

COVER SHEET

40621  
S.E.C. Registration Number

APEX MINING CO. INC.  
  
  
  
  
(Company's Full Name)

17TH FLOOR PRESTIGE TOWER  
F.ORTIGAS JR RD ORTIGAS PASIG CITY  
(Business Address: No. Street City/Town//Province)

ROSANNA A. PARICA  
Contact Person

706-2805  
Company Telephone Number

12 31  
Month Day  
Fiscal Year

Definitive Information Statement Report  
FORM TYPE

Month Day  
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

of Stockholders

Total Amount of Borrowings  
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

Document I.D.

LCU

Cashier

STAMPS

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# APEX MINING CO., INC.

Maco, Compostela Valley Province

## NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO ALL STOCKHOLDERS:

Please be informed that the **Annual Stockholders' Meeting** of **APEX MINING CO., INC.** will be held on June 16, 2014 at 3 o'clock in the afternoon at the Valle Verde Country Club, Capt. Javier St., Pasig City.

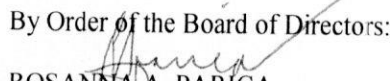
The agenda for the meeting is as follows:

1. Call to order;
2. Certification of notice and quorum;
3. Approval of the Minutes of the Stockholders Meeting held on July 12, 2013;
4. Report of the Chairman of the Board;
5. Approval of the Financial Statements as of December 31, 2013 embodied in the 2013 Annual Report;
6. Approval and Ratification of all actions of the Board of Directors and Management during the previous year;
7. Election of Directors;
8. Appointment of External Auditors;
9. Approval of the Amendment to the Articles of Incorporation of the Corporation for the following matters: (a) to increase the authorized capital stock of the Corporation from Two Billion Eight Hundred Million Pesos (Php2,800,000,000.00), divided into Two Billion Eight Hundred Million (2,800,000,000) common shares with par value of One Peso (Php1.00) each to Twelve Billion Eight Hundred Million Pesos (Php12,800,000,000.00) divided into Twelve Billion Eight Hundred Million (12,800,000,000) common shares with par value of One Peso (Php1.00) per share; (b) confirm the denial of pre-emptive rights to all holders of common shares; and (c) to change the address of its principal office;
10. Approval of the subscription to the increase in authorized capital stock and such other follow-on offering and/or placing and subscription transaction under such terms and conditions that the Board of Directors may determine and the listing of shares issued in connection therewith with the Philippine Stock Exchange;
11. Approval of the grant of authority to the Board of Directors to issue such number of shares of stock out of the existing capital stock and increase in authorized capital stock to such persons and at an issue price of not less than par value as the Board of Directors may determine and to accept cash or non-cash properties as payment for such subscription;
12. Approval of the grant of authority to the Board of Directors to conduct an equity offering, including, but not limited to, a placing and subscription transaction, under such terms and conditions that the Board of Directors may determine, inclusive of: (i) authority to fix the number of shares for such equity transaction in such number of shares as may be required by the Corporation for funding its projects; (ii) authority to appoint advisers, consultants, underwriters/lead managers, stabilization agent, and other relevant parties for the equity transaction; and (iii) determination of the offering price based on generally accepted pricing formula for publicly traded companies, as may be appropriate or relevant per prevailing market conditions;
13. Approval of waiver of the requirement to conduct a rights or public offering for shares issued by the Corporation pursuant to the increase in authorized capital stock and other transactions;
14. Other matters;
15. Adjournment.

The Board has fixed the close of business hours on May 16, 2014 as the record date for the determination of stockholders entitled to notice of meeting and to vote at the specified election date.

If you cannot personally attend the meeting, you may appoint a proxy to represent you by accomplishing the attached form and returning the same to the Corporate Secretary at the above address before the meeting.

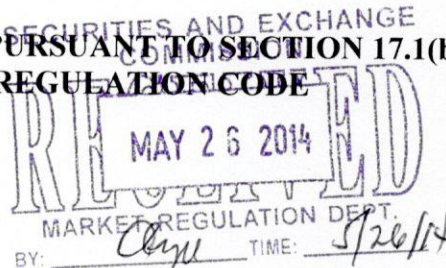
By Order of the Board of Directors:

  
ROSANNA A. PARICA  
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b)  
OF THE SECURITIES REGULATION CODE



1. Check the appropriate box:

- ☐ Preliminary Information Statement  
☒ Definitive Information Statement

2. Name of Registrant as specified in its charter - **APEX MINING CO., INC.**

3. Country of Incorporation - **Philippines**

4. SEC Identification Number - **40621**

5. BIR Tax Identification Number : **000-284-138**

6. Address of principal office: **Unit 1704 17<sup>th</sup> Flr. Prestige Tower Cond.  
F. Ortigas Jr., Road, Ortigas Center, Pasig City**  
Postal Code : **1605**

7. Telephone Number : **+63 2 706-2805** Fax Number : **+63 2 706-2804**

8. Date, time and place of meeting of security holders:

Date - **16 June 2014**  
Time - **3:00 p.m.**  
Place - **Valle Verde Country Club, Capt. Javier St.,  
Pasig City**

9. Approximate date on which the Information Statement is first to be sent or given to security holders - **23 May 2014**

<u>Title of Each Class</u>	<u>Number of Shares</u>
Common	1,868,639,664

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

Yes ☐ No ☐

All securities in item 10 above are listed in the Philippine Stock Exchange.

## **INFORMATION REQUIRED IN INFORMATION STATEMENT**

### **Date, Time and Place of Meeting of Security Holders**

#### **PART 1**

##### **A. GENERAL INFORMATION**

##### **Item 1. Date, Time and Place of Meeting of the Security Holders**

Date : 16 June 2014

Time : 3:00 P.M.

Place : Valle Verde Country Club, Capt. Javier St., Pasig City

Principal office: Unit 1704 17<sup>th</sup> Flr., Prestige Tower Cond., F. Ortigas Jr. Road,  
Ortigas Center, Pasig City

This information statement shall be first sent or given to the security holders on **23 May 2014**.

**WE ARE NOT ASKING YOU FOR A PROXY AND  
YOU ARE REQUESTED NOT TO SEND US A PROXY**

##### **Item 2. Dissenters' Right of Appraisal**

Any stockholder of Apex Mining Company, Inc. ("Apex or the "Corporation") may exercise his appraisal right against the proposed actions which qualify as instances giving rise to the exercise of such right pursuant to and subject to the compliance with the requirements and procedure set forth under Title X of the Corporation Code of the Philippines ("Corporation Code").

Any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of his shares in the following instances: (a) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or (b) in case of extending or shortening the term of corporate existence; (c) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; (d) in case the Corporation decides to invest its funds in another corporation or business outside of its primary purpose, and (e) in case of merger or consolidation.

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within 30 days after the date on which the vote was taken for payment of the fair value of his shares: *Provided*, That failure to make the demand within such period shall be deemed a waiver of the appraisal right.

If the proposed corporate action is implemented or affected, the Corporation shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of 60 days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three disinterested persons, one of whom shall be named by the stockholder, another by the Corporation, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within 30 days after such award is made: *Provided*, That no payment shall be made to any dissenting stockholder unless the Corporation has unrestricted retained earnings in its books to cover such payment: and *Provided, further*, That upon payment by the Corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Corporation.

There are corporate actions that will be taken up at the Annual Stockholders' Meeting for which a stockholder may exercise the right of appraisal. A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right.

### **Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

- (a) No current director or officer of the Corporation or nominee for election as directors of the Corporation, nor any associate thereof has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than election to office.
- (b) No director has informed the Corporation in writing that he intends to oppose any action to be taken by the Corporation at the meeting.

## **B. CONTROL AND COMPENSATION INFORMATION**

### **Item 4. Voting Securities and Principal Holders Thereof**

As of April 30, 2014 there are 1,868,639,664 outstanding and voting common shares of stock of the Corporation. Each share of stock is entitled to one vote.

All stockholders of record as of 16 May 2014 are entitled to notice and to vote at the Annual Stockholders' Meeting.

At every meeting of the stockholders of the Corporation, every stockholder entitled to vote shall be entitled to one vote for each share of stock standing in his name on the books of the Corporation. *Provided*, however, that in case of the election of directors every stockholder entitled to vote shall be entitled to cumulate his votes in accordance with the provisions of law in such case made and provided.

For purposes of the election of directors, the stockholders have cumulative voting rights as provided by the Corporation Code, and there are no conditions precedent to the exercise thereof by stockholders either in person or by proxy.

A stockholder may vote the number of shares standing in his name in the books of the Corporation as fixed in the by-laws, or where the by-laws are silent at the time of election for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the

number of directors to be elected multiplied by the number of shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit.

**Security Ownership of Certain Record and Beneficial Owners**

The beneficial owners of more than 5% of voting shares as of April 30, 2014 are:

Title of Class	Name and address of record owner and relationship with issuer	Name of beneficial owner and relationship with record owner	Citizenship	Number of shares held	%
Common	<b>MONTE ORO RESOURCES &amp; ENERGY INC.</b> 3304 C West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City, M.M. PHILIPPINES Direct Ownership	See note 1 below	Filipino	869,308,632	46.52
Common	<b>MINDANAO GOLD LTD.</b> Suite 10.3, 10F Rohas Perkasa West Wing 8 Jalan P. Ramlee, 50450 Kuala Lumpur MALAYSIA Direct Ownership	See note 2 below	Malaysian	645,100,029	34.52
Common	<b>PCD NOMINEE CORPORATION</b> GF MSE Bldg., Ayala Avenue, Makati City PHILIPPINES	PCD Participants See note 3 below	Filipino	211,568,130	11.32
Common	<b>MAPULA CREEK GOLD CORPORATION</b> Maco, Compostela Valley PHILIPPINES Direct ownership	See note 4 below	Filipino	117,813,231	6.30

<sup>1</sup> Monte Oro Resources & Energy Inc. ("Monte Oro") is a Philippine corporation in which 96.69% is owned by Filipinos and 3.31% owned by foreign nationals. Monte Oro is represented by Mr. Ramon Sy who can exercise voting power on behalf of Monte Oro and decide how all its shares in the Corporation are to be voted.

<sup>2</sup> Mindanao Gold Ltd. is one of the major stockholders of the Company as represented by Mr. Noel V. Tanglao to exercise the voting power on behalf of Mindanao Gold and decide how all shares in the Corporation are to be voted.

<sup>3</sup>PCD Nominee, Corp. (PCNC) is a wholly owned subsidiary of Philippine Central Depository Inc. ("PCD"), is the registered owner of the shares in the books of the Company's transfer agent. The beneficial owner of such shares is PCD's participants who hold the shares on their behalf or in behalf of their clients. As of March 31, 2014, Vicsal Securities and Stockbrokerage Inc. owns on record 19,657,160 common shares but of which does not qualify as beneficial owner owning more than 5% of the Company's stock. No other PCD participant owns on record or beneficially more than five (5%) of the Company's stock. PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transaction in the Philippines. Part of the shareholdings of Monte Oro Resources & Energy Inc., Mindanao Gold Ltd and Mapula Creek Gold Corp. are lodged with PCD.

<sup>4</sup> Mapula Creek Gold (“Mapula”) is majority owned by Mindanao Gold holds 10,000 Class B shares of Mapula thru a Purchase and Sale Agreement with Crew Gold Corporation. Mr. Noel V. Tanglao is authorized to vote the shares of Mapula.

Except for the beneficial owners mentioned above, there is no other person or group who is known to the Corporation to be the beneficial owner of more than 5% of its voting securities. There is also no voting trust agreement involving shares of the Corporation.

The total shares owned by foreigners as of April 30, 2014 is 648,103,103 or 34.68% of the total number of outstanding shares.

**Security Ownership of Directors and Management**

The number of voting shares beneficially owned by directors and named executive officers as of 30 April 2014.

Name of beneficial owner	Amount and nature Of beneficial ownership	Class of Shares	Citizenship	Percent of Class
WALTER W. BROWN	298	Common	Filipino	0.00%
RAMON Y. SY	95	Common	Filipino	0.00%
NOEL V. TANGLAO	1	Common	Filipino	0.00%
RAFAEL DEL PILAR	1,000	Common	Filipino	0.00%
DENNIS A. UY	1	Common	Filipino	0.00%
ELMER PEDREGOSA	1,000	Common	Filipino	0.00%
SILVERIO BENNY TAN	10,000	Common	Filipino	0.00%
All officers and directors as a group	12,495	Common		0.00%

**Voting Trust/Changes in Control**

There are no voting trust holders of 5% or more of the Company’s stock.

**Item 5. Directors and Executive Officers**

The names of the incumbent directors and executive officers of the Corporation and their respective ages, periods of directorship in other reporting companies are as follows:

**Directors**

Name	Age	Citizenship	Position	Term	Business Experience For the past five(5) years	Relatives Up to the 4 <sup>th</sup> civil Degree	Legal Proceedings
WALTER W. BROWN	74	Filipino	Chairman of the Board/President & CEO since October 21, 2013  (Nominee)	1 yr	1993 to present - Chairman-A. Brown Company, Inc. 2011 to present - Chairman-Palm Thermal Consolidated Holdings Corp. 2011 to present - Chairman-Palm Concepcion Power Corp. Chairman-A. Brown Energy & Resources Dev't Inc. 2012 to present - President-Minas de Oro (Mongolia) 2005 to present- Director-Monte Oro Resources& Energy Inc. 2010 to present – Prsident-Monte Oro Mining Co., Ltd. (Sierra Leone) 2005 to 2009 - President-Philex Mining Corp (prev). 2008 to 2010 – President & CEO -Nat'l Grid Corp. 2007 to 2013 - Director- ISM Corporation 2003 to 2009 – Director - Philodrill Corp 2010 to 2012 – Vice Chairman and Director – Atok Big Wedge Co., Inc.	None	None

RAMON Y. SY	83	Filipino	Director since October 21, 2013 Chief Financial Officer since March 10, 2014 (Nominee)	1 yr	2012 to present - Director & Vice Chairman-Asia United Bank 2012 to present - Acting President and Chair of Exec. Committee of Monte Oro Resources & Energy, Inc. 1992 to present - Chairman of Ramsy Corporation 1996 to present - Director of Meridian Assurance Corporation 1984 to present - Director of Travelman Inc. 2005 to present - Chairman of Xcell Property Ventures, Inc. 2004 to present - Director of SPC Corporation 2005 to present - Director of Asian Alliance Corporation 2006 to present - Director of Philippine Equity 2008 to present - Chairman-Board of Trustee - Operation Smile Phils. 1986 to 1993 - Chairman & CEO of United Coconut Planters Bank 1995 to 2006 - President and CEO of International Bank (IBank)	None	None
NOEL V. TANGLAO	56	Filipino	Director since July 2013 Executive Vice President since October 21, 2013 (Nominee)	1 yr	2012 to 2013 - President-Apex Mining Co., Inc. 2013 to 2014 - President-Lift Logistics Resources Inc. 2012 to present - Vice President-Leonio Group of Cos. 2013 to present - General Manager r-Rising Stars of the Phils. Jan 2010 to July 2010 - Special Asst to SVP/COO - Petron Corp. Mar 2004 to Mar 2010 - Gen. Manager-Petron Marketing Corp. Jan 2004 to Mar 2010 - Gen. Manager-Petron Freeport Corp. and Retail Trade	None	None
RAFAEL DEL PILAR	63	Filipino	Director since July 20, 2013	1 yr	2006 to 2010 - President and CEO - PNOC Exploration Corp.	None	None
DENNIS A. UY	40	Filipino	Independent Director since March 19, 2013 (Nominee)	1 yr	2002 to present- Udenna Corporation 2002 to present - Founder/President & CEO -Phoenix Petroleum Phils., Inc. 2006 to present - Global Synergy Trade and Distribution Corp. 2011 to present - Honorary Consul of Kazakhstan in the Philippines	None	None
ELMER PEDREGOSA	45	Filipino	Independent Director since July 12, 2013	1 yr	2012 to present - Managing Partner-Pedregosa Law Offices 2006 to present - Legal Officer and Asst. Corp. Secretary-Royal Asia Land Inc., 2006 to present -Director and Legal Counsel -Gueuze Land Corp. 2006 to present - Kriek Property Dev't Corp. 2006 to present - Legal Counsel, Director and Corp. Secretary - Universal Scope Phils., Inc. 2001 to present - Director-Bluebay Aquaculture Inc. 2012 to present-Consulting Counsel-San Miguel Corp. 2011 to present - Multi-Ventures Investment Holdings Inc.	None	None

In addition to Messrs. Brown, Sy, Tanglao, and Uy, the following have also been nominated as directors.

**Enrique K. Razon, Jr.**, Filipino, 54, has been a director of International Container Terminal Services, Inc. ("ICTSI") from 1987 to the present and is currently its Chairman and President. He is also the Chairman and/or President or director of ICTSI subsidiaries and affiliates including: ICTSI Ltd., International Container Terminal Holdings, Inc., ICTSI Warehousing, Inc., Baltic Container Terminal Ltd., Madagascar International Container Terminal Services Ltd., ICTSI Hong Kong Ltd., Contecon Guayaquil SA, Yantai Rising Dragon International Container Terminal Ltd., ICTSI Capital B.V., ICTSI Georgia Corporation, ICTSI Brazil Limited, ICTSI Poland Limited, Pentland International Holdings Ltd., Australian International Container Terminal Ltd., Tecon Suape, S.A. and Tecplata S.A., ICTSI Foundation, Inc., and Pilipinas Golf Tournaments, Inc. He has also been a director of Bloomberry Resorts Corporation from 2011 to the present and is currently its Chairman and Chief Executive Officer. He is also the Chairman of the Board of Directors of Bloomberry Resorts and Hotels Inc. and is the President of Sureste Properties, Inc. He is also the Chairman and President of Prime Metroline Holdings, Inc., Chairman of the Board of Monte Oro Resources & Energy, Inc., an independent director of CLSA Exchange Capital Inc., and a director of other companies. He is a Member of the American Management Association, Management Association of the Philippines, and World Economic Forum.

**Graciano P. Yumul, Jr.**, Filipino, 54, is the Senior Vice President for Exploration and Development of the Corporation since October 2013. He is the Executive Vice President of Monte Oro Resources & Energy Inc. and was the Executive Vice President/ Director of Atok Big Wedge Company, Inc. during the period 2012-2013. He was Undersecretary of Research and Development of the Department of Science and Technology, Supervising Undersecretary of the Philippine Atmospheric, Geophysical and Astronomical Services Administration and Philippine Institute of Volcanology and Seismology. He was also a Professor and former Director of the National Institute of Geological Sciences at the University

of the Philippines Diliman. He was the Philippine Representative to the ASEAN Committee on Science and Technology (ASEAN COST) and was a former ASEAN COST Chair. He worked as a Geologist of the then Bureau of Mines and Geosciences. Dr. Yumul is a Fellow of the Society of Economic Geologists (USA), and a member of the Geological Society of the Philippines and Society of Resource Geology (Japan).

**Joselito H. Sibayan**, Filipino, 55, is the President and CEO of Mabuhay Capital Corporation, a firm which provides financial advisory services and capital raising solutions to its clients. Prior to forming Mabuhay Capital, he was Vice-Chairman, Investment Banking – Philippines and Philippine Country Manager for Credit Suisse First Boston (CSFB). He has spent 27 years in investment banking. He is an Independent Director of SM Prime Holdings, Inc. (a publicly listed company), and a director of the Philippine Postal Savings Bank. He obtained his MBA from the University of California in Los Angeles and his B.S. Chemical Engineering from De La Salle University-Manila

With respect to the election of the directors and independent directors, every stockholder shall be entitled to cumulate his votes in accordance with the provisions of the Corporation Code.

The Nomination Committee has screened the nominees and prepared the Final List of Candidates for election to the Board of Directors on June 16, 2014. The Nomination Committee determined that the candidates possess all the qualifications and none of the disqualifications for election as director or independent director.

The Nomination Committee is currently composed of two (2) members, namely, Noel Tanglao and Elmer Pedregosa who conducted the nomination of the independent directors.

#### **Independent Director**

Messrs. Dennis A. Uy and Joselito H. Sibayan, are nominees as independent directors. They are not employees of the Corporation and do not have relationship with the Corporation which would interfere with the exercise of independent judgment in carrying out the responsibility of a director. Messrs. Uy, and Sibayan possessed the qualifications and none of the disqualifications of an independent director.

Mr. Noel Tanglao nominated Mr. Dennis A. Uy and Mr. Joselito H. Sibayan. The two (2) nominees for independent directorship have accepted their nominations. There are no relationships between the foregoing nominees for independent director and the persons who nominated them that would hinder their judgment as independent directors.

In approving the nominations for independent directors, the Nomination's Committee considered the guidelines on the nomination of independent directors prescribed in SRC Rule 38.

#### **Certain Relationships and Related Transactions**

In the normal course of business, the Company transacted with companies which are considered related parties. A summary of the more significant transactions with related parties is shown on Note 14 of the Audited Financial Statements for the year ended December 31, 2013.

The Corporation or its related parties have no material transaction with parties falling outside the definition "related parties" under Statement of Financial Accounting Standards/International Accounting Standards No. 24 that are not available for other, more clearly independent parties on an arm's length basis.

### **Significant Employees**

While all employees are expected to make significant contributions to the Corporation, there is no one particular employee, not an executive officer, who is anticipated to make a significant contribution to the business of the Corporation on his own.

### **Family Relationships**

There are no family relationships among the officers of the Corporation. None of the directors and executive officers of the Corporation are related up to the fourth civil degree, either by consanguinity or affinity.

### **Involvement in Certain Legal Proceedings**

The Corporation has no knowledge of the involvement of the current directors and officers in any legal proceedings as defined in the Securities Regulation Code for the last 5 years.

## **Item 6. Compensation of Directors and Executive Officers**

The members of the Board of Directors who are not Executive Officers are elected for a term of one year. They also receive remuneration on a per meeting participation.

### **(1) Compensation Table**

The aggregate compensation paid or incurred during the last two fiscal years and estimated to be paid in the ensuing fiscal year to the Executive Officers, Senior Executive Officers and Directors of the Company are as follows:

#### **SUMMARY OF COMPENSATION TABLE ANNUAL COMPENSATION**

<u>Year</u>	<u>Salary</u>	<u>Bonus/Others</u>
2014 (Estimated)	46,059,820	none
2013	30,174,950	3,386,380
2012	13,885,223	2,064,091
2011	5,912,640	1,528,949

The aggregate total amount of compensation for the years 2011, 2012, 2013 and estimated amount to be paid in 2014 as presented in the above table are for the following officers:

### **CEO and Top 4 Most Compensated Officers**

#### **Current:**

Walter Brown (CEO)

#### **Previous/Resigned:**

Baiverth Diabo (CEO)

Ramon Sy  
Modesto Bermudez  
Graciano Yumul, Jr.  
Noel Tanglao

Colin Patterson  
Rodolfo Bravo  
Jesus Anin  
Emelita Fabro  
Benoit de Galbert  
Peregrino Resabal (CEO)

The amounts for 2013, 2012, 2011 were inclusive of salaries, bonuses and others of previously resigned officers.

**OTHER OFFICERS AND DIRECTORS' FEES**

<u>Year</u>	<u>Total Officers' Salary</u>	<u>Bonus/Others</u>	<u>Total Directors' Fees</u>
2014 (Estimated)	30,800,000	none	3,840,000
2013	30,422,181	2,817,279	3,297,777
2012	9,548,184	1,967,234	341,700
2011	2,143,565	2,201,300	804,000

**ALL DIRECTORS & OFFICERS AS A GROUP**

<u>Year</u>	<u>Total Amount</u>
2014 (Estimated)	80,699,820
2013	70,098,557
2012	27,806,432
2011	12,590,454

The amounts for 2014, 2013, 2012 and 2011 were inclusive of salaries, bonuses and others of previously resigned officers.

**(2) Standard Arrangements**

**(a) Compensation of Officers**

The officers of the Corporation are regular employees and are remunerated with a compensation package consisting of twelve (12) months base pay. They also receive whatever mid-year and year end gratuity pay, if any, that the Board of Directors of the Corporation may approve and extend to the managerial, supervisory and regular employees of the Corporation.

**(b) Compensation of Members of the Board of Directors**

The members of the Board of Directors of the Corporation are paid PhP 80,000.00 for each meeting (whether regular or special) of the Board of Directors or the Stockholders. Apart from the foregoing, there are no arrangements regarding the compensation (whether direct or indirect) of the members of the Board of Directors for their services.

**(3) Other Arrangements**

No compensatory arrangements executed during the last four (4) years of operations other than the compensation arrangements mentioned above.

#### **(4) Description of the Other Terms and Condition**

##### **(a) Employment Contract between the Registrant and Named Executive Officers**

The contractual relationship between the executive officers and the Corporation are employer-employee in nature. The remuneration they receive from the Corporation is solely in the form of salaries and bonuses. There are no compensatory plans or arrangements with respect to any executive officer which results or will result from his resignation, retirement or any other termination of his employment or from any change in control of the Corporation or a change in the executive officer's responsibilities following any change in the control of the Corporation.

There are no outstanding warrants or options held by the Corporation's chief executive officer, and other executive officers.

##### **Compensation Plans**

There is no action intended to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

#### **Item 7. Independent Public Accountant**

The principal accountants and external auditors of the Corporation is the accounting firm of Sycip Gorres Velayo & Co. ("SGV & Co.") with address at SGV Bldg., Ayala Avenue, Makati City. The accounting firm of SGV & Co has been the Company's Independent Public Accountants since 2010.

For the fiscal year 2013, Mr. Jaime F. del Rosario signed the Company's Audited Financial Statements for 2013, a copy of which is attached to this Information Statement. Mr. del Rosario has been designated as the certifying partner of SGV & Co. for the Company, in compliance with SRC Rule 68.1 (3)(b)(IV).

SGV & Co. is being recommended for re-election at the scheduled Annual Stockholders' Meeting of the Corporation on June 16, 2014.

Representatives of SGV & Co. are expected to be present at the stockholders' meeting and will have the opportunity to make a statement if they desire to do so and will be available to answer appropriate questions.

As of December 31, 2013, the Company's Audit Committee is composed of Dennis Uy (Chairman), Ramon Sy, and Javier del Ser (Resigned).

#### **External Audit Fees and Services**

##### **Audit and Audit-Related Fees**

For 2013 and 2012, the audit was basically engaged to express an opinion on the financial statements of the Company. In addition, the audit included providing assistance to the Company in the preparation of its income tax return in as far as agreement of the reported income and costs and expenses with the recorded amounts in the books. The procedures conducted include those that are necessary under auditing standards generally accepted in the Philippines. This, however, did not include detailed verification of the accuracy and completeness of the reported income and costs and expenses. The audit fees for these services were ₱2.5 million for 2013 and ₱2.05 million for 2012.

#### **Tax Fees**

There are no related services or tax fees paid for the year 2013.

#### **All Other Fees**

There are no other services rendered by the external auditors other than the usual audit services and tax review services done in 2013 and 2012 as mentioned above.

#### **Audit Committee's Approval Policies and Procedures**

Prior to the commencement of audit work, the external auditors present their program and schedule to the Company's Board Audit Committee which include discussion of issues and concerns regarding the audit work to be done.

#### ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

There are no changes in and/or disagreements with independent accountants on accounting and financial disclosure and no change in the Company's independent accountants during the two most recent fiscal years or any subsequent interim period

#### **Item 8. Compensation Plans**

Not applicable

#### **Item 9. Authorization or Issuance of Securities Other than for Exchange**

In a special meeting held on 11 April 2014 the Board of Directors of the Corporation approved the increase of the authorized capital stock of the Corporation from Two Billion Eight Hundred Million Pesos (Php2,800,00,000.00), divided into Two Billion Eight Hundred Million (2,800,000,000) common shares with par value of One Peso (Php1.00) to Twelve Billion Eight Hundred Million Pesos (Php12,800,000,000.00) divided into Twelve Billion Eight Hundred Million (12,800,000,000) common shares with par value of One Peso (Php1.00) per share

Approval is hereby sought for:

1. The increase of the authorized capital stock of the Corporation from Two Billion Eight Hundred Million Pesos (Php2,800,00,000.00), divided into Two Billion Eight Hundred Million (2,800,000,000) common shares with par value of One Peso (Php1.00) each to Twelve Billion Eight Hundred Million Pesos (Php12,800,000,000.00) divided into Twelve Billion Eight Hundred Million (12,800,000,000) common shares with par value of One Peso (Php1.00) per share.

2. The subscription to the increase in authorized capital stock and such other follow-on offering and/or placing and subscription transaction under such terms and conditions that the Board of Directors may determine and the listing of shares issued in connection therewith with the Philippine Stock Exchange.
3. The grant of authority to the Board of Directors to issue such number of shares of stock out of the existing capital stock and increase in authorized capital stock to such persons and at an issue price of not less than par value as the Board of Directors may determine and to accept cash or non-cash properties as payment for such subscription.
4. Approval by the stockholders of the grant of authority to the Board of Directors to conduct an equity offering, including, but not limited to, placing and subscription transaction, under such terms and conditions that the Board of Directors may determine, inclusive of: (i) authority to fix the number of shares for such equity transaction in such number of shares as may be required by the Corporation for funding its projects; (ii) authority to appoint advisers, consultants, underwriters/lead managers, stabilization agent, and other relevant parties for the equity transaction; and (iii) determination of the offering price based on generally accepted pricing formula for publicly traded companies, as may be appropriate or relevant per prevailing market conditions
5. Approval of waiver of the requirement to conduct a rights or public offering for shares issued by the Corporation pursuant to the increase in authorized capital stock and other transactions.

The reason for the foregoing is to enable the Corporation to have additional funding for its operations and future acquisitions and/or investments and/or for purposes of broadening the Corporation's investor base.

#### **Item 10. Modification or Exchange of Securities**

Approval of the stockholders is hereby sought to confirm the denial of pre-emptive rights to all holders of common shares and amend the Seventh Article of the Articles of Incorporation accordingly. The reason for the foregoing is that the provision on denial of pre-emptive rights of shareholders of any class of shares to subscribe to, purchase or receive any class of shares of the Corporation, or part thereof, whether issued from its unissued capital, future increases in capital stock or its treasury stock was inadvertently deleted when the Corporation amended the Seventh Article of its Articles on Incorporation to declass the Class "A" and Class "B" shares of the Corporation to a single class of common shares.

#### **Item 11. Financial and Other Information**

Audited Financial Statements as of 31 December 2013, Management's Discussion and Analysis and Market Price of Shares and Dividends and other data related to the Corporation's financial information are attached hereto. The schedules required under Part IV (c) of Rule 68 are included in the Annual Report.

#### **Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

There is no action intended to be taken with respect to any transaction involving the following: (1) the merger or consolidation of the Corporation into or with any other entity; (2) the acquisition by the

Corporation or any of its stockholders of securities of another person or entity; (3) the acquisition by the Corporation of any other going business or of the assets thereof; (4) the sale or other transfer of all or any substantial part of the assets of the Corporation, and (5) the liquidation or dissolution of the Corporation.

### **Item 13. Acquisition or Disposition of Property**

There is no action to be taken with respect to any material acquisition or disposition of any property of the Corporation.

### **Item 14. Restatement of Accounts**

There is no action to be taken with respect to the restatement of any asset, capital, or surplus account of the Corporation.

## **D. OTHER MATTERS**

### **Item 15. Action with Respect to Reports**

Summary of the Minutes of the Stockholders Meeting held last July 12, 2013:

1. Approval of the minutes of Stockholders' Meeting held last July 16, 2012
2. Approval of the Audited Financial Statement as of December 31, 2012
3. Approval of the ratification of the acts of directors, committees and officers of the Corporation
4. Election of the following directors for a term of one (1) year

Name	Citizenship	Address
1 Benoit de Galbert	French	c/o Apex Mining Co., Inc.- Prestige Tower Cond., Ortigas Ctr, Pasig City c
2 Javier del Ser	Spanish	c/o Apex Mining Co., Inc.- Prestige Tower Cond., Ortigas Ctr, Pasig City
3 Graciano P. Yumul, Jr.	Filipino	c/o Apex Mining Co., Inc.- Prestige Tower Cond., Ortigas Ctr, Pasig
4 Dennis A. Uy	Filipino	c/o Apex Mining Co., Inc.- Prestige Tower Cond., Ortigas Ctr, Pasig City
5 Noel V. Tanglao	Filipino	c/o Apex Mining Co., Inc.- Prestige Tower Cond., Ortigas Ctr, Pasig City
6 Rafael del Pilar	Filipino	c/o Apex Mining Co., Inc.- -Prestige Tower Cond., Ortigas Ctr, Pasig City
7 Elmer Pedregosa	Filipino	c/o Apex Mining Co., Inc., -Prestige Tower Cond., Ortigas Center, Pasig City

5. Approval of the Amendment of the Articles of Incorporation of the Corporation to reflect the reclassification of the shares comprising the existing authorized capital stock of the Corporation, consisting of Class "A" shares and Class "B" shares to a single class of common shares.
6. Appointment of Sycip Gorres Velayo & Co. (SGV & Co.) as external auditors of the Company.

Action for this Meeting is to be taken on the reading and approval of the following:

1. Approval of the Minutes of the Stockholders Meeting held on July 12, 2013;
2. Report of the Chairman of the Board;
3. Approval of the Financial Statements as of December 31, 2013 embodied in the 2013 Annual Report;
4. Approval and Ratification of all actions of the Board of Directors and Management during the previous year;
5. Election of Directors;
6. Appointment of External Auditors;
7. Approval of the Amendment to the Articles of Incorporation of the Corporation for the following matters: (a) to increase the authorized capital stock of the Corporation from Two Billion Eight Hundred Million Pesos (Php2,800,00,000.00), divided into Two Billion Eight Hundred Million (2,800,000,000) common shares with par value of One Peso (Php1.00) each to Twelve Billion Eight

Hundred Million Pesos (Php12,800,000,000.00) divided into Twelve Billion Eight Hundred Million (12,800,000,000) common shares with par value of One Peso (Php1.00) per share; (b) confirmation of denial of pre-emptive rights to all holders of common shares; and (c) to change the address of its principal office;

8. Approval of the subscription to the increase in authorized capital stock and such other follow-on offering and/or placing and subscription transaction under such terms and conditions that the Board of Directors may determine and the listing of shares issued in connection therewith with the Philippine Stock Exchange;
9. Approval of the grant of authority to the Board of Directors to issue such number of shares of stock out of the existing capital stock and increase in authorized capital stock to such persons and at an issue price of not less than par value as the Board of Directors may determine and to accept cash or non-cash properties as payment for such subscription;
10. Approval of the grant of authority to the Board of Directors to conduct an equity offering, including, but not limited to, a placing and subscription transaction, under such terms and conditions that the Board of Directors may determine, inclusive of: (i) authority to fix the number of shares for such equity transaction in such number of shares as may be required by the Corporation for funding its projects; (ii) authority to appoint advisers, consultants, underwriters/lead managers, stabilization agent, and other relevant parties for the equity transaction; and (iii) determination of the offering price based on generally accepted pricing formula for publicly traded companies, as may be appropriate or relevant per prevailing market conditions; and
11. Approval of waiver of the requirement to conduct a rights or public offering for shares issued by the Corporation pursuant to the increase in authorized capital stock and other transactions;

#### **Item 16. Matters Not Required to be Submitted**

There is no action intended to be taken with respect to any matter which is not required to be submitted to a vote of the stockholders.

#### **Item 17. Amendment of Charter, Bylaws or Other Documents**

In a special meeting held on 11 April 2014 the Board of Directors of the Corporation approved the increase of the authorized capital stock of the Corporation from Two Billion Eight Hundred Million Pesos (Php2,800,00,000.00), divided into Two Billion Eight Hundred Million (2,800,000,000) common shares with par value of One Peso (Php1.00) to Twelve Billion Eight Hundred Million Pesos (Php12,800,000,000.00) divided into Twelve Billion Eight Hundred Million (12,800,000,000) common shares with par value of One Peso (Php1.00) per share

Approval is hereby sought for:

1. The increase of the authorized capital stock of the Corporation from Two Billion Eight Hundred Million Pesos (Php2,800,00,000.00), divided into Two Billion Eight Hundred Million (2,800,000,000) common shares with par value of One Peso (Php1.00) each to Twelve Billion Eight Hundred Million Pesos (Php12,800,000,000.00) divided into Twelve Billion Eight Hundred Million (12,800,000,000) common shares with par value of One Peso (Php1.00) per share.
2. The subscription to the increase in authorized capital stock and such other follow-on offering and/or placing and subscription transaction under such terms and conditions that the Board of Directors may determine and the listing of shares issued in connection therewith with the Philippine Stock Exchange.
3. The grant of authority to the Board of Directors to issue such number of shares of stock out of the existing capital stock and increase in authorized capital stock to such persons and at an issue price of not less than par value as the Board of Directors may determine and to accept cash or non-cash properties as payment for such subscription.

4. Approval by the stockholders of the grant of authority to the Board of Directors to conduct an equity offering, including, but not limited to, placing and subscription transaction, under such terms and conditions that the Board of Directors may determine, inclusive of: (i) authority to fix the number of shares for such equity transaction in such number of shares as may be required by the Corporation for funding its projects; (ii) authority to appoint advisers, consultants, underwriters/lead managers, stabilization agent, and other relevant parties for the equity transaction; and (iii) determination of the offering price based on generally accepted pricing formula for publicly traded companies, as may be appropriate or relevant per prevailing market conditions
5. Approval of waiver of the requirement to conduct a rights or public offering for shares issued by the Corporation pursuant to the increase in authorized capital stock and other transactions.

The reason for the foregoing is to enable the Corporation to have additional funding for its operations and future acquisitions and/or investments and/or for purposes of broadening the Corporation's investor base.

Approval of the stockholders is hereby also sought to confirm the denial of pre-emptive rights to all holders of common shares and amend the Seventh Article of the Articles of Incorporation accordingly. The reason for the foregoing is that the provision on denial of pre-emptive rights of shareholders of any class of shares to subscribe to, purchase or receive any class of shares of the Corporation, or part thereof, whether issued from its unissued capital, future increases in capital stock or its treasury stock was inadvertently deleted when the Corporation amended the Seventh Article of its Articles on Incorporation to declass the Class "A" and Class "B" shares of the Corporation to a single class of common shares.

Lastly, approval of the Amendment to the Articles of Incorporation of the Corporation to change the address of the principal office of the Corporation is sought. The reason for the amendment is to comply with the requirements of the Securities and Exchange Commission to state the exact address of the principal office of the Corporation in the Articles of Incorporation.

#### **Item 18. Other Proposed Action**

As of this report, there are no other matters which the Board of Directors intends to present or has reason to believe others will present at the meeting.

#### **Item 19. Voting Procedures**

The affirmative vote of the stockholders representing at least two thirds (2/3rds) of the outstanding capital stock shall be required for the amendments to the Articles of Incorporation to reflect the increase in authorized capital stock from Two Billion Eight Hundred Million Pesos to Twelve Billion Eight Hundred Million Pesos, confirmation of denial of pre-emptive rights, and change of principal address.

The votes required for the election and approval of the Corporation's external auditor, SGV & Co. shall be majority of the stockholders present. The same vote (majority of stockholders present) is also needed for the approval of the following:

- (a) Minutes of the Stockholders meeting held on 12 July 2013;
- (b) 2013 Audited Financial Statements;
- (c) Subscription to the increase in authorized capital stock and such other follow-on offering and/or placing and subscription transaction under such terms and conditions that the Board of Directors may determine and the listing of shares issued in connection therewith with the Philippine Stock Exchange;
- (d) Grant of authority to the Board of Directors to issue such number of shares of stock out of the existing capital stock and increase in authorized capital stock to such persons and at an issue

- price of not less than par value as the Board of Directors may determine and to accept cash or non-cash properties as payment for such subscription;
- (e) Grant of authority to the Board of Directors to conduct an equity offering, including, but not limited to, a placing and subscription transaction, under such terms and conditions that the Board of Directors may determine, inclusive of: (i) authority to fix the number of shares for such equity transaction in such number of shares as may be required by the Corporation for funding its projects; (ii) authority to appoint advisers, consultants, underwriters/lead managers, stabilization agent, and other relevant parties for the equity transaction; and (iii) determination of the offering price based on generally accepted pricing formula for publicly traded companies, as may be appropriate or relevant per prevailing market conditions;
  - (f) Waiver of the requirement to conduct a rights or public offering for shares issued by the Corporation pursuant to the increase in authorized capital stock and other transactions;
  - (g) Ratification of acts of directors, committees and officers of the Corporation; and
  - (h) Any other proposed action.

With respect to the election of the directors and independent directors, every stockholder shall be entitled to cumulate his votes in accordance with the provisions of the Corporation Code.

Nominees for the Election of Directors are:

1. Enrique K. Razon, Jr.
2. Walter W. Brown
3. Ramon Y. Sy
4. Noel V. Tanglao
5. Graciano P. Yumul, Jr.
6. Dennis A. Uy (Independent)
7. Joselito H. Sibayan (Independent)

Provided there is a quorum (majority of all stockholders in good standing), the candidates receiving the first five highest number of votes shall be declared elected.

Votes may be cast and counted by show of hands or by viva voce or, upon motion duly approved, by balloting.

The Committee of Inspectors composed of three members namely (1) the Corporate Secretary or his official representative; (2) the official representative of the external auditor of the Corporation; and (3) the official representative of the Stock and Transfer Agent of the Corporation shall act as Election Inspectors and shall have the power to rule on all issues pertaining to the election of directors, validity of proxies or voting of shares. The affirmative vote of at least two members shall be a valid act of said committee.

**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Pasig City on 23rd of May 2014.

**APEX MINING CO., INC.**

By:

  
**ROSANNA A. PARICA**  
Corporate Secretary

## **MANAGEMENT REPORT TO STOCKHOLDERS**

### **CONSOLIDATE AUDITED FINANCIAL STATEMENTS**

The consolidated financial statements of the Corporation for the period ended December 31, 2013 which form part of SEC Form 17-A and the unaudited financial statements for the period ended March 31, 2014 on SEC Form 17-Q are attached to the Definitive Information Statement and are incorporated by reference.

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

#### Statement of Comprehensive Income

##### *Sales*

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

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

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

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

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

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

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

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

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

#### *Cost of Sales*

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

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

#### *General and Administrative Expense*

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

- Depreciation and amortization decreased by ₱58 million or 84% due to items being written off in the first half of 2013 or were sold in the third quarter of 2013. There were also items that were already fully depreciated in the first half of 2013, but were still being depreciated in 2012.
- The increase in personnel cost of ₱5 million or 3% in 2013 as compared to 2012 was due to the new salary scheme (refer to Personnel Cost explanation under Cost of Sales).

- Contracted services rose ₱5 million or 12% in 2013 compared to 2012. The jump in cost was brought about by the increased need of support services of the increased activities of the Company in 2013.
- Excise taxes, royalties and surface rights, which are derived from sales or gross income, dipped by ₱3 million or 6% in 2013 as compared to 2012 as a result of the decrease in sales and gross income.

#### *Other Income (Charges)*

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

- The Company recognized ₱126 million in net foreign exchange losses in 2013 compared to ₱31 million net foreign exchange gains in 2012. The amount is a combination of transaction and translation adjustments to foreign currency-denominated financial assets and liabilities. The Company is in a net foreign currency-denominated financial liability position as of December 31, 2013 and 2012.
- The closing exchange rate of \$1.0 to PHP as of December 31, 2013 and 2012 was ₱44.41 and ₱41.19, respectively. The weakening of the PHP against the USD resulted in a recognition of unrealized foreign exchange losses and gains, respectively, due to the translation of the Company's net foreign currency-denominated financial liabilities.
- In 2013, the Company entered into finance lease agreements for the purchase of a new fleet of heavy equipment and transportation vehicles, and loan facilities with banks. These transactions resulted in recognition of interest expense charges totaling ₱72 million in 2013. These arrangements were not yet entered into by the Company in 2012.

#### *Other Comprehensive Income*

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

#### Statement of Financial Position

##### *Current Assets*

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

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

##### *Noncurrent Assets*

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

- Property, plant and equipment account increased to ₱1,904 million as of December 31, 2013 from ₱915 million as of December 31, 2012 due primarily to acquisitions and constructions made in 2013.
- Deferred mine exploration and development costs climbed to ₱1,442 million as of December 31, 2013 from ₱966 million as of December 31, 2012 as a result of continuous exploration of new areas of interest, and development of existing areas showing economic feasibility.
- The dip in mine and mining properties of ₱141 million is due to depletion charges in 2013.

#### *Current Liabilities*

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

- Accounts payable and accrued liabilities grew by ₱439 million as of December 31, 2013 compared to the December 31, 2012 balance due to the increased level of purchases and service needs of the Company in connection with its exploration and development activities, and mill expansion.
- The current portion of the loans payable of the Company consists of loans related to the financing of the heavy mobile equipment acquired during the year, and the term loan obtained from local banks to finance the supposed mill expansion. The Company was not able to meet certain conditions in its loan covenants, thus, rendering the loans as current. Management is in constant communication with the parties involved to structure in a new scheme or payment plan acceptable to all.
- Due to related parties dropped to ₱353 million as of December 31, 2013 from ₱837 million as of December 31, 2012. The decrease is a result of the conversion of related party debts to equity, as approved by regulators in the second quarter of 2013.

#### *Noncurrent Liabilities*

Noncurrent liabilities decreased by ₱31 million as of December 31, 2013 from ₱174 million as of December 31, 2012 mainly due to the following:

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

#### *Equity*

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

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

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

### Revenue

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

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

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

### Direct cost

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

- Rent on milling equipment decreased to ₱53.9 million in 2012 compared to ₱372.8 million in 2011 and ₱364.6 million in 2010. Effective January 1, 2012, the Company assumed all the assets of Teresa previously rented by virtue of a statutory merger as approved by the SEC.
- Cost of direct materials used in mining and milling slightly improved to ₱489.6 million this year compared to ₱517.4 million in 2011 in line with the decrease in production volume. There is also a shift in issuances of materials and supplies to support the on-going exploration and development activities. These issuances are presented in the balance sheet as deferred mine exploration and development costs and will be subsequently transferred to mine and mining properties upon start of operation and then expense by way of depletion charges.
- Depreciation, depletion and amortization decreased to ₱350.4 million from ₱352.3 million in 2011 and ₱295.4 million in 2010. Significant acquisition was made during the last quarter of the year only in preparation for the planned mill plant expansion.
- Salaries and employment benefits increased to ₱114.4 million (2011 - ₱99.2 million; 2010 - ₱94.7 million) due to salary review and upgrade implemented effective July 2012.
- Increase in utilities and other expenses were due to inflationary increase in the cost of materials and services. Marketing expense, contracted services and repairs and maintenance, on the other hand, decline in line with the decline in production during the year.

### General and administrative expenses

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

### Other income and expenses

Other income included net foreign exchange gains amounting to ₱31.5 million principally arising from the translation of the foreign currency-denominated advances from related parties at ₱41.05:\$1 as of December 31,

2012 from ₱43.84:\$1 last year. In 2011, the Company also wrote off ₱73.0 million input VAT incurred in 2009 and ₱37.1 million of deferred exploration and mine development costs from veins considered as mined out.

### Financial position

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

Receivables which included transaction from uncollected sales of metals as of December 31, 2012 increased to ₱617.7 million from ₱407.4 million in 2011. The material increase was due to advance payments to suppliers amounting to ₱242.3 million in 2012.) for equipment to be used in expansion of mine and mill operations. In 2011, advances to suppliers amounted to ₱76.2 million.

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

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

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

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

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

Other assets increased to ₱57.9 million from ₱49.9 million in December 2011 due to transfer of machineries from Teresa with a net book value of ₱21.9 million.

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

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

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

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

In compliance with PAS no. 19, Accounting for Employees Benefits, the Company's accrual at December 30, 2012 amounted to 43.9 million compared to December 31, 2011 accrual of ₱31.3 million. The December 31, 2010 accrual was ₱19.6 million.

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

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

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

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

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

With the net income of ₱56.8 million, the deficit at December 31, 2012 improved to ₱1.886 billion as compared to ₱1.967.4 million in 2011.

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

Net cash used in investing activities, comprising of additions to sale of property, plant and equipment, non-current assets and exploration expenditures, was ₱978.7 million in 2012 as compared to the net amount used in investing activities during the same period last year of ₱637.6 million.

Net cash generated from financing activities amounted to ₱674.0 million due additional subscriptions as described in stockholders' equity section. In 2011 of the same period, cash provided by financing activities amounted to ₱601.1 million.

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

### Statement of Comprehensive Income

#### Sales

The Company's sales in the first quarter ended March 31, 2014, 2013 and 2012 amounted to ₱263 million, ₱402 million and ₱445 million, respectively, a decline in sales of 35% or ₱139 million.

Information on the realized price and sales volume of gold in the comparative first quarters of 2014, 2013 and 2012 are as follows:

	2014	2013	2012	Change
Volume in ounces (oz)	<b>4,096</b>	5,733	5,612	(29%)
Realized price/oz	<b>\$1,308</b>	\$1,616	\$1,672	(19%)

Information on the realized price and sales volume of silver in the comparative first quarters of 2014, 2013 and 2012 are as follows:

	2014	2013	2012	Change
Volume in oz	<b>24,776</b>	30,311	24,465	(18%)
Realized price/oz	<b>\$21</b>	\$29	\$29	(28%)

The weighted average foreign exchange rate of US\$1.0 to PHP used in the first quarter ended March 31, 2014, 2013 and 2012 was at **₱44.70**, **₱40.71** and **₱43.14**, respectively.

An analysis of the sales variance, which comprises of volume, price and exchange rate variances, between the comparative first quarter period ended March 31, 2014 and 2013 of the Company are as follows:

Variances	Gold	Silver	Total
Volume	(₱107,675,411)	(₱6,460,040)	(₱114,135,451)
Price	(51,362,916)	(8,000,024)	(59,362,939)
Exchange rate	31,951,782	2,583,465	34,535,247
Sales	(₱127,086,545)	(₱11,876,599)	(₱138,963,144)

The sales in the comparative first quarters of 2014 and 2013 were affected by the decrease in the volume of shipped and the decline in market prices. The decrease in volume was a direct result of the temporary shutdown of the milling operations. The depreciation of the Philippine Peso (PHP) against the United States Dollars (USD) slightly lifted the negative impact of the volume and price variances on the Company's sales in the first quarter ended March 31, 2014 compared to the same period in 2013.

#### Cost of Sales

Cost of sales incurred in the first quarter ended March 31, 2014, 2013 and 2012 amounted to ₱217 million, ₱284 million and ₱287 million, respectively. A breakdown of the main components of cost of sales in the comparative first quarters is as follows:

- Cost of materials and supplies dropped by ₱54 million or 58% as a result of the temporary shutdown of the milling operations. The comparison of the 2013 and 2012 figures revealed little movement due to the operations during those periods were relatively normal.
- Depreciation, depletion and amortization slipped by ₱40 million or 35% due mainly on lower depletion expenses. Depletion is calculated per ton of ore extracted, processed and sold during the period. Since the company processed, and eventually sold, relatively lower tons in the first quarter of 2014 compared to 2013, depletion charges went down. Depreciation, depletion and amortization in the first quarter of 2013 and 2012 increased from quarter-on-quarter due to new heavy mobile equipment and depreciable assets.
- Personnel cost increased in the first quarter of 2014 compared to 2013 due to additional direct labor hired. There was minimal movement in the personnel costs in the first quarters of 2014 and 2013.
- Rent rose by ₱10 million mainly on additional loaders and dump trucks rented out by the Company in the first quarter of 2014 compared to 2013. There was a drop in rent from the first quarter of 2012 compared to the same period in 2013 due to shifting the use of heavy equipment from operations to exploration and development. This caused the charging of the rent to be capitalized rather than expensed.
- There was an increase in the mining services provided for by suppliers. Additional outsourced manpower were engaged in the first quarter of 2013 compared to the same period of 2012.

#### *General and Administrative Expense*

General and administrative expenses incurred in the first quarter ended March 31, 2014, 2013 and 2012 amounted to ₱136 million, ₱145 million and ₱117 million, respectively. A breakdown of the main components of general and administrative expenses in the comparative first quarters is as follows:

- Depreciation dropped by 67% due to old assets and idle assets being fully depreciated by the first quarter of 2014 compared to the same period in 2013. The increase in depreciation in 2013 was because of a new fleet of transportation vehicles.
- Personnel cost increased quarter-on-quarter. The rise in the first quarter of 2014 was attributable to appointment and assignment of key officers as management was restructured in the latter part of 2013. On the other hand, the jump in personnel cost in 2013 compared to 2012 was attributable to the new salary scheme that started becoming effective in the third quarter of 2012.
- Contract services under mainly pertain to equipment services and security among others, decreased in the first quarter of 2014 compared to 2013 as the Company began streamlining its operations and cutting costs. On the other hand, contract services in the first quarter of 2013 compared to the first quarter of 2012 increased due to one-off expenses related to rehabilitation of the site and neighboring areas due to the effects of the typhoon.
- Excise taxes, surface rights and royalties dropped as the sales and corresponding cost bases decreased in the first quarter of 2014 as compared to the first quarter of 2013. There was not much movement in these costs in the first quarter of 2013 and 2012 as change in the sales and costs moved relatively trivial.

#### *Other Income (Expense)*

Other income and (expense) in the first quarter of 2014, 2013 and 2012 amounted to (₱18 million), (₱2 million) and ₱9 million, respectively. The breakdown of the main components of other income (expense) is as follows:

- Net foreign exchange loss in the first quarter of 2014, while net foreign exchange gains in the first quarter of 2013 and 2012 were mainly due to the fluctuations in the average and closing rates during those periods. The Company was in a net foreign currency-denominated financial liability position in the three quarters.

- The Company's had outstanding bank loans in the first quarter of 2014, but none in the first quarter of 2013 and 2012.
- The Company sold off old machinery and equipment at a loss in the first quarter of 2013. There were no similar sale made in the first quarter of 2014 and 2012

### Statement of Financial Position

#### *Current Assets*

Total current assets increased by ₱88 million or 10% from ₱879 million as of December 31, 2013 to ₱967 million as of March 31, 2014 primarily due to the increase in inventory of ₱90 million, specifically the ore stockpile inventory. Ore extraction continued even during the temporary shutdown of the milling operations, which resulted to an increased in stockpiled ore inventory.

#### *Noncurrent Assets*

Total noncurrent assets slightly grew by ₱12 million or less than 1% from ₱3,980 million as of December 31, 2013 to ₱3,992 million as of March 31, 2014 primarily due to the following:

- Property, plant and equipment dropped by ₱61 million, and mine and mining properties shed ₱68 million on depreciation and depletion charges, respectively.
- Deferred mine exploration and development costs climbed by ₱142 million in the quarter ending March 31, 2014 as a result of continuous exploration of new areas of interest, and development of existing areas showing economic feasibility.

#### *Current Liabilities*

Current liabilities rose by 9% or ₱209 million from the December 31, 2013 balance of ₱2,430 million to the March 31, 2014 balance of ₱2,639 million. The significant changes in the current liabilities category are detailed below.

- Accounts payable and accrued liabilities fell by ₱93 million as of March 31, 2014 compared to the December 31, 2013 balance due to settlement of long outstanding payables using funds received from a related party intended for working capital purposes.
- Due to related parties added to ₱303 million in the first quarter ended March 31, 2014 from ₱484 million as of December 31, 2012. The increase pertains mainly from the funding provided by one of the Company's related parties for working capital purposes.

#### *Noncurrent Liabilities*

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

#### *Equity*

The decrease in total equity of ₱109 million as of March 31, 2014 compared to the total equity as of December 31, 2013 pertains to the net loss for the first quarter of 2014.

### **Key Performance and Financial Soundness Indicators**

#### Key Performance Indicators

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

### *Tons Mined and Milled*

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

The mine production attained 68,729 tons with a grade of 4.13 Au, g/t in the first quarter of 2014 compared to the 57,876 tons with a 5.04 Au, g/t of the same period in 2013.

On the other hand, the mill plant processed a total of 45,619 tons with a mill head grade of 4.18 Au, g/t and 24.84 Ag, g/t in the first quarter of 2014 compared to the 62,437 tons with a mill head grade of 3.10 Au, g/t and 19.16 Ag, g/t of the same period in 2013. Average metal recovery of gold and silver in the first quarter of 2014 was 77.4% and 74.0%, respectively, while in the same period of 2013 was 79.9% and 73.0%, respectively.

### Financial Soundness Indicators

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

Financial Ratio	Formula	March 31 2014	December 31 2013
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	0.37:1	0.36:1
Debt-to-equity	$\frac{\text{Total debts}}{\text{Total equity}}$	1.28:1	1.13:1
Asset-to-equity	$\frac{\text{Total assets}}{\text{Total equity}}$	2.28:1	2.13:1
Return on assets	$\frac{\text{Net income (loss)}}{\text{Total assets}}$	(0.02):1	(0.01):1
Return on equity	$\frac{\text{Net income (loss)}}{\text{Total equity}}$	(0.05):1	(0.01):1

### Prepayments and Other Current Assets

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

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

### Property Plant and Equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Deferred Exploration and Mine Development Costs

##### *Deferred Exploration Costs*

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

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

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

##### *Mine Development Costs*

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

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

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

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

#### Mine and Mining Properties

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

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

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

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

#### Intangible Assets

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

#### Impairment of Nonfinancial Assets

##### *Property, Plant and Equipment and Other Noncurrent Assets*

The Company assesses at each reporting date whether there is an indication that property, plant and equipment and other noncurrent assets may be impaired when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If any such indication exists and if the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amounts. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of

those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior periods. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### *Deferred Exploration and Mine Development Costs*

An impairment review is performed when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the reporting period in which this is determined. Deferred exploration and mine development costs are carried forward provided that at least one of the following indicators is met:

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

#### *Mine and Mining Properties*

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

#### Retirement Benefits

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

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

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Re-measurements of net defined benefit liability or asset

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

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

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

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

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

#### Provisions

##### *General*

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the

liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance expense in the statement of comprehensive income.

#### *Provision for Mine Rehabilitation and Decommissioning*

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

#### Related Party Relationships

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

#### Foreign Currency Translation

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

#### Equity

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

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

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

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

#### Earnings (Loss) Per Share

##### *Basic*

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

##### *Diluted*

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

#### Revenue Recognition

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

##### *Sale of Gold and Silver*

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

#### Costs and expenses

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

#### Leases

##### *Determination of Whether an Arrangement Contains a Lease*

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

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

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

### Operating Lease

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

### Income Taxes

#### Deferred Income Tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences and carryforward benefits of unused net operating loss carryover (NOLCO) and excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and unused NOLCO and excess of MCIT over RCIT can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that the future taxable income will allow the deferred tax asset to be recovered.

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

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

### Segment Reporting

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

### Contingencies

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

### Events after the Reporting Period

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

## MARKET PRICE AND DIVIDENDS

### (1) Market Information

(a) The Corporation's common equity is traded at the Philippine Stock Exchange.

#### High and Low Market Prices of Shares

	A Shares (declassified in September 2013)	A Shares (declassified in September 2013)	B Shares (declassified in September 2013)	B Shares (declassified in September 2013)
	High	Low	High	Low
<b>2012</b> Jan – Mar	5.84	5.30	6.02	5.30
Apr – Jun	5.28	5.14	5.30	5.04
Jul – Sep	4.85	4.81	4.90	4.77
Oct – Dec	4.57	4.54	No trans	No trans
<b>2013</b> Jan - Mar	4.47	4.40	4.48	4.48
Apr - Jun	3.69	3.69	3.82	3.74
Jul- Sep	3.03	3.01	3.06	3.05
Oct - Dec	2.04	1.91	Declassified	Declassified
<b>2014</b> Jan - Mar	3.10	2.78	Declassified	Declassified
April	3.12	3.00	Declassified	Declassified
May 22	3.03	3.00		

### (2) Holders

The authorized capital stock of the Corporation is Two Billion Eight Hundred Million (2,800,000,000) Shares at P1.00 par value. The Corporation has a total of 2,802 stockholders as of 30 April 2014.

As of 30 April 2014, the top twenty (20) stockholders of Apex are as follows:

	Name of Stockholder	Total Number of Shares	Percentage of Ownership
(1)	Monte Oro Resources & Energy Inc.	869,308,632	46.52%
(2)	Mindanao Gold Limited	645,100,029	34.52%
(3)	PCD Nominee Corporation	211,568,230	11.32%
(4)	Mapula Creek Gold Corporation	117,813,231	6.3 %
(5)	PCD Nominee Corporation (Non-Filipino)	2,942,960	16%
(6)	Rexlon Industrial Corporation	1,006,525	0.08%
(7)	Cualoping Sec. Corporation	629,094	0.05%
(8)	Lucio W. Yan &/or Clara Yan	485,525	0.04%
(9)	Jalandoni, Jayme, Adams & Co.	484,892	0.04%
(10)	Northwest Insurance and Surety Co., Inc.	400,000	0.03%
(11)	Ignacio Ortigas	311,665	0.02%
(12)	Ansaldo, Godinez & Co., Inc.	304,448	0.02%

(13)	Prudential Sec., Inc.	295,385	0.02%
(14)	F. Yap Sec., Inc.	281,509	0.02%
(15)	JRT Sec. Corp.	233,749	0.02%
(16)	David Go Securities	219,094	0.02%
(17)	Fernando Gonzales	202,488	0.02%
(18)	First Integrated Capital Sec. Inc. (201204)	200,000	0.02%
(19)	Golden Tower Sec. and Holdings, Inc.	200,000	0.02%
(20)	Lippo Sec. Inc. A/C 11201076	200,000	0.02%
(21)	Solar Sec. Inc.	200,000	0.02%

### **Dividends**

No dividends were declared or issued in 2013 and 2012.

### **Recent Sale of Unregistered Securities**

The Corporation did not sell unregistered or exempt securities. Neither did it issue securities constituting an exempt transaction for the last three years.

### **Corporate Governance**

The Corporation adopted a corporate governance performance evaluation and self-rating system as approved by our Board of Directors, by which our Acting Corporate Governance Compliance Officer, in coordination with other officers of the Corporation, measures and determines the level of compliance by the Corporation, its directors, officers and employees with the provisions of the Manual and other laws, rules and regulations regarding the corporate governance.

The Corporation has faithfully complied with the requirements of the Manual of Corporate Governance. As of this report, there are no substantial deviations from the Corporation's Manual of Corporate Governance that involved any person/s and sanctions imposed on said individuals. The Company has amended its Manual of Corporate Governance last March 25, 2011.

A COPY OF THE COMPANY'S 2013 ANNUAL REPORT ON SEC FORM 17-A AS FILED WITH THE SEC WILL BE PROVIDED FREE OF CHARGE UPON WRITTEN REQUEST ADDRESSED TO:

**MS. ROSANNA A. PARICA**  
Corporate Secretary  
Apex Mining Co., Inc.  
17/F Prestige Tower Condominium,  
F. Ortigas Jr. Road, Ortigas Centre, Pasig City

Republic of the Philippines)

QUEZON CITY) S.S.

**CERTIFICATION OF INDEPENDENT DIRECTOR**


I, DENNIS A. UY, Filipino, of legal age, with office address at 26F Fort Legend Tower, 3<sup>rd</sup> Avenue cor. 31<sup>st</sup> St., Fort Bonifacio Global City, 1634 Taguig City after having been duly sworn in accordance with law do hereby declare that:

1. I am an independent director of APEX MINING CO., INC.
2. I am affiliated with the following companies or organizations as follows:

Company	Position	Period of Service
Udenna Corporation	Chairman/President and CEO	2002 to present
Phoenix Petroleum Philippines, Inc.	Founder, President and CEO	2002 to present
Global Synergy Trade and Distribution Corp.	President	2006 to present
Honorary Consulate of the Republic of Kazakhstan to the Phils.	Honorary Consul	Nov. 25, 2011 to present


3. I possess all the qualifications and none of the disqualifications to serve as Independent Director of Apex Mining Co., Inc., as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Guidelines.
4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.
5. I shall inform the corporate secretary of Apex Mining Co., Inc. of any changes in the abovementioned information within five (5) days from its occurrence.

Done this 23rd day of May, 2014 at Pasig City.

  
DENNIS A. UY  
Affiant

SUBSCRIBED AND SWORN to before me by QUEZON CITY MAY 23 2014  
of \_\_\_\_\_, personally known to me and to me known to be the same person who  
executed the foregoing document and who has exhibited to me his BIR Tax Identification No. 172-  
020-135 issued at Manila, Philippines..

Doc. No. 197;  
Page No. 40;  
Book No. 141;  
Series of 2014.

  
ATTY. TOMAS F. DULAY JR.  
NOTARY PUBLIC  
Until December 31, 2014  
ADM. MATTER #. NP-061-2014-2015  
PTR# 904238301-02 /01-07-14 Q.C.  
IB# 915073 CY-2014 Q.C.  
Roll No. 16583/03/13-61  
TIN# 410225916  
Ad-1, 92 Legaspi St. Proj. 4 Q.C.  
MCL# EXEMPTED # 000838

Republic of the Philippines)  
QUEZON CITY) S.S.

## CERTIFICATION

I, **ROSANNA A. PARICA**, Filipino, of legal age, with office address at U1704 17F Prestige Tower Cond., F. Ortigas Jr. Road, Ortigas Center, Pasig City, after having been duly sworn in accordance with law do hereby declare that:

1. I am the Corporate Secretary of **APEX MINING CO., INC.** (the "Company"), a corporation organized and existing under Philippine law, with principal office address at U1704 17F Prestige Tower Cond., F. Ortigas Jr. Road, Ortigas Center, Pasig City;
2. The following incumbent directors of the Company are not connected with any government agency or instrumentality:
  - 2.1. Walter W. Brown
  - 2.2. Ramon Y. Sy
  - 2.3. Noel V. Tanglao
  - 2.4. Dennis A. Uy
  - 2.5. Elmer Pedregosa
3. Mr. Rafael del Pilar is a Director of Philippine National Oil Company, a government-owned corporation under Presidential Decree No. 334.

**ROSANNA A. PARICA**  
Corporate Secretary

23 MAY 2014

SUBSCRIBED AND SWORN to before me by \_\_\_\_\_ this \_\_\_\_\_  
of \_\_\_\_\_, personally known to me and to me known to be the same person who  
executed the foregoing document and who has exhibited to me her Passport with No. EB6246423  
issued on September 3, 2012 at Manila, Philippines..

Doc. No. 269;  
Page No. 54  
Book No. 141  
Series of 2014.

*Tomas F. Delaney*  
ATTY. TOMAS F. DELANEY JR.  
NOTARY PUBLIC  
Until December 31, 2014  
ADM. MATTER B.I. ME 601-2014-2015  
PTR 800-292-7272 #1 OF 14 Q.C.  
P.O. Box 1000, Fairport, N.Y. 11731  
Fairport, New York 11731-0100  
Toll-free 800-292-7272  
ACC. 2011-2015, SL. Fee, 4 Q.C.  
MOLE EXEMPTED & JUDICIAL