2015 and 2014, all of which pertains to the Parent Company cost of production, amounted to ₱435.6 million and ₱248.4 million, respectively. A breakdown of the main components of cost of production is as follows:

- The increases in the tonnes milled and the number of operating days of 69.4% and 47.7%, respectively, were the main reasons for the increase in the cost of mining and milling materials and supplies of ₱68.2 million in the first quarter of 2015 compared to the same period in 2014.

- Depreciation, depletion and amortization rose by ₱38.0 million mainly due to higher depletion expenses. Depletion is calculated per ton of ore extracted and processed during the period. Since the Parent Company milled 69.4% higher tonnes in the first quarter of 2015 compared to 2014, depletion charges increased.

- Personnel cost increased in the first quarter of 2015 compared to 2014 due to the hiring of additional manpower directly involved in production to be able to accomplish the Parent Company's strategy to shift from mechanized to traditional mining methods in certain mine stopes to minimize dilution and improve ore head grades.

- Utilities expense, which is primarily driven by power cost, increased by ₱27.3 million in the first quarter of 2015 compared to 2014. The Parent Company's average cost per kilowatt hour in the first quarter of 2015 increased by 31.8% to ₱5.92 from ₱4.49 in the same period of 2014, while the average monthly kilowatt consumption increased by 81.7%.

- The Parent Company opened up several working areas within its tenement that can regularly supply ore to the mill plant while continuously developing existing ones during the one year gap in comparative periods. To be able to accomplish this, the Parent Company gradually increased its hauling, loading and other services from the first quarter of 2014 to the same period in 2015.

Consolidated Excise Taxes
Consolidated excise taxes, all of which pertain to the Parent Company's excise taxes on revenue from metals produced, amounted to ₱12.7 million and ₱5.2 million in the first quarter of 2015 and 2014, respectively. The higher revenues in 2015 correspondingly resulted in higher excise taxes for the period compared to 2014.

Consolidated General and Administrative Expense
Consolidated general and administrative expense in the first quarter of 2015 and 2014 amounted to ₱120.9 million and ₱131.9 million, respectively. The Parent Company's contribution to the consolidated general and administrative expenses in the first quarter of 2015 and 2014 amounted to ₱115.4 million and ₱131.9 million, respectively, while that from Monte Oro Resources & Energy Inc. and Subsidiaries (collectively referred to as "MORE and Subsidiaries") amounted to ₱5.5 million and nil, respectively. Details of the significant elements of the consolidated general and administrative expenses are shown below.

- Personnel cost increased by ₱16.0 million, of which ₱3.2 million pertains to MORE and Subsidiaries' contribution for the period, due to the incentive pay granted in the first quarter of 2014, which was on average higher than that of the first quarter of 2015.

- Contracted services rose by ₱10.0 million in the first quarter of 2015 compared to 2014, of which ₱0.6 million pertains to the impact of the MORE and Subsidiaries to the consolidated statement of comprehensive income of the Group. The jump in cost was brought about by the higher need for support services.

- Royalties and surface rights increased as the revenue bases in the first quarter of 2015 compared to the first quarter of 2014 increased.

Consolidated Other Income (Charges)
The breakdown of the main components of the consolidated other income (charges) in the first quarter of 2015 and 2014 amounting to ₱14.6 million in other income and ₱18.0 million in other charges, respectively, is presented below. The contribution of the Parent Company in the first quarter 2015 and 2014 amounted to ₱14.5 million in other income and ₱18.0 million in other charges, respectively, while MORE and Subsidiaries amounted to ₱0.1 million in other income and nil, respectively.

- Net foreign exchange gain in the first quarter of 2015 and net foreign exchange losses in the first quarter of 2014 were mainly due to the fluctuations in the average and closing rates during those periods. The Group and Parent Company were in a net foreign currency-denominated financial liability position in both quarters.

- The Parent Company had outstanding loans in the first quarter of 2015, but none in the first quarter of 2014.

Consolidated Other Comprehensive Income
Aside from the effects of the translation adjustments on foreign subsidiaries, there were no other items affecting consolidated other comprehensive income as of and for the period ended March 31, 2015 and 2014.

<u>Consolidated Statement of Financial Position</u>

Consolidated Current Assets
Total consolidated current assets of the Group increased by ₱146.3 million from ₱1,398.5 million as of December 31, 2014 to ₱1,544.8 million as of March 31, 2015 primarily due to the following:

- Trade and other receivables of the Group increased by ₱89.3 million, specifically the advances to suppliers and contractors account due to downpayments on equipment purchases made by the Parent Company in the first quarter of 2015.

- The Group's inventories rose by ₱73.5 million mainly on account of higher gold and silver bullion of ₱44.0 million, stockpile of ₱8.5 million, and materials and supplies of ₱21.0 million.

Consolidated Noncurrent Assets
Total consolidated noncurrent assets of the Group grew by ₱227.5 million from ₱7,101.1 million as of December 31, 2014 to ₱7,328.6 million as of March 31, 2015 primarily due to the additions to mine development costs lodged in the property, plant and equipment account. Property, plant and equipment increased by ₱210.6 million in the three months ended March 31, 2015.

Consolidated Current Liabilities
Consolidated current liabilities of the Group fell by ₱1,612.1 million from the December 31, 2014 balance of ₱4,925.2 million to the March 31, 2015 balance of ₱3,313.1 million. The movement of the account during the three-month period ended March 31, 2015 was primarily due to the settlement of a liability to one of the MORE stockholders in February 2015 representing the purchase price of the MORE shares acquired by the Parent Company amounting to ₱1,859.2 million.

On March 20, 2015, Banco de Oro Unibank, Inc. approved a one-year, short-term ₱2.25 billion loan to the Parent Company to bridge its cash requirements and capital expenditures. The loan is secured by a Continuing Surety of Prime Metroline Holdings, Inc.

Consolidated Noncurrent Liabilities
Consolidated noncurrent liabilities went up by ₱48.3 million as of March 31, 2015 from ₱443.6 million as of December 31, 2014 mainly due to the additional long-term loans obtained by the Group during the three-month period ended March 31, 2015.

Consolidated Equity
Consolidated equity of the Group grew by ₱1,937.7 million as of March 31, 2015 compared to December 31, 2014 due to the following:

- In March 2015, the Parent Company issued 1,859.2 million shares amounting to ₱1,859.2 million equivalent to its par value of ₱1 per share out of its unissued capital stock. Transaction costs amounting to ₱21.8 million related to the issuance of the new shares were charged to additional paid-in capital of previous share issuances.

- In February 2015, 2.5 billion shares corresponding to the deposit for future stock subscription ₱2.5 billion as of December 31, 2014 were issued at par value following the approval of the increase in the Parent Company's authorized capital stock to 12.8 billion shares from 2.8 billion shares by the Philippine Securities and Exchange Commission on January 20, 2015.

- Deficit decreased by ₱123.9 million representing the consolidated comprehensive income for the quarter ended March 31, 2015. The full amount represents the total consolidated comprehensive income attributable to the Parent Company.

Key Performance and Financial Soundness Indicators

Tonnes Mined and Milled
Tonnage, ore grade and metal recovery determine production volume. The higher the tonnage, ore grade and recovery, the more metals are produced.

103,967 tonnes of ore were mined with an average grade of 5.4 gold (Au) grams per ton (g/t) in the first quarter of 2015 compared to the 68,729 tonnes with an average grade of 4.1 Au g/t in the same period in 2014. On the other hand, the mill plant processed a total of 77,287 tonnes with an average mill head grade of 6.2 Au g/t and 39.2 silver (Ag) g/t in 2015 compared to the 45,619 tonnes with an average mill head grade of 4.2 Au g/t and 24.8 Ag g/t in the same period in 2014, the remaining tonnes of ore are kept in stockpile for future blending.

Average metal recovery for gold and silver was 77.2% and 60.3%, respectively, in the first quarter of 2015, and 77.4% and 74.0%, respectively, in the first quarter of 2014.

Financial Soundness Indicators
Management has identified the following financial ratios as significant in assessing the Group's performance:

		Three Months Ended March 31	
Financial Ratio	Formula	2015	2014
Gross profit margin	$\frac{\text{Gross profit}}{\text{Revenue}}$	0.34:1	0.17:1
Return on assets	$\frac{\text{Net income (loss)}}{\text{Total assets}}$	0.01:1	(0.03):1
Return on equity	$\frac{\text{Net income (loss)}}{\text{Total equity}}$	0.02:1	(0.07):1

Financial Ratio	Formula	March 31, 2015	December 31, 2014
Current ratio	Current assets / Current liabilities	0.47:1	0.28:1
Debt-to-equity	Total debts / Total equity	0.75:1	1.71:1
Asset-to-equity	Total assets / Total equity	1.75:1	2.71:1

The higher gross profit margin, return on assets and return on equity ratios indicate the favorable results of operation in the first quarter of 2015 which resulted in net earnings for the Group during the period.

The higher current ratio indicates an improvement in the Group's ability to address its currently maturing obligation. The lower debt-to-equity and asset-to-equity ratios resulted from the infusion of additional capital base in the Parent Company which funded in the first quarter of 2015 the payment of a liability for the acquisition of MORE shares made in 2014.

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

RENATO N. MIGRIÑO
Treasurer

MARION SAUL V. AGGARAO
Comptroller Head

APEX MINING CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
ASSETS		
Current Assets		
Cash	**₱194,532,787**	₱207,699,504
Trade and other receivables	**551,285,734**	461,966,218
Inventories - net realizable value	**623,390,053**	549,858,202
Advances to related parties	**2,100,442**	2,100,442
Prepayments and other current assets	**173,525,992**	176,862,798
Total Current Assets	**1,544,835,008**	1,398,487,164
Noncurrent Assets		
Available-for-sale financial assets	**344,640,000**	344,640,000
Property, plant and equipment	**4,124,515,478**	3,913,880,674
Deferred exploration costs	**1,634,646,041**	1,621,333,348
Intangible assets	**1,118,694,197**	1,119,721,214
Other noncurrent assets	**106,095,804**	101,480,939
Total Noncurrent Assets	**7,328,591,520**	7,101,056,175
TOTAL ASSETS	**₱8,873,426,528**	₱8,499,543,339
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	**₱2,244,028,499**	₱3,765,550,276
Advances from stockholders and related parties	**19,258,652**	19,258,652
Current portion of loans payable	**1,047,779,094**	1,138,396,661
Income tax payable	**2,010,778**	2,010,778
Total Current Liabilities	**3,313,077,023**	4,925,216,367
Noncurrent Liabilities		
Loans payable - net of current portion	**224,867,203**	176,571,734
Defined benefit retirement plan	**202,678,040**	202,678,040
Provision for mine rehabilitation and decommissioning	**44,769,638**	44,769,638
Deferred income tax liabilities	**19,592,272**	19,592,272
Total Noncurrent Liabilities	**491,907,153**	443,611,684
Total Liabilities	**3,804,984,176**	5,368,828,051
Equity Attributable to Equity Holders of the Parent Company		
Issued capital stock	**6,227,887,491**	1,868,639,664
Additional paid-in capital	**3,027,029,976**	3,048,826,224
Deposit for future stock subscriptions	**–**	2,500,000,000
Treasury shares	**(1,130,351,390)**	(1,130,351,390)
Revaluation surplus on property, plant and equipment	**5,271,619**	5,271,619
Remeasurement loss on retirement plan	**(120,002,440)**	(120,002,440)
Currency translation adjustment on foreign subsidiaries	**(208,345)**	(208,345)
Deficit	**(3,129,076,669)**	(3,229,352,154)
	4,880,550,242	2,942,823,178
Non-controlling Interests	**187,892,110**	187,892,110
Total Equity	**5,068,442,352**	3,130,715,288
TOTAL LIABILITIES AND EQUITY	**₱8,873,426,528**	₱8,499,543,339

APEX MINING CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED MARCH 31

	Three-Month Period Ended	
	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
NET REVENUE		
Gold	**₱626,830,503**	₱239,450,796
Silver	**38,540,042**	23,503,305
	665,370,545	262,954,101
Less: treatment and refining charges	**6,288,838**	3,664,063
	659,081,707	259,290,038
COST OF PRODUCTION		
Mining and milling	**151,264,881**	83,023,529
Depreciation, depletion and amortization	**101,852,781**	63,839,822
Personnel cost	**88,075,347**	39,741,699
Utilities	**49,912,572**	22,623,393
Contracted services	**22,462,582**	10,814,016
Others	**21,983,075**	28,370,644
	435,551,238	248,413,103
EXCISE TAXES	**12,733,462**	5,216,501
GENERAL AND ADMINISTRATIVE EXPENSES		
Personnel cost	**39,430,215**	55,427,784
Contracted services	**22,655,638**	10,614,991
Rent	**10,048,749**	9,745,366
Depreciation and amortization	**7,849,851**	7,229,907
Royalties and surface rights	**7,708,765**	4,409,038
Materials and supplies	**4,511,645**	7,903,282
Others	**28,645,315**	35,758,686
	120,850,178	131,089,054
OTHER INCOME (CHARGES)		
Foreign exchange gains (losses) - net	**39,799,569**	(3,536,471)
Interest income (expense) - net	**(25,213,432)**	(14,445,268)
	14,586,137	(17,981,739)
INCOME (LOSS) BEFORE INCOME TAX	**104,532,964**	(143,410,358)
PROVISION FOR CURRENT INCOME TAX	**4,257,479**	3,673
NET INCOME (LOSS)	**₱100,275,485**	(₱143,414,031)
Net income (loss) attributable to:		
Equity holders of the Parent Company	**₱100,275,485**	(₱143,414,031)
Non-controlling interests	**–**	–
	₱100,275,485	(₱143,414,031)

(Forward)

APEX MINING CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED MARCH 31

	Three-Month Period Ended	
	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
NET INCOME (LOSS)	**₱100,275,485**	(₱143,414,031)
OTHER COMPREHENSIVE INCOME, NET OF TAX	**–**	–
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱100,275,485**	(₱143,414,031)
Total comprehensive income (loss) attributable to:		
Equity holders of the Parent Company	**₱100,275,485**	(₱143,414,031)
Non-controlling interests	–	–
	₱100,275,485	(₱143,414,031)
INCOME (LOSS) PER SHARE FOR THE PERIOD - BASIC AND DILUTED	**₱0.04**	(₱0.08)

APEX MINING CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2015 AND 2014

	Attributable to Equity Holders of the Parent Company									
	Capital stock	**Deposit for future stock subscriptions**	**Additional paid-in capital**	**Revaluation surplus**	**Treasury shares**	**Remeasurement loss on retirement plan**	**Currency translation adjustment on foreign subsidiaries**	**Deficit**	**NCI**	**Total**
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	–	–	–	–	–	–	–	(143,414,031)	–	(143,414,031)
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	–	–	–	(143,414,031)	–	(143,414,031)
Balances at March 31, 2014	**₱1,868,639,664**	**₱–**	**₱3,098,234,838**	**₱13,387,441**	**₱–**	**(₱24,178,104)**	**₱–**	**(₱2,813,690,256)**	**₱–**	**₱2,142,393,583**
Balances at December 31, 2014	**₱1,868,639,664**	**₱2,500,000,000**	**₱3,048,826,224**	**₱5,271,619**	**(₱1,130,351,390)**	**(₱120,002,440)**	**(₱208,345)**	**(₱3,229,352,154)**	**₱187,892,110**	**₱3,130,715,288**
Net income	–	–	–	–	–	–	–	100,275,485	–	100,275,485
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	–	–	100,275,485	–	100,275,485
Issuance of shares	4,359,247,827	(2,500,000,000)								1,859,247,827
Transaction cost of share issuance			(21,796,248)							(21,796,248)
Balances at March 31, 2015	**₱6,227,887,491**	**₱–**	**₱3,027,029,976**	**₱5,271,619**	**(₱1,130,351,390)**	**(₱120,002,440)**	**(₱208,345)**	**(₱3,129,076,669)**	**₱187,892,110**	**₱5,068,442,351**

APEX MINING CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31

	2015 (Unaudited)	2014 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the period	**₱104,532,964**	(₱143,410,358)
Adjustments for:		
Depreciation, depletion and amortization	**109,702,633**	71,069,729
Operating income (loss) before working capital changes	**214,235,597**	(72,340,629)
Decrease (increase) in:		
Receivables	**(89,319,516)**	1,412,732
Inventories	**(73,531,851)**	(38,867,835)
Prepayments and other current assets	**3,336,806**	3,249,400
Decrease in trade and other payables	**(1,521,521,777)**	(93,232,459)
Net cash flows from operating activities	**(1,466,800,741)**	(199,778,790)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(173,503,875)**	(26,011,126)
Increase in deferred exploration and mine development costs	**(13,312,693)**	(73,467,454)
Increase in other noncurrent assets	**(3,587,848)**	(663,621)
Net cash flows used in investing activities	**(190,404,416)**	(100,142,202)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from subscriptions to capital stock	**1,837,451,579**	–
Payment of loans	**(42,322,098)**	299,040,000
Change in accounts with stockholders and related parties	**–**	3,695,909
Net cash flows from financing activities	**1,795,129,481**	302,735,909
NET INCREASE IN CASH	**137,974,324**	2,814,917
CASH AT BEGINNING OF PERIOD	**56,558,463**	33,677,065
CASH AT END OF PERIOD	**₱194,532,787**	₱36,491,982

APEX MINING CO., INC. AND SUBSIDIARIES

AGING OF ACCOUNTS RECEIVABLES - UNAUDITED
AS OF THE PERIOD ENDED MARCH 31, 2015

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	₱6,603,982	6,603,982	–	–	–	–	–	–	–
Less: Allow. For Doubtful Acct.	–	–	–	–	–	–	–	–	–
Net Trade Receivable	6,603,982	6,603,982	–	–	–	–	–	–	–
b) Non-Trade Receivables									
1) Advances - Temp. Accom.	547,011,622	94,242,034	19,869,184	432,900,404	–	–	–	–	–
Less: Allow. For Doubtful Acct.	(2,329,870)	–	–	(2,329,870)	–	–	–	–	–
Net Non-Trade Receivables	544,681,752	94,242,034	19,869,184	430,570,534	–				
Net Receivables (a + b)	**551,285,734**								

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

APEX MINING CO., INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Corporate Information
Apex Mining Co., Inc. ("Apex" or the "Parent 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 Parent Company currently operates the Maco Mines in Maco, Compostela Valley.

On March 7, 1974, the Parent Company listed its shares in the Philippine Stock Exchange (PSE) and attained the status of being a public company on the same date. The Parent 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.

The Parent Company's track record information is shown as follows:

SEC order rendered effective or permitted to sell	Event	Authorized capital stock balance	Issued shares	Issue/ offer price
August 4, 1988	Stock dividend declaration	₱150 million	*–	₱0.01
August 31, 1988	Increase in authorized capital stock	300 million	–	–
April 26, 1989	Pre-emptive rights offering	300 million	9.39 billion	0.01
June 28, 2000	Increase in authorized capital stock	800 million	–	–
October 18, 2000	Debt-to-equity conversion transaction	800 million	459.54 million	1.00
September 10, 2010	Increase in authorized capital stock	2.8 billion	–	–
October 13, 2010	Debt-to-equity conversion transaction	2.8 billion	560.94 million	1.00
November 14, 2011	Issuance of additional shares	2.8 billion	73.34 million	3.50
January 26, 2012	Issuance of additional shares	2.8 billion	75.56 million	3.70
July 13, 2012	Issuance of additional shares	2.8 billion	198.05 million	4.40
July 16, 2012	Debt-to-equity conversion transaction	2.8 billion	72.91 million	4.40
July 20, 2012	Debt-to-equity conversion transaction	2.8 billion	37.29 million	4.40
August 27, 2013	Issuance of additional shares	2.8 billion	93.87 million	2.79
September 20, 2013	Declassification of shares	2.8 billion	–	–
January 12, 2015	Increase in authorized capital stock	12.8 billion	–	–
February 3, 2015	Issuance of additional shares	12.8 billion	2.5 billion	1.00
March 12, 2015	Issuance of additional shares	12.8 billion	1.9 billion	1.00

**The Parent Company has no records on the number of issued shares for the transaction.*

The Parent Company's registered business and principal office address is 3304B West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City.

Acquisition of Monte Oro Resources & Energy, Inc. (MORE)
On September 11, 2014, the Board of Directors (BOD) approved the Parent Company's purchase for cash of all the outstanding capital stock of MORE, consisting of 5.12 billion shares, with par value of ₱1.00 per share, for a total consideration of ₱5.12 billion, for a purchase price of ₱1.00 per share.

Also on the same date, the BOD approved the subscription of the shareholders of MORE to 2.50 billion new shares of Apex, for a subscription price of ₱1.00 per share from the stockholders of MORE who agreed to sell all their shares in MORE to the Parent Company, which will result to the Parent Company owning 100% of the equity of MORE. In October 2014, the Company received ₱2.50 billion from the stockholders of MORE as payment for their subscriptions. The shares covered by the said subscriptions were issued after the Parent Company's application for the increase in its authorized capital stock was approved by the Philippine SEC on January 12, 2015.

The deeds of sales of shares between the Parent Company and the stockholders of MORE were signed and executed on October 10, 2014. As at March 31, 2015, the Parent Company has paid ₱5.12 billion of the total consideration of the purchase of all of MORE's outstanding shares.

On April 11, 2014 and May 2, 2014, the BOD approved the following amendments on the Parent Company's Articles of Incorporation:
- that the place where the principal office of the Parent Company will be established or located shall be in 3304B West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila, Philippines
- that the authorized capital stock of the Parent Company shall be increased to ₱12.80 billion divided into 12.80 billion common shares with par value of ₱1.00 per share

Status of Operations
Significant developments in the Parent Company's and its subsidiaries' (the "Group") operations are as follows:

a. Mining

Maco Mines
On December 22, 2005, the Mines and Geosciences Bureau (MGB) approved the Parent Company's application for a Mineral Production Sharing Agreement (MPSA) covering 679.02 hectares of land situated in Maco, Compostela Valley. On June 25, 2007, the MGB approved the Parent Company's second application for a MPSA covering an additional 1,558.50 hectares of land near the area covered by the first mineral permit.

As at March 31, 2015, the Company holds MPSA Nos. 225-2005-XI and 234-2007-XI, which have terms of 25 years from the effective date. The said MPSAs are valid and subsisting.

Offshore and Other Mining Projects
A deed of sale was executed by MORE and Paracale Gold Limited (PGL), a British Virgin Islands (BVI) company, on June 25, 2014, whereby MORE purchased 100% of the outstanding capital stock of PGL, an entity incorporated in the Isle of Man and a wholly owned subsidiary of PGL-BVI, for and in consideration of 226.00 million shares owned by MORE in Apex under the terms and conditions specified on the agreement dated March 14, 2014.

The agreement provides that the transfer of shares shall be completed through the facilities of the PSE in a special block sale. Transfer price to PGL-BVI was set at ₱2.00 per share. As a security for payment to PGL-BVI, the contracting parties entered into a pledge agreement on June 25, 2014, whereby MORE shall deliver 226.00 million Apex shares to PGL-BVI by way of pledge within five days.

PGL wholly owns Coral Resources Philippines, Inc. (CRPI) and has a 40% interest in Bulawan Mineral Resources Corporation (BMRC). PGL has advances to and an option to buy over the other 60% shareholdings in Bulawan. These include qualifying shares, which are recorded in the names of the nominee directors.

CRPI owns a fully operational mine processing plant located in Paracale, Jose Panganiban, Camarines Norte, Philippines. CRPI and BMRC have direct rights or legal agreements over nine applications for production sharing agreements (APSA), 13 exploration permits pending renewal and exploration permit applications, and two mining lease contracts.

Apex 3000
In February 2012, the Parent Company announced the approval of management's plan to significantly expand the production capacity of the Maco Mines and, at the same time, convert the current processing facility to a new expanded facility that will result to a threefold increase in milling capacity by 2013. Dubbed as Apex 3000, the project will expand the Parent Company's current processing capacity of 850 tonnes per day (TPD) to 3,000 TPD.

In a special meeting held on December 16, 2013, the Parent Company's BOD decided to temporarily shelve the Apex 3000 expansion program. The new program of expansion approved by the BOD is to instead increase the capacity of the Maco Mines from 850 TPD to 1,500 TPD. The BOD considered such expansion as the more realistic target at such time considering the ore disposition at the underground mines in Maco, Compostela Valley.

Tailings Pond Incident
A tailings pond incident occurred at the Maco Mines of the Parent Company on January 15, 2014 which caused the temporary suspension of milling operations from January 17, 2014 to February 12, 2014 when the order lifting the suspension was issued by the MGB.

Fire Incident
On April 10, 2014, armed men attacked three working installations and burned certain mining equipment and service vehicles at the Maco mine. The carrying values of the burned equipment, vehicles and idle assets amounted to ₱136.01 million. There were no reported casualties from this incident.

b. Oil and Gas

MORE has 30% participating interest in Service Contract (SC) 72, a service contract for natural gas in the offshore area called Sampaguita Fields of Palawan in the West Philippine Sea. Forum (GSEC 101) Limited - Philippine Branch owns the remaining 70% participating interest in and is the operator of the SC. The transfer of the 30% participating interest in SC72 to MORE is still pending approval with the Department of Energy (DOE). MORE also has oil exploration projects in Catanduanes and in Cagayan Valley under SC48.

On March 3, 2015, the DOE declared a force majeure on SC 72 because the contract area falls within the disputed territorial area in the West Philippine Sea, subject of a United Nations arbitration process between the Republic of the Philippines and the People's Republic of China. Under the terms of the force majeure, all exploration work for SC 72 shall be immediately suspended (effective from December 15, 2014) until the DOE issues a new notification that drilling and exploration may now commence on the area. As a result, the second sub-phase of SC 72 is put on hold until further notice.

The terms of the second sub-phase and all subsequent sub-phases are correspondingly extended by the length of the force majeure.

c. Solid Waste Management

On September 27, 1996, International Cleanvironment Systems, Inc. (ICSI) was registered with the Philippine SEC to manage, rehabilitate and introduce ecologically friendly technologies for waste disposal, recycling and energy generation. ICSI entered into a Build-Operate-Transfer Agreement with the Philippine government through the DOE for 25 years starting in 1997.

Executive Order (EO) 79
On July 12, 2012, EO 79 was issued to lay out the framework for the implementation of mining reforms in the Philippines. The policy highlights several issues that includes area of coverage of mining, small-scale mining, creation of a council, transparency and accountability, and reconciling the roles of the national government and local government units. Management believes that EO 79 has no impact on the Group's current operations since its mining properties are covered by existing mineral permits and agreements with the government. Section 1 of EO 79, provides that mining contracts approved before the effectivity of the EO shall continue to be valid, binding and enforceable so long as they strictly comply with existing laws, rules and regulations and the terms and conditions of their grant. The EO could, however, delay or adversely affect the Group's mineral properties covered by Exploration Permits (EPs), Exploration Permit Applications (EPAs) or Applications for Production Sharing Agreements (APSAs) given the provision of the EO declaring a moratorium on the granting of new mineral agreements by the government until a legislation rationalizing existing revenue sharing schemes and mechanisms shall have taken effect.

On March 7, 2013, the Mines and Geosciences Bureau (MGB) recommended to the Department of Environment and Natural Resources (DENR) the lifting of DENR Memorandum Order No. 2011-01 on the suspension of acceptance of all types of mining applications. Effective March 18, 2013, the MGB has started accepting mining applications for EPs and Financial Technical Agreement Assistance pursuant to DENR Administrative Order No. 2013-11. To date, however, the moratorium on the acceptance and processing of mineral agreements is still in effect.

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

Basis of Preparation and Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

The consolidated financial statements have been prepared on a historical cost basis, except for property, plant and equipment, which are carried at revalued amounts, and gold and silver bullions, metal in-circuit and ore stockpile inventories, which are measured at net realizable value (NRV). The consolidated financial statements are presented in Philippine peso, the Parent Company's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

Basis of Consolidation
The consolidated financial statements include the accounts of the Parent Company and its subsidiaries as at March 31, 2015.

	Nature of business	Country of incorporation	Effective percentage of ownership
MORE	Mine and oil exploration and development	Philippines	100.00
MORE's Subsidiaries:			
Minas de Oro Mongol LLC	Mine exploration and development, and gold trading	Mongolia	100.00
PGL	Mine exploration and development	Isle of Man	100.00
CRPI*	Mine exploration and development	Philippines	100.00
BMRC	Mine exploration and development	Philippines	100.00
MORE Minerals SL	Mine exploration and development, and gold trading	Sierra Leone	90.00
Monte Oro Mining Company Ltd	Mine exploration and development, and gold trading	Sierra Leone	90.00
ICSI	Solid Waste Management	Philippines	52.00

**Indirect ownership through PGL*

The financial statements of the subsidiaries are prepared for the same reporting year as that of the Parent Company using uniform accounting policies. Where necessary, adjustments are made to bring the subsidiaries' accounting policies in line with the Group's accounting policies.

Subsidiaries are entities over which the Parent Company has control.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with an investee and has the ability to affect those returns through its power over an investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following:
- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- exposure, or rights, to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting, or similar, rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- the contractual arrangement(s) with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the NCI, even if this results in the NCI having a deficit balance.

NCI
NCI represents the portion of profit or loss and net assets in a subsidiary not owned, directly or indirectly, by the Group and are presented separately in the consolidated statements of

comprehensive income and within equity in the consolidated statements of financial position, separately from the equity attributable to the equity holders of the parent company. Where the ownership of a subsidiary is less than 100%, and therefore a NCI exists, any losses of that subsidiary are attributed to the NCI even if that results in a deficit balance. Transactions with NCI are accounted for as equity transactions.

The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction in accordance with PAS 27, *Separate Financial Statements*. Any excess or deficit of consideration paid over the carrying amount of NCI is recognized in equity of the parent in transactions where NCI is acquired or sold without loss of control. The Group recognized this effect in "Additional paid-in capital."

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the accompanying disclosures. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcome can differ from these estimates.

<u>Judgments</u>
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those including estimations and assumptions, which have the most significant effect on the amount recognized in the consolidated financial statements.

Determination of the Group's Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Group operates.

Assessment Whether an Agreement is a Finance or Operating Lease
Management assesses at the inception of the lease whether an arrangement is a finance or operating lease based on who bears substantially all the risk and benefits incidental to the ownership of the leased item. Based on management's assessment, the risk and rewards of owning the items leased by the Group are retained by the lessor and therefore accounts for such lease as operating lease.

Operating Lease - Group as a Lessee
The Group has entered into several contracts of lease and has determined that the lessors retain all the significant risks and rewards of ownership of these properties. The leases were therefore, accounted for as operating leases. In determining significant risks and rewards of ownership, the Group considered, among others, the significance of the lease term as compared with the estimated lives of the related assets.

Operating leases of the Group are related to leases of mining and milling equipment, transportation vehicles and others that are normally accounted for on either on a per usage or per lease term basis.

Determination of Accounting Policy on Business Combination (Acquisition Method)
The Parent Company and the stockholders of MORE entered into a subscription agreement wherein the stockholders of MORE agreed to sell all their shares in MORE to the Parent Company which resulted to the Parent Company owning 100% of the equity of MORE. Applying the provisions of Philippine Financial Reporting Standards (PFRS) 3 and Philippine Accounting Standards (PAS) 27, management determined that the acquisition method is to be applied in the business combination.

Based on these facts, management of the Parent Company concluded that it will carry MORE's assets and liabilities at fair value, and MORE's statement of income from October 10, 2014, which is determined to be the acquisition date, to December 31, 2014 onwards. The Parent Company recognized goodwill from the business combination after determining the final fair values of MORE's assets and liabilities.

Assessment on Provisions and Contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently assessed that these proceedings will not have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

Assessment of the Recoverability of Capitalized Deferred Exploration Costs
The application of the Group's accounting policy for exploration costs requires judgment in determining whether it is likely that future economic benefits are likely, either from future exploitation or sale, or where activities have not reached a stage, which permits a reasonable assessment of the existence of reserves. The determination of a resource is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and expenditures. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether economically viable extraction operations can be established. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

Assessment of the Production Start Date
The Group assesses the stage of each mine development project to determine when a mine moves into the production stage. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase. Some of the criteria include, but are not limited to the following:
- the level of capital expenditure compared to construction cost estimates
- completion of a reasonable period of testing of the property, plant and equipment
- ability to produce ore in saleable form and
- ability to sustain ongoing production of ore

The Group did not perform any assessment of production start date during the period.

Classification of Financial Instruments
The Group exercises judgments in classifying a financial instrument on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an

equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position.

In addition, the Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below.

Estimation of Allowance for Doubtful Accounts on Trade and Other Receivables, and Advances to Related Parties

If the Group assessed that there is objective evidence that an impairment loss has been incurred on its trade and other receivables, and advances to related parties, the Group estimates the related allowance for doubtful accounts that are specifically identified as doubtful of collection. The level of allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. In these cases, the Group uses judgment based on the best available facts and circumstances, including but not limited to, the length of its relationship with the customer and the customer's credit status based on third-party credit reports and known market factors, to record specific reserves for customers against amounts due in order to reduce trade and other receivables, and advances to related parties to amounts that the Group expects to collect. These specific reserves are re-evaluated and adjusted as additional information received affect the amounts estimated.

Estimation of Allowance for Inventory Losses and Obsolescence

The Group maintains an allowance for inventory losses and obsolescence at a level considered adequate to reflect the excess of cost of inventories over their net realizable value (NRV). NRV of inventories are assessed regularly based on prevailing estimated selling prices of inventories and the corresponding cost of disposal. Increase in the NRV of inventories will increase cost of inventories but only to the extent of their original acquisition costs.

Assessment of the Realizability of Nonfinancial Prepayments and Other Current Assets

A review to determine the realizability of the asset is made by the Group on a continuing basis yearly. The assessment as to the realizability of the nonfinancial other current assets is based on how the Group can utilize these assets.

Estimation of Fair Value, Useful Lives and Residual Values of Property, Plant and Equipment

The Group estimates the fair value, useful lives and residual values of property, plant and equipment based on the results of assessment of independent appraisers. Fair value and estimated useful lives of the property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. Management does not expect carrying amounts of property, plant and equipment as at March 31, 2015 and December 31, 2014 to materially vary in the succeeding year as the most recent revaluation adjustment was only recognized in 2009 based on appraisal report dated January 25, 2010 covering all of the Parent Company's property, plant and equipment.

Estimation of Depletion Rate

Depletion rates used to amortize mine and mining properties and are assessed on an annual basis based on the results of latest estimate of recoverable reserves, which are subject to future revisions. The Group estimates its reserves in accordance with local regulatory guidelines provided under the Philippine Mineral Reporting Code and duly reviewed and verified by a Competent Person.

Estimation of Provision for Mine Rehabilitation and Decommissioning
The Group assesses its provision for mine rehabilitation and decommissioning annually. Significant estimates and assumptions are made in determining the provision as there are numerous factors that will affect it. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation and other costs required. Changes to estimated future costs are recognized in the consolidated statement of financial position by adjusting the rehabilitation asset and liability.

Estimation of Recoverable Reserves
Recoverable reserves were determined using various factors or parameters such as market price of metals and global economy. These are mineable reserves based on the current market condition. The estimated recoverable reserves are used in the calculation of depreciation, amortization, and testing of impairment, the assessment of life of the mine, stripping ratios and for forecasting the timing of the payment of mine rehabilitation costs.

Estimation of Retirement Benefits
The costs of defined benefit retirement as well as the present value of the accrued retirement benefits are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, retirement benefit liability is highly sensitive to changes in these assumptions. All assumptions are reviewed at each end of the reporting period.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit retirement liability.

Estimation of Impairment of AFS Financial Assets
The determination of impairment loss for AFS financial asset requires an estimation of the present value of the expected future cash flows and the selection of an appropriate discount rate. An impairment issue arises when there is an objective evidence of impairment, which involves significant judgment. In applying this judgment, the Group evaluates the financial health of the issuer, among others. In the case of AFS equity instruments, objective evidence of impairment includes a significant or prolonged decline in the fair value of the investments below its cost. The Group treats "significant" generally as 30% or more and "prolonged" as greater than twelve months. The Group expands its analysis to consider changes in the issuer's industry and sector performance, legal and regulatory framework, changes in technology, and other factors that affect the recoverability of the Group's investments.

Estimation of Impairment of Nonfinancial Assets, including Property, Plant and Equipment, Deferred Exploration Costs, Intangible Assets, excluding Goodwill, and Other Noncurrent Assets
The Group evaluates whether property, plant and equipment, deferred exploration costs, intangible assets, excluding goodwill, and nonfinancial other noncurrent assets have suffered any impairment either annually or when circumstances indicate that related carrying amounts are no longer recoverable. The recoverable amounts of these assets have been determined based on either value-in-use or fair value, if said information is readily available.

Estimation of value-in-use requires the use of estimates on cost projections, gold and silver prices, foreign exchange rates and mineral reserves, which are determined based on an approved mine plan, fluctuations in the market and assessment of either internal or third-party geologists, who abide by certain methodologies that are generally accepted within the industry. Fair value is based on the results of assessment done by independent appraisers engaged by the Group. The approach utilizes prices recently paid for similar assets with adjustments made to the indicated market price to reflect condition and utility of the appraised assets relative to the market comparable.

These are subject to impairment testing when impairment indicators are present.

Estimation of Impairment of Goodwill
The Group reviews the carrying value of goodwill for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. If the recoverable amount of the unit exceeds the carrying amount of the CGU, the CGU and the goodwill allocated to that CGU shall be regarded as not impaired. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill has been allocated, an impairment loss is recognized.

Assessment of Realizability of Deferred Income Tax Assets
The Group reviews the carrying amounts of deferred income taxes assets at each end of the reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Estimation of Legal Contingencies
The Group evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsel believe that the Group has substantial legal and factual bases for its position and are of the opinion that losses arising from these cases, if any, will not have material impact on the parent company's financial statements.

4. Business Combination

On September 11, 2014, the BOD approved the Parent Company's acquisition of MORE, and the deeds of sale covering the acquisition of MORE shares were signed and executed on October 10, 2014. This resulted to Apex owning 100% of MORE's equity (see Note 1).

MORE, an entity incorporated in the Philippines, is primarily engaged in prospecting, exploration, mining, operating, milling, concentrating, converting, smelting, treating, refining, processing, preparing for market, manufacturing, buying, selling, exchanging and otherwise producing and dealing in all other kinds of ores, metals and minerals.

The primary reason for the business combination is the expansion of the mining business of the Company by taking over the mining business under MORE which includes mining interests in Mongolia, Sierra Leone and Myanmar, as well as in oil exploration by having a 30% participation in SC72. MORE is also the owner of PGL that owns a mineral processing plant and tenements in Camarines, Norte.

Assets acquired and liabilities assumed

The identifiable assets and liabilities of MORE as at acquisition date, October 10, 2014, are as follows:

	Provisional fair values
Cash	₱207,582,703
Trade and other receivables	1,297,161,744
Other current assets	37,892,239
Total Current Assets	**1,542,636,686**
Property, plant and equipment	400,294,460
Available-for-sale financial assets	1,540,222,628
Deferred exploration costs	739,437,869
Intangible assets	484,754,892
Other noncurrent assets	8,077,001
Total Noncurrent Assets	**3,172,786,850**
Total Assets	**4,715,423,536**
Total Liabilities	**322,136,388**
Total Net Identifiable Assets	**₱4,393,287,148**
Purchase consideration transferred	₱5,122,161,096
Non-controlling interest	196,752,746
	5,318,913,842
Audited value of net identifiable assets of MORE	4,393,287,148
Goodwill	**₱925,626,694**

Goodwill of ₱925.63 million arose from the business combination and is recognized in the consolidated financial statements of the Group and its subsidiaries. The goodwill arising from the acquisition pertains to the revenue the Parent Company expects to earn from its investments in MORE and in MORE's subsidiaries' involved in various projects.

The provisional fair value of the receivables of MORE amounted to ₱1.30 billion. None of the trade and other receivables has been impaired as at October 10, 2014, and it is expected that the full contractual amounts can be collected.

The Parent Company also acquired AFS financial assets pertaining to MORE's interest in a foreign company which is also engaged in gold mining and trading. As at October 10, 2014, the management assessed that the AFS financial assets are not impaired.

The Parent Company also acquired, as part of the business combination, material investments and deferred exploration costs. These investments pertain to MORE's interests in its wholly- and partially-owned subsidiaries, which primarily engage in oil and mine exploration activities.

5. Loans Payable

On March 20, 2015, Banco de Oro Unibank, Inc. (BDO) approved a one year, short term ₱2.25 billion loan to the Parent Company to bridge its cash requirements and capital expenditures. Availments of the loan facility may be availed of by the Parent Company on staggered basis to be fully drawn by June 30, 2015. Interest shall be based on the prevailing market rates at the time of drawdown. The loan is guaranteed by a Continuing Surety of Prime Metroline Holdings, Inc.

6. **Related Party Disclosures**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties.

In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

In the normal course of business, transactions with related parties consist mainly of rendering of professional services, rentals, unsecured non-interest bearing and short-term cash advances for working capital requirements of the Group, which are due and demandable.

Category	Period	Volume/ Amount	Outstanding balance	Terms	Conditions
Receivables:					
MORE Coal	**2015**	**₱–**	**₱1,009,125**	Payable on demand,	Unsecured,
	2014	₱1,009,125	₱1,009,125	non-interest bearing	not guaranteed
MORE Oil & Gas	**2015**	**–**	**421,491**	Payable on demand,	Unsecured,
	2014	421,491	421,491	non-interest bearing	not guaranteed
MORE Reedbank	**2015**	**–**	**337,091**	Payable on demand,	Unsecured,
	2014	337,091	337,091–	non-interest bearing	not guaranteed
MORE Minerals	**2015**	**–**	**329,505**	Payable on demand,	Unsecured,
	2014	329,505	329,505	non-interest bearing	not guaranteed
La Galice Holdings	**2015**	**–**	**2,000**	Payable on demand,	Unsecured,
	2014	2,000	2,000	non-interest bearing	not guaranteed
Achillion Holdings, Inc.	**2015**	**–**	**630**	Payable on demand,	Unsecured,
	2014	630	630	non-interest bearing	not guaranteed
Razon Industries, Inc.	**2015**	**–**	**300**	Payable on demand,	Unsecured,
	2014	300	300	non-interest bearing	not guaranteed
Sureste Realty Corp	**2015**	**–**	**300**	Payable on demand,	Unsecured,
	2014	300	300	non-interest bearing	not guaranteed
2015		**₱2,100,442**	**₱2,100,442**		
2014		₱2,100,442	₱2,100,442		
Payables:					
Stockholders	**2015**	**₱19,258,652**	**₱19,258,652**	Payable on demand,	Unsecured,
	2014	₱19,258,652	₱19,258,652	non-interest bearing	not guaranteed

a. The Group’s advances to related parties are receivables from entities whose directors and officers are common with MORE.

b. Advances from stockholders, which are noninterest-bearing and has no fixed repayment date, were used to fund the Parent Company’s working capital requirements.

7. Capital Stock

The Parent Company has authorized capital stock of ₱12.80 billion, divided into a single class of 12.8 billion common shares, with a par value of ₱1.00 per share as at March 31, 2015, and ₱2.80 billion, divided into a single class of 2.8 billion common shares, with a par value of ₱1.00 per share as at December 31, 2014.

Movements in the subscribed, issued and outstanding capital are as follows:

	March 31, 2015		December 31, 2014	
	Shares	**Amount**	Shares	Amount
Issued and subscribed shares at beginning of period	**738,288,274**	**₱738,288,274**	1,868,639,664	₱1,868,639,664
Issued during the period	**4,359,247,827**	**4,359,247,827**	–	–
Issued shares at end of period	**5,097,536,101**	**5,097,536,101**	1,868,639,664	1,868,639,664
Less treasury shares	**(1,130,351,390)**	**(1,130,351,390)**	(1,130,351,390)	(1,130,351,390)
Outstanding shares at end of period	**3,967,184,711**	**₱3,967,184,711**	738,288,274	₱738,288,274

Details of the capital stock transactions of the Parent Company in the first quarter of 2015 are as follows:

a. On March 12, 2015, the Parent Company issued 1.86 billion shares to PMHI out of unissued capital stock at an issue price equivalent to its par value of ₱1.00 per share.

b. On February 3, 2015, the Parent Company issued 2.50 billion shares out of the unissued capital stock at an issue price equivalent to its par value of ₱1.00 per share corresponding to the deposit for future stock subscriptions of ₱2.5 billion as at December 31, 2014.

c. On January 12, 2015, the Parent Company's application for the increase in its authorized capital stock was duly approved by the Philippine SEC.

8. Basic/Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing the net loss attributable to stockholders of the Parent Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Parent Company and held as treasury shares. Estimation of earnings (loss) per share for the three-month period ended March 31, 2015 and 2014 is as follows:

	March 31, 2015	March 31, 2014
Net income (loss) attributable to the equity holders of the Parent Company	**₱100,275,485**	(₱143,414,031)
Weighted average number of common shares for basic and diluted earnings (loss) per share	**2,714,829,579**	1,868,639,664
Basic and diluted earnings (loss) per share	**₱0.04**	(₱0.08)

9. Events After the Reporting Period

On April 7, 2015, the Parent Company made its first drawdown from the BDO loan facility amounting to P1.5 billion.