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: **September 30, 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 September 30, 2015.

Item 2. Management Discussion and Analysis of Financial Position and Results of Operations for the Three Quarters of 2015 and 2014

Consolidated Statement of Comprehensive Income

Consolidated Net Income

Consolidated net income of Apex Mining Co., Inc. ("AMCI" or the "Parent Company") and its Subsidiaries (namely Monte Oro Resources and Energy, Inc. acquired in October 2014, and Itogon-Suyoc Resources, Inc. acquired in June 2015, collectively referred to as the "Group") in the three quarters of 2015 amounted to ₱76.4 million, a significant turn around from the consolidated net loss of ₱361.0 million in the same period in 2014. For the third quarter ended September 30, 2015, however, the Group reported a consolidated net loss of ₱5.3 million, still an improvement to the net loss reported in the same quarter in 2014 of ₱82.0 million.

The Parent Company net income in the three quarters of 2015 amounted to ₱133.7 million compared to a net loss of ₱361.0 million in the same period in 2014, with third quarter of 2015 net income of ₱26.5 million compared to the net loss of ₱82.0 million in the same period last year.

Consolidated Revenue

Consolidated revenue in the three quarters of 2015 amounted to ₱1.8 billion, an increase of ₱601.9 million from the consolidated revenue of ₱1.2 billion in the same period last year. The consolidated revenues in the third quarter of 2015 and 2014 amounted to ₱605.9 million and ₱495.4 million, respectively.

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

Three Quarters	**2015**	2014	Change
Volume in ounces	**30,995**	19,062	+63%
Realized price per ounce	**$1,192**	$1,282	-7%

Third Quarter	**2015**	2014	Change
Volume in ounces	**10,902**	8,091	+35%
Realized price per ounce	**$1,123**	$1,280	-12%

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

Three Quarters	**2015**	2014	Change
Volume in ounces	**164,818**	108,638	+52%
Realized price per ounce	**$16**	$20	-20%

Third Quarter	**2015**	2014	Change
Volume in ounces	**58,921**	48,037	+23%
Realized price per ounce	**$15**	$20	-25%

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

	Between Three Quarters of 2015 and 2014			Between Third Quarter of 2015 and 2014		
Variances	Gold	Silver	Total	Gold	Silver	Total
Volume	₱ 681,509,438	₱49,461,310	₱ 730,970,748	₱157,185,230	₱9,345,723	₱166,530,953
Price	(129,515,540)	(27,335,670)	(156,851,210)	(73,150,892)	(12,459,641)	(85,610,534)
Exchange rate	25,844,330	1,897,848	27,742,178	27,752,110	1,860,111	29,612,221
Sales	₱577,838,228	₱24,023,488	₱601,861,716	₱111,786,448	(₱1,253,807)	₱110,532,641

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 35% and 22%, respectively. Average actual production throughput in the three quarters of 2015 and 2014 was 1,081 tonnes per day (TPD) and 775 TPD, respectively. For the third quarter of 2015 and 2014, production throughput was at 997 TPD and 771 TPD, respectively, while operating days remained virtually the same at 210 days and 215 days, respectively.

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, but slightly favoring the exchange rate variance as shown in the table.

Consolidated Cost of Production

Consolidated cost of production incurred in the three quarters of 2015 and 2014, all of which pertains to the Parent Company cost of production, amounted to ₱1.4 billion and ₱1.3 billion, respectively. Cash production cost and non-cash charges for depreciation, depletion and amortization amounted to ₱1.1 billion and ₱298.0 million, respectively in 2015, and ₱1.0 billion and ₱265.5 million, respectively, in 2014. Without considering the effect of the decline in realized metal prices in 2015 compared to 2014, the Parent Company cost of production relative to the revenue decreased to 74% compared to 77% in the same period in 2014. Analysis of the main components of cost of production is discussed as follows:

- Mining and milling cost of increased by 10% or ₱103.1 million in the three quarters of 2015 compared to the same period in 2014 mainly brought about by the 35% increase in the tonnes milled.

- Mine overhead consisting of maintenance cost, compliance cost and general mine overhead also increased by 13%, 11% and 16%, respectively, in the three quarters of 2015 compared to the same period in 2014, partly contributed by the new working areas opened up to increase production in 2015.

Consolidated Excise Tax

Consolidated excise tax which pertains to the Parent Company's excise tax on revenue from metals produced, amounted to ₱34.5 million and ₱23.4 million in the three quarters of 2015 and 2014, respectively. The higher revenues in in 2015 correspondingly resulted in higher excise tax for the period compared to 2014.

Consolidated General and Administrative Expense

Consolidated general and administrative expense in the nine months of 2015 and 2014 amounted to ₱141.8 million and ₱68.4 million, respectively. The Parent Company's contribution to the consolidated general and administrative expenses in the nine months of 2015 and 2014 amounted to ₱82.2 million and ₱68.4 million, respectively, while that of its Subsidiaries amounted to ₱59.6 million and nil, respectively. The rise in consolidated general administrative expenses was primarily driven by the ₱22.0 million increase in personnel costs in the three quarters in 2015 compared to the same period in 2014.

Consolidated Other Income (Charges)
The main components of the consolidated other charges in the three quarters of 2015 and 2014 amounting to ₱82.0 million and ₱165.5 million, respectively, are presented in the consolidated statement of comprehensive income. Consolidated other charges attributable to the Parent Company in the three quarters amounted to ₱84.3 million in 2015, net of Subsidiaries' ₱2.3 million other income, and ₱165.5 million in 2014 which includes a one-time loss on write off of PPE and input VAT amounting to ₱132.5 million. Interest expense of the Group increased from 2014 due to higher interest-bearing loans in 2015 than in 2014.

Consolidated Other Comprehensive Income
Aside from the effects of the translation adjustments on foreign subsidiaries and other components of equity, there were no other items affecting consolidated other comprehensive income as of and for the three quarters ended September 30, 2015 and 2014.

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

Consolidated Current Assets
Total consolidated current assets of the Group increased by ₱0.8 billion from ₱1.4 billion as of December 31, 2014 to ₱2.2 billion as of September 30, 2015 primarily due to the following:

- Cash rose by ₱617.2 million from December 31, 2014 to September 30, 2015 essentially from the drawdowns made on the loan granted to the Parent Company in March 2015, and the deposit for future stock subscription made by the Parent Company to one of its subsidiaries.

- The Group's inventories rose by ₱121.8 million mainly on account of higher materials and supplies of ₱48.7 million as the Group is stocking up on critical and fast-moving supplies to be able to sustain the growth in production, and ₱73.1 million on account of increased stockpile inventory.

Consolidated Noncurrent Assets
Total consolidated noncurrent assets of the Group grew by ₱1.8 billion from ₱7.1 billion as of December 31, 2014 to ₱8.9 billion as of September 30, 2015 primarily due to the additions to property, plant and equipment account, and deferred exploration costs.

- Property, plant and equipment, which includes deferred mine development costs and mine and mine properties, increased by ₱1.1 billion.

- Deferred exploration costs increased by ₱627.0 million which was brought about by the inclusion in the consolidation as of September 30, 2015 of the deferred exploration cost of Itogon-Suyoc Resources, Inc. (ISRI) acquired by the Parent Company on June 24, 2015.

Consolidated Current Liabilities
Consolidated current liabilities of the Group jumped by ₱575.1 million from the December 31, 2014 balance of ₱4.9 billion to the September 30, 2015 balance of ₱5.5 billion. The movement of the account was primarily due to the ₱2.3 billion loan availed of by the Parent Company from Banco de Oro Unibank, Inc., and the settlement of a liability to one of the MORE stockholders in February 2015 for the purchase price amounting to ₱1.9 billion of the Monte Oro Resources & Energy, Inc. (MORE) shares acquired by the Parent Company in October 2014.

Consolidated Noncurrent Liabilities
Consolidated noncurrent liabilities went down by ₱161.4 million as of September 30, 2015 from ₱443.6 million as of December 31, 2014 mainly due to the reclassification of noncurrent loans payable that are due within one year from the reporting period date to current liabilities.

Consolidated Equity
Consolidated equity of the Group grew by ₱2.2 billion as of September 30, 2015 compared to December 31, 2014 due to the following:

- 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.

- In March 2015, the Parent Company issued 1,859.2 million shares 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 June 2015, the treasury shares representing the Parent Company shares held by MORE decreased by ₱200.0 million which was made part of the consideration in the acquisition of ISRI.

- Deficit decreased by ₱79.9 million representing the consolidated comprehensive income for the three quarters of 2015 attributable to the equity holders of the Parent Company.

Key Financial and Non-Financial Performance 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. Below are the mine and mill data that determine the production of the Maco mine of the Parent Company.

	Three Quarters			Third Quarter		
	2015	2014	Change	**2015**	2014	Change
Tonnes mined	**310,573**	251,922	+23%	**111,679**	98,297	+13%
Mine grade (grams/tonne)	**5.43**	4.47	+21%	**5.26**	4.75	+11%
Tonnes milled	**226,723**	167,386	+35%	**74,587**	61,981	+20%
Mill head grade (g/t):						
Gold	**5.69**	4.68	+22%	**5.93**	5.19	+14%
Silver	**33.96**	29.19	+16%	**33.97**	32.22	+5%
Metal recovery:						
Gold	**75%**	79%	–5%	**77%**	81%	–5%
Silver	**67%**	77%	-13%	**73%**	76%	-4%

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

		Nine Months Ended September 30	
Financial Ratio	Formula	**2015**	2014
Gross profit margin	$\frac{\text{Gross profit}}{\text{Revenue}}$	**0.19:1**	(0.09):1
Return on assets	$\frac{\text{Net income (loss)}}{\text{Total assets}}$	**0.01:1**	(0.07):1
Return on equity	$\frac{\text{Net income (loss)}}{\text{Total equity}}$	**0.01:1**	(0.19):1

Financial Ratio	Formula	**September 30, 2015**	December 31, 2014
Current ratio	Current assets / Current liabilities	**0.40:1**	0.28:1
Debt-to-equity	Total debts / Total equity	**1.09:1**	1.71:1
Asset-to-equity	Total assets / Total equity	**2.09:1**	2.71:1

The higher gross profit margin, return on assets and return on equity ratios indicate the favorable results of operation in three quarters 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.

PART II – OTHER INFORMATION

The Parent Company filed on October 12, 2015 the Maco mine's updated reports on its outstanding mineral resources and ore reserves as certified to and quailed under the Philippine Mineral Reporting Code, showing slightly higher mineral resources of 2.56 million tonnes grading 5.6 grams of gold per tonne, and ore reserves of 1.21 million tonnes grading 7.86 grams of gold per tonne.

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

RENATO N. MIGRIÑO
Treasurer

MARION SAUL V. AGGARAO
Comptroller Head

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

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
ASSETS		
Current Assets		
Cash	**₱824,853,797**	₱207,699,504
Trade and other receivables	**430,651,172**	461,966,218
Inventories - net realizable value	**671,671,720**	549,858,202
Advances to related parties	**2,227,336**	2,100,442
Prepayments and other current assets	**244,041,008**	176,862,798
Total Current Assets	**2,173,445,034**	1,398,487,164
Noncurrent Assets		
Available-for-sale financial assets	**344,640,000**	344,640,000
Property, plant and equipment	**5,028,454,954**	3,913,880,674
Deferred exploration costs	**2,248,376,376**	1,621,333,348
Intangible assets	**1,117,829,658**	1,119,721,214
Other noncurrent assets	**171,570,515**	101,480,939
Total Noncurrent Assets	**8,910,871,502**	7,101,056,175
TOTAL ASSETS	**₱11,084,316,536**	₱8,499,543,339
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	**₱2,088,020,293**	₱3,784,808,928
Current portion of loans payable (Note 5)	**3,412,287,408**	1,138,396,661
Income tax payable	**2,497**	2,010,778
Total Current Liabilities	**5,500,310,198**	4,925,216,367
Noncurrent Liabilities		
Loans payable - net of current portion	**15,132,734**	176,571,734
Provision for retirement	**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	**282,172,684**	443,611,684
Total Liabilities	**5,782,482,881**	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	**(930,351,390)**	(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 and other components of equity	**78,769,076**	(208,345)
Deficit	**(3,149,421,834)**	(3,229,352,154)
	5,139,182,498	2,942,823,178
Non-controlling Interests	**162,651,157**	187,892,110
Total Equity	**5,301,833,655**	3,130,715,288
TOTAL LIABILITIES AND EQUITY	**₱11,084,316,536**	₱8,499,543,339

APEX MINING CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE AND THREE-MONTH PERIODS ENDED SEPTEMBER 30

	Nine-Month Period Ended September 30		Three-Month Period Ended September 30	
	2015 (Unaudited)	2014 (Unaudited)	**2015 (Unaudited)**	2014 (Unaudited)
NET REVENUE				
Gold	**₱1,663,013,228**	₱1,085,175,389	**₱565,708,393**	₱453,921,945
Silver	**119,376,176**	95,352,688	**40,210,063**	41,463,870
	1,782,389,404	1,180,528,077	**605,918,456**	495,385,815
Less: Marketing charges	**19,343,203**	10,959,826	**7,592,541**	4,170,141
	1,763,046,201	1,169,568,251	**598,325,914**	491,215,674
COST OF PRODUCTION				
Mining	**425,698,119**	413,197,690	**141,026,803**	173,920,090
Milling	**303,904,850**	245,863,943	**102,006,608**	79,595,356
Maintenance	**115,507,820**	102,243,274	**41,056,240**	30,424,185
Compliance	**100,462,268**	90,348,152	**36,834,641**	28,971,604
Mine overhead	**178,639,835**	154,031,676	**68,948,821**	57,000,519
Depreciation, depletion and amortization	**298,025,764**	265,476,587	**109,547,504**	106,084,582
	1,422,238,656	1,271,161,321	**499,420,617**	475,996,336
EXCISE TAXES	**34,497,451**	23,384,594	**9,715,471**	9,783,765
GENERAL AND ADMINISTRATIVE EXPENSES	**141,764,843**	68,426,636	**50,316,622**	20,555,046
OTHER INCOME (CHARGES)				
Foreign exchange gains (losses) - net	**14,326,097**	41,825,996	**(10,050,177)**	(38,137,385)
Interest expense - net	**(96,484,333)**	(74,819,841)	**(27,952,032)**	(33,317,321)
Loss on write off of assets	**–**	(132,509,029)	**–**	–
Miscellaneous	**142,127**	–	**(4,309,726)**	4,572,904
	(82,016,106)	(165,502,874)	**(42,311,935)**	(66,881,802)
INCOME (LOSS) BEFORE INCOME TAX	**82,529,145**	(358,907,174)	**(3,438,731)**	(82,001,275)
PROVISION FOR (BENEFIT FROM) INCOME TAX	**6,126,202**	2,045,068	**1,869,302**	–
NET INCOME (LOSS) (Note 9)	**₱76,402,943**	(₱360,952,242)	**(₱5,308,033)**	(₱82,001,275)
Net income (loss) attributable to:				
Equity holders of the Parent Company	**₱79,930,320**	(₱360,952,242)	**(₱4,445,622)**	(₱82,001,275)
Non-controlling interests	**(3,527,377)**	–	**(862,411)**	–
	₱76,402,943	(₱360,952,242)	**(₱5,308,033)**	(₱82,001,275)

(Forward)

APEX MINING CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE NINE AND THREE-MONTH PERIODS ENDED SEPTEMBER 30

	Nine-Month Period Ended September 30		Three-Month Period Ended September 30	
	2015 (Unaudited)	2014 (Unaudited)	**2015 (Unaudited)**	2014 (Unaudited)
NET INCOME (LOSS) (Note 9)	**₱76,402,943**	(₱360,952,242)	**(₱5,308,033)**	(₱82,001,275)
OTHER COMPREHENSIVE INCOME, NET OF TAX	**78,977,421**	–	**–**	–
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱155,380,364**	(₱360,952,242)	**(₱5,308,033)**	(₱82,001,275)
Total comprehensive income (loss) attributable to:				
Equity holders of the Parent Company	**₱158,907,741**	(₱360,952,242)	**(₱4,445,622)**	(₱82,001,275)
Non-controlling interests	**(3,527,377)**	–	**(862,411)**	–
	₱155,380,364	(₱360,952,242)	**(₱5,308,033)**	(₱82,001,275)
INCOME (LOSS) PER SHARE FOR THE PERIOD - BASIC AND DILUTED (Note 8)	**₱0.014**	(₱0.193)	**(₱0.001)**	(₱0.042)

APEX MINING CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 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 and other comprehensive income**	**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	–	–	–	–	–	–	–	(360,952,242)	–	(360,952,242)
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	–	–	–	(360,952,242)	–	(360,952,242)
Balances at September 30, 2014	**₱1,868,639,664**	**₱–**	**₱3,098,234,838**	**₱13,387,441**	**₱–**	**(₱24,178,104)**	**₱–**	**(₱3,031,228,467)**	**₱–**	**₱1,924,855,372**
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	–	–	–	–	–	–	–	79,930,320	(3,527,377)	76,402,943
Other comprehensive income	–	–	–	–	–	–	78,977,421	–	–	78,977,421
Total comprehensive income	–	–	–	–	–	–	78,977,421	79,930,320	(3,527,377)	155,380,364
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)
Acquisition of Itogon-Suyoc Resources, Inc.	–	–	–	–	200,000,000	–	–	–	(21,713,576)	178,286,424
Balances at September 30, 2015	**₱6,227,887,491**	**₱–**	**₱3,027,029,976**	**₱5,271,619**	**(₱930,351,390)**	**(₱120,002,440)**	**₱78,769,076**	**(₱3,149,421,834)**	**₱162,651,157**	**₱5,301,833,655**

APEX MINING CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

	2015 (Unaudited)	2014 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the period	**₱76,402,943**	(₱360,952,242)
Adjustments for:		
Depreciation, depletion and amortization	**298,025,764**	265,476,587
Loss on write off of assets	**–**	132,509,254
Operating income (loss) before working capital changes	**374,428,707**	37,033,599
Decrease (increase) in:		
Receivables	**31,315,046**	(28,581,031)
Inventories	**(121,813,518)**	20,838,007
Prepayments and other current assets	**(67,178,210)**	306,638
Increase (decrease) in trade and other payables	**162,459,192**	(255,092,712)
Net cash flows from operating activities	**379,211,217**	(225,495,499)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Monte Oro Resources & Energy, Inc.	**(1,859,247,827)**	–
Net cash from the acquisition of Itogon-Suyoc Resources, Inc.	**(31,154,515)**	–
Additions to property, plant and equipment	**(1,196,533,330)**	(188,311,551)
Increase in deferred exploration and mine development costs	**(627,043,028)**	(390,281,812)
Decrease (increase) in intangible and other noncurrent assets	**1,891,556**	5,017,494
Net cash flows used in investing activities	**(3,712,087,144)**	(573,575,870)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net loan availments	**2,112,451,747**	401,462,249
Net proceeds from subscriptions of capital stock	**1,837,451,579**	–
Change in accounts with stockholders and related parties	**126,894**	404,784,703
Net cash flows from financing activities	**3,950,030,220**	806,246,952
NET INCREASE IN CASH	**617,154,293**	7,175,584
CASH AT BEGINNING OF PERIOD	**207,699,504**	33,677,065
CASH AT END OF PERIOD	**₱824,853,797**	₱40,852,649

APEX MINING CO., INC. AND SUBSIDIARIES

AGING OF ACCOUNTS RECEIVABLES - UNAUDITED
AS OF THE PERIOD ENDED SEPTEMBER 30, 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	₱86,613,096	86,613,096	–	–	–	–	–	–	–
Less: Allow. For Doubtful Acct.	–	–	–	–	–	–	–	–	–
Net Trade Receivable	86,613,096	86,613,096	–	–	–	–	–	–	–
b) Non-Trade Receivables									
1) Advances - Temp. Accom.	346,367,946	241,716,702	30,307,688	74,343,556		–	–	–	–
Less: Allow. For Doubtful Acct.	(2,329,870)	–	–	(2,329,870)		–	–	–	–
Net Non-Trade Receivables	344,038,076	241,716,702	30,307,688	72,013,686					
Net Receivables (a + b)	**₱430,651,172**								

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. (“AMCI” 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 Itogon-Suyoc Resources, Inc. (ISRI)
On June 24, 2015, the Parent Company signed an agreement for the acquisition of 98% of the total outstanding capital stock of ISRI for a total consideration of ₱182.67 million consisting of ₱32.67 million cash and ₱150.00 million in the Parent Company's shares valued at ₱2.91 per share. ISRI has mining claims and owns mill and production facilities in Sangilo, Itogon, Benguet. The Company also infused an additional ₱238.00 million in new equity in ISRI to pay down its debts and to reopen its Sangilo mines.

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 September 30, 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

<u>Status of Operations</u>
Significant developments in the Parent Company's and its subsidiaries' (the "Group") operations were as follows:

a. Mining

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 the Parent Company 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.

On February 17, 2015, MORE acquired a certain interest in the Gold Mines of Uganda Ltd. (GMU), a mining company in Uganda, Africa by paying the sum of ₱90.5 million.

Tailings Pond Incident
The Maco mines of the Parent Company temporarily suspended its milling operations from January 17, 2014 to February 12, 2014 as a result of a tailings pond incident on January 12, 2014.

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 which were correspondingly written off from the Parent Company's assets.

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. 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 were to 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 was put on hold until further notice.

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 September 30, 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

Forward

	Nature of business	Country of incorporation	Effective percentage of ownership
Monte Oro Mining Company Ltd	Mine exploration and development, and gold trading	Sierra Leone	90.00
ICSI	Solid Waste Management	Philippines	52.00
GMU**	Mine exploration and development	Uganda	–
ISRI	Mine exploration and development	Philippines	98.00

* *Indirect ownership through PGL*
** *Percentage of interest still being determined*

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.

<u>NCI</u>
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)
Applying the provisions of Philippine Financial Reporting Standards (PFRS) 3 and Philippine Accounting Standards (PAS) 27, management of the Parent Company determined that the acquisition method is to be applied in the business combination of both MORE and ISRI.

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.

<u>Estimates and Assumptions</u>
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 September 30, 2015 and December 31, 2014. Management, however, decided to update the fair values of the property, plant and equipment in light of the recent changes in the operations of the Parent Company.

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 June 24, 2015, the Parent Company signed an agreement for the acquisition of 98% of the total outstanding capital stock of ISRI. ISRI, an entity incorporated in the Philippines, is primarily engaged to carry on for itself or for others the business of mining in all its branches for ores, minerals and mineral substances (see Note 1).

The acquisition of ISRI will expand the mining business of AMCI by taking over the mining business under ISRI.

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 AMCI 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, Myanmar and recently Uganda, 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.

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 its subsidiaries' involved in various projects.

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 for 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.

As of September 30, 2015, the Parent Company has fully drawn the loan facility for capital expenditures and working capital requirements of the Group.

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, unsecured non-interest bearing and short-term cash advances for working capital requirements of the Group, which are due and demandable.

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 September 30, 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:

	September 30, 2015		December 31, 2014	
	Shares	**Amount**	Shares	Amount
Issued and subscribed shares at beginning of period	**1,868,639,664**	**₱1,868,639,664**	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	**6,227,887,491**	**6,227,887,491**	1,868,639,664	1,868,639,664
Less treasury shares	**574,579,439**	**574,579,439**	643,308,632	643,308,632
Outstanding shares at end of period	**5,653,308,052**	**₱5,653,308,052**	1,225,331,032	₱1,225,331,032

Details of the capital stock transactions of the Parent Company in the three quarters of 2015 are as follows:

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

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 ₱2.5 billion deposit for future stock subscriptions of the Parent Company's shares outstanding as at December 31, 2014.

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

d. On June 25, 2015, 68.7 million of the Parent Company's shares held by MORE were used to pay in part the Parent Company's acquisition of ISRI valued at ₱200.0 million or ₱1.76 per share.

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 nine-month period ended September 30, 2015 and 2014 is as follows:

	2015	2014
Net income (loss) attributable to the equity holders of the Parent Company	**₱79,930,320**	(₱360,952,242)
Weighted average number of common shares for basic and diluted earnings (loss) per share	**5,607,488,590**	1,868,639,664
Basic and diluted earnings (loss) per share	**₱0.014**	(₱0.193)

9. **Results of Operations**

The highlights of the Group's consolidated statement of income for the nine-month period ended September 30, 2015 broken down into the Parent Company and Subsidiaries are as follows:

	Parent Company	Subsidiaries	Consolidated
Net revenues	₱1,763,046,201	₱–	₱1,763,046,201
Cost and expenses	(1,538,949,336)	(59,551,613)	(1,598,500,949)
Other income (charges)	(84,271,816)	2,255,709	(82,016,107)
Provision for income tax	(6,126,202)	–	(6,126,202)
Net income (loss)	₱133,698,847	(₱57,295,904)	₱76,402,943